

# STATE BUDGET

## 2023-24



Government of  
South Australia

# STATE BUDGET

## 2023-24

### **BUDGET PAPER 1: BUDGET OVERVIEW**

A summary publication capturing all highlights from the 2023-24 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.

### **ACKNOWLEDGEMENT OF COUNTRY**

We acknowledge Aboriginal people as the state's first peoples, nations and Traditional Owners of South Australian land and waters. We recognise that their unique cultural heritage, customs, spiritual beliefs and relationship with the land are of ongoing importance today, and we pay our respects to Elders past, present and emerging leaders of the future.

### **ACKNOWLEDGEMENTS**

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**Budget Paper 3**

**2023-24**  
***Budget Statement***

**Presented by**  
**the Honourable Stephen Mullighan MP**  
**Treasurer of South Australia**  
**on the occasion of the Budget for 2023-24**

Enquiries regarding budget papers  
should be directed to:

The Under Treasurer  
Department of Treasury and Finance  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000

Website: [www.treasury.sa.gov.au](http://www.treasury.sa.gov.au)  
[www.statebudget.sa.gov.au](http://www.statebudget.sa.gov.au)

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# ***Chapter 1: Budget context and overview***

## **Budget context**

The 2023-24 Budget addresses key challenges facing South Australians arising from historically high levels of inflation and rising mortgage and housing costs, while investing in initiatives aimed at ensuring South Australia remains an attractive place to live, work and do business. It delivers a substantial increase in the level of investment in health services, supports the plan for A Better Housing Future, including the provision of relief for first home buyers, provides welcome cost of living relief and invests in a package of measures to improve child protection outcomes.

In total, the 2023-24 Budget provides \$4.3 billion over the period 2023-24 to 2026-27, in addition to \$713 million in 2022-23, for new expenditure initiatives and revenue measures that support the government's key priorities and deliver enhanced services to the South Australian community.

During 2022-23, the government has provided a substantial package of support and relief measures in response to the River Murray flood event. The resources set out in the 2023-24 Budget extend the support announced in the 2022-23 Mid-Year Budget Review (MYBR) and fully fund the \$194 million relief and support package announced by the government. Expenditure on flood response measures will continue into 2023-24.

A net operating balance deficit is now expected in 2022-23 as a result of the need to invest additional funding in health (reflecting greater than expected activity), child protection services, the River Murray flood response, as well as lower GST grant revenue compared to estimates at the time of the 2022-23 MYBR. Consistent with the commitment to implementing its decisions in a fiscally sustainable manner, the government has budgeted to return to a net operating surplus in 2023-24, with surpluses increasing over the forward estimates.

No new taxes or tax increases are included in the 2023-24 Budget.

Since the 2022-23 MYBR, GST grant revenue has been revised down by \$95 million in 2022-23 but is expected to increase by \$405 million over the period 2023-24 to 2025-26, largely reflecting an increase in the national GST pool (which is supported by the extension of the Australian Taxation Office's GST compliance program) and an increase in South Australia's grant share reflecting the outcome of the Commonwealth Grants Commission 2023 Update. State taxation revenues have been revised up by \$134 million in 2022-23 since the 2022-23 MYBR mainly reflecting higher payroll tax revenue due to ongoing strength in labour market conditions and strong gambling tax collections. Taxation revenues have been revised up by a further \$835 million over the period 2023-24 to 2025-26, mainly due to higher forecast collections from land tax, payroll tax and gambling taxes.

The four-year non-financial public sector (NFPS) investing program totals \$21.0 billion over the period 2023-24 to 2026-27. This compares to the 2022-23 MYBR, which had a four-year program totalling \$19.0 billion over the period 2022-23 to 2025-26.

As a result of the additional resources provided in the 2023-24 Budget for key services and the continued investment in infrastructure, NFPS net debt is projected to increase over the forward estimates, rising to \$37.6 billion in 2026-27.

## **Budget overview**

There is expected to be a \$249 million general government net operating balance deficit in 2022-23, a \$455 million turnaround compared to the projected surplus at the time of the 2022-23 MYBR, before improving across the forward estimates to a \$639 million surplus in 2026-27.

## Support for health

The 2023-24 Budget provides a substantial increase in the level of health resources since the 2022-23 MYBR. New measures include:

- \$1.8 billion over five years to support SA Health in meeting activity demand pressures and to ensure our health system is appropriately resourced to deliver the necessary services to South Australians moving forward
- \$199.8 million of operating and investing initiatives over five years to continue with and expand a range of programs that will seek to assist in the reduction of ramping
- \$100.8 million over two years to ensure that the new Mount Barker Hospital will deliver on the announced scope for the project. The new Mount Barker Hospital will have a revised total project cost of \$320.8 million
- \$56.4 million over five years to implement revised car parking arrangements for hospital worker permit car parking and provide access to free public transport for SA Health staff located at metropolitan hospitals and non-government employees who work for third party contractors at the metropolitan hospital sites
- \$31.1 million over three years from 2022-23 for the extension and deployment of the electronic medical record program across all regional Local Health Network hospitals.

## Housing

The government recognises the significant housing challenges facing many in the community and has funded a range of initiatives under the plan for A Better Housing Future that improve access to social, affordable and rental housing as well as providing assistance to first homebuyers. These initiatives include:

- \$325.0 million over four years for a package of measures that will deliver over 1 200 more social and affordable houses, including as part of the National Housing Accord, greater protections for those who are renting, more affordable rental opportunities and more support for people to buy a home. It also provides more new houses in the regions and greater support for regional communities to pursue housing projects that meet their needs
- \$147.3 million over four years to:
  - abolish stamp duty for eligible first home buyers who enter into a contract to purchase a new home or vacant land to build a new home on or after 15 June 2023. No stamp duty will be payable on the purchase of an eligible new home valued up to \$650 000, with relief progressively phasing out for properties valued up to \$700 000. For vacant land, no stamp duty will be payable on land purchased to build a new home valued up to \$400 000, with relief progressively phasing out to land valued up to \$450 000
  - increase the existing First Home Owner Grant property value cap from \$575 000 to \$650 000 for eligible contracts entered into on or after 15 June 2023.

The budget also delivers on the government's election commitment for HomeStart to introduce a low deposit home loan scheme for first home buyers building a new home, originally announced in the 2022-23 Budget. This will allow first home buyers to borrow to construct their first home with just a 2 per cent deposit, improving on the initial election commitment of 3 per cent.



## Cost of Living

The 2023-24 Budget provides funding for measures to support South Australians facing cost of living pressures, including:

- \$254.4 million over two years to support the energy bill relief plan, delivered in conjunction with the Commonwealth Government. Eligible South Australian households, including existing energy concession recipients plus Family Tax Benefit recipients, will receive a rebate of up to \$500 on 2023-24 electricity bills, with eligible small businesses receiving a rebate of up to \$650
- \$57.2 million over four years to support non-government organisations in meeting the costs associated with wage and inflation pressures in 2023
- \$44.0 million over five years to index concessions by 8.64 per cent in 2023-24 in line with Adelaide Consumer Price Index growth in the year to the December quarter 2022
- \$12.0 million in 2023-24 to extend the \$100 subsidy to government school parents, caregivers and independent students for the materials and services charge for the 2024 school year
- \$6.5 million over four years from 2023-24 to expand the school breakfast program in government schools
- \$5.0 million over four years to support food relief organisations and for the delivery of financial counselling services to assist those in need.

## Economy

The 2023-24 Budget provides for a range of initiatives that will support the South Australian economy, including:

- \$28.0 million over four years to address current and emerging skill shortages and support quality training through a targeted increase in the training subsidy for high quality not-for-profit and industry-based training providers aligned with demand and economic priorities
- \$25.0 million over two years to undertake significant emergency fruit fly response activities following further outbreaks across the Riverland
- \$22.0 million in 2026-27 for the Economic Recovery Fund to further support initiatives that build advanced capabilities, increased productivity, innovative technologies and long-term employment opportunities in South Australia
- \$20.0 million over four years for the Research and Innovation Fund to support research excellence in South Australia
- \$10.2 million over four years to establish a Regional Skills Development Fund that will ensure TAFE SA can offer more courses in rural and regional South Australia
- \$9.0 million over three years for equipment and capital grants to support TAFE SA, not-for-profit and industry-based providers to invest in contemporary infrastructure, equipment and technology to deliver higher quality, industry relevant training aligned with areas of skill demand
- \$5.5 million over four years to support the implementation and operations of the Australian nuclear-powered submarine construction program at Osborne
- \$4.2 million over four years to continue the Group Training Organisation Boost program to support mature age apprentices to make a successful transition to the skilled workforce, including in areas where there are skills shortages
- \$2.4 million over four years to increase South Australia's international presence and representation in overseas markets including expanding the state's network of overseas offices to include an office in Frankfurt, Germany and Washington, D.C., United States of America, along with a Special Envoy to Singapore and South-East Asia.

The government will also undertake further studies and activities (including environmental studies, final engineering and costings) for the Northern Water project to facilitate a final investment decision. The project is intended to deliver a new and sustainable water supply for the Far North and Upper Spencer Gulf areas of South Australia to support regional communities and industries.

The budget includes provisions that are not separately disclosed in the budget papers for initiatives that are still under negotiation or subject to further consideration, including for:

- a new National Skills Agreement pending the outcome of negotiations between the Commonwealth Government and states and territories
- the delivery of preschool to 3-year-old children pending the final recommendations of the Royal Commission into Early Childhood Education and Care.

## Other measures

Substantial resources are provided for child protection including \$216.6 million over five years for priority child protection and early intervention measures. The measures focus on providing early and appropriate support for children, young people and their families, supporting effective care outcomes through intensive family support programs, supporting family-based carers, reuniting children and young people in care with their families when it is safe to do so and providing additional resources to support the child protection system.

The budget also includes \$98.0 million for a comprehensive road safety package including additional road safety infrastructure and maintenance, additional road safety cameras and reforms to the motorcycle licensing scheme.

Further detail on all measures included in the 2023-24 Budget can be found in Budget Paper 5: Budget Measures Statement.

## Fiscal targets

The government's fiscal targets are set out in table 1.1. The targets remain unchanged from previous years.

**Table 1.1: Fiscal targets**

<b>Target 1</b>	Achieve a net operating surplus in the general government sector every year.
<b>Target 2</b>	Limit general government operating expenditure growth to trend growth in household income.
<b>Target 3</b>	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 2022-23, a return to surplus across the forward estimates is budgeted from 2023-24.

Underpinning the three main fiscal targets, the government continues 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 1.2 shows the government's fiscal position compared to the fiscal targets over the forward estimates.

**Table 1.2: Fiscal targets outcomes — 2023-24 Budget estimates**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Target 1: net operating balance surplus					
Target	Achieve a net operating surplus every year				
2023–24 Budget estimate (\$m)	-249	250	512	552	639
Target 2: operating expense growth					
Target (%)	Average growth limited to trend growth in household income (4% per annum)				
2023-24 Budget estimate (%)					
– Annual (%)	1.5%	5.8%	1.1%	3.3%	3.9%
– Average (%)	Average growth 2022-23 to 2026-27 of 3.5% per annum				
Target 3: achieve a level of net debt that is sustainable over the forward estimates					
	72.4%	76.3%	82.8%	90.7%	97.8%
	(GGS net debt to revenue ratio)				
	100.5%	104.4%	110.6%	117.4%	121.6%
	(NFPS net debt to revenue ratio)				

Target 1 reflects the commitment to funding operating expenditures from operating revenues. This target was not achievable in 2022-23 largely due to demand pressures within the health system following the relaxation of COVID-19 restrictions, resourcing requirements for child protection services and for the River Murray flood response, as well as lower GST grant revenue compared to estimates at the time of the 2022-23 MYBR. The budget projects a return to a surplus from 2023-24.

Target 2 limits the growth in operating expenditure in order to maintain a pattern of sustainable growth having regard to trend household income growth, irrespective of the annual growth in revenues. The average operating expenditure growth over four years is 3.5 per cent. This reflects a constrained approach to expenditure recognising inflation is estimated to grow at 7% per cent in 2022-23 and average around 3 per cent over the forward estimates.

Target 3 requires the maintenance of sustainable debt levels that allow for borrowings for investment in key infrastructure without placing undue burden on future generations.

The projected level of NFPS net debt is higher in all years compared to the estimates published in the 2022-23 MYBR rising to \$37.6 billion in 2026-27. Although the level of net debt and the cost of that debt is increasing, key projects that are impacting net debt are expected to have a significant economic or social benefit to the state and are being delivered in a manner that enables the government to continue to deliver net operating surpluses.

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

## Summary of key fiscal indicators

Table 1.3 sets out the expected budget outcomes for 2022-23 and across the forward estimates for a number of key fiscal indicators.

**Table 1.3: Summary of key budget indicators**

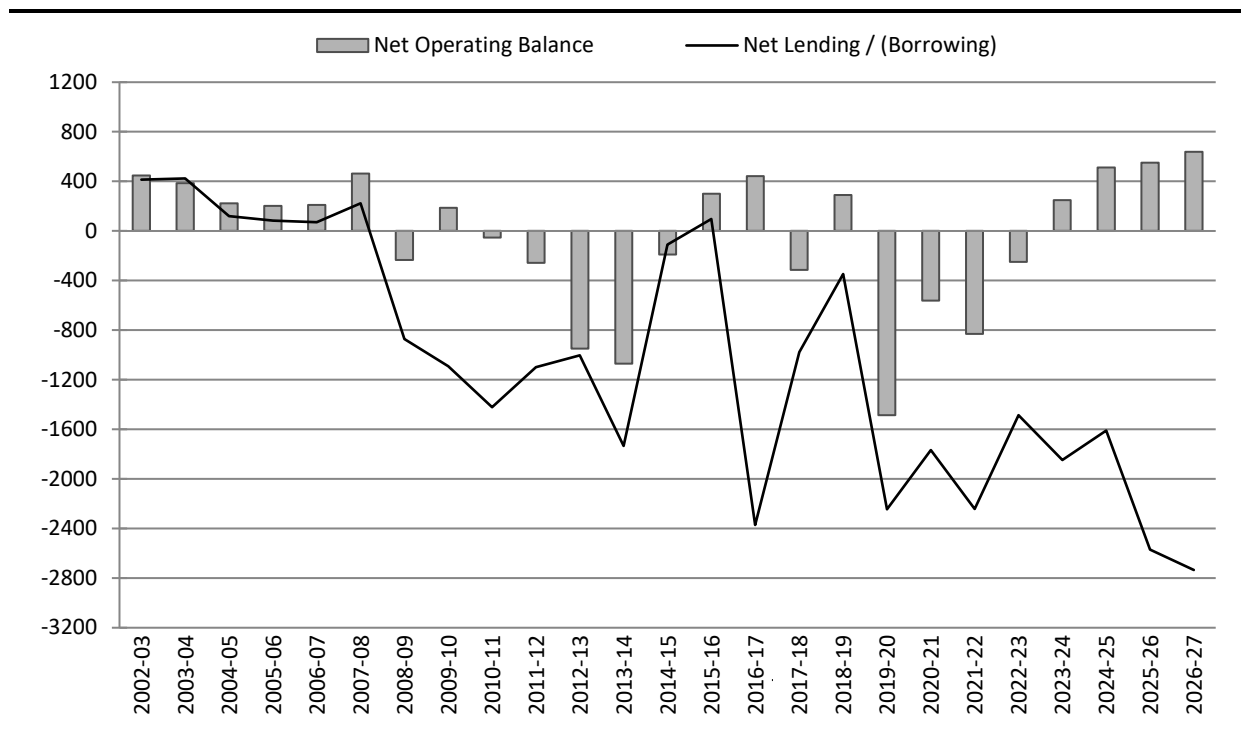
	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Operating statement</b>					
Net operating balance — GG sector (\$m)	-249	250	512	552	639
Net lending — GG sector (\$m)	-1 485	-1 846	-1 611	-2 569	-2 734
<b>Operating revenue and expenses</b>					
Revenue nominal growth — GG sector (%)	4.0	7.9	2.0	3.3	4.2
Expenses nominal growth — GG sector (%)	1.5	5.8	1.1	3.3	3.9
<b>Balance sheet</b>					
Net debt — GG sector (\$m)	17 859	20 293	22 488	25 433	28 579
Net debt to revenue — GG sector (%)	72.4	76.3	82.8	90.7	97.8
Net debt — NFP sector (\$m)	26 043	29 074	31 537	34 563	37 563
Net debt to revenue — NFP sector (%)	100.5	104.4	110.6	117.4	121.6
Unfunded superannuation (\$m)	7 052	6 598	6 114	5 597	5 046

## Operating statement

### Net operating balance and net lending

A net operating deficit is forecast in 2022-23 before surpluses are forecast from 2023-24.

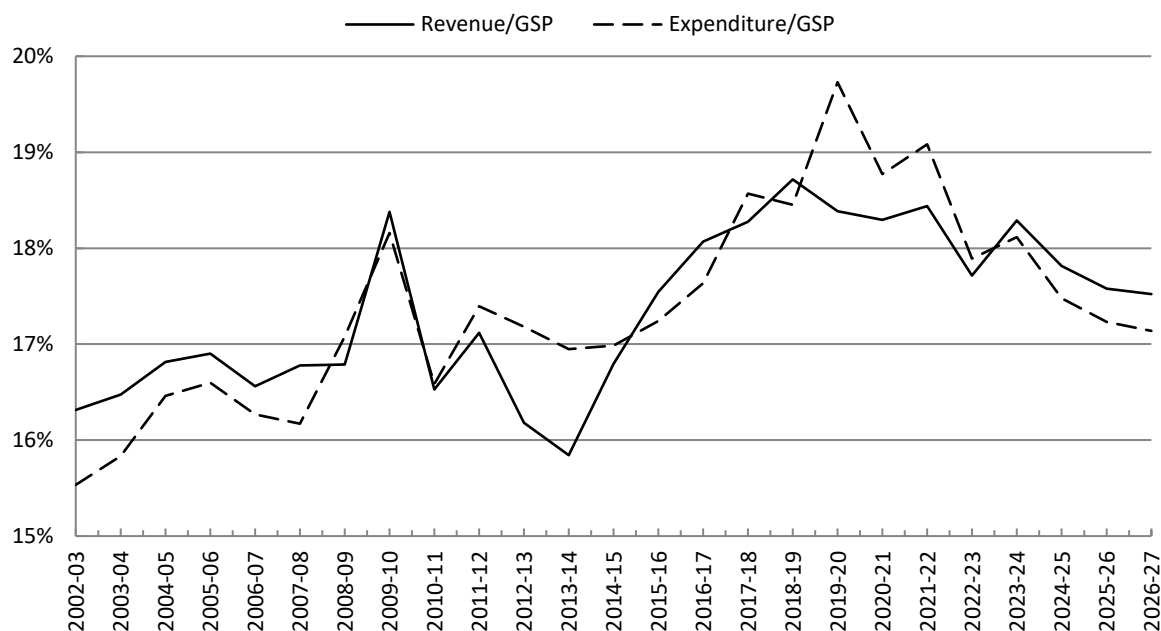
Figure 1.1 illustrates the general government sector net operating balance and net lending position from 2002-03 to 2026-27.

**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 2026-27.

**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 17.7 per cent over the period 2022-23 to 2026-27. This compares to an average of 17.3 per cent over the period 2002-03 to 2021-22.

Expenditure as a percentage of GSP is forecast to drop to 17.1 per cent by 2026-27 from a high of 19.7 per cent in 2019-20.

Table 1.4 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 1.4: General government sector operating statement — 2022-23 to 2026-27 (\$million)**

	<b>2022-23</b>					
	<b>2022-23 Budget</b>	<b>Estimated Result</b>	<b>2023-24 Budget</b>	<b>2024-25 Estimate</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>
<b>Revenue</b>						
Taxation revenue	5 286	5 612	5 827	6 011	6 232	6 488
Grants						
GST revenue grants	7 378	7 702	8 788	9 023	9 161	9 052
Other grants	6 228	6 250	6 616	6 688	7 021	7 874
Sales of goods and services	2 924	2 997	3 074	3 166	3 289	3 391
Interest income	144	326	403	338	357	367
Dividend and income tax equivalent income	242	153	248	237	248	266
Other	1 585	1 619	1 647	1 684	1 747	1 789
<b>Total revenue</b>	<b>23 787</b>	<b>24 658</b>	<b>26 603</b>	<b>27 147</b>	<b>28 056</b>	<b>29 226</b>
<b>less Expenses</b>						
Employee expenses	9 384	9 738	9 870	10 128	10 491	10 760
Superannuation expenses						
Superannuation interest cost	210	269	265	247	228	208
Other superannuation expenses	1 015	1 054	1 121	1 146	1 182	1 213
Depreciation and amortisation	1 475	1 507	1 564	1 644	1 718	1 815
Interest expenses	780	988	1 254	1 335	1 489	1 684
Other property expenses	—	—	—	—	—	—
Other operating expenses	7 623	7 992	8 309	8 395	8 659	9 054
Grants	3 067	3 360	3 971	3 740	3 736	3 854
<b>Total expenses</b>	<b>23 554</b>	<b>24 907</b>	<b>26 353</b>	<b>26 635</b>	<b>27 504</b>	<b>28 587</b>
<b>equals Net operating balance</b>	<b>233</b>	<b>-249</b>	<b>250</b>	<b>512</b>	<b>552</b>	<b>639</b>
<b>Net Operating Result</b>	<b>233</b>	<b>-249</b>	<b>250</b>	<b>512</b>	<b>552</b>	<b>639</b>
<b>plus Other economic flows</b>	<b>402</b>	<b>-29</b>	<b>329</b>	<b>282</b>	<b>277</b>	<b>309</b>
<b>equals Comprehensive result — total change in net worth</b>	<b>635</b>	<b>-278</b>	<b>579</b>	<b>794</b>	<b>828</b>	<b>948</b>
<b>Net operating balance</b>	<b>233</b>	<b>-249</b>	<b>250</b>	<b>512</b>	<b>552</b>	<b>639</b>
<b>less Net acquisition of non-financial assets</b>						
Purchases of non-financial assets	3 502	2 965	3 788	3 813	4 879	5 229
less Sales of non-financial assets	144	225	128	46	40	41
less Depreciation	1 475	1 507	1 564	1 644	1 718	1 815
plus Change in inventories	—	3	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—
<b>equals Total net acquisition of non-financial assets</b>	<b>1 882</b>	<b>1 236</b>	<b>2 096</b>	<b>2 123</b>	<b>3 121</b>	<b>3 373</b>
<b>equals Net lending/borrowing</b>	<b>-1 650</b>	<b>-1 485</b>	<b>-1 846</b>	<b>-1 611</b>	<b>-2 569</b>	<b>-2 734</b>
Note: Totals may not add due to rounding.						

The attachment to this chapter summarises the variations since the 2022-23 Budget to the general government net operating balance (table 1.5) and net lending estimates (table 1.6).

The attachment also summarises the variations to revenue, expenses and capital investment expenditure since the 2022-23 MYBR (table 1.7), together with commentary on those variations.

## Attachment: Variations since the 2022-23 Budget

**Table 1.5: General government sector net operating balance — policy and parameter variations since the 2022-23 Budget (\$million)**

	2022-23	2023-24	2024-25	2025-26
<b>Estimate at 2022–23 Budget</b>	<b>233</b>	<b>487</b>	<b>606</b>	<b>643</b>
<b>Parameter and other variations to 2022-23 MYBR</b>				
Revenue — taxation	192	112	109	116
Revenue — other	457	871	710	850
Operating expenses	-538	-999	-791	-900
<b>Net effect of parameter and other variations</b>	<b>111</b>	<b>-16</b>	<b>28</b>	<b>67</b>
<b>Policy measures to 2022-23 MYBR</b>				
Revenue measures — taxation	—	—	—	—
Revenue measures — other	-2	-7	-4	-3
Revenue offsets — taxation	—	—	—	—
Revenue offsets	47	10	—	—
Revenue investing offsets	25	25	25	25
Operating expenses	-208	-146	-91	-84
Operating savings	—	—	—	—
<b>Net effect of policy measures</b>	<b>-138</b>	<b>-118</b>	<b>-71</b>	<b>-61</b>
<b>Estimate at 2022-23 MYBR</b>	<b>206</b>	<b>353</b>	<b>564</b>	<b>649</b>
<b>Parameter and other variations to 2023-24 Budget</b>				
Revenue — taxation	134	317	299	312
Revenue — other	13	469	490	329
Operating expenses	60	20	-124	-155
<b>Net effect of parameter and other variations</b>	<b>207</b>	<b>806</b>	<b>665</b>	<b>485</b>
<b>Policy measures to 2023-24 Budget</b>				
Revenue measures — taxation	—	-26	-33	-34
Revenue measures — other	-10	-13	-13	-14
Revenue offsets — taxation	—	—	—	—
Revenue offsets	15	122	86	48
Revenue investing offsets	—	5	4	—
Operating expenses	-667	-1 002	-771	-593
Operating savings	—	5	10	10
<b>Net effect of policy measures</b>	<b>-662</b>	<b>-909</b>	<b>-716</b>	<b>-583</b>
<b>Estimate at 2023-24 Budget</b>	<b>-249</b>	<b>250</b>	<b>512</b>	<b>552</b>
Note: Totals may not add due to rounding.				



**Table 1.6: General government sector net lending — policy and parameter variations since the 2022-23 Budget (\$million)**

	2022-23	2023-24	2024-25	2025-26
<b>Estimate at 2022–23 Budget</b>	<b>-1 650</b>	<b>-2 087</b>	<b>-1 419</b>	<b>-1 466</b>
<b>Net effect of operating variations to 2022-23 MYBR</b>	<b>-26</b>	<b>-134</b>	<b>-43</b>	<b>6</b>
<b>Parameter variations to 2022-23 MYBR<sup>(a)</sup></b>				
Investing expenditure	716	-132	-218	-426
Asset sales	92	-15	-20	—
Depreciation	14	14	16	18
<b>Total Parameter Investing Variations</b>	<b>822</b>	<b>-134</b>	<b>-222</b>	<b>-408</b>
<b>Policy measures to the 2022-23 MYBR</b>				
Investing expenditure	-106	-49	-32	-32
Investing savings	—	—	—	—
Asset sales	—	—	—	—
<b>Net effect of policy measures to 2022-23 MYBR</b>	<b>-106</b>	<b>-49</b>	<b>-32</b>	<b>-32</b>
<b>Total investing variations</b>	<b>716</b>	<b>-182</b>	<b>-255</b>	<b>-440</b>
<b>Estimate at 2022-23 MYBR</b>	<b>-960</b>	<b>-2 403</b>	<b>-1 717</b>	<b>-1 900</b>
<b>Net effect of operating variations to 2023–24 Budget</b>	<b>-455</b>	<b>-103</b>	<b>-52</b>	<b>-97</b>
<b>Parameter variations<sup>(a)</sup></b>				
Investing expenditure	-50	771	443	-216
Asset sales	-11	3	—	—
Depreciation	17	10	-1	16
<b>Total Parameter Investing Variations</b>	<b>-44</b>	<b>784</b>	<b>441</b>	<b>-200</b>
<b>Policy variations to 2023-24 Budget</b>				
Investing expenditure	-26	-124	-284	-371
Investing savings	—	—	—	—
Asset sales	—	—	—	—
<b>Net effect of policy measures to 2023-24 Budget</b>	<b>-26</b>	<b>-124</b>	<b>-284</b>	<b>-371</b>
<b>Total investing variations</b>	<b>-70</b>	<b>660</b>	<b>157</b>	<b>-571</b>
<b>Estimate at 2023–24 Budget</b>	<b>-1 485</b>	<b>-1 846</b>	<b>-1 611</b>	<b>-2 569</b>
Note: Totals may not add due to rounding.				
(a) Investing variations relate to the movements in net acquisition on non-financial assets.				

**Table 1.7: General government sector revenue, expense and capital investment expenditure variations (parameter and other) since the 2022-23 MYBR (\$million)**

	2022-23	2023-24	2024-25	2025-26
<b>Revenue — taxation</b>				
Payroll tax	50	60	67	75
Conveyances	28	54	31	48
Land tax — private	—	99	88	92
Land tax — public	-4	36	31	31
Other property tax	2	3	15	16
Insurance taxes	7	2	1	1
Gambling taxes	39	33	27	32
Motor vehicle taxes	12	29	37	16
<b>Total taxation revenue</b>	<b>134</b>	<b>317</b>	<b>299</b>	<b>312</b>
<b>Revenue — other</b>				
GST revenue grants	-95	192	237	-24
Commonwealth specific purpose and national partnership grants				
SPP grants	131	167	139	146
NP grants	30	-103	28	11
Other contributions and grants	8	61	17	17
Sales of goods and services	17	97	98	158
Dividends and income tax equivalents	-65	2	-26	-8
Interest income	13	13	-29	-32
Royalties	-7	25	26	40
Other revenue	-20	14	—	21
<b>Total other revenue</b>	<b>13</b>	<b>469</b>	<b>490</b>	<b>329</b>
<b>Operating expenses</b>				
Nominal superannuation interest expense	—	-6	-6	-5
Interest expense	37	-2	35	25
Depreciation	-17	-10	1	-16
Carryovers (net of provision for slippage)	—	54	-44	-6
Other variations	41	-16	-111	-152
<b>Total expenses</b>	<b>60</b>	<b>20</b>	<b>-124</b>	<b>-155</b>
<b>Investing variations</b>				
Depreciation	17	10	-1	16
Carryovers (net of provision for slippage)	3	256	-65	-55
Other variations	-64	518	507	-161
<b>Total Investing variations</b>	<b>-44</b>	<b>784</b>	<b>441</b>	<b>-200</b>
Note: Totals may not add due to rounding.				

## Variations in revenue estimates (parameter and other)

Since the 2022-23 MYBR, taxation revenues have been revised up in all years mainly due to higher collections from land tax, payroll tax, conveyance duty and gambling taxes.

Payroll tax collections have been revised up in all years reflecting higher than expected collections in 2022-23 supported by strong labour market conditions, which flows through to future years as a base effect. Future years have also been revised to reflect updated assumptions about growth in taxable payrolls, particularly stronger expected wages growth.

Conveyance duty revenue has been revised up in all years. The upward revision in 2022-23 reflects stronger than expected growth in residential and non-residential average prices, partially offset by lower than expected residential transactions. Upward revisions in future years largely reflect the flow through impact of stronger average prices in 2022-23, partially offset by lower residential transactions as they gradually return to long term trend levels by the end of the forward estimates.

Land tax revenue is largely unchanged in 2022-23 and has been revised up from 2023-24. The upward revision in 2023-24 reflects strong growth in property site values over the 2022 calendar year as determined by the Valuer-General, which informs valuations for the 2023-24 land tax year. The upward revision to land tax revenue in 2023-24 flows through to future years as a base effect.

Other property tax revenue has been revised up in all years mainly reflecting higher estimates for the emergency services levy (ESL) to fund expected emergency services expenditure across the forward estimates.

Insurance tax revenue has been revised up in 2022-23 and is broadly unchanged in future years. The upward revision in 2022-23 mainly reflects higher than expected growth in general insurance premiums which flows through to future years as a base effect. This impact is largely offset from 2023-24 by forecast lower insurance duty revenue from Compulsory Third Party (CTP) premiums due to an expected decline in these premiums based on determinations by the CTP Regulator.

Gambling tax revenue has been revised up in all years due to stronger than expected year to date collections including from gaming machines in hotels and clubs and the betting operations tax, which flow through to future years as a base effect.

Motor vehicle tax revenue has been revised up in all years primarily reflecting higher than expected stamp duty collections on motor vehicle registrations in 2022-23 and higher forecast motor vehicle registration fee revenue from 2023-24.

South Australia's GST revenue grants have been revised down in 2022-23 and 2025-26, and up in 2023-24 and 2024-25. The downward revision in 2022-23 mainly reflects a downward revision to the national GST pool forecast in the Commonwealth Government's 2023-24 Budget. The national GST pool has been revised up from 2023-24 reflecting the extension of the Australian Taxation Office's GST compliance program and the broader outlook for consumption and dwelling investment. Combined with a higher grant share impact from the Commonwealth Grants Commission 2023 Update, this supports the upward revisions to GST revenue in 2023-24 and 2024-25. The Commonwealth Government's 2023-24 Budget also included downward revisions to South Australia's population share across all years, which partially offsets the upward revisions in 2023-24 and 2024-25 and more than offsets the positive impact of the GST pool in 2025-26.

Commonwealth Government ongoing tied grants for specific purposes were revised up in all years, primarily due to higher Commonwealth Quality Schools funding reflecting additional enrolments in the non-government school sector and an increase in funding for health due to higher activity levels.

Commonwealth Government national partnership (NP) grants have been revised down in 2023-24 and up in the other years. This is mainly due to revised construction profiles and the anticipated timing of Commonwealth Government revenue for a range of transport infrastructure projects.

Other contributions and grants have been revised up in all years. These revisions mainly reflect higher revenue due to growth in the home care packages program funded by the Commonwealth Government in all years, the University of South Australia's contribution towards the construction of the new South Australian Sports Institute at Mile End in 2023-24, and the reprofile of revenue received from 2022-23 to 2023-24 for the Sustaining Riverland Environments Program.

Sales of goods and services have been revised up in all years primarily reflecting higher gambling revenues from the Lotteries Commission as well as higher revenues from land services fees.

Dividend and income tax equivalent revenue has been revised down in all years except 2023-24, which is largely unchanged. The downward revisions primarily reflect lower distributions from the South Australian Government Finance Authority due to significant claim provisions established for damages from the River Murray flood event as well as lower distributions from SA Water due to revised forecasts for business conditions.

Interest revenue has been revised up in 2022-23 and 2023-24 due to higher interest on amounts held in South Australian School Investment Fund accounts. Downward revisions in 2024-25 and 2025-26 mainly reflect lower interest rate forecasts on government deposits.

Royalties have been revised down in 2022-23 and up in all other years. The downward revision in 2022-23 mainly reflects lower than expected petroleum production, with upward revisions from 2023-24 due to forecast higher mineral prices (particularly for copper).

Other revenue has been revised down in 2022-23 and up in 2023-24 and 2025-26. Lower revenue in 2022-23 is mainly due to lower receipts from various fines and penalties. The upward revisions in 2023-24 and 2025-26 reflect higher contributed assets revenue associated with the transition of Keith and District Healthcare to the public sector as well as higher administration fee collections by the CTP Insurance Regulator.

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

### **Operating Expenses**

The nominal superannuation interest expense has been revised up by an average of around \$4 million per annum over the period 2022-23 to 2025-26 since the 2022-23 MYBR largely due to an increase in the unfunded liability as a result of a higher CPI rate in 2022-23.

Interest expenses have decreased in 2022-23 due to lower than forecast interest rates and a lower than expected debt result in 2021-22. The benefit from reduced debt in 2021-22 diminishes over the forward estimates as overall debt increases compared to the 2022-23 MYBR. However, the increase in interest expenses from higher debt is offset in 2024-25 and 2025-26 by lower interest rate assumptions compared to the 2022-23 MYBR.

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 2022-23, which will now be incurred in later years. Operating carryovers from 2022-23 to 2023-24 and future years are \$110 million (which are offset by slippage provisions). The 2023-24 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 additional payments to non-government schools funded by the Commonwealth Government and revisions to centrally held provisions.

### **Investing**

The carryover of investing expenditure in 2023-24 reflects delays in project expenditure in 2022-23. Where appropriate, an estimate of expenditure for these projects has been carried forward into future years. Investing carryovers from 2022-23 to 2023-24 and future years are \$573 million, offset by slippage provisions.

The 2023-24 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 reprofile 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, for example new facilities to support the operations of Forensic Science SA and the SAPOL Forensic Services Branch, and additional investment for the new Adelaide Aquatic Centre development. The new investing initiatives can be found in Budget Paper 5.

## Chapter 2: Expenditure

This chapter provides an overview of new expenditure initiatives in the 2023-24 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 2023-24 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 general government operating and investing expenditure initiatives in the 2023-24 Budget total \$3.8 billion over the next four years, with a further \$693 million expenditure on new operating and investing initiatives occurring in 2022-23.

The expenditure initiatives in the 2023-24 Budget are partially offset by \$312 million over four years of revenue offsets, with a further \$15 million of revenue offsets occurring in 2022-23, mainly reflecting initiatives that will be partially funded by the Commonwealth Government. The expenditure initiatives in the 2023-24 Budget are also partially offset by an executive reduction savings measure totalling \$35 million over the four years to 2026-27.

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

**Table 2.1: General government initiatives (\$million)<sup>(a)</sup>**

	2022-23 Estimate	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Operating expenditure initiatives	-667	-1 002	-771	-593	-589
Revenue offsets	15	122	86	48	46
Operating savings	—	5	10	10	10
<b>Total operating initiatives</b>	<b>-652</b>	<b>-875</b>	<b>-674</b>	<b>-535</b>	<b>-532</b>
Investing expenditure initiatives	-26	-124	-284	-371	-59
Revenue offsets	—	5	4	—	—
Investing savings	—	—	—	—	—
Asset sales	—	—	—	—	—
<b>Total investing initiatives</b>	<b>-26</b>	<b>-119</b>	<b>-280</b>	<b>-371</b>	<b>-59</b>

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 \$3.0 billion over the next four years, in addition to \$667 million in 2022-23. The operating initiatives include:

- \$1.8 billion over five years from 2022-23 to support SA Health in meeting increased activity and to ensure our health system is appropriately resourced to deliver the necessary services to South Australians
- \$254.4 million over two years from 2023-24 to support the energy bill relief plan in conjunction with the Commonwealth Government
- \$209.4 million over five years from 2022-23 (in addition to investing expenditure of \$7.2 million) for the government's child protection response to support children, young people and their families
- \$197.6 million over five years from 2022-23 (in addition to investing expenditure of \$2.1 million in 2023-24) to continue with, and expand, a range of system-wide programs that will maximise existing hospital capacity and reduce ramping pressures

- \$132.8 million over three years from 2022-23 (in addition to investing expenditure of \$10.0 million in 2022-23) for a package of support and relief measures in response to the River Murray flood event, taking the total package of support measures committed to by the government to \$194.3 million
- \$95.0 million over four years from 2023-24 (in addition to \$55.0 million of investing expenditure) to establish a \$200 million digital investment fund over the next five years to drive strategic and targeted investment in digital initiatives across the South Australian public sector
- \$81.8 million over four years from 2023-24 for the recruitment of additional sworn police security officers
- \$57.2 million over four years from 2023-24 to support non-government organisations in meeting costs associated with wage and inflation pressures in 2023
- \$35.0 million over five years from 2022-23 for government and non-government schools to participate in the National Student Wellbeing Program
- \$30.0 million over three years from 2022-23 (in addition to investing expenditure of \$1.1 million in 2022-23) for the extension and deployment of the electronic medical record program across all regional Local Health Network hospitals
- \$28.9 million over four years from 2022-23 (in addition to investing expenditure of \$10.2 million over two years from 2024-25) for the staged transition of rail services back to the government by 2025
- \$28.0 million over four years from 2023-24 to address current and emerging skill shortages and support quality training through a targeted increase in the training subsidy for high quality not-for-profit and industry-based training providers aligned with areas of skill demand and economic priorities
- \$27.8 million over four years from 2023-24 to increase support to the South Australian racing industry through a higher share of the betting operations tax
- \$26.5 million over four years from 2023-24 (in addition to investing expenditure of \$200 000 in 2023-24) to significantly enhance the state's aerial firefighting capability to combat the risk of bushfire
- \$25.0 million over two years from 2022-23 to undertake significant emergency fruit fly response activities following further outbreaks across the Riverland
- \$22.0 million in 2026-27 to increase the value of the Economic Recovery Fund established in the 2022-23 Budget to \$122 million
- \$20.9 million over four years from 2023-24 to continue supporting the ongoing operations of six South Australian based National Collaborative Research Infrastructure Strategy facilities, including new funding for capital refresh to upgrade equipment to support leading-edge research and innovation
- \$20.8 million over four years from 2023-24 to fund new events and grow existing major events in South Australia
- \$20.0 million over four years from 2023-24 for the Research and Innovation Fund
- \$18.0 million over four years from 2023-24 to support the Adelaide 500 to ensure the ongoing high-quality of the event.

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: New operating initiatives by agency (\$million)<sup>(a)</sup>**

Agency	2022-23 Estimate	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Across Government	-104.1	-52.3	-44.2	-49.5	-56.8
Attorney-General	-1.8	-7.5	-7.4	-6.1	-4.7
Child Protection	-42.3	-35.3	-30.6	-29.8	-29.4
Correctional Services	—	-2.2	-4.5	-5.9	-5.9
Courts	—	-0.7	-0.7	-0.7	-0.8
Defence SA	—	-3.7	-4.0	-4.0	-4.0
Education	-4.6	-60.2	-23.1	-22.9	-19.8
Electoral Commission	—	-2.9	—	-1.3	—
Emergency Services — CFS	-5.6	-5.8	-6.4	-6.9	-7.4
Emergency Services — SAFECOM	—	-7.2	-0.5	-0.5	-0.5
Emergency Services — SES	-9.8	—	—	—	—
Energy and Mining	-0.4	-6.5	0.2	-0.5	-0.5
Environment and Water	—	-8.2	-0.8	—	—
Environment Protection Authority	—	-1.0	-1.0	-1.0	-1.1
Health and Wellbeing	-470.5	-489.2	-436.2	-340.4	-336.9
Human Services	-0.3	-205.4	-81.6	-16.4	-16.7
Infrastructure and Transport	-6.8	-31.9	-37.0	-22.6	-22.8
Industry, Innovation and Science	—	-12.9	-14.0	-15.1	-13.5
Police	—	-15.0	-35.6	-36.1	-36.7
Premier and Cabinet	-0.8	-16.8	-15.3	-16.5	-16.8
Primary Industries and Regions	-16.9	-22.4	-5.2	-1.1	—
TAFE SA	—	-1.5	-2.9	-2.9	-2.9
Trade and Investment	-3.0	-5.4	-3.9	-4.1	-4.4
Treasury and Finance Administered Items	-0.2	-2.2	-5.4	-5.4	-5.5
HomeStart Finance	—	—	-0.2	-0.3	-0.3
South Australian Housing Authority	—	-1.0	-1.5	-1.6	-1.2
Urban Renewal Authority	—	-5.0	-9.0	-1.0	—
<b>Total operating initiatives</b>	<b>-667.1</b>	<b>-1 002.1</b>	<b>-770.6</b>	<b>-592.7</b>	<b>-588.7</b>

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

New investing expenditure initiatives in the general government sector total \$839 million over the next four years, in addition to \$26 million in 2022-23. Key measures include:

- \$348.9 million over four years from 2023-24 for new facilities to support the operations of Forensic Science SA and the SAPOL Forensic Services Branch
- \$100.8 million over two years from 2024-25 to support the delivery of the new Mount Barker Hospital. The funding is in addition to the \$220 million committed in the 2022-23 Budget
- \$75.2 million over four years from 2023-24 (in addition to operating expenditure of \$25.0 million in 2023-24) for upgrades at government schools and preschools
- \$55.0 million over three years from 2022-23 for the new Adelaide Aquatic Centre development project, bringing total project funding to \$135 million
- \$30.0 million over three years from 2023-24 to upgrade prisoner accommodation and staff facilities in two high security units at the Port Augusta prison



- \$20.0 million over three years from 2023-24 to support the delivery of four new ambulance stations and four ambulance station rebuilds in priority areas across metropolitan Adelaide, taking the total investment to \$70 million.

A road safety package of \$98.0 million over five years is also included in the budget to reduce injuries and fatalities on South Australian roads. Key operating and investing initiatives include additional road safety speed and mobile phone detection cameras, additional road safety infrastructure and maintenance spend, and improvements in training and licensing arrangements for motorcyclists and motorists who operate ultra-high powered sports cars. This package is funded by an increase of around \$40 million per annum in traffic expiation revenue.

A summary of 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: New investing initiatives by agency (\$million)<sup>(a)</sup>**

Agency	2022-23 Estimate	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Across Government	-10.0	-10.0	-20.0	-15.0	-10.0
Attorney-General	—	-17.5	-39.9	-206.1	-88.8
Child Protection	—	-2.3	-3.9	-0.5	-0.5
Correctional Services	—	-8.8	-12.7	-12.0	—
Defence SA	—	—	-10.0	-10.0	—
Education	—	-7.0	-45.7	-31.3	48.8
Emergency Services — CFS	—	-0.2	—	—	—
Emergency Services — SES	—	-1.2	—	—	—
Environment and Water	—	-4.8	-8.9	-2.0	-1.2
Health and Wellbeing	-1.1	-28.1	-72.0	-53.3	—
Infrastructure and Transport	-9.1	-32.8	-70.0	-41.2	-2.5
Police	-5.5	-10.0	-1.0	—	-5.0
Primary Industries and Regions	—	-1.6	—	—	—
<b>Total investing initiatives</b>	<b>-25.7</b>	<b>-124.2</b>	<b>-284.1</b>	<b>-371.3</b>	<b>-59.1</b>

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

## Other measures

In addition to the general government initiatives reflected above, the budget also includes a \$325.0 million budget allocation over five years from 2022-23 to support the plan for A Better Housing Future. This will be allocated as projects are developed and Housing Australia contributions are finalised. While not separately disclosed in the budget papers, the budget includes provisions for strategic land purchases to progress affordable housing initiatives.

The government will also undertake further studies and activities (including environmental studies, final engineering and costings) for the Northern Water project to facilitate a final investment decision for the project. The Northern Water project is intended to deliver a new and sustainable water supply for the Far North and Upper Spencer Gulf areas of South Australia to support regional communities and industries.

## Savings

The 2023-24 Budget includes an executive reduction measure which is expected to save \$5 million in 2023-24 and \$10 million per annum from 2024-25 through a reduction of 50 executives across government. This savings measure will be allocated to agencies during 2023-24.

The existing savings in table 2.4 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 savings (\$million)**

	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Existing savings commencing from 2023-24	278.8	443.5	580.3	641.4
2023-24 Budget savings	5.0	10.0	10.0	10.0
<b>Total Savings</b>	<b>283.8</b>	<b>453.5</b>	<b>590.3</b>	<b>651.4</b>

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.

## 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)**

	2022-23		2023-24	2024-25	2025-26	2026-27
	2022-23 Budget	Estimated Result	Budget	Estimate	Estimate	Estimate
Employee expenses	9 384	9 738	9 870	10 128	10 491	10 760
Superannuation expenses						
Superannuation interest cost	210	269	265	247	228	208
Other superannuation expenses	1 015	1 054	1 121	1 146	1 182	1 213
Depreciation and amortisation	1 475	1 507	1 564	1 644	1 718	1 815
Interest expenses	780	988	1 254	1 335	1 489	1 684
Other property expenses	—	—	—	—	—	—
Other operating expenses	7 623	7 992	8 309	8 395	8 659	9 054
Grants	3 067	3 360	3 971	3 740	3 736	3 854
<b>Total expenses</b>	<b>23 554</b>	<b>24 907</b>	<b>26 353</b>	<b>26 635</b>	<b>27 504</b>	<b>28 587</b>
<b>Total expenses % change on previous year</b>						
Total expenses nominal growth (%)		1.5%	5.8%	1.1%	3.3%	3.9%
Total expenses real growth (%)		-5.8%	2.0%	-2.1%	0.5%	1.4%

Note: Totals may not add due to rounding.

General government expenses in 2022-23 are estimated to be \$1.4 billion higher than published in the 2022-23 Budget, primarily due to new operating initiatives in the 2022-23 Mid-Year Budget Review (MYBR) and 2023-24 Budget which are mainly in the Department for Health and Wellbeing, primarily to support SA Health in meeting increased activity and to ensure our health system is appropriately resourced to deliver the necessary services to South Australians.

Operating expenses are budgeted to increase in 2023-24 by \$1.4 billion, reflecting in part the higher levels of interest expenses as net debt levels and interest rates increase. In addition, higher expenditure in 2023-24 is also attributed to higher grant expenditure, primarily due to the energy bill relief plan, and other operating expenses, with a summary of other operating expenditure discussed later in this chapter.

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

**Table 2.6: Operating expenses — selected agencies (\$million)<sup>(a)</sup>**

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Attorney-General	277	285	290	288	264	264
Auditor-General	19	19	19	20	20	20
Child Protection	717	769	791	795	807	821
Correctional Services	371	380	404	401	405	409
Courts	95	97	100	96	97	98
Defence SA	17	18	22	16	14	14
Education	4 106	4 493	4 656	4 718	4 799	4 875
Electoral Commission	17	16	10	8	33	17
Emergency Services — CFS	90	99	101	100	101	103
Emergency Services — MFS	165	179	176	179	183	186
Emergency Services — SAFECOM	33	37	41	23	23	23
Emergency Services — SES	22	37	23	24	24	24
Energy and Mining	135	145	129	106	97	116
Environment and Water	301	355	344	263	262	256
Environment Protection Authority	33	35	35	35	36	36
Green Industries SA	54	99	54	31	28	25
Health and Wellbeing	7 715	8 469	8 279	8 350	8 574	8 871
Human Services	1 141	1 161	1 148	1 174	1 200	1 233
Industry, Innovation and Science	443	90	75	73	71	68
Infrastructure and Transport	1 746	1 826	1 854	1 819	1 815	1 840
Legislature	27	31	35	35	36	37
Police	1 038	1 047	1 091	1 113	1 126	1 144
Premier and Cabinet	297	363	349	338	333	291
Primary Industries and Regions	273	316	250	185	176	173
TAFE SA	320	315	317	307	312	312
Tourism	106	142	84	75	73	74
Trade and Investment	168	192	183	174	172	174
Treasury and Finance	253	266	261	262	262	262
Other <sup>(b)</sup>	3 577	3 627	5 232	5 625	6 165	6 820
<b>Total operating expenses</b>	<b>23 554</b>	<b>24 907</b>	<b>26 353</b>	<b>26 635</b>	<b>27 504</b>	<b>28 587</b>

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 2022-23 to 2026-27. The main changes in operating expenses over that period are in the following agencies:

- **Child Protection** — projected to increase by \$52.5 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 and young people requiring care. Over time, it is intended that this will reduce the growth of children and young people coming into care compared with recent years
- **Education** — projected to increase by \$381.7 million mainly due to higher indexation applied to the Schooling Resource Standard base amount and loadings under the National School Reform Agreement
- **Energy and Mining** — projected to decrease by \$28.9 million primarily due to the winding down of expenditure associated with several programs, including the home battery scheme, demand management trials, Grid Scale Storage Fund and programs under the previous government's Jobs and Economic Growth Fund, partly offset by commencement of depreciation for the hydrogen jobs plan infrastructure
- **Environment and Water** — projected to decrease by \$99.1 million primarily reflecting reduced expenditure relating to time-limited projects completed in conjunction with the Commonwealth Government, including sustainable rural water use and infrastructure programs which are expected to be finalised by 30 June 2024
- **Green Industries SA** — projected to decrease by \$74.3 million primarily due to lower funding requirements from the Green Industry Fund as a result of the completion of time limited initiatives supporting climate change and the winding down of the National Partnership on recycling infrastructure
- **Health and Wellbeing** — projected to increase by \$402.2 million primarily reflecting the government's commitment to funding the health system in a sustainable manner over the forward estimates in recognition of the increase in activity over the past year. Table 2.7 demonstrates the substantial additional funding that has been provided by the government to health as part of the 2022-23 and 2023-24 Budgets.

**Table 2.7: SA Health operating expenditure (\$million)**

	2022-23	2023-24	2024-25	2025-26	2026-27
<b>2021-22 Mid-Year Budget Review</b>	<b>7 262</b>	<b>7 325</b>	<b>7 455</b>	<b>n.a.</b>	<b>n.a.</b>
<b>2022-23 Budget</b>	<b>7 715</b>	<b>7 580</b>	<b>7 734</b>	<b>8 033</b>	<b>n.a.</b>
<b>Changes since 2022-23 Budget</b>					
Additional hospital activity	161	262	270	278	286
Additional resources — transition from pandemic response to 'living with COVID' framework	289	159	106	13	—
Measures to reduce ramping	12	45	45	47	49
Other policy measures since 2022-23 Budget	69	40	19	6	2
Other adjustments <sup>(a)</sup>	223	193	176	197	163
<b>Total health expenditure 2023-24 Budget</b>	<b>8 469</b>	<b>8 279</b>	<b>8 350</b>	<b>8 574</b>	<b>8 871</b>
<b>Underlying health expenditure (excl time limited)<sup>(b)</sup></b>	<b>8 117</b>	<b>8 279</b>	<b>8 350</b>	<b>8 574</b>	<b>8 871</b>
(a) Includes items such as carryovers, data adjustments, and other parameter adjustments including funding for enterprise agreement outcomes since the 2022-23 Budget.					
(b) Excludes all of SA Health budgeted COVID expenditure in 2022-23, as well as other expenditure associated with one-off or time limited projects/initiatives.					

- Police — projected to increase by \$96.9 million primarily reflecting the recruitment of additional police security officers (an additional 189 FTEs by 2026-27) and additional expenditure to manage road safety cameras
- Premier and Cabinet — projected to decrease by \$72.4 million primarily due to the timing of grant programs across the forward estimates
- Primary Industries and Regions — projected to decrease by \$143.0 million primarily due to completion of bushfire recovery and fruit fly eradication programs and once off regional growth projects
- Tourism — projected to decrease by \$67.7 million primarily due to higher expenditure in 2022-23 for new and existing leisure events to further drive economic development and visitation to the state as economies open up following the COVID-19 pandemic.

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

## Employee expenses

**Table 2.8: General government employee expenses**

	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
	<b>Estimated Result</b>	<b>Budget</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Employee expenses (\$m)	9 738	9 870	10 128	10 491	10 760
Nominal growth (%)	3.5%	1.3%	2.6%	3.6%	2.6%
Real growth (%)	-3.9%	-2.3%	-0.6%	0.8%	0.1%

Employee expenses in 2022-23 are estimated to be \$354 million higher than in the 2022-23 Budget primarily as a result of additional resources for Health and Wellbeing and a realignment of the agency's mix in expenditure between employee expenditure and other operating expenses.

Employee expenses decrease in real terms by 2.0 per cent from 2022-23 to 2026-27, primarily reflecting wage growth negotiated in existing enterprise bargaining agreements as well as constraint in general government sector FTE levels, particularly in non-frontline services agencies.

Employee expenditure grows modestly in 2025-26, due to additional FTEs in health following the phasing and full implementation of numerous health election commitments in 2025-26, and funding for additional hospital activity growth in 2025-26.

## 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 2.9.

**Table 2.9: General government sector employment<sup>(a)</sup>**

	Full-time equivalent employees as at 30 June					
	2022 Actual	2023 Estimate	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
As at 2022-23 Budget	89 572	87 704	87 238	87 691	89 066	n.a.
As at 2022-23 MYBR	89 609	88 004	87 502	87 967	89 355	n.a.
<b>As at 2023–24 Budget</b>	<b>89 609</b>	<b>90 669</b>	<b>90 566</b>	<b>91 219</b>	<b>92 466</b>	<b>93 427</b>
<b>FTEs by agency at 2023-24 Budget:</b>						
Health and Wellbeing (excluding SAAS)	35 755	35 564	35 066	35 182	36 039	36 866
South Australian Ambulance Service	1 762	1 973	2 004	2 095	2 170	2 169
Child Protection	2 293	2 427	2 522	2 554	2 595	2 609
Education	24 915	25 788	25 842	26 224	26 237	26 230
Police	5 865	5 893	5 983	6 097	6 095	6 106
Other	19 019	19 024	19 150	19 067	19 330	19 446
<b>Total FTEs as at 2023-24 Budget</b>	<b>89 609</b>	<b>90 669</b>	<b>90 566</b>	<b>91 219</b>	<b>92 466</b>	<b>93 427</b>

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 2022-23 MYBR FTE estimates are higher in all years, primarily due to a rebasing of FTEs in SA Health as well as additional policy initiatives announced in the 2023-24 Budget, the most significant of which is the provision of additional resources for health services, including to support SA Health in meeting increased activity and to ensure our health system is appropriately resourced to deliver the necessary services to South Australians moving forward.

The estimated FTE impacts of individual measures are outlined in the 2023-24 Budget Measures Statement.

Underlying SA Health FTEs, excluding COVID-19 and time-limited programs are shown in table 2.10.

**Table 2.10: SA Health underlying FTEs (including Health Administered Items)**

	FTE employees as at 30 June				
	2023 Estimate	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
<b>FTEs at 2023-24 Budget:</b>					
Health and Wellbeing (excluding SAAS)	35 564	35 066	35 182	36 039	36 866
South Australian Ambulance Service	1 973	2 004	2 095	2 170	2 169
<b>Total Health FTEs - 2023-24 Budget</b>	<b>37 537</b>	<b>37 070</b>	<b>37 277</b>	<b>38 208</b>	<b>39 035</b>
<b>Underlying health FTEs (excluding COVID-19 and time-limited programs)<sup>(a)</sup></b>	<b>36 882</b>	<b>37 070</b>	<b>37 277</b>	<b>38 208</b>	<b>39 035</b>

(a) Excludes all of SA Health's budgeted COVID-19 FTEs in 2022-23, as well as other FTEs attributed to major time limited projects.

**Table 2.11: Estimated full-time equivalent impacts of 2023-24 Budget measures as at 30 June (FTEs)**

	FTE employees as at 30 June				
	2023 Estimate	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
Expenditure initiatives	698	1 061	1 106	1 085	1 083
Savings measures	—	-50	-50	-50	-50
<b>Total FTE impact of policy decisions</b>	<b>698</b>	<b>1 011</b>	<b>1 056</b>	<b>1 035</b>	<b>1 033</b>

## Enterprise Agreements

During 2022-23, enterprise agreement negotiations have been finalised for South Australian Ambulance Service operational employees, firefighters, nursing and midwifery staff, wages parity trades, Rail Commissioner maintenance and infrastructure employees and West Beach Trust.

Negotiations are continuing for visiting medical specialists, clinical academics, South Australian school and preschool education staff, Rail Commissioner Tram Operations, Adelaide Festival Centre Trust professional/administration employees and technical/production employees, Forestry SA, Adelaide Cemeteries Authority, Adelaide Venue Management and State Theatre Company of SA Workshops and Props.

In 2023-24, enterprise bargaining negotiations will commence for Rail Commissioner Train Operations, Parliament House, SA Police, HomeStart Finance, SA Water, ReturnToWorkSA and Superannuation Funds Management Corporation of SA (trading as Funds SA) employees.

Expenditure on salaries and wages is the largest expense for the government, representing 37 per cent of general government sector costs in 2023-24. 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 improved productivity in the delivery of government services.

## Superannuation expenses

**Table 2.12: General government superannuation expenses**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Superannuation expenses (\$m)</b>					
Superannuation interest expense	269	265	247	228	208
Other superannuation expenses	1 054	1 121	1 146	1 182	1 213
Nominal growth (%)	19.3%	4.8%	0.5%	1.2%	0.7%
Real growth (%)	10.8%	1.0%	-2.7%	-1.5%	-1.7%

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 2022-23 is \$269 million. Compared to estimates at the time of the 2022-23 Budget, from 2023-24 the expense has increased by approximately \$65 million per annum, due to a combination of an increase in the discount rate and an increase in the CPI rate.

Other superannuation expenses increase in 2023-24 to reflect the increase in the superannuation employer contribution rate from 10.5 per cent to 11 per cent from 1 July 2023.

## Depreciation and amortisation

**Table 2.13: General government depreciation and amortisation expenses (\$million)**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Depreciation (\$m)</b>					
Buildings and improvements	687	715	727	743	758
Dwellings	9	9	9	9	9
Plant, equipment and vehicles	142	135	199	258	338
Vehicles	106	108	109	108	108
Road network	408	440	442	442	443
Rail and bus tracks	78	78	78	78	78
Water, sewer and drainage	15	15	15	15	15
Other	—	—	—	—	—
<b>Total depreciation</b>	<b>1 445</b>	<b>1 500</b>	<b>1 579</b>	<b>1 653</b>	<b>1 749</b>
Amortisation	62	64	65	65	66
<b>Total depreciation and amortisation</b>	<b>1 507</b>	<b>1 564</b>	<b>1 644</b>	<b>1 718</b>	<b>1 815</b>
Nominal growth (%)	4.1%	3.8%	5.1%	4.5%	5.6%
Real growth (%)	-3.3%	0.0%	1.8%	1.7%	3.0%

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 is projected across the forward estimates as projects are completed in line with the program of significant investment in the state's infrastructure. These include additional prison beds, new schools as well as other education infrastructure upgrades, and hospital and health infrastructure upgrades.

## Interest expenses

**Table 2.14: General government interest expenses**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Interest expenses (\$m)	988	1 254	1 335	1 489	1 684
Nominal growth (%)	95.4%	27.0%	6.4%	11.6%	13.1%
Real growth (%)	81.4%	22.4%	3.1%	8.6%	10.3%

Interest expenses comprise interest paid by the Treasurer to the South Australian Government Financing Authority (SAFA) on government borrowings and interest expenses of agencies related to finance leases. Over the forward estimates, higher government borrowings and increasing interest rates result in an increase in interest expenses. The increase in borrowings is a result of the state's significant infrastructure program, including delivering the government's election commitments. The government is committed to maintaining a sustainable budget within the context of rising interest rates.



## Other operating (non-employee) expenses

**Table 2.15: General government other operating (non-employee) expenses**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Other operating (non-employee) expenses (\$m)	7 992	8 309	8 395	8 659	9 054
Nominal growth (%)	-3.2%	4.0%	1.0%	3.1%	4.6%
Real growth (%)	-10.2%	0.2%	-2.1%	0.4%	2.0%

General government other operating (non-employee) expenses for 2023-24 are expected to be \$8.3 billion. This is largely made up of:

- supplies and services (\$3.8 billion) predominantly within Health and Wellbeing (\$1.8 billion), Education (\$685.5 million), Child Protection (\$156.4 million) and Correctional Services (\$127.4 million)
- consultancies and contractors (\$1.3 billion) predominantly within Infrastructure and Transport (\$524.4 million) mainly due to contract arrangements for delivering public transport and road maintenance, Child Protection primarily for the delivery of care services (\$313.8 million) and Health and Wellbeing (\$208.0 million)
- NDIS contributions (\$688.7 million), noting that the state's total NDIS contribution is \$860.4 million. The balance of the state's NDIS contribution is met through the provision of state government services, mainly supported accommodation services, to NDIS clients
- repairs and maintenance expenses (\$325.8 million) predominantly within Education (\$142.9 million) and Health and Wellbeing (\$117.3 million)
- computer and communications charges (\$321.4 million) predominantly within Health and Wellbeing (\$114.3 million), Attorney-General's (\$32.3 million) and Education (\$26.8 million).

## Grants

**Table 2.16: General government grant expenses**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Grants (\$m)	3 360	3 971	3 740	3 736	3 854
Nominal growth (%)	-12.0%	18.2%	-5.8%	-0.1%	3.1%
Real growth (%)	-18.3%	13.9%	-8.8%	-2.8%	0.6%

Grant expenses in 2022-23 are \$293 million higher than estimated in the 2022-23 Budget, mainly due to the revised timing of payments, including for the local government infrastructure partnership program, and policy items including the government's responses to the ex-tropical Cyclone Tiffany severe weather event and the River Murray flood event.

Grant expenses are higher in 2023-24 compared to 2022-23 due to policy items including payments under the energy bill relief plan, and the revised timing of other grant payments.

The budget reflects a decline in grant expenditure in 2024-25, mainly due to the phasing out of additional time limited funding including the energy bill relief plan, Commonwealth funding for TAFE SA, and reconstruction of infrastructure following the ex-tropical Cyclone Tiffany severe weather event.

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 \$17.7 billion over the period 2023-24 to 2026-27, with \$3.0 billion estimated for 2022-23. This is an increase compared to the 2022-23 MYBR, which had a four year program of \$15.6 billion over the period 2022-23 to 2025-26.

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 focused on building key economic and social infrastructure, including significant investment in health, road networks and schools.

**Table 2.17: General government sector capital investment (\$million)**

	2022-23 Estimate	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Purchases of non-financial assets	2 965	3 788	3 813	4 879	5 229

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)**

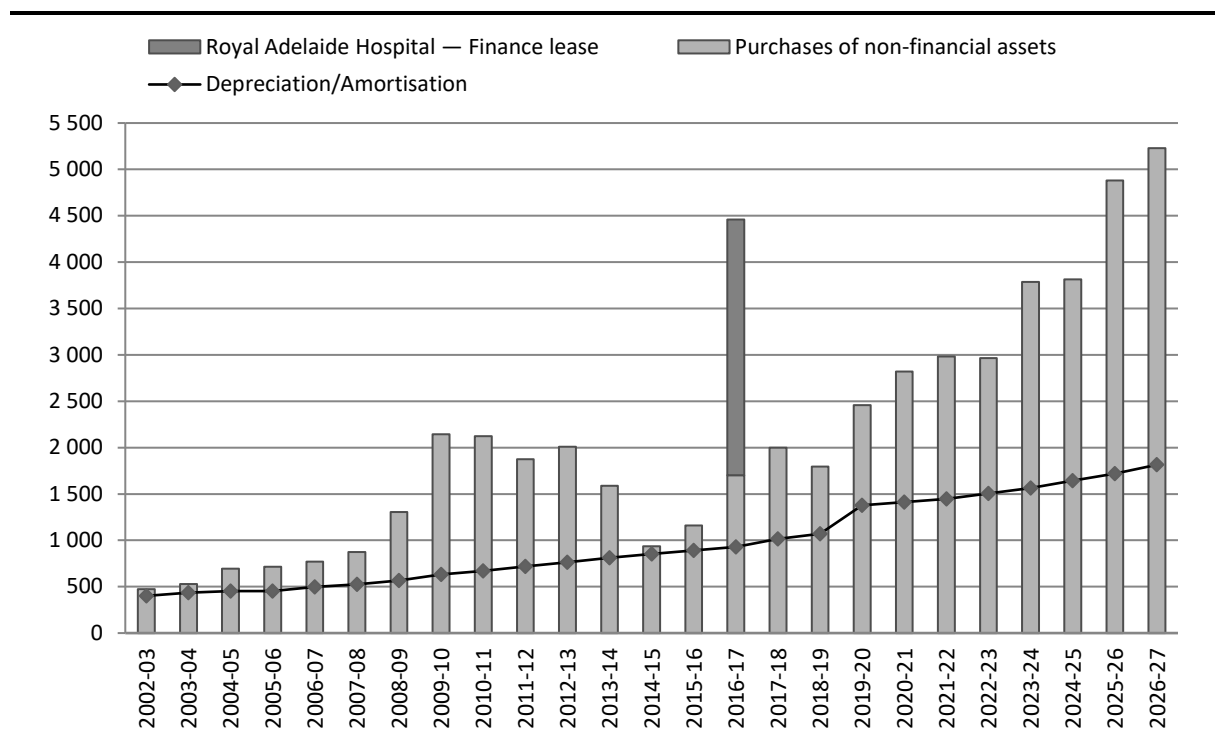


Table 2.18 summarises the investing program for the general government sector by agency. Further detail on agency investing programs is contained in the 2023-24 Agency Statements.

Across the forward estimates (2022-23 to 2026-27) investing expenditure increases as a result of significant major projects including the North-South Corridor — River Torrens to Darlington project (\$5.7 billion 2022-23 to 2026-27), the new Women's and Children's Hospital (\$1.2 billion 2022-23 to 2026-27), the hydrogen jobs plan (\$593 million 2023-24 to 2026-27), forensic science accommodation (\$348.9 million 2023-24 to 2026-27), new Mount Barker Hospital (\$300 million 2022-23 to 2026-27) and the Adelaide Aquatic Centre (\$135.0 million 2022-23 to 2025-26).

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 state government relies on Commonwealth partnership funding for infrastructure projects given the state's extensive regional road network and relatively small population base. The Commonwealth Government has announced a review into road and rail projects that have previously been endorsed for Commonwealth funding and are yet to commence in order to manage supply chain constraints within the construction industry. The outcome of this review will be reflected in the 2023-24 MYBR.

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 rises as the unallocated component of the overall general government sector budget increases.

**Table 2.18: General government capital investment by agency (\$000s)<sup>(a)</sup>**

	2022-23		2023-24	2024-25	2025-26	2026-27
	2022-23 Budget	Estimated Result	Budget	Estimate	Estimate	Estimate
Attorney-General	11 239	16 058	55 682	3 621	3 704	2 471
Auditor-General	251	630	273	263	270	293
Child Protection	7 489	8 310	11 865	6 911	4 165	4 681
Correctional Services	24 603	59 007	20 662	25 217	21 789	10 396
Courts	5 432	5 029	14 751	3 094	3 157	3 222
Defence SA	—	—	—	10 000	10 000	—
Education	296 972	260 227	296 426	150 075	109 672	30 719
Electoral Commission	50	50	115	50	51	128
Emergency Services — CFS	22 459	17 576	25 333	28 734	25 814	24 565
Emergency Services — MFS	15 684	16 155	15 192	15 351	17 410	18 036
Emergency Services — SAFECOM	2 780	945	323	325	187	374
Emergency Services — SES	7 041	6 810	8 117	5 163	4 342	5 424
Energy and Mining	59 452	11 668	129 423	299 265	180 708	2 994
Environment and Water	96 280	72 053	101 263	26 402	16 034	15 423
Environment Protection Authority	1 087	1 460	764	1 669	997	816
Green Industries SA	—	—	—	—	—	—
Health and Wellbeing	546 496	432 530	606 679	674 504	850 620	697 559
Human Services	17 411	16 325	8 613	2 635	2 658	2 681
Infrastructure and Transport	2 358 942	2 054 226	2 311 737	2 138 209	2 217 040	2 894 313

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Industry, Innovation and Science	2 317	253	513	186	976	1 001
Legislature	13	1 248	1 088	1 109	1 131	1 154
Police	53 756	76 277	60 071	47 427	32 552	33 454
Premier and Cabinet	151 520	97 576	65 914	59 284	66 519	66 324
Primary Industries and Regions	14 519	22 210	7 920	7 565	7 713	7 865
TAFE SA	22 002	16 720	19 882	8 497	11 522	11 970
Tourism	749	749	6 498	825	845	866
Trade and Investment	1 468	2 818	1 412	1 443	1 387	1 557
Treasury and Finance	6 327	8 575	2 661	4 613	2 746	2 880
Other <sup>(b)(c)</sup>	-224 590	-240 121	14 523	290 128	1 284 983	1 387 994
<b>General government capital investment</b>	<b>3 501 749</b>	<b>2 965 364</b>	<b>3 787 700</b>	<b>3 812 565</b>	<b>4 878 992</b>	<b>5 229 160</b>

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 2023-24 Budget.

Total general government revenue is expected to reach \$24.7 billion in 2022-23, an improvement of \$0.9 billion compared to estimates made at the time of the 2022-23 Budget. This improvement mainly reflects an upward revision to Commonwealth grant revenue as well as higher taxation revenue reflecting stronger than expected growth, particularly in the property and gambling markets.

Total general government revenue is expected to increase to \$26.6 billion in 2023-24 and then grow by 3.2 per cent per annum on average over the period to 2026-27.

## Initiatives

The government has introduced relief measures commencing from 15 June 2023 to support first home buyers to enter the housing market as part of the plan for A Better Housing Future.

A full stamp duty exemption will be available to eligible first home buyers who purchase a new home valued up to \$650 000, with relief phasing out for homes valued at \$700 000. This provides a first home buyer with stamp duty relief of up to \$29 580.

For eligible first home buyers who purchase land on which to build a new home, a full stamp duty exemption will be provided for land valued up to \$400 000 with relief phasing out for land valued at \$450 000. This provides a first home buyer with stamp duty relief of up to \$16 330.

The government has also increased the existing First Home Owner Grant (FHOG) property value cap from \$575 000 to \$650 000 to help more first home buyers access the FHOG in recognition of the recent strong growth in house prices.

With these measures combined, a first home buyer can receive up to \$44 580 of relief on the purchase of a new home valued at \$650 000. It is estimated that around 3 800 first home buyers will benefit each year from these measures.

The government has also introduced a package of support measures in response to the River Murray flood event, including tax relief across stamp duty, land tax and the emergency services levy (ESL).

Further information on all revenue related measures can be found in Budget Paper 5: Budget Measures Statement. The FHOG and flood relief measures are treated as expenditure initiatives.

**Table 3.1: Revenue measures in the 2023-24 Budget (\$million)**

	2022-23 Estimate	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Revenue — taxation measures</b>					
Abolition of stamp duty for first home owners building or buying newly constructed homes	—	-25.9	-33.0	-34.3	-35.6
<b>Total revenue measures — taxation</b>	<b>—</b>	<b>-25.9</b>	<b>-33.0</b>	<b>-34.3</b>	<b>-35.6</b>
<b>Revenue — non-taxation</b>					
<b>Health and Wellbeing</b>					
Cheaper hospital car parking and free public transport for metropolitan hospital workers	-9.1	-11.4	-11.7	-12.0	-12.3
<b>Infrastructure and Transport</b>					
Outback futures — removal of levy	-0.7	-0.7	-0.7	-0.7	-0.7
<b>Primary Industries and Regions</b>					
Snapper fishery management — licence fee relief	—	-0.7	-0.9	-0.9	—
<b>Total revenue measures — non-taxation</b>	<b>-9.9</b>	<b>-12.8</b>	<b>-13.3</b>	<b>-13.6</b>	<b>-13.0</b>
Note: Totals may not add due to rounding.					

## General government sector revenue

Total general government sector revenues are expected to grow by 7.9 per cent in 2023-24, following expected growth of 4.0 per cent in 2022-23. Higher forecast growth in 2023-24 mainly reflects continued strong growth in GST collections, an increase in other Commonwealth grant payments and growth in taxation revenue, including land tax.

Over the four years to 2026-27 total revenue growth is estimated to average 4.3 per cent.

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

	2022-23					
	2022-23 Budget	Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Taxation revenue	5 285.8	5 611.7	5 826.7	6 010.7	6 232.0	6 487.8
Grant revenue	13 606.7	13 951.9	15 404.1	15 710.9	16 182.2	16 925.9
Sales of goods and services	2 923.8	2 997.0	3 074.1	3 165.9	3 288.7	3 390.9
Interest income	143.6	325.7	402.8	338.2	357.3	366.8
Dividend and ITE <sup>(a)</sup> revenue	242.0	153.2	248.5	237.5	248.2	265.6
Other revenue	1 585.0	1 618.9	1 646.7	1 683.8	1 747.3	1 789.4
<b>Total revenue</b>	<b>23 786.8</b>	<b>24 658.3</b>	<b>26 602.9</b>	<b>27 147.0</b>	<b>28 055.5</b>	<b>29 226.4</b>
<b>% change on previous year</b>						
Nominal-terms growth (%)		4.0	7.9	2.0	3.3	4.2
Real-terms growth (%)		-3.5	4.0	-1.2	0.6	1.6
Note: Totals may not add due to rounding.						
(a) Income tax equivalent (ITE)						

## Taxation

State taxation revenue estimates have been revised up by \$326 million in 2022-23 compared to estimates in the 2022-23 Budget and are expected to grow by around 1.8 per cent during the year. The relatively low growth is due to a forecast 16 per cent decline in conveyance duty collections in 2022-23 reflecting a softening in residential property market conditions compared to the peak experienced in 2021-22. This impact partially offsets strong growth in revenue from other taxes in 2022-23, including gambling taxes and payroll tax.

Growth in total taxation revenue of 3.8 per cent is expected in 2023-24, with annual average growth of around 3.7 per cent over the four years to 2026-27, supported by estimated growth in payroll tax, land tax and insurance taxes.

Taxation estimates are provided in table 3.3.

**Table 3.3: Taxation (\$million)**

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Payroll tax</b>	<b>1 553</b>	<b>1 603</b>	<b>1 685</b>	<b>1 769</b>	<b>1 862</b>	<b>1 961</b>
<b>Property taxes</b>						
Land tax — private	391	381	479	479	494	509
Land tax — public	186	188	227	227	232	238
Emergency services levy on fixed property	179	182	193	209	215	221
Regional landscape levies	70	69	68	69	71	73
All other	5	4	4	5	7	7
<b>Total property taxes</b>	<b>830</b>	<b>824</b>	<b>971</b>	<b>990</b>	<b>1 019</b>	<b>1 048</b>
<b>Stamp duties on financial and capital transactions</b>						
Conveyance duty	1 013	1 152	1 092	1 117	1 182	1 251
<b>Total stamp duties on financial and capital transactions</b>	<b>1 013</b>	<b>1 152</b>	<b>1 092</b>	<b>1 117</b>	<b>1 182</b>	<b>1 251</b>
<b>Gambling taxes</b>						
Gaming machines	347	402	402	402	407	412
SA Lotteries	102	110	113	117	120	122
Casino	18	23	24	24	24	24
Betting operations tax	48	82	63	65	67	69
Other <sup>(a)</sup>	3	3	3	4	4	4
<b>Total gambling taxes</b>	<b>519</b>	<b>621</b>	<b>605</b>	<b>611</b>	<b>622</b>	<b>632</b>
<b>Insurance taxes</b>						
General insurance	459	476	505	529	554	580
CTP renewal certificate	78	79	81	83	85	87
CTP insurance	43	44	41	42	43	44
Life insurance	6	6	6	6	6	6
<b>Total insurance taxes</b>	<b>586</b>	<b>605</b>	<b>633</b>	<b>660</b>	<b>688</b>	<b>718</b>

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Motor vehicle taxes</b>						
Motor vehicle registration fees	508	508	551	568	557	569
Stamp duty on registration transfers	211	233	221	225	230	235
Emergency services levy on mobile property	48	48	49	49	50	51
LSS levy	18	18	20	21	22	23
<b>Total motor vehicle taxes</b>	<b>785</b>	<b>808</b>	<b>841</b>	<b>864</b>	<b>859</b>	<b>878</b>
<b>Total taxation</b>	<b>5 286</b>	<b>5 612</b>	<b>5 827</b>	<b>6 011</b>	<b>6 232</b>	<b>6 488</b>
<b>Policy adjusted<sup>(b)</sup></b>	<b>n.a.</b>	<b>5 564</b>	<b>5 822</b>	<b>6 011</b>	<b>6 232</b>	<b>6 488</b>
<b>% change on previous year</b>						
<b>Total taxation</b>						
Nominal growth		1.8	3.8	3.2	3.7	4.1
Real growth		-5.5	0.1	-0.1	0.9	1.6
<b>Policy adjusted</b>						
Nominal growth		2.2	4.6	3.2	3.7	4.1
Real growth		-5.2	0.9	0.0	0.9	1.6
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 2023-24 policy settings.						

## Payroll tax

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

**Table 3.4: Payroll tax**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Total payroll tax (\$m)</b>	<b>1 603.1</b>	<b>1 684.7</b>	<b>1 769.3</b>	<b>1 862.4</b>	<b>1 961.2</b>
Nominal growth (%)	9.7	5.1	5.0	5.3	5.3
Real growth (%)	1.8	1.3	1.7	2.4	2.7
<b>Policy adjusted underlying revenue (\$m)</b>	<b>1 603.1</b>	<b>1 684.7</b>	<b>1 769.3</b>	<b>1 862.4</b>	<b>1 961.2</b>
Nominal growth (%)	9.7	5.1	5.0	5.3	5.3
Real growth (%)	1.8	1.3	1.7	2.4	2.7

Payroll tax receipts for 2022-23 have been revised up by \$50 million since the 2022-23 Budget reflecting strong labour market conditions, with total revenue growth of 9.7 per cent now expected in 2022-23.

Payroll tax revenue is expected to grow by around 5.2 per cent on average over the four years to 2026-27, broadly consistent with estimated underlying growth in employment and earnings.



## Property taxes

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

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

**Table 3.5: Property taxes**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Total property taxes (\$m)</b>	<b>823.7</b>	<b>971.4</b>	<b>989.7</b>	<b>1 018.6</b>	<b>1 047.8</b>
Nominal growth (%)	5.5	17.9	1.9	2.9	2.9
Real growth (%)	-2.1	13.7	-1.3	0.2	0.4
<b>Policy adjusted underlying revenue (\$m)</b>	<b>823.7</b>	<b>971.4</b>	<b>989.7</b>	<b>1 018.6</b>	<b>1 047.8</b>
Nominal growth (%)	7.6	17.9	1.9	2.9	2.9
Real growth (%)	-0.1	13.7	-1.3	0.2	0.4

### Land tax

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.

Land tax collections in 2022-23 are impacted by land tax reforms introduced from 1 July 2020 that include changes to land tax rates and thresholds up to the 2022-23 land tax year, lowering tax collections relative to a no policy change basis.

In 2023-24, residential site values are estimated to increase by around 22 per cent and non-residential site values by around 27 per cent, reflecting the strength in the property market during 2022. This results in strong growth in forecast land tax collections of 24 per cent in 2023-24.

Land tax revenue estimates assume that site values subject to land tax will remain flat in 2024-25 following higher than average growth in recent years. Site value growth of around 3 per cent per annum is then forecast from 2025-26.

Over the four years to 2026-27 growth in revenue from land tax is estimated to average 7.1 per cent.

The land tax system incorporates a tax-free threshold and marginal rates of tax at various threshold values of aggregate land ownerships. Relevant land tax thresholds for 2023-24 will increase by around 25 per cent in line with average increases in site values as determined by the Valuer-General. This will see the general tax-free threshold for land tax increase to \$668 000 and the top tax rate threshold increase to \$2.5 million in 2023-24.

The land tax thresholds to apply in 2023-24 are outlined in table 3.6.

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

2022-23 land tax structure general					2023-24 land tax structure general				
Site value		Tax applicable <sup>(a)</sup>			Site value		Tax applicable <sup>(a)</sup>		
0	to 534 000	—	—		0	to 668 000	—	—	
534 001	to 858 000	0	+	0.50%	668 001	to 1 073 000	0	+	0.50%
858 001	to 1 249 000	1 620	+	1.00%	1 073 001	to 1 561 000	2 025	+	1.00%
1 249 001	to 2 000 000	5 530	+	2.00%	1 561 001	to 2 500 000	6 905	+	2.00%
Over 2 000 000		20 550	+	2.40%	Over 2 500 000		25 685	+	2.40%

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

2022-23 land tax structure trust					2023-24 land tax structure trust				
Site value		Tax applicable <sup>(a)</sup>			Site value		Tax applicable <sup>(a)</sup>		
0	to 25 000	—	—		0	to 25 000	—	—	
25 001	to 534 000	125	+	0.50%	25 001	to 668 000	125	+	0.50%
534 001	to 858 000	2 670	+	1.00%	668 001	to 1 073 000	3 340	+	1.00%
858 001	to 1 249 000	5 910	+	1.50%	1 073 001	to 1 561 000	7 390	+	1.50%
1 249 001	to 2 000 000	11 775	+	2.40%	1 561 001	to 2 500 000	14 710	+	2.40%
Over 2 000 000		29 799	+	2.40%	Over 2 500 000		37 246	+	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 Services Fund to cover approved emergency services expenditure in the coming year. The prescribed rate has been set at 0.1012 cents in the dollar for 2023-24.

The government will provide \$95.2 million in fixed property general remissions in 2023-24. Remissions reduce the effective ESL rates payable by taxpayers, lowering ESL bills. In addition, the government provides remissions to eligible concession recipients.

The ESL bill for a median valued residential property in metropolitan Adelaide (\$670 000) of \$151.30, is around \$6.95 (4.8 per cent) higher in 2023-24 than in 2022-23 based on the effective rates and growth in capital values.

Fixed property ESL rates applying in 2023-24 are summarised in table 3.7.

**Table 3.7: Fixed property ESL rates for 2023-24**

	Prescribed rate	Remission rate	Post-remission rate	Effective levy rate paid in Regional Area 4 <sup>(a)</sup>
Fixed property	Cents per \$ (applied to capital values discounted by land use and area factors)			\$50 plus cents per \$ of non-discounted capital value
Residential	0.1012	0.0634	0.0378	0.0151
Residential — eligible for concession	0.1012	0.0803	0.0209	0.0084
Commercial	0.1012	0.0000	0.1012	0.1172
Industrial	0.1012	0.0000	0.1012	0.1839
Rural and vacant land	0.1012	0.0277	0.0735 <sup>(b)</sup>	0.0221
Special community use	0.1012	0.0144	0.0868	0.0087
Other	0.1012	0.0235	0.0777	0.0389

(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 (0.0735) and Regional Area 1, 2 and 3 (0.0574).

### Regional landscape levies

Regional landscape levies (formerly natural resource management 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 2022-23 is expected to be broadly in line with the 2022-23 Budget estimate. Modest growth in revenue from regional landscape levies is expected over the period to 2026-27.

### 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**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Total stamp duties on financial and capital transactions (\$m)</b>	<b>1 151.6</b>	<b>1 091.5</b>	<b>1 116.9</b>	<b>1 182.3</b>	<b>1 251.5</b>
Nominal growth (%)	-15.6	-5.2	2.3	5.9	5.8
Real growth (%)	-21.7	-8.6	-0.9	3.0	3.3
<b>Policy adjusted underlying revenue (\$m)</b>	<b>1 103.7</b>	<b>1 086.3</b>	<b>1 116.9</b>	<b>1 182.3</b>	<b>1 251.5</b>
Nominal growth (%)	-16.0	-1.6	2.8	5.9	5.8
Real growth (%)	-25.2	-5.1	-0.4	3.0	3.3

### Conveyance duty

Conveyance duty revenue in 2022-23 is estimated to be \$139 million higher than forecast in the 2022-23 Budget reflecting stronger than expected growth in residential property prices and transactions, partially offset by refunds of stamp duty on the transfer on purpose built student accommodation buildings. While conveyance duty revenue has been revised up, overall collections are still expected to decline by around 16 per cent in 2022-23 reflecting a softening in property market conditions compared to the peak experienced in 2021-22.

Trends in property market activity can be difficult to predict, particularly around turning points in a cycle. Increases in official interest rates by the Reserve Bank of Australia to moderate current inflationary pressures have impacted the property market. On the other hand, employment is at historically high levels and population is continuing to grow. Residential transactions have declined in 2022-23, with transactions over the nine months to March 2023 around 19 per cent lower than the same period in 2021-22. While there has been a decline in transactions, average duty levels from residential transactions have increased throughout 2022-23, although the rate of growth is slowing. It is generally expected that property market conditions will continue to soften, but the timing and magnitude of this impact is difficult to forecast.

Residential property transfers are expected to decline by a further 6 per cent in 2023-24 following the recent strength in the market and the expectation that some new home building activity was brought forward into previous years. Residential transactions are forecast to gradually return to long term trend levels by the end of the forward estimates.

Residential property prices are expected to be flat, on average, over 2023-24 and 2024-25 after the strong growth experienced across 2021-22 and 2022-23 to date. Average residential property prices are expected to return to long term growth of around 3 per cent per annum from 2025-26.

Conveyance duty revenue growth in 2023-24 is also impacted by the introduction of the government's stamp duty relief for first home buyers initiative, which provides a stamp duty exemption for eligible first home buyers and delivers relief of up to \$44 580 when combined with the First Home Owner Grant. Further information on this measure can be found in Budget Paper 5: Budget Measures Statement.

Growth in conveyance duty collections is forecast to return to more long term trend levels by the end of the forward estimates, reflecting a return to 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**

	<b>2022-23</b>				
	<b>Estimated</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
	<b>Result</b>	<b>Budget</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
<b>Total gambling taxes (\$m)</b>	<b>620.8</b>	<b>605.3</b>	<b>611.4</b>	<b>621.6</b>	<b>631.6</b>
Nominal growth (%)	16.9	-2.5	1.0	1.7	1.6
Real growth (%)	8.5	-6.0	-2.2	-1.1	-0.9
<b>Policy adjusted underlying revenue (\$m)</b>	<b>620.8</b>	<b>605.3</b>	<b>611.4</b>	<b>621.6</b>	<b>631.6</b>
Nominal growth (%)	16.9	-2.5	1.0	1.7	1.6
Real growth (%)	4.0	-6.0	-2.2	-1.1	-0.9

Revenue from gambling taxes in 2022-23 is estimated to be \$102 million higher than forecast in the 2022-23 Budget mainly due to higher than expected collections from gaming machines in hotels and clubs and also from the betting operations tax. Growth of 16.9 per cent in gambling taxes in 2022-23 reflects continued general strength across all forms of gambling activity as well as the receipt of once-off revenue from the betting operations tax due to compliance investigations relating to activity in previous years.

Growth in revenue from gambling taxes is forecast to be negative in 2023-24 reflecting the impact of the once-off compliance revenue received in 2022-23.

Over the four years to 2026-27, growth in gambling tax revenue is forecast to average just 0.4 per cent. This mainly reflects an expectation that growth in gaming machines tax revenue from hotels and clubs, the largest source of gambling taxation revenue, will return to more modest levels over the forward estimates period.

## 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**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Total insurance taxes (\$m)</b>	<b>604.8</b>	<b>632.8</b>	<b>659.8</b>	<b>688.1</b>	<b>717.8</b>
Nominal growth (%)	7.2	4.6	4.3	4.3	4.3
Real growth (%)	-0.5	0.9	1.0	1.5	1.8
<b>Policy adjusted underlying revenue (\$m)</b>	<b>604.8</b>	<b>632.8</b>	<b>659.8</b>	<b>688.1</b>	<b>717.8</b>
Nominal growth (%)	7.2	4.6	4.3	4.3	4.3
Real growth (%)	-0.5	0.9	1.0	1.5	1.8

Revenue from insurance taxes is estimated to be \$18 million higher in 2022-23 compared to the 2022-23 Budget estimate largely reflecting an increase in general insurance duty revenue due to higher than expected growth in premiums.

Growth in insurance duty revenue over the four years to 2026-27 is expected to be around 4.4 per cent per annum on average, mainly reflecting expected growth in general insurance premiums.

## Motor vehicle taxes

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

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

**Table 3.11: Motor vehicle taxes**

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Total motor vehicle taxes (\$m)</b>	<b>807.6</b>	<b>841.0</b>	<b>863.6</b>	<b>858.9</b>	<b>877.9</b>
Nominal growth (%)	-0.4	4.1	2.7	-0.5	2.2
Real growth (%)	-7.6	0.4	-0.5	-3.2	-0.3
<b>Policy adjusted underlying revenue (\$m)</b>	<b>807.6</b>	<b>841.0</b>	<b>863.6</b>	<b>858.9</b>	<b>877.9</b>
Nominal growth (%)	-0.1	4.1	2.7	-0.5	2.2
Real growth (%)	-11.0	0.4	-0.5	-3.2	-0.3

Revenue from motor vehicle taxes is estimated to be \$23 million higher in 2022-23 compared to the 2022-23 Budget estimate largely due to higher than expected stamp duty collections on motor vehicle registration transfers.

Total motor vehicle tax revenue is expected to grow by 4.1 per cent in 2023-24, with relatively stronger growth in motor vehicle registration fee revenue offset by an expected decline in stamp duty collections on motor vehicle registration transfers. Stamp duty collections on registration transfers have grown strongly since the onset of COVID-19 and it is expected that collections will commence returning to a level more in line with long-term collection levels from 2023-24.

Over the four years to 2026-27, growth in motor vehicle tax revenue is forecast to average around 2.1 per cent, and 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 — the third lowest in 2022-23 based on state and territory mid-year budget update publications.

Details are provided in table 3.12.

**Table 3.12: Per capita taxation by jurisdiction (\$)<sup>(a)</sup>**

	2021-22 <sup>(b)(c)</sup>	2022-23 <sup>(c)(d)</sup>
Australian Capital Territory <sup>(e)</sup>	5 304	5 610
New South Wales	4 818	4 717
Victoria	4 655	4 652
Western Australia	4 209	4 253
Queensland	3 799	3 553
<b>South Australia</b>	<b>2 969</b>	<b>2 893</b>
Tasmania	2 723	2 805
Northern Territory	2 972	2 508
<b>All states and territories</b>	<b>4 318</b>	<b>4 237</b>

(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 for 2021-22 have been sourced from ABS publications and 2022-23 population estimates reflect Commonwealth Treasury estimates.  
(d) Based on taxation revenue estimates published in 2022-23 Mid-Year Budget update publications for all states and territories.  
(e) The Australian Capital Territory 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.

South Australia's total tax effort was below the average of all jurisdictions in 2021-22 and was the fourth lowest of all jurisdictions.

Details of tax effort assessments are provided in table 3.13.

**Table 3.13: Tax effort ratios by jurisdiction**

	2020-21	2021-22
	CGC <sup>(a)</sup>	CGC <sup>(b)</sup>
New South Wales	102.2	96.8
Victoria	97.9	106.9
Queensland	98.4	94.6
Western Australia	99.8	102.1
<b>South Australia</b>	<b>93.8</b>	<b>96.3</b>
Tasmania	90.7	87.9
Australian Capital Territory <sup>(c)</sup>	148.9	139.3
Northern Territory	76.1	86.2

(a) Tax effort ratios derived from the CGC's *Report on GST Revenue Sharing Relativities — 2022 Update* publication.  
(b) Tax effort ratios derived from the CGC's *Report on GST Revenue Sharing Relativities — 2023 Update* publication.  
(c) The Australian Capital Territory is in the process of transitioning more of its tax revenue base to general rates (collected by councils in other jurisdictions) which are included in the calculation of its effort ratios.

## Grant revenue

Table 3.14: Grant revenue (\$million)

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Grant revenue</b>						
<b>Grants from the Commonwealth</b>						
GST revenue grants <sup>(a)</sup>	7 378.2	7 702.3	8 788.3	9 023.3	9 161.1	9 052.0
Ongoing tied grants	2 694.7	2 799.5	2 878.0	2 975.1	3 129.2	3 267.8
Ongoing tied grants for on-passing	1 307.1	1 397.4	1 466.2	1 541.7	1 605.6	1 668.6
National partnership grants	1 467.2	1 234.2	1 346.6	1 285.0	1 387.9	2 025.5
National partnership grants for on-passing	71.7	78.1	197.0	198.2	205.2	210.3
Other Commonwealth grants	540.7	577.3	557.7	539.5	545.9	556.1
<b>Total grants from the Commonwealth</b>	<b>13 459.7</b>	<b>13 788.8</b>	<b>15 233.9</b>	<b>15 562.8</b>	<b>16 034.8</b>	<b>16 780.3</b>
<b>Other contributions and grants</b>	<b>147.0</b>	<b>163.1</b>	<b>170.2</b>	<b>148.1</b>	<b>147.3</b>	<b>145.6</b>
<b>Total grant revenue</b>	<b>13 606.7</b>	<b>13 951.9</b>	<b>15 404.1</b>	<b>15 710.9</b>	<b>16 182.2</b>	<b>16 925.9</b>
<b>% change on previous year</b>						
<b>GST revenue grants</b>						
Nominal growth (%)		10.1	14.1	2.7	1.5	-1.2
Real growth (%)		2.1	10.0	-0.6	-1.2	-3.6
<b>Total grants from the Commonwealth</b>						
Nominal growth (%)		4.0	10.5	2.2	3.0	4.6
Real growth (%)		-3.5	6.5	-1.1	0.3	2.1
<b>Total grant revenue</b>						
Nominal growth (%)		4.1	10.4	2.0	3.0	4.6
Real growth (%)		-3.4	6.4	-1.2	0.2	2.0
Note Totals may not add due to rounding.						
(a) This includes estimates of the Commonwealth Government's no worse off guarantee payments to South Australia.						

### 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.

Strong growth in the national GST pool of around 11 per cent is expected in 2022-23, reflecting strength in consumption expenditure subject to GST and the impact of high inflation on prices. This is supporting growth in South Australia's GST revenue grants in 2022-23.

More moderate growth in the national GST pool is forecast from 2023-24. The total GST pool available for distribution is expected to grow by around 5 per cent per annum on average over the four years to 2026-27, reflecting the outlook for national consumption and dwelling investment as well as the extension of the Australian Taxation Office's GST compliance program.

South Australia's GST revenue grants are expected to grow at rates that vary from growth in the national GST pool reflecting movements in South Australia's projected share of the pool. This is discussed in the next section.

### 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 transition arrangements (discussed further below).

In March 2023, the CGC released its *Report on GST Revenue Sharing Relativities – 2023 Update* (2023 Update), which contained the recommended relativities for the distribution of GST revenue grants to the states in 2023-24.

The CGC recommended an increase in South Australia's relativity from 1.28411 in 2022-23 to 1.39463 in 2023-24. The increase in South Australia's relativity, combined with forecast changes in state populations will result in South Australia receiving around 9.7 per cent of the GST pool in 2023-24, compared to 9.0 per cent in 2022-23. This results in strong growth in South Australia's GST revenue relative to growth in the national GST pool available for distribution in 2023-24.

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

- Stronger growth in the value of mining production in other states compared to South Australia
- A lower share of Commonwealth Government payments in 2021-22 compared to 2018-19 (the year that dropped out of the CGC's assessment period for the 2023 Update)
- Below average growth in property sales, which decreased the state's assessed capacity to raise revenue and increased its assessed GST requirement
- Stronger population growth relative to the national average in 2021-22, compared to 2018-19, which increased South Australia's need for new infrastructure.

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

- The new partial equalisation arrangements that require equalising to the fiscally stronger of New South Wales or Victoria rather than full equalisation, and application of a 0.70 relativity floor
- Lower assessed urban transport investment and expenditure needs which generally impact jurisdictions with smaller major urban centres.

The Commonwealth Treasurer has accepted the CGC's recommended relativities and applied them in the 2023-24 Commonwealth Budget.

Based on the new relativity, current population and GST pool estimates for 2023-24, South Australia will receive around \$2.8 billion more (including no worse off guarantee payments) 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 2023-24, South Australia's GST relativity is expected to be influenced by:

- Further transition to the Commonwealth Government's new GST distribution arrangements, which will reduce South Australia's share of GST revenue. This negative impact is offset by Commonwealth funded no worse off guarantee payments until 2026-27
- An expected moderation in royalty revenue growth in other jurisdictions. This reduces South Australia's expected GST requirements
- Changes in South Australia's share of Commonwealth Government payments
- Relative population growth in South Australia.



### Impact of new equalisation arrangements and transition arrangements

The 2023-24 financial year represents the third year of a six-year transition to new GST distribution arrangements legislated by the Federal 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 is being phased in equally between 2021-22 and 2026-27. This provides an advantage to any jurisdiction that has a fiscal capacity above the stronger of New South Wales or Victoria in a given year. At the moment, this only supports Western Australia given the level of revenue received through iron ore royalties
- a GST relativity floor of 0.7, 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 previous full equalisation arrangements, 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.

Consistent with the legislated transition to the new GST distribution arrangements, the 2023-24 relativities represent half of the old HFE system relativities and half of the new GST distribution relativities. The transition to the new GST distribution arrangements is forecast to increase Western Australia's GST revenue grants by \$5.6 billion in 2023-24 compared to its grant entitlement under the previous arrangements. This comes at the expense of all other jurisdictions as demonstrated in table 3.15.

**Table 3.15: GST grants under the new and previous arrangements (excluding no worse off payments) 2023-24 (\$million)**

	Previous arrangements	New arrangements <sup>(a)</sup>	Difference
New South Wales	26 783	25 052	-1 731
Victoria	20 375	18 939	-1 435
Queensland	19 477	18 354	-1 123
Western Australia	904	6 511	5 607
<b>South Australia</b>	<b>8 788</b>	<b>8 416</b>	<b>-372</b>
Tasmania	3 489	3 378	-112
Australian Capital Territory	1 922	1 827	-96
Northern Territory	4 181	4 145	-36

Source: SA Treasury and Finance calculation based on information in the CGC *Report on GST Revenue Sharing Relativities – 2023 Update* and the 2023-24 Commonwealth Budget.

(a) The impacts represent the effect of equalising states to the stronger of New South Wales and Victoria, blending old and new system relativities and applying a 0.70 relativity floor. They also include state shares of the GST pool boost but do not include no worse off guarantee payments from the Commonwealth Government.

When changes to the distribution of the GST were legislated by the Commonwealth Parliament in 2018, the Commonwealth Government forecast that all jurisdictions would be better off under the new arrangements over the period to 2026-27. South Australia and other jurisdictions raised concerns that these forecasts were highly sensitive to future economic outcomes and that there is a risk that jurisdictions will be worse off because of the changes.

The Government of South Australia supports the previous system of full equalisation, that is, all jurisdictions are equalised to the same fiscal capacity. If the Commonwealth Government is not prepared to support a return to full equalisation, then at a minimum the no worse off guarantee should be made permanent.

The Board of Treasurers (BOT) has raised with the Commonwealth Treasurer the issue of the expiry of the no worse off guarantee after 2026-27 and the need for the guarantee to be permanently extended. The impact of the no worse off guarantee expiry will become visible in 2024-25 state and territory budgets as 2027-28 forecasts are incorporated into the forward estimates period. South Australia will continue to strongly advocate for a return to a more equitable distribution of GST revenues and at a minimum, a permanent extension of the no worse off guarantee through the BOT, the Council for Federal Financial Relations and directly with the Commonwealth Treasurer.

## 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.

Consistent with the new Federation Funding Agreements architecture agreed by National Cabinet in 2020, payments for specific purposes can either be ongoing tied grants (National Agreements) or time-limited National Partnership Payments (NPPs).

There are currently four ongoing tied grants paid under National Agreements (NAs). The IGA governs the National Agreement for Skills and Workforce Development (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 that fall under one of five sectoral Federation Funding Agreements (FFAs). The five FFAs cover health, education and skills, infrastructure, environment and a residual agreement incorporates affordable housing, community services and other services. These payments support the delivery of specified projects or 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)<sup>(a)</sup>**

Agreement	2022-23		2023-24	2024-25	2025-26	2026-27
	Budget	Estimated Result	Budget	Estimate	Estimate	Estimate
<b>Health</b>						
National Health Reform funding	1 769.4	1 870.6	1 904.1	1 976.7	2 104.8	2 219.2
National Partnerships	60.5	66.4	55.9	51.2	66.7	72.9
<b>Education and Early Childhood</b>						
Quality Schools funding (government schools)	699.6	700.1	737.5	760.9	782.6	803.3
Quality Schools funding (non-government schools) <sup>(b)</sup>	1 307.1	1 397.4	1 466.2	1 541.7	1 605.6	1 668.6
National Partnerships	28.2	54.9	55.5	36.7	36.8	35.9
<b>Skills and Workforce Development</b>						
National Skills and Workforce Development SPP	110.8	112.4	116.1	119.3	121.5	123.2
National Partnerships	15.6	41.1	10.1	—	—	—
<b>Community Services</b>						
National Partnerships	90.2	92.0	87.0	4.5	4.7	0.7

Agreement	2022-23 Budget	2022-23	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
		Estimated Result				
Housing						
National Housing and Homelessness funding	115.0	116.4	120.2	118.1	120.3	122.1
National Partnerships	50.1	32.1	13.9	0.5	0.5	1.6
Infrastructure						
National Partnerships	1 095.1	779.2	928.8	974.0	1 218.6	1 870.2
Environment						
National Partnerships	80.9	113.1	152.7	115.0	19.1	1.7
Other						
National Partnerships	46.7	61.8	44.3	104.6	43.2	44.2
Local government financial assistance	71.7	71.7	195.4	196.6	203.6	208.7
Total Commonwealth Government payments for specific purposes	5 540.8	5 509.2	5 887.9	6 000.0	6 327.9	7 172.3
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 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 (NHRA), 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.

In accordance with the provisions of the NHRA addendum, an external review of the agreement is currently being undertaken for completion by December 2023 that will consider the implementation of long-term reforms, the impact of external factors on the demand for hospital services and the impact of any unforeseen factors.

### Education

The Commonwealth Government funding model for school education is based on a Schooling Resource Standard (SRS) that provides recurrent funding to government and non-government schools to meet the educational needs of students. The model prescribes both the Commonwealth Government and state and territory government recurrent funding contributions as shares of the SRS. The Commonwealth Government may provide additional funding for capital expenditure, special circumstances and non-government representative bodies. The National School Reform Agreement has been extended to 31 December 2024 to allow an Expert Panel to undertake a review and make recommendations which will inform the development of a new agreement.

Ongoing tied Commonwealth Government grants for on-passing is solely comprised of funding for non-government schools.

### ***Housing and homelessness***

The National Housing and Homelessness Agreement (NHHA) aims to improve access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation. Under the NHHA, states are required to match the Commonwealth Government's homelessness funding contribution. The NHHA was due to expire on 30 June 2023 but has been extended to 30 June 2024 to allow time for transition to any new arrangements or objectives that may come out of the implementation of the Housing Accord.

### ***Skills Reform***

In July 2020, the former 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. Negotiations are currently underway with the Commonwealth Government for the new National Skills Agreement which aims to increase productivity in the Australian economy and improve the lives and wellbeing of Australians, by supporting them to participate and gain secure employment in the labour market. The agreement will seek to deliver reforms that align with the vision and principles for longer-term VET reform endorsed by National Cabinet. States and territories will be advocating for appropriate flexibility, autonomy and funding certainty to deliver both national and local priorities.

### ***National Partnership grants***

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 2023-24, South Australia will receive an estimated \$1.3 billion in direct NPP funding, an increase of 9 per cent compared to funding in 2022-23. This mainly reflects the timing of funding for major infrastructure projects including the North-South Corridor – River Torrens to Darlington, several regional road projects (including the Augusta Highway Duplication), the Truro Bypass project, national energy bill relief funding, and the inclusion of a full year funding allocation for Financial Assistance Grants for local government (in 2022-23 a proportion of this funding was provided in advance and reflected in 2021-22). The overall increase is partially offset by the winding-down of funding for various land transport projects and the HomeBuilder program, and the conclusion of funding for Commonwealth COVID-19 business support reimbursement payments and funding for the Proton Beam Therapy Facility.

Over the forward estimates period, NPP funding largely reflects the timing of funding for infrastructure projects including future North-South Corridor – River Torrens to Darlington works, regional road projects, Hahndorf Traffic Improvements, the Truro Bypass project, the Strzelecki Track upgrade, the South Eastern Freeway upgrade and the Flinders Medical Centre upgrade and expansion. The profile of NPP funding also reflects the timing of funding for national energy bill relief and the expiry of current Disability Care Australia Fund arrangements.

### ***Other Commonwealth grants***

Payments in respect of the Pharmaceutical Benefits Scheme and Commonwealth funding to deliver services to clients of the Department of Veterans' Affairs comprise the majority of other Commonwealth grants funding.

## 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 4.8 per cent from 1 July 2023.

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

	2022-23					
	2022-23 Budget	Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Regulatory fees	809.1	855.0	904.2	934.2	1 001.2	1 042.7
Health unit fees	496.3	495.5	508.1	519.2	524.3	529.2
Guarantee fees	118.3	117.6	122.5	129.1	133.3	140.5
TAFE fees	86.0	82.2	78.2	87.2	91.9	95.9
Schools revenue	152.1	152.1	155.9	159.7	163.7	167.8
Metroticket sales	103.3	100.3	103.5	106.0	108.7	111.4
Drivers' licence fees	86.9	86.9	83.5	75.9	81.4	83.0
Other user charges	1 071.8	1 107.4	1 118.2	1 154.6	1 184.3	1 220.4
<b>Total sales of goods and services</b>	<b>2 923.8</b>	<b>2 997.0</b>	<b>3 074.1</b>	<b>3 165.9</b>	<b>3 288.7</b>	<b>3 390.9</b>
<b>% change on previous year</b>						
Nominal-terms growth (%)		0.2	2.6	3.0	3.9	3.1
Real-terms growth (%)		-7.0	-1.1	-0.3	1.1	0.6
Note: Totals may not add due to rounding.						

Revenue from sales of goods and services in 2022-23 is expected to be \$73 million higher than estimated at the time of the 2022-23 Budget. This mainly reflects higher revenue from regulatory fees and other user charges.

Revenue from regulatory fees was revised up in 2022-23 largely reflecting higher land services fees resulting from strong growth in residential property market transactions and prices, as well as revenue received from development applications that are collected through the new development application processing system and passed on to local councils and other entities. Other user charges have been revised up mainly due to higher than expected gambling revenues from the Lotteries Commission, partially offset by lower SA Ambulance Service transport revenue.

Growth in sales of goods and services over the four years to 2026-27 is expected to be around 3.1 per cent per annum on average, largely driven by projected increases in revenue from regulatory fees and other user charges.

## Interest income

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

**Table 3.18: Interest income (\$million)**

	2022-23					
	2022-23 Budget	Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Total interest income</b>	<b>143.6</b>	<b>325.7</b>	<b>402.8</b>	<b>338.2</b>	<b>357.3</b>	<b>366.8</b>
Nominal-terms growth (%)		1 197.8	23.7	-16.0	5.6	2.7
Real-terms growth (%)		1 104.5	19.2	-18.7	2.8	0.2
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 2022-23 is expected to be around \$182 million higher than estimated at the time of the 2022-23 Budget, mainly due to higher interest rates on cash deposits. The significant increase in percentage terms in 2022-23 reflects higher interest rate forecasts compared to the low starting base in 2021-22.

Growth in interest income in 2023-24 is largely due to forecast higher interest rates, with growth from 2024-25 reflecting a moderation in interest rates and modest forecast increases in agency cash balances.

## Dividend and income tax equivalent income

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

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

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Dividend and ITE income from PNFCs	152.1	116.9	163.7	156.5	160.8	176.8
Dividend and ITE income from PFCs	89.4	35.8	84.2	80.4	86.7	88.2
Other dividend income	0.6	0.6	0.6	0.6	0.6	0.6
<b>Total dividend and ITE revenue</b>	<b>242.0</b>	<b>153.2</b>	<b>248.5</b>	<b>237.5</b>	<b>248.2</b>	<b>265.6</b>
<b>Dividend and ITE from PNFCs comprise</b>						
SA Water	139.1	66.4	149.4	141.9	146.6	143.4
Renewal SA	2.3	38.8	2.2	2.2	2.2	21.2
Other	10.8	11.7	12.1	12.3	12.0	12.1
<b>Subtotal</b>	<b>152.1</b>	<b>116.9</b>	<b>163.7</b>	<b>156.5</b>	<b>160.8</b>	<b>176.8</b>
<b>Dividend and ITE from PFCs comprise</b>						
Motor Accident Commission	4.4	—	2.3	1.2	0.8	0.6
HomeStart Finance	37.7	34.0	33.9	35.0	37.9	39.5
SAFA	47.2	1.8	48.0	44.2	48.0	48.1
<b>Subtotal</b>	<b>89.4</b>	<b>35.8</b>	<b>84.2</b>	<b>80.4</b>	<b>86.7</b>	<b>88.2</b>
<b>% change on previous year</b>						
<b>Total dividend and ITE revenue</b>						
Nominal growth (%)		-25.8	62.1	-4.4	4.5	7.0
Real growth (%)		-31.1	56.3	-7.4	1.7	4.4

Note: Totals may not add due to rounding.

In 2022-23, total dividend and ITE income is estimated to be around \$88.8 million lower than the 2022-23 Budget estimate.

Distributions from PNFCs are expected to be \$35.2 million below budget in 2022-23 mainly due to lower than expected dividend and ITE payments from SA Water, reflecting revised profit expectations and a reduction in revenue due to the re-profiling of SA Water's third party works for the Department of Infrastructure and Transport's Fleurieu connections projects. This is partially offset by higher than expected dividend and ITE payments from Renewal SA. These higher payments include distributions associated with Renewal SA's higher than expected profit in 2021-22 due to material year-end asset revaluations and a change in accounting treatment that resulted in upfront revenue recognition for Oakden and Tonsley sales in accordance with accounting standards.

The increase in PNFC distributions from 2023-24 mainly reflect revenue to be received by SA Water for third party works from the Department of Infrastructure and Transport for the Fleurieu connections projects.

Distributions from PFCs are expected to be around \$53.6 million below budget in 2022-23 mainly due to SAFA's operating position being impacted by significant insurance claim provisions established for damages arising from the River Murray floods, lower net interest margin expectations impacting HomeStart Finance's profitability and lower contributions from the Motor Accident Commission due to lower returns on retained premium investments and the reinsurance arrangement entered into with Berkshire Hathaway from 1 January 2019.

The increase in PFC distributions from 2023-24 reflects an expectation for SAFA's operating result to return to normal levels.

Further information 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)**

	2022-23		2023-24	2024-25	2025-26	2026-27
	2022-23 Budget	Estimated Result	Budget	Estimate	Estimate	Estimate
Royalties	384.7	386.0	403.9	390.4	412.6	428.2
Fines and penalties	153.2	134.6	181.4	216.2	218.3	221.7
Schools revenue	43.3	43.3	44.4	45.5	46.6	47.8
Other	1 003.7	1 054.9	1 017.0	1 031.7	1 069.8	1 091.7
<b>Total other revenue</b>	<b>1 585.0</b>	<b>1 618.9</b>	<b>1 646.7</b>	<b>1 683.8</b>	<b>1 747.3</b>	<b>1 789.4</b>
<b>% change on previous year</b>						
Nominal-terms growth (%)		3.2	1.7	2.3	3.8	2.4
Real-terms growth (%)		-4.2	-2.0	-1.0	1.0	-0.1
Note: Totals may not add due to rounding.						

Total revenue from other sources in 2022-23 is expected to be \$34 million higher than the 2022-23 Budget estimate, reflecting higher than expected collections from other revenue partially offset by lower than forecast revenue from fines and penalties.

Royalty revenue in 2022-23 is largely in line with 2022-23 Budget estimates. Growth in royalty revenue in 2023-24 is impacted by a refund in 2022-23 for the overpayment of royalty revenue by a large producer. Royalty revenue is expected to decline in 2024-25 due to forecast lower commodity prices, with growth in future years supported by increased petroleum production and the expiry of the new mine rate for the Carrapateena Mine.

Revenue from fines and penalties in 2022-23 is projected to be \$19 million lower than the 2022-23 Budget estimate mainly due to lower than expected collections from various sources including court related fines and traffic expiations. From 2023-24, fines and penalties revenue includes expected revenue from an increase in the number of road safety cameras at high risk sites, including cameras that can detect mobile phone offences.

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 2022-23 is expected to be consistent with estimates in the 2022-23 Budget and is estimated to grow modestly over the forward estimates.

Other revenue is expected to be \$51 million higher in 2022-23 compared to the 2022-23 Budget, mainly driven by net revenue received as part of a hotel quarantine cross charging arrangement between jurisdictions, as well as the timing of the Walker Corporation's contributions to the Adelaide Festival Plaza upgrade which were expected in 2021-22 but now budgeted to be received in 2022-23. This higher revenue in 2022-23 results in negative revenue growth in 2023-24, followed by average annual growth of around 2.4 per cent to 2026-27.

## Annual fee and rate setting

### Fees and charges

The annual indexation factor for fees and charges has been set at 4.8 per cent for 2023-24, 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.

CTP premiums are set independently by private insurers within a range as determined by the CTP Regulator. The CTP Regulator has determined a decrease to the lower bound of the range (around 6 per cent) as well as a decrease to the upper bound of the range (around 5 per cent) in 2023-24.

The Lifetime Support Scheme levy will increase by 8.5 per cent in 2023-24 to reflect increases in the cost of future medical care and support payments under the scheme.

Water and sewerage prices will be set prior to the commencement of the 2023-24 financial year.

Table 3.21 sets out the increases in fees and charges in 2023-24 for major government services. These increases take effect from 1 July 2023.

**Table 3.21: 2023-24 changes to selected agency fees and charges**

	2022-23 \$	2023-24 \$	Change %
<b>Public transport</b>			
MetroCard single fare — all times and zones	4.05	4.25	4.9
Regular 28 Day pass	107.00	112.10	4.8
<b>Motor vehicle charges</b>			
Registration fee — motor vehicles:			
Four cylinders or less	141.00	148.00	5.0
Five or six cylinders	287.00	301.00	4.9
Seven or more cylinders	415.00	435.00	4.8
Registration fee — light commercial vehicles:			
Mass between 1001 kg and 1500 kg	309.00	324.00	4.9
Mass greater than 1500 kg	527.00	552.00	4.7
<b>Drivers' licence renewals</b>			
Five years	245.00	255.00	4.1
Ten years	490.00	510.00	4.1



	2022-23 \$	2023-24 \$	Change %
<b>Speeding fines</b>			
Exceeding the speed limit by:			
Less than 10 km/h	187.00	196.00	4.8
By 10 km/h but less than 20 km/h	422.00	442.00	4.7
By 20 km/h but less than 30 km/h	858.00	899.00	4.8
By 30 km/h but less than 45 km/h	1560.00	1635.00	4.8
By 45 km/h and above	1756.00	1840.00	4.8
<b>Motor vehicle charges<sup>(a)</sup></b>			
Compulsory third party premium — passenger vehicles (metropolitan postcodes):			
Standard premium	294.99 - 322.14	276.84 - 305.63	-6.2 / -5.1
Input tax credit entitled premium	313.50 - 342.69	293.31 - 324.19	-6.4 / -5.4
Lifetime Support Scheme levy — passenger vehicles (metropolitan postcodes)	126.33	137.09	8.5
(a) For metropolitan postcodes. Since 1 July 2019, CTP premiums have been set independently by private insurers within a range as determined by the CTP Regulator. The percentage changes have been calculated based on movements in the lower and upper band of the premium range. The actual change for individual motorists may vary depending on the chosen insurer.			

# Chapter 4: Managing the state's assets and liabilities

## Overview

The government has committed to a range of investments over the forward estimates that improve the state's economic and social infrastructure, including upgraded road infrastructure, increased social and affordable housing and improved health facilities. As a result, net debt will increase over the forward estimates.

General government sector net debt is expected to rise from \$17.9 billion at 30 June 2023 to \$28.6 billion at 30 June 2027. NFPS net debt reflects the combined debt of the general government and the public non-financial corporations (PNFC) sectors. The non-financial public sector (NFPS) net debt is estimated to increase to \$37.6 billion at 30 June 2027, up from \$26.0 billion at 30 June 2023.

The value of land and other fixed assets in the general government sector, including the state's transport, education and health infrastructure is expected to increase from \$62.2 billion in 2023 to \$73.0 billion in 2027 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, increases over this period to reach \$55.3 billion by 2027.

The state's unfunded superannuation liability is estimated to be \$7.1 billion at 30 June 2023. This is \$344 million higher than the estimate at the time of the 2022-23 MYBR, largely as a result of the impact of inflation in 2022-23 which increases the scheme's liabilities and a lower discount rate to value the liability. The government remains on track to fully fund superannuation liabilities by 2034, with the unfunded liability projected to decline to \$5.0 billion by 30 June 2027.

## 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**

	2022 Actual	2023 Estimated Result	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
<b>Net debt</b>						
\$m	16 479	17 859	20 293	22 488	25 433	28 579
% of total revenue	69.5	72.4	76.3	82.8	90.7	97.8
% of GSP	12.8	12.8	13.9	14.7	15.9	17.1
<b>Net financial liabilities</b>						
\$m	28 259	30 117	32 145	33 928	36 459	39 104
% of total revenue	119.2	122.1	120.8	125.0	130.0	133.8
<b>Net financial worth</b>						
\$m	-8 588	-10 123	-11 681	-13 050	-15 383	-17 850
% of total revenue	-36.2	-41.1	-43.9	-48.1	-54.8	-61.1
<b>Net worth</b>						
\$m	52 444	52 167	52 746	53 539	54 368	55 316
% of total revenue	221.2	211.6	198.3	197.2	193.8	189.3

## Net debt

General government sector net debt is forecast to increase across the forward estimates from \$17.9 billion at 30 June 2023 to \$28.6 billion at 30 June 2027. 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 2023-24 to 2026-27. The cash deficits across the forward estimates predominantly reflect the government's substantial investment program. This includes improvements to road infrastructure in partnership with the Commonwealth Government including the North-South Corridor, Fleurieu Connections and Marion Road, Anzac Highway to Cross Road projects as well as a range of other infrastructure investments including the new Women's and Children's Hospital, Flinders Medical Centre upgrade and expansion, new Mount Barker Hospital, our hydrogen future, upgraded police, ambulance and rescue aviation services and new Forensic Science and SA Police communication centre buildings.

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 at 30 June (\$million)**

	2023 Estimated Result	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
<b>Opening general government net debt</b>	<b>16 479</b>	<b>17 859</b>	<b>20 293</b>	<b>22 488</b>	<b>25 433</b>
<b>Increase in net debt</b>					
General government cash surplus (-) / deficit (+)	856	1 871	1 688	2 233	2 956
Equity contributions granted	236	346	331	118	79
Lease adjustments — additions, modifications and re-measurements	261	206	166	615	153
<b>Decrease in net debt</b>					
Return of equity	—	—	—	—	-14
<b>Other variations</b>	<b>27</b>	<b>11</b>	<b>10</b>	<b>- 21</b>	<b>-28</b>
<b>Closing general government net debt</b>	<b>17 859</b>	<b>20 293</b>	<b>22 488</b>	<b>25 433</b>	<b>28 579</b>

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 fully funded schemes 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 \$7.1 billion as at 30 June 2023, reducing to \$5.0 billion by 30 June 2027.

As at 30 June 2023, the unfunded superannuation liability is estimated to be \$344 million higher than estimated in the 2022-23 MYBR. This increase is predominantly due to higher CPI assumptions in 2022-23.

Table 4.3 summarises the change in the unfunded superannuation liability since the 2022-23 Budget.

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

	2023	2024	2025	2026	2027
<b>Estimate as at 2022-23 Budget</b>	<b>7 458</b>	<b>6 931</b>	<b>6 380</b>	<b>5 802</b>	<b>5 197</b>
Higher CPI in 2021-22 (3.35% instead of 2.0%) <sup>(a)</sup>	143	135	126	116	106
Lower earnings on investments in 2021-22 (-1.8% instead of 3.1%) <sup>(b)</sup>	35	52	71	90	110
Higher discount rate (2.7% to 4.0%) <sup>(c)</sup>	-1 583	-1 458	-1 334	-1 211	-1 089
Short-term CPI assumptions of 5.0% in 2022-23 and 3.0% in 2023-24 <sup>(d)</sup>	426	402	375	346	314
Lower assumed earnings in 2022-23 (5.6% instead of 6.5%) <sup>(e)</sup>	69	65	61	57	52
Other	160	152	143	133	122
<b>Estimate as at 2022-23 MYBR</b>	<b>6 708</b>	<b>6 280</b>	<b>5 822</b>	<b>5 333</b>	<b>4 811</b>
Higher CPI in 2022-23 (8.64% instead of 5.0%) <sup>(d)</sup>	383	361	337	311	282
Impact of change in discount rate from 4.0% to 3.9% <sup>(c)</sup>	144	132	120	108	95
Higher assumed earnings in 2022-23 (5.7% instead of 5.6%) <sup>(e)</sup>	-8	-7	-7	-7	-6
Other	-175	-167	-158	-148	-136
<b>2023-24 Budget</b>	<b>7 052</b>	<b>6 598</b>	<b>6 114</b>	<b>5 597</b>	<b>5 046</b>

Note: Totals may not add due to rounding

(a) CPI for 2021-22 was 3.35 per cent compared to 2.0 per cent estimate at the time of the 2022-23 Budget.

(b) The earnings rate for 2021-22 was -1.8 per cent compared with the 3.1 per cent estimate at the time of the 2022-23 Budget.

(c) At the time of the 2022-23 Budget the discount rate was 2.7 per cent, the discount rate increased for the MYBR (4.0 per cent) but has since decreased to 3.9 per cent for the 2023-24 Budget.

(d) At the time of the 2022-23 Budget CPI was 2.0 per cent across all years. For the MYBR CPI was estimated to rise to 5.0 per cent for 2022-23 and 3 per cent for 2023-24. Since the MYBR, the 2022-23 CPI has been estimated to increase further to 8.64 per cent as part of the 2023-24 Budget.

(e) At the time of the 2022-23 Budget the expected earnings rate for 2022-23 was 6.5 per cent, the expected earnings rate decreased for the MYBR (5.6 per cent), but has since increased to 5.7 per cent for the 2023-24 Budget.

### Earnings

The unfunded superannuation liability as at 30 June 2023 reflects an estimated Funds SA earnings rate of 5.7 per cent for 2022-23. This is less than the long-term assumed earnings rate of 6.5 per cent.

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, will have an impact on the reported liability, with a 1.0 percentage point change in the earnings rate changing the liability by \$75 million.

### 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 3.9 per cent (effective annual rate) has been used for the 2023-24 Budget, compared with 2.7 per cent used for the 2022-23 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 increase in the bond rate changing the liability by approximately \$1.3 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 (%)	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
2.9	8 636	8 050	7 432	6 779	6 090
3.9	7 052	6 598	6 114	5 597	5 046
4.9	5 723	5 375	5 000	4 596	4 160

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.

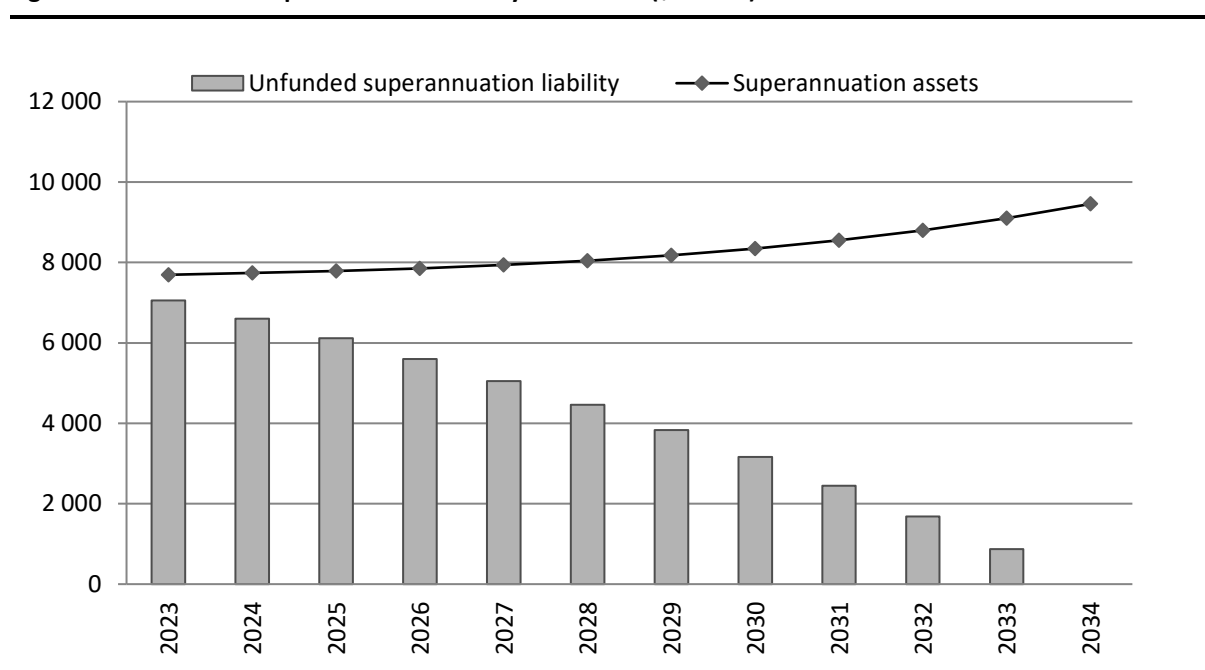
**Table 4.5: Estimates of past service superannuation liability cash payments (\$million)**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Past service payments	402	516	529	542	555	569

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.

Figure 4.1 shows the reduction in the unfunded superannuation liability together with the increase in superannuation assets over the next 12 years.

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



Superannuation assets are expected to be \$7.7 billion as at 30 June 2023 and are projected to reach \$9.5 billion by 2034, 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 \$30.1 billion at 30 June 2023 to \$39.1 billion at 30 June 2027, 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 \$3.0 billion at 30 June 2023 and are forecast to increase to \$3.6 billion as at 30 June 2027. 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 \$10.1 billion at 30 June 2023 to negative \$17.9 billion at 30 June 2027. 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 \$52.2 billion at 30 June 2023 to \$55.3 billion at 30 June 2027.

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 at 30 June (\$million)**

	2023 Estimated Result	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
<b>Net worth at beginning of year</b>	<b>52 444</b>	<b>52 167</b>	<b>52 746</b>	<b>53 539</b>	<b>54 368</b>
<b>Change in net worth from operating transactions</b>					
Net operating balance	-249	250	512	552	639
<b>Change in net worth from other economic flows</b>					
Movement in net assets of PFCs <sup>(a)</sup>	-35	-53	-108	-203	-249
Movement in net assets of PNFCs <sup>(a)</sup>	236	284	298	390	470
Revaluation of unfunded superannuation liability <sup>(b)</sup>	-120	203	203	203	203
Revaluation of long service leave liability	-102	-104	-105	-107	-108
Revaluation of annual leave liability	-16	-17	-17	-17	-17
Revaluation of workers compensation liability	-17	-17	-17	-17	-17
Revaluation of non-financial assets	41	41	41	41	41
Other revaluation adjustments	-15	-10	-13	-13	-13
<b>Total other economic flows</b>	<b>-29</b>	<b>329</b>	<b>282</b>	<b>277</b>	<b>309</b>
<b>Net worth at year end</b>	<b>52 167</b>	<b>52 746</b>	<b>53 539</b>	<b>54 368</b>	<b>55 316</b>

Note: Totals may not add due to rounding.

(a) 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.

(b) 2022–23 change represents the revaluation difference from 30 June 2022 liability.

## Land and other fixed assets

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

Table 4.7 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)**

	2023 Estimated Result	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
Inventories	150	150	150	150	150
Land	8 782	8 776	8 766	8 759	8 751
Buildings and improvements	14 653	15 651	16 115	17 303	17 663
Water, sewerage and drainage assets	1 232	1 331	1 317	1 304	1 291
Road networks	30 169	31 617	33 211	35 335	38 124
Rail and bus networks	3 284	3 274	3 275	3 200	3 131
Other infrastructure assets	2 469	2 078	2 207	2 152	2 509
Heritage assets	1 421	1 421	1 421	1 421	1 421
Self-generating and regenerating assets	5	5	5	5	5
<b>Total land and other fixed assets (net of provisions for depreciation)</b>	<b>62 164</b>	<b>64 302</b>	<b>66 467</b>	<b>69 629</b>	<b>73 044</b>
<b>Depreciation expense</b>	<b>1 507</b>	<b>1 564</b>	<b>1 644</b>	<b>1 718</b>	<b>1 815</b>

The total value of land and fixed assets held in the general government sector is expected to grow from \$62.2 billion at 30 June 2023 to \$73.0 billion at 30 June 2027. 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 including the North-South Corridor, Fleurieu Connections and Marion Road, Anzac Highway to Cross Road projects.

The increase in buildings and improvements across the forward estimates primarily reflects the provisions for the new Women's and Children's Hospital, Flinders Medical Centre upgrade and expansion, new Mount Barker Hospital, and delivery of the government's election commitments that significantly grow the capacity of the health system.

The general government investing program is expected to be \$3.8 billion in 2023-24, compared with the 2022-23 estimated result of \$3.0 billion. Strong levels of capital investment continue to increase the state's infrastructure base, enable the state to provide high quality services and improve 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 \$1.5 billion in 2022-23 and rises to \$1.8 billion by 2026-27 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).



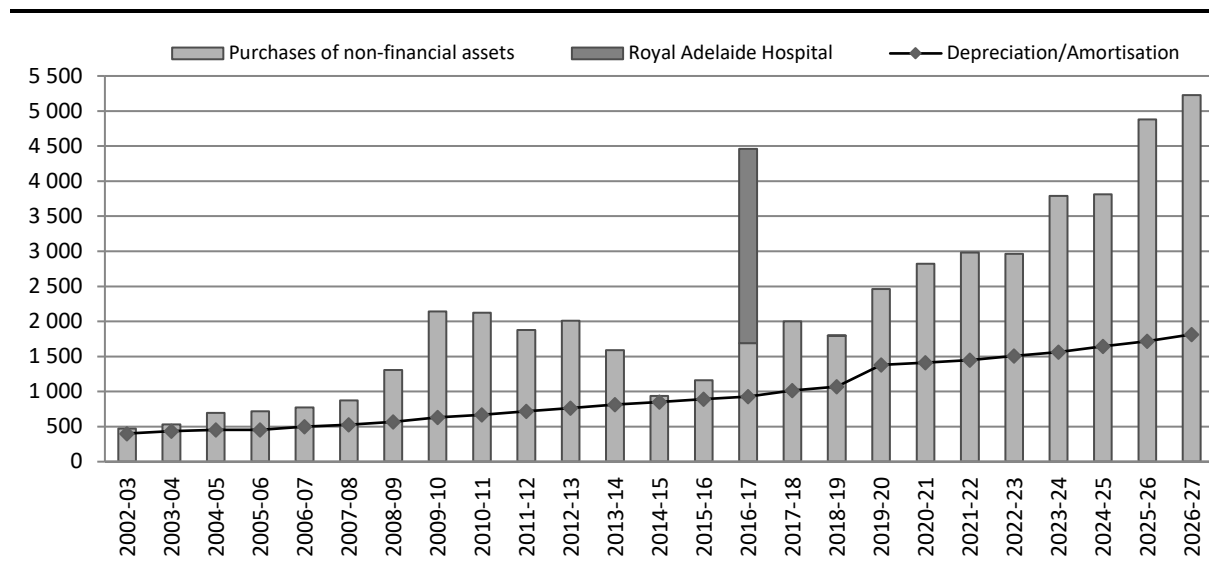
**Figure 4.2: General government sector purchases of non-financial assets (\$million)**

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

**Table 4.8: General government sector balance sheet at 30 June (\$million)**

	2023 Estimated Result	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	10 457	11 072	11 627	12 172	12 363
Advances paid	203	257	318	367	384
Investments, loans and placements	643	678	977	975	972
Receivables	2 726	2 833	2 918	3 007	3 097
<b>Equity</b>					
Investments in other public sector	19 994	20 464	20 878	21 076	21 254
Investments — other	101	101	101	101	101
Other financial assets	—	—	—	—	—
<b>Total financial assets</b>	<b>34 124</b>	<b>35 405</b>	<b>36 819</b>	<b>37 698</b>	<b>38 171</b>
<b>Non-financial assets</b>					
Land and other fixed assets	62 164	64 302	66 467	69 629	73 044
Other non-financial assets	126	124	122	122	122
<b>Total non-financial assets</b>	<b>62 290</b>	<b>64 427</b>	<b>66 589</b>	<b>69 751</b>	<b>73 166</b>
<b>Total assets</b>	<b>96 414</b>	<b>99 832</b>	<b>103 408</b>	<b>107 449</b>	<b>111 337</b>
<b>Liabilities</b>					
Deposits held	465	399	365	453	472
Advances received	—	—	—	—	—
Borrowing	28 697	31 900	35 045	38 494	41 826
Superannuation	7 052	6 598	6 114	5 597	5 046
Other employee benefits	3 021	3 163	3 304	3 470	3 631

	2023 Estimated Result	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
Payables	1 595	1 600	1 605	1 616	1 624
Other liabilities	3 418	3 426	3 437	3 451	3 423
<b>Total liabilities</b>	<b>44 247</b>	<b>47 086</b>	<b>49 869</b>	<b>53 081</b>	<b>56 021</b>
<b>Net worth</b>	<b>52 167</b>	<b>52 746</b>	<b>53 539</b>	<b>54 368</b>	<b>55 316</b>
Net financial worth	-10 123	-11 681	-13 050	-15 383	-17 850
Net financial liabilities	30 117	32 145	33 928	36 459	39 104
Net debt	17 859	20 293	22 488	25 433	28 579
Note: Totals may not add due to rounding.					

## 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**

	2022 Actual	2023 Estimated Result	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
<b>Net debt</b>						
\$m	23 988	26 043	29 074	31 537	34 563	37 563
% of total revenue	95.9	100.5	104.4	110.6	117.4	121.6
% of GSP	18.7	18.7	19.9	20.6	21.6	22.5
<b>Net financial liabilities</b>						
\$m	37 174	39 705	42 415	44 559	47 252	49 813
% of total revenue	148.6	153.3	152.3	156.3	160.5	161.3
<b>Net financial worth</b>						
\$m	-35 100	-37 667	-40 429	-42 682	-45 577	-48 387
% of total revenue	-140.3	-145.4	-145.2	-149.7	-154.8	-156.7
<b>Net worth</b>						
\$m	52 444	52 176	52 739	53 530	54 359	55 322
% of total revenue	209.6	201.4	189.4	187.8	184.7	179.1

NFPS net debt is projected to increase from \$26.0 billion at 30 June 2023 to \$37.6 billion at 30 June 2027.

The estimated ratio of net debt to revenue for the NFPS is expected to increase from 100.5 per cent as at 30 June 2023 to 121.6 per cent at 30 June 2027, which is largely due to the increase in net debt in the general government sector. Compared to the 2022-23 MYBR, NFPS net debt is \$1.1 billion higher by 2025-26, largely as a result of the significant investment in health over the forward estimates and new initiatives in the budget, partially offset by growth in GST and state taxation revenue.

PNFC net debt is estimated to be \$8.3 billion at 30 June 2023 and is projected to increase to \$9.1 billion by 30 June 2027. The increase in PNFC net debt is largely due to higher borrowings by SA Water to deliver various capital projects including the Mount Bold Dam safety investigation, Kangaroo Island desalination plant and Eyre Peninsula desalination augmentation.

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)**

	<b>2023 Estimated Result</b>	<b>2024 Budget</b>	<b>2025 Estimate</b>	<b>2026 Estimate</b>	<b>2027 Estimate</b>
Inventories	756	843	980	949	675
Land	16 456	16 562	16 683	16 806	16 929
Buildings and improvements	19 822	20 992	21 565	22 638	22 990
Water, sewerage and drainage assets	14 769	15 690	16 191	16 768	17 276
Road networks	30 170	31 618	33 212	35 335	38 124
Rail and bus networks	3 284	3 274	3 275	3 200	3 131
Other infrastructure assets	2 899	2 511	2 635	2 575	2 927
Heritage assets	1 435	1 435	1 435	1 435	1 435
Self-generating and regenerating assets	113	113	113	113	113
<b>Total land and other fixed assets (net of provisions for depreciation)</b>	<b>89 705</b>	<b>93 038</b>	<b>96 089</b>	<b>99 820</b>	<b>103 599</b>
<b>Depreciation expense</b>	<b>2 049</b>	<b>2 128</b>	<b>2 220</b>	<b>2 297</b>	<b>2 395</b>

The total value of land and other fixed assets for the NFPS is projected to rise from \$89.7 billion at 30 June 2023 to \$103.6 billion at 30 June 2027, mainly due to investment and revaluations in road network 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 2022-23, SAFA had good access to markets. Central banks globally continued to tighten monetary policy, including in Australia where the RBA moved the cash rate from its historical low setting of 0.10 per cent in April 2022 to 3.8 per cent as of 4 May 2023, in response to persistently high inflation.

Longer dated interest rates fluctuated throughout the course of the year as markets and investors attempted to pick the turn in the interest rate cycle as growth indicators began to slow.

The United States of America 10-year bond rate was at 3.00 per cent on 1 July 2022, having moved consistently higher from the historical low of 0.50 per cent in August 2020. By 4 May 2023 the rate had settled near 3.35 per cent, having peaked at 4.25 per cent in October 2022 despite the federal funds rate rising a further five times, including a 25-basis point hike on 3 May 2023.

The US Federal Reserve began lifting the official cash rate in March 2022 from the historic low level of 0 – 0.25 per cent to its current setting of 5.00 – 5.25 per cent. Markets are expecting a pause in the rate hike cycle for the rest of 2023 based on the US Federal Reserve's forecasts. In Germany, the 10-year rate had risen to above 2.5 per cent for the first time since late 2011. The rate as of 4 May 2023 was 2.25 per cent.

SAFA's long-term borrowing rates have fluctuated over 2022-23 consistent with the rates movements seen in global bond markets. The interest rate on SAFA's three-year select line bond fluctuated within a wider band of 3.00 per cent to 4.00 per cent after its upward shift in 2021-22 when the rate rose from 0.50 per cent to over 3.25 per cent. As of 4 May 2023, it was 3.50 per cent. The interest rate on the corresponding Commonwealth Government bond followed the same track and was at 3.00 per cent as at 4 May 2023.

The SAFA ten-year select line bond which moved between 3.60 per cent and 4.90 per cent over 2022-23 has risen from a low of 1.50 per cent in August 2021. As at 4 May 2023, the rate was 4.00 per cent. The corresponding ten-year Commonwealth Government bond was at 3.30 per cent as at 4 May 2023, having fluctuated within a 3.00 per cent to 4.20 per cent range.

The general stability in SAFA bonds compared with the Commonwealth Government bonds was consistent across the curve despite the temporary dislocation in markets experienced in November 2022 when credit markets experienced some weakness.

The government's debt management objective is to minimise the long-term average interest cost subject to acceptable levels of interest rate risk. SAFA manages its debt within a duration range of four to eight years. 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 consider 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 four funds specifically established in the authority's accounts.

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 agencies is budgeted at \$67.1 million in 2022-23 (\$55.1 million for 2021-22).

At 31 March 2023 Insurance Fund 1 had:

- total assets of \$641.9 million
- total liabilities of \$564.9 million, including outstanding claim liabilities of \$547.6 million. Medical malpractice claims accounted for \$339.9 million of the outstanding claim liabilities
- net assets (free reserves) of \$77.0 million.

SAFA aims to maintain sufficient assets to meet liabilities at all times. At 31 March 2023 the level of free reserves (total assets over total liabilities expressed as a percentage) was 113.6 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 2023, the balance of Fund 4 (including investment income received) was \$104.4 million.

In 2022, SAFA's combined reinsurance costs for property and liability cover increased from \$16.8 million to \$18.6 million.

Property reinsurance costs continue to rise in response to the impact of inflation on asset reinstatement costs and risks that have a significant natural catastrophe exposure. Liability reinsurers continue to impose rate increases as they look to achieve portfolio sustainability, particularly in response to claims inflation for long tail risks.

## River Murray Flood

SAFA has received claims from five agencies relating to losses incurred from the 2022-23 River Murray flooding event. Assets that were damaged during the flood are still in the process of being assessed and the extent of losses cannot be determined with any certainty until full damage assessments are finalised and reviewed.

On the limited information available, SAFA is estimating losses of \$65.0 million. SAFA's actuary has recommended that a risk margin of 20% (\$13.0 million) be applied in the calculation of liabilities, resulting in a total liability of \$78.0 million having been recognised by SAFA.

While flood reinsurance is in place, there is some uncertainty about the extent of any recovery under SAFA's reinsurance program due to the complexities involved in such an event and the sizeable deductibles (excesses) in place. As a result, SAFA has adopted a conservative approach and has not recognised any recovery under the reinsurance program.

# 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.

The SA Motor Sport Board commenced operation in September 2022 as a new public non-financial corporation under the *South Australian Motor Sport Act 1984* to promote motorsport in South Australia including responsibility for holding the Adelaide 500 event each year from 2022.

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)**

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Public non-financial corporations</b>						
Net contribution to/from government <sup>(a)</sup>	-111.4	-205.6	-232.6	-204.5	-286.6	-361.8
Capital investment	941.4	897.4	1 214.3	825.2	719.7	613.9
Net debt	8 318.8	8 269.7	8 871.7	9 139.8	9 220.6	9 075.2
<b>Public financial corporations</b>						
Net contribution to/from government <sup>(a)</sup>	81.0	27.4	75.3	71.3	77.6	78.6
(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 2022-23 is \$205.6 million which is \$94.2 million higher than budget. This is primarily due to higher than budgeted grants to the South Australian Housing Authority (SAHA) to reflect a retiming of SAHA's capital investment program, lower SA Water profit expectations and the recognition of grants to the SA Motor Sport Board for the return of the Adelaide 500 (these grants were reflected in general government sector accounts for the 2022-23 Budget). This is partially offset by higher contributions from Renewal SA due to a higher than estimated profit in 2021-22 (the payment for this higher than expected profit was made in 2022-23).

Net contributions from government are expected to increase in 2023-24 by \$27.0 million compared to the 2022-23 estimated result principally due to higher grants to SAHA consistent with funding arrangements approved as part of the 2019-20 Budget partially offset by an expectation that SA Water's profit will improve as a result of stronger estimated water sales (following a La Niña event in 2022-23) and a return to lower operating expenditure (following the River Murray flood event).

The movement in net contributions from government across the forward estimates primarily reflects the impact of funding arrangements for SAHA that were approved as part of the 2019-20 Budget and profit expectations for SA Water.

Significant capital investments budgeted in 2023-24 and across the forward estimates include SA Water's Mount Bold Dam safety upgrade, Kangaroo Island desalination plant and Eyre Peninsula desalination augmentation, and SAHA's affordable housing initiative and public housing improvement program.

Estimated PNFC sector net debt as at 30 June 2023 is expected to be \$8.3 billion which is \$49.1 million lower than budget mainly due to delays in capital expenditure for SA Water's third party works for the Department for Infrastructure and Transport for the Fleurieu connections projects, and delays in SAHA's affordable housing initiative and better neighbourhoods program.

Net debt is projected to increase from 30 June 2023 mainly due to higher borrowings by SA Water to deliver various capital projects including the Mount Bold Dam safety upgrade, Kangaroo Island desalination plant and Eyre Peninsula desalination augmentation.

The estimated net contribution to government from public financial corporations (PFCs) in 2022-23 is \$27.4 million which is \$53.6 million lower than budget. This is principally due to the South Australian Government Financing Authority's operating position being impacted by significant insurance claim provisions established for damages arising from the River Murray flood event, lower net interest margin expectations impacting HomeStart's profitability, and lower contributions from the Motor Accident Commission due to lower returns on retained premium investments and its reinsurance arrangements.

## 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 rated private enterprise would be subject to.

Community service obligation (CSO) funding provided to government businesses is generally recorded as expenditure 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.

All jurisdictions recommitted to the principles in the Competition Principles Agreement through the former Council of Australian Governments 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.

### 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 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 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, as well as operational requirements, and to the Adelaide Festival Centre Trust 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. The SA Motor Sport Board also receives grants which primarily support the Adelaide 500 event.

## Public non-financial corporations

### Key budget aggregates

Table 5.2 provides key budget aggregates for the PNFC sector.

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

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Net operating balance before income tax equivalents</b>						
SA Water	138.8	65.4	148.6	146.8	151.3	148.0
Renewal SA	-12.5	5.6	-9.6	-8.1	-5.4	32.1
South Australian Housing Authority	-409.5	-342.8	-351.1	-324.0	-244.2	-132.6
Other	-22.9	-9.7	-12.6	-14.5	-13.8	-12.1
<b>Net operating balance before income tax equivalents</b>	<b>-306.2</b>	<b>-281.5</b>	<b>-224.8</b>	<b>-199.9</b>	<b>-112.0</b>	<b>35.4</b>
<i>less</i> Income tax equivalents	45.4	26.1	48.7	46.5	47.7	52.6
<b><i>equals</i> Net operating balance</b>	<b>-351.6</b>	<b>-307.6</b>	<b>-273.6</b>	<b>-246.4</b>	<b>-159.7</b>	<b>-17.2</b>
<b><i>less</i> Net acquisition of non-financial assets</b>						
Gross fixed capital formation <sup>(a)</sup>	790.0	805.9	1 022.2	654.9	517.2	593.3
<i>less</i> Depreciation	541.5	546.5	567.1	577.6	580.5	582.1
<i>plus</i> Change in inventories	9.7	148.4	87.4	136.4	-31.0	-274.3
<b><i>equals</i> Total net acquisition of non-financial assets</b>	<b>258.2</b>	<b>407.9</b>	<b>542.4</b>	<b>213.7</b>	<b>-94.3</b>	<b>-263.1</b>
<b><i>equals</i> Net lending/borrowing<sup>(b)</sup></b>	<b>-609.8</b>	<b>-715.5</b>	<b>-816.0</b>	<b>-460.1</b>	<b>-65.4</b>	<b>245.9</b>
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 estimated net operating deficit before income tax equivalents for the PNFC sector in 2022-23 is \$281.5 million which is a \$24.7 million improvement from budget mainly due to higher grants (offset by lower equity contributions) reflecting delays in SAHA's capital investment program and various Renewal SA sales being deferred from 2021-22 to 2022-23. This is partially offset by SA Water's revised profit expectations and a reduction in revenue due to the reprofiling of SA Water's third party works for the Department for Infrastructure and Transport's Fleurieu connections projects.

The net operating deficit before income tax equivalents is forecast to decrease by \$56.7 million in 2023-24 compared to the 2022-23 estimated result principally due to SA Water reflecting third party works revenue (that has been delayed from 2022-23) from the Department for Infrastructure and Transport for Fleurieu connections projects and an expectation that SA Water's profit will improve as a result of stronger estimated water sales following a La Niña event in 2022-23 and a return to lower operating expenditure following the River Murray flood event.

The net operating deficit before income tax equivalents is expected to improve in 2024-25 and 2025-26 before being in surplus in 2026-27 principally due to higher annual grants to SAHA consistent with funding arrangements that were approved as part of the 2019-20 Budget.

In 2023-24, gross fixed capital formation is expected to be \$216.3 million higher compared to the 2022-23 estimated result mainly due to SAHA's affordable housing initiative and public housing improvement program, and increased expenditure on SA Water projects including the Eyre Peninsula desalination augmentation and Morgan Whyalla pipeline replacement.

## Net contributions

Table 5.3 summarises net contributions to/from the government for PNFC sector 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)**

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Income tax equivalents</b>						
SA Water	42.6	20.4	45.4	43.1	44.5	43.6
Renewal SA	—	2.4	—	—	—	5.7
South Australian Housing Authority	—	—	—	—	—	—
Other	2.8	3.4	3.3	3.4	3.2	3.3
<b>Total income tax equivalents</b>	<b>45.4</b>	<b>26.1</b>	<b>48.7</b>	<b>46.5</b>	<b>47.7</b>	<b>52.6</b>
<i>plus Dividends</i>						
SA Water	96.5	46.0	103.9	98.8	102.0	99.8
Renewal SA	2.3	36.4	2.2	2.2	2.2	15.5
South Australian Housing Authority	—	—	—	—	—	—
Other	7.9	8.3	8.8	8.9	8.8	8.9
<b>Total dividends</b>	<b>106.7</b>	<b>90.8</b>	<b>115.0</b>	<b>109.9</b>	<b>113.1</b>	<b>124.2</b>
<i>less Grants and subsidies</i>						
SA Water	65.9	23.0	50.5	13.1	15.6	19.2
Renewal SA	—	0.6	—	—	—	—
South Australian Housing Authority	3.4	68.9	121.8	124.2	205.0	292.3
Other	33.9	67.6	55.9	56.1	56.4	57.5
<b>Total grants and subsidies</b>	<b>103.2</b>	<b>160.1</b>	<b>228.2</b>	<b>193.4</b>	<b>277.0</b>	<b>369.1</b>

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<i>less CSOs</i>						
SA Water	144.7	144.7	145.6	140.3	141.3	142.3
Renewal SA	5.6	7.7	11.8	16.2	17.5	15.2
South Australian Housing Authority	—	—	—	—	—	—
Other	10.0	10.0	10.7	11.1	11.6	11.9
<b>Total CSOs</b>	<b>160.3</b>	<b>162.4</b>	<b>168.1</b>	<b>167.6</b>	<b>170.4</b>	<b>169.4</b>
<i>equals Net contribution to/from government<sup>(a)</sup></i>						
SA Water	-71.6	-101.3	-46.7	-11.5	-10.3	-18.1
Renewal SA	-3.3	30.5	-9.5	-14.0	-15.3	6.0
South Australian Housing Authority	-3.4	-68.9	-121.8	-124.2	-205.0	-292.3
Other	-33.2	-66.0	-54.5	-54.9	-56.0	-57.3
<b>Total net contribution to/from government</b>	<b>-111.4</b>	<b>-205.6</b>	<b>-232.6</b>	<b>-204.5</b>	<b>-286.6</b>	<b>-361.8</b>
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 2022-23 is \$205.6 million, which is \$94.2 million higher than budget. This is primarily due to higher than budgeted grants to SAHA to reflect a retiming in SAHA's capital investment program, lower SA Water profit expectations arising from costs associated with preparing for and responding to the River Murray flood event and higher energy costs and the recognition of grants to the SA Motor Sport Board for the return of the Adelaide 500 (previously budgeted for in the general government sector), partially offset by higher contributions from Renewal SA due to higher than estimated profit from 2021-22 paid in 2022-23.

Net contributions from government are expected to increase in 2023-24 by \$27.0 million compared to the 2022-23 estimated result principally due to higher grants to SAHA consistent with funding arrangements approved as part of the 2019-20 Budget partially offset by an expectation that SA Water profit will improve as a result of stronger estimated water sales following a La Niña event in 2022-23 and a return to lower operating expenditure following the River Murray flood event.

The movement in net contributions from government across the forward estimates primarily reflects the impact of funding arrangements for SAHA that were approved as part of the 2019-20 Budget and profit expectations for SA Water.

The net contribution from government to other PNFCs primarily reflects grants and subsidies made to the AVMC, AFCT and the SA Motor Sport Board.

## Capital investment

Table 5.4 summarises purchases of non-financial assets by PNFC entities. Purchases of non-financial assets include investing expenditure and contributed assets.

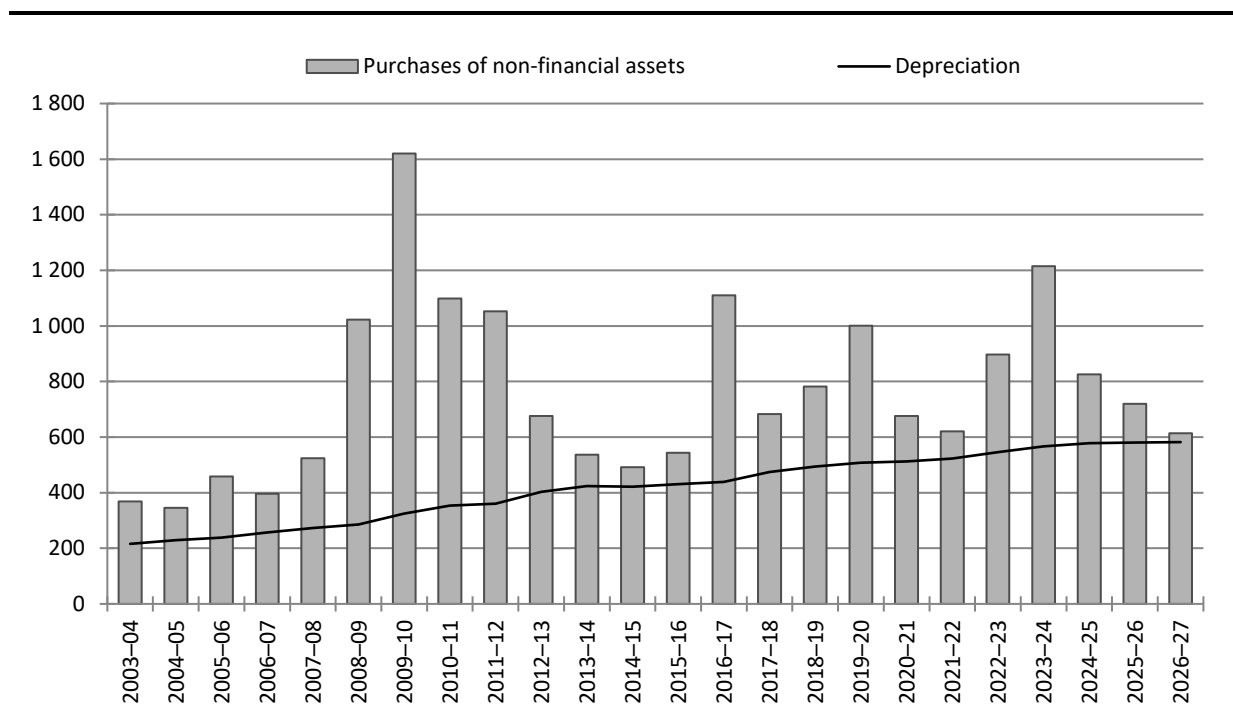
**Table 5.4: Public non-financial corporations sector purchases of non-financial assets (\$million)**

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Adelaide Cemeteries Authority	7.4	18.8	1.9	2.4	1.8	3.6
Adelaide Festival Centre Trust <sup>(a)</sup>	—	103.4	—	—	—	—
Adelaide Venue Management Corporation	15.4	15.3	11.4	7.9	8.1	8.3
ForestrySA	0.7	0.7	2.1	1.1	0.4	0.4
Public Trustee	4.3	1.1	3.7	2.3	0.6	0.7
Renewal SA <sup>(b)</sup>	0.5	2.6	6.9	9.0	1.0	—
SA Water <sup>(c)</sup>	636.6	607.8	854.6	498.2	596.7	527.0
South Australian Housing Authority <sup>(d)</sup>	270.2	132.1	326.4	300.7	107.5	70.2
South Australian Motor Sport Board	—	8.2	3.0	—	—	—
West Beach Trust	6.2	7.4	4.2	3.5	3.6	3.6
<b>Total purchases of non-financial assets</b>	<b>941.4</b>	<b>897.4</b>	<b>1 214.3</b>	<b>825.2</b>	<b>719.7</b>	<b>613.9</b>
<b>Total sales of non-financial assets</b>	<b>151.4</b>	<b>91.5</b>	<b>192.1</b>	<b>170.3</b>	<b>202.5</b>	<b>20.7</b>
<b>Gross fixed capital formation</b>	<b>790.0</b>	<b>805.9</b>	<b>1 022.2</b>	<b>654.9</b>	<b>517.2</b>	<b>593.3</b>

Note: Totals may not add due to rounding.

- (a) AFCT's estimated capital investment in 2022-23 relates mainly to the purchase of the Adelaide Festival Centre from the Department of the Premier and Cabinet.
- (b) Renewal SA's capital expenditure includes works on the Adelaide Station Environs Redevelopment site. Renewal SA's expenditure on property development projects is classified as inventories and is not included in capital investment.
- (c) SA Water's current four year regulatory business period concludes on 30 June 2024. SA Water's capital investment from 2024-25 is subject to review as part of its next regulatory determination by the Essential Services Commission of South Australia.
- (d) The decline in SAHA's purchases of non-financial assets in 2025-26 primarily reflects lower capital expenditure associated with the affordable housing initiative and public housing improvement program as these initiatives near 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 2026-27.

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

Total estimated purchases of non-financial assets by the PNFC sector in 2022-23 is \$897.4 million which is \$44.0 million lower than budget. This reflects delays in capital expenditure for SAHA's affordable housing initiative and better neighbourhoods program and SA Water's third party works for the Department for Infrastructure and Transport for the Fleurieu connections projects, partially offset by the purchase of the Adelaide Festival Centre by the AFCT for \$102.0 million being delayed from 2021-22 to 2022-23.

Total purchases of non-financial assets by the PNFC sector in 2023-24 are expected to increase by \$316.9 million compared to the 2022-23 estimated result. Significant capital investment in 2023-24 includes:

- SA Water's investment program of \$854.6 million, comprising major projects such as the Kangaroo Island desalination plant, Eyre Peninsula desalination augmentation, Morgan Whyalla pipeline replacement, Bolivar wastewater treatment plant capacity upgrade, and various other annual capital maintenance and upgrade programs.
- SAHA's investment program of \$326.4 million, comprising the affordable housing initiative, neighbourhood renewal initiative, better neighbourhoods program, public housing redevelopment (including the public housing improvement program) and capital maintenance programs.

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, the affordable housing initiative and public housing improvement program.

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 primarily 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 sector entities in 2023-24.

**Table 5.5: Capital investment programs (\$ million)**

	Estimated completion quarter	2023-24 Budget	Estimated total cost
<b>SA Water major projects</b>			
Baroota Dam safety	Mar 2025	10.0	12.3
Bolivar wastewater treatment plant capacity upgrade	Sep 2025	37.0	47.2
Eyre Peninsula desalination augmentation	Mar 2026	54.1	330.0
Kangaroo Island desalination plant	Jun 2024	73.3	147.7
Morgan Whyalla pipeline	Dec 2023	40.9	61.8
Northern Adelaide irrigation scheme	Jun 2023	26.9	155.1
Tea Tree Gully sustainable sewers program	Dec 2025	15.1	61.2
Third party works – Main South Road duplication from Seaford to Aldinga	Sep 2024	12.6	18.9
Third party works – North-South Corridor – River Torrens to Darlington	Sep 2024	13.6	61.7
Third party works – Victor Harbor Road duplication	Jun 2024	17.0	25.8
Other major projects		10.3	n.a.
<b>Total SA Water major projects</b>		<b>310.8</b>	<b>n.a.</b>

	Estimated completion quarter	2023-24 Budget	Estimated total cost
<b>SA Water annual programs</b>			
Asset renewal	n.a.	17.9	n.a.
Environmental improvement	n.a.	23.7	n.a.
Information technology	n.a.	47.6	n.a.
Mechanical and electrical renewal	n.a.	69.8	n.a.
Network extension	n.a.	39.6	n.a.
Networks growth	n.a.	28.7	n.a.
Pipe network renewal	n.a.	101.8	n.a.
Safety	n.a.	27.3	n.a.
Services reliability management	n.a.	10.2	n.a.
Structures	n.a.	64.1	n.a.
Water quality management	n.a.	39.2	n.a.
Other annual programs		14.3	n.a.
<b>Total SA Water annual programs</b>		<b>484.2</b>	<b>n.a.</b>
<b>Total SA Water contributed assets</b>		<b>20.5</b>	<b>n.a.</b>
<b>Total SA Water leases</b>		<b>39.1</b>	<b>n.a.</b>
<b>Total SA Water</b>		<b>854.6</b>	<b>n.a.</b>
<b>South Australian Housing Authority</b>			
Affordable housing initiative	Jun 2026	123.9	323.7
Better neighbourhoods program	n.a.	24.0	n.a.
Neighbourhood renewal initiative	Jun 2026	31.8	70.7
Public housing improvement program	Jun 2026	82.8	159.1
Remote indigenous housing	Jun 2024	16.3	239.6
Other capital investment		47.7	n.a.
<b>Total South Australian Housing Authority</b>		<b>326.4</b>	<b>n.a.</b>
<b>Other PNFC entities<sup>(a)</sup></b>		<b>33.3</b>	<b>n.a.</b>
<b>Total capital investment</b>		<b>1 214.3</b>	<b>n.a.</b>

Note: Totals may not add due to rounding.

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

## Net debt

Estimated PNFC sector net debt as at 30 June 2023 is \$8.3 billion which is \$49.1 million lower than budget mainly due to delays in capital expenditure for SA Water's third party works for the Department for Infrastructure and Transport for the Fleurieu connections projects and SAHA's affordable housing initiative and better neighbourhoods program, partially offset by the purchase of the Adelaide Festival Centre by the AFCT from the Department of the Premier and Cabinet being delayed from 2021-22 to 2022-23, and a delay in sales at Lot Fourteen by Renewal SA.

Net debt is forecast to increase to \$9.1 billion by 30 June 2027 due to higher borrowings by SA Water to deliver various capital projects including the Mount Bold Dam safety investigation, Kangaroo Island desalination plant and Eyre Peninsula desalination augmentation.

Across the forward estimates net debt is also impacted by the delivery of SAHA's affordable housing initiative, including revenue from the sale of affordable houses, and Renewal SA's property development projects.

**Table 5.6: Public non-financial corporation sector net debt (\$million)<sup>(a)</sup>**

	Net debt as at 30 June					
	2023 Budget	2023 Estimated Result	2024 Budget	2025 Estimate	2026 Estimate	2027 Estimate
Adelaide Festival Centre Trust	49.5	123.1	119.2	115.3	111.3	107.4
Adelaide Venue Management Corporation	301.7	310.0	311.1	308.4	304.9	300.7
Renewal SA	381.2	482.8	543.1	655.5	620.7	359.6
SA Water	7 621.8	7 527.1	7 996.9	8 132.1	8 350.5	8 499.6
South Australian Housing Authority	-37.2	-165.7	-85.2	-51.0	-131.3	-141.9
Other	1.9	-7.5	-13.5	-20.4	-35.5	-50.2
<b>Total PNFC net debt</b>	<b>8 318.8</b>	<b>8 269.7</b>	<b>8 871.7</b>	<b>9 139.8</b>	<b>9 220.6</b>	<b>9 075.2</b>

Note: Totals may not add due to rounding.

(a) Negative net debt implies cash and cash equivalents exceeds borrowings and advances received.

## SA Water

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

	2022-23					
	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Income tax equivalents</b>	42.6	20.4	45.4	43.1	44.5	43.6
<i>plus Dividends</i>	96.5	46.0	103.9	98.8	102.0	99.8
<i>less Grants, subsidies and CSOs</i>	210.6	167.7	196.1	153.4	156.9	161.5
<b>equals Net contribution to/from government<sup>(a)</sup></b>	<b>-71.6</b>	<b>-101.3</b>	<b>-46.7</b>	<b>-11.5</b>	<b>-10.3</b>	<b>-18.1</b>
<b>Equity contribution from government</b>	<b>-8.8</b>	<b>-28.2</b>	<b>-3.5</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
<b>Capital investment</b>	<b>636.6</b>	<b>607.8</b>	<b>854.6</b>	<b>498.2</b>	<b>596.7</b>	<b>527.0</b>
<b>Net debt</b>	<b>7 621.8</b>	<b>7 527.1</b>	<b>7 996.9</b>	<b>8 132.1</b>	<b>8 350.5</b>	<b>8 499.6</b>
<b>Debt to asset ratio</b>	<b>49%</b>	<b>52%</b>	<b>52%</b>	<b>51%</b>	<b>51%</b>	<b>50%</b>

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 2022-23 of \$101.3 million which is \$29.7 million higher than budget. This is mainly due to a lower expected operating result arising from costs associated with preparing for and responding to the River Murray flood event and higher than budgeted energy costs.

SA Water is estimated to receive a net contribution from government in 2023-24 of \$46.7 million, \$54.6 million lower than the 2022-23 estimated result, primarily due to an expected improvement in profitability reflecting an expectation for stronger water sales following a La Niña event in 2022-23 and a return to lower operating expenditure following the River Murray flood event.

Estimated capital investment in 2022-23 is \$607.8 million which is \$28.8 million lower than budget mainly due to revised timing for third party works for the Department for Infrastructure and Transport for the Fleurieu connections projects.

In 2023-24, SA Water's capital investment is forecast to increase by \$246.8 million compared to the 2022-23 estimated result. This mainly reflects increasing expenditure on various projects including the Eyre Peninsula desalination augmentation, Morgan Whyalla pipeline replacement and annual programs.

SA Water's current four year regulatory business period concludes on 30 June 2024. From 2024-25 estimated net contributions and capital investment are 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)**

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Income tax equivalents</b>	—	2.4	—	—	—	5.7
<i>plus Dividends</i>	2.3	36.4	2.2	2.2	2.2	15.5
<i>less Grants, subsidies and CSOs</i>	5.6	8.3	11.8	16.2	17.5	15.2
<b><i>equals Net contribution to/from government<sup>(a)</sup></i></b>	<b>-3.3</b>	<b>30.5</b>	<b>-9.5</b>	<b>-14.0</b>	<b>-15.3</b>	<b>6.0</b>
<b>Equity contribution from government</b>	<b>-10.7</b>	<b>-72.7</b>	<b>-15.2</b>	<b>-28.6</b>	<b>-10.1</b>	<b>-9.6</b>
<b>Capital investment<sup>(b)</sup></b>	<b>0.5</b>	<b>2.6</b>	<b>6.9</b>	<b>9.0</b>	<b>1.0</b>	<b>—</b>
<b>Net debt</b>	<b>381.2</b>	<b>482.8</b>	<b>543.1</b>	<b>655.5</b>	<b>620.7</b>	<b>359.6</b>
<b>Debt to asset ratio</b>	<b>86%</b>	<b>76%</b>	<b>76%</b>	<b>77%</b>	<b>76%</b>	<b>69%</b>

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 is not included in capital investment.

Renewal SA's business operations are heavily influenced by demand for land. Renewal SA is also undertaking the redevelopment of Lot Fourteen, which includes the remediation of the site as well as the redevelopment and leasing of heritage buildings on the site.

Renewal SA, in partnership with the Commonwealth Government and SAHA will be responsible for delivering more social and affordable housing under the National Housing Accord. A budget allocation has been established to support the projects and other initiatives under the government's A Better Housing Future and will be allocated over the forward estimates as projects are developed and Housing Australia contributions are finalised.

Renewal SA is forecast to make accounting losses in all years except 2022-23 and 2026-27 from its general business operations. It is anticipated that Renewal SA will generate a profit in 2026-27 due to the expected sale of a material development asset.

Renewal SA's estimated dividend payment in 2022-23 includes \$30.7 million relating to its 2021-22 profit, which was significantly higher than forecast due to material year-end asset revaluations and a change in accounting treatment which resulted in upfront revenue recognition for Oakden and Tonsley sales in accordance with accounting standard AASB15 (*Revenue from Contracts with Customers*).

Dividend payments expected in 2023-24 to 2025-26 reflect the specific dividend policy that applies to the net income earned on the Adelaide Station Environs Redevelopment (ASER) site.

Estimated grants, subsidies and CSO payments to Renewal SA in 2022-23 are \$2.7 million higher than budget mainly due to the establishment of the Office for Regional Housing, the purchase, demolition and land remediation of properties north of Frederick Road, Port Pirie and wharf repairs at Port Adelaide. Across the forward estimates, Renewal SA is expected to receive CSO payments for operating expenditure associated with various initiatives including the Lot Fourteen redevelopment, Festival Plaza and urgent waterproofing restoration works on the ASER plaza.

Renewal SA also receives equity contributions from the government for capital expenditure on major projects such as the redevelopment of Lot Fourteen. Equity contributions to Renewal SA in 2022-23 are \$62.0 million higher than budget principally due to a contribution for Renewal SA for land acquisitions to meet the government's needs, including for affordable housing.

Equity contributions are expected to be \$15.2 million in 2023-24 and \$28.6 million in 2024-25 reflecting funding requirements for Lot Fourteen and Bowden. Equity contributions for Lot Fourteen include funding for the refurbishment of existing buildings to enable the expansion of space, digital, hi-tech and cyber companies in a collaborative setting at Lot Fourteen.

Capital investment across the forward estimates primarily reflects urgent waterproofing restoration works on the ASER plaza.

Renewal SA's estimated net debt as at 30 June 2023 is \$482.8 million which is \$101.6 million higher than budget principally due to delayed sales associated with 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 as well as a provision for Renewal SA to undertake a range of affordable housing developments as part of the National Housing Accord.

Renewal SA's debt to asset ratio is expected to decrease across the forward estimates 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)<sup>(a)</sup>**

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Income tax equivalents</b>	—	—	—	—	—	—
<i>plus Dividends</i>	—	—	—	—	—	—
<i>less Grants, subsidies and CSOs</i>	3.4	68.9	121.8	124.2	205.0	292.3
<b><i>equals Net contribution to/from government<sup>(b)</sup></i></b>	<b>-3.4</b>	<b>-68.9</b>	<b>-121.8</b>	<b>-124.2</b>	<b>-205.0</b>	<b>-292.3</b>
<b>Equity contribution from government</b>	<b>-177.5</b>	<b>-134.1</b>	<b>-309.8</b>	<b>-300.4</b>	<b>-106.9</b>	<b>-68.8</b>
<b>Capital investment</b>	<b>270.2</b>	<b>132.1</b>	<b>326.4</b>	<b>300.7</b>	<b>107.5</b>	<b>70.2</b>
<b>Net debt<sup>(c)</sup></b>	<b>-37.2</b>	<b>-165.7</b>	<b>-85.2</b>	<b>-51.0</b>	<b>-131.3</b>	<b>-141.9</b>

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 is also developing affordable housing options for South Australians.

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 funding from the Commonwealth Government and the state government to support these objectives.

As part of the 2019-20 Budget, revised funding arrangements were introduced to support SAHA's structure and viability. Under those arrangements SAHA received a once-off grant payment of \$602 million in 2018-19 and receives equity contributions broadly consistent with SAHA's budgeted capital works. The profile of grants, subsidies and CSOs and equity contributions across the forward estimates reflects the funding arrangements to 2022-23 and subsequent increases in grant payments from 2023-24.



Estimated capital investment in 2022-23 is \$138.1 million lower than budget mainly due to delays relating to the affordable housing initiative, neighbourhood renewal initiative and the better neighbourhoods program. The increase in capital investment between the 2022-23 estimated result and 2023-24 Budget is primarily due to timing changes for the affordable housing initiative. Capital investment will remain at high levels in 2024-25 due to the delivery of the affordable housing initiative and public housing improvement program before reducing in 2025-26 consistent with the expected completion of these projects.

Estimated net cash and cash equivalents as at 30 June 2023 is \$165.7 million, which is a \$128.5 million improvement to budget. This improvement reflects delays in capital expenditure for the affordable housing initiative, neighbourhood renewal initiative, better neighbourhoods program and other public housing improvement and maintenance programs.

Net cash and cash equivalents is forecast to worsen in 2023-24 as SAHA increases activity under the affordable housing initiative. SAHA's net debt across the forward estimates reflects expectations for expenditure and sales revenue associated with projects such as the affordable housing initiative, neighbourhood renewal initiative and the better neighbourhoods program.

## Public financial corporations

The public financial corporations (PFC) sector includes HomeStart Finance, 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)**

	2022-23 Budget	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
<b>Income tax equivalents</b>						
HomeStart Finance	11.3	10.2	10.2	10.5	11.4	11.9
Motor Accident Commission	—	—	—	—	—	—
South Australian Government Financing Authority	14.4	—	14.4	14.4	14.4	14.4
<b>Total income tax equivalents</b>	<b>25.7</b>	<b>10.2</b>	<b>24.6</b>	<b>24.9</b>	<b>25.8</b>	<b>26.3</b>
<b>plus Dividends</b>						
HomeStart Finance	26.4	23.8	23.7	24.5	26.5	27.7
Motor Accident Commission	4.4	—	2.3	1.2	0.8	0.6
South Australian Government Financing Authority	32.8	1.8	33.6	29.8	33.6	33.6
<b>Total dividends</b>	<b>63.6</b>	<b>25.6</b>	<b>59.6</b>	<b>55.5</b>	<b>61.0</b>	<b>61.9</b>
<b>less CSOs</b>						
HomeStart Finance	8.4	8.4	8.9	9.1	9.2	9.6
Motor Accident Commission	—	—	—	—	—	—
South Australian Government Financing Authority	—	—	—	—	—	—
<b>Total CSOs</b>	<b>8.4</b>	<b>8.4</b>	<b>8.9</b>	<b>9.1</b>	<b>9.2</b>	<b>9.6</b>
<b>equals Net contribution to government<sup>(a)</sup></b>						
HomeStart Finance	29.4	25.6	25.0	25.9	28.8	30.0
Motor Accident Commission	4.4	—	2.3	1.2	0.8	0.6
South Australian Government Financing Authority	47.2	1.8	48.0	44.2	48.0	48.1
<b>Total net contribution to government</b>	<b>81.0</b>	<b>27.4</b>	<b>75.3</b>	<b>71.3</b>	<b>77.6</b>	<b>78.6</b>

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 to government from PFCs in 2022-23 is \$27.4 million which is \$53.6 million lower than budget, principally due to the SAFA's operating position being impacted by significant insurance claim provisions established for damages arising from the River Murray floods, lower net interest margin expectations impacting HomeStart's profitability, and lower contributions from the Motor Accident Commission (MAC) due to lower returns on retained premium investments and the reinsurance arrangement entered into with Berkshire Hathaway from 1 January 2019.

Net contributions to government are expected to increase by \$47.9 million in 2023-24 compared to the 2022-23 estimated result as SAFA's operating result returns to normal levels.

The budgeted dividends from MAC reflect returns on retained premium investments and the reinsurance arrangement entered into with Berkshire Hathaway from 1 January 2019. MAC's net contributions decrease over the forward estimates reflecting the reinsurance arrangement.

## Full-time equivalents (FTEs)

**Table 5.11: Public non-financial corporations sector and public financial corporations sector employment**

	Full-time equivalent employees as at 30 June				
	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
<b>Public non-financial corporations</b>					
Adelaide Festival Centre Trust	230.0	230.0	230.0	230.0	230.0
Adelaide Venue Management Corporation	411.0	443.0	443.0	443.0	443.0
Public Trustee	182.6	183.1	182.5	180.9	180.9
Renewal SA	158.4	170.4	163.4	156.2	154.5
SA Water	1 696.3	1 698.0	1 689.7	1 689.7	1 689.7
South Australian Housing Authority	824.2	798.5	761.8	756.0	728.3
Other	240.3	254.6	256.6	257.6	258.6
<b>Total public non-financial corporations</b>	<b>3 742.8</b>	<b>3 777.6</b>	<b>3 727.0</b>	<b>3 713.4</b>	<b>3 685.0</b>
<b>Public financial corporations</b>					
Funds SA	83.2	83.2	83.2	83.2	83.2
HomeStart Finance	139.6	130.8	122.8	113.9	107.9
Lifetime Support Authority	101.7	106.9	106.9	106.9	106.9
Return to Work Corporation of South Australia	282.0	293.0	293.0	293.0	293.0
South Australian Government Financing Authority	89.8	89.8	89.8	89.8	89.8
<b>Total public financial corporations</b>	<b>696.3</b>	<b>703.7</b>	<b>695.7</b>	<b>686.8</b>	<b>680.8</b>

Note: Totals may not add due to rounding.

The estimated aggregate workforce of the PNFC sector as at 30 June 2023 is 3 742.8 FTEs, of which around 67 per cent relates to positions in SA Water and SAHA.

FTEs in the PNFC sector are estimated to decrease by 1.5 per cent between 30 June 2023 and 30 June 2027 primarily due to a reduction in SAHA's FTEs, mainly due to the completion of a range of initiatives including the affordable housing initiative. This decrease is partially offset by the recovery from the impact of COVID-19 on AVMC's business activities which is expected to fully recover by 2024.

The estimated aggregate workforce of the PFC sector as at 30 June 2023 is 696.3 FTEs. FTEs in the PFC sector are estimated to decrease by 2.2 per cent between 30 June 2023 and 30 June 2027 mainly due to a reduction in FTEs in HomeStart Finance following the completion of its technology system change program.

# Chapter 6: Risk statement

## Overview

This chapter outlines the major financial risks that could affect the fiscal outlook set out in the 2023-24 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.

## 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.

International economic-related risk factors that are likely to affect South Australia include:

- geopolitical tensions and trade risks – which remain elevated due to the war in Ukraine and the ongoing tension between the United States of America and China
- global economic conditions including the potential economic contraction in the United Kingdom, United States of America, and the EU, which may reduce the demand for Australia's exports
- persistent inflationary pressure and the risk of a "high for longer" interest rate environment including the cumulative effect of the internationally synchronised tightening in monetary policy on global financial conditions and global demand.

Risk factors that could impact the performance of the Australian and South Australian economy include:

- stronger than expected growth in domestic demand could see domestic inflationary pressures build further, leading to a further decline in real disposable incomes for the average household which could impact consumption growth by more than expected
- the pace and magnitude of growth in the Chinese economy following the abandonment of COVID-19 restrictions
- the pace of recovery in new private business investment, particularly in a higher interest rate environment
- natural disasters as a result of the changing climate appear to be occurring more frequently. Agricultural output in particular is subject to significant climate variability. The frequency and scale of the impact of further natural disasters is unpredictable and represents a risk to the budget through the provision of relief payments and funding to support recovery efforts
- sectoral capacity constraints, in particular materials supply and labour constraints on construction limiting the government's ability to deliver its infrastructure projects.

### **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 different to that forecast which would flow through as a variation to forecast 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.

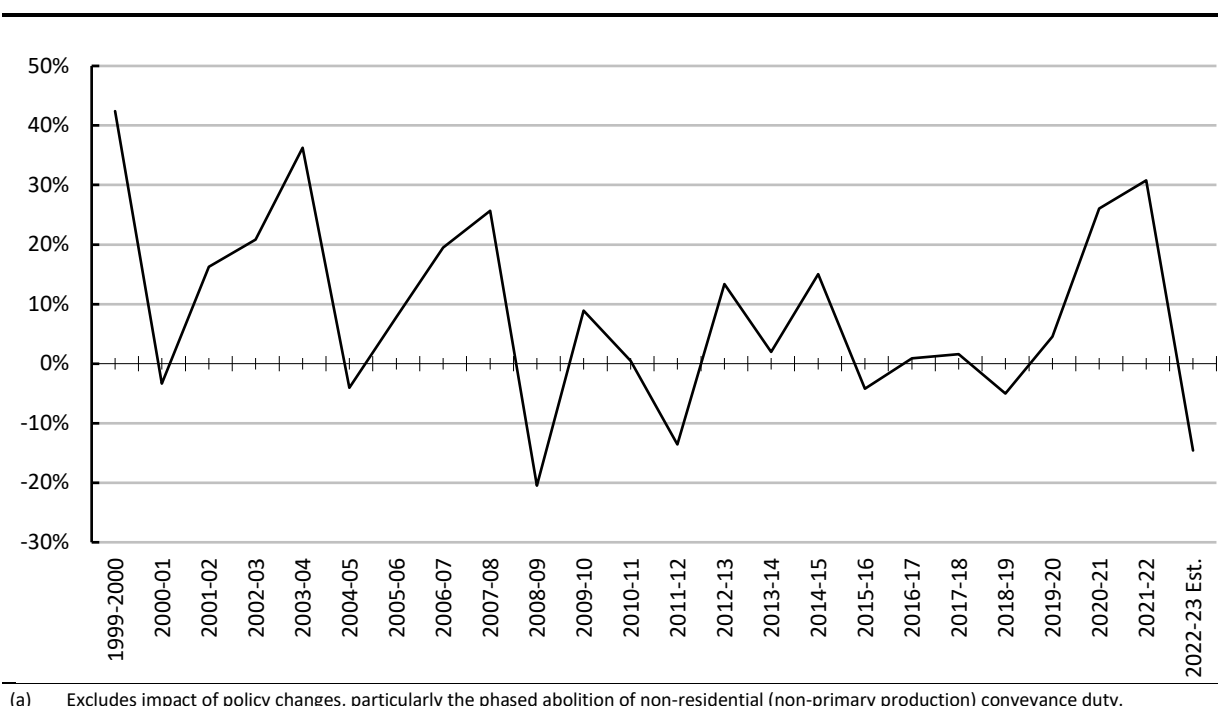
*Impact:* A 1.0 per cent change in taxable payrolls equates to about \$16 million in payroll tax revenue.

#### **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. For example, residential transactions in 2021-22 were 47 per cent above 2019-20 transaction levels, but are forecast to decline by around 22 per cent in 2022-23, contributing to significant volatility in conveyance duty collections. The property market has also experienced very strong growth in values over the last few years. Forward projections of conveyance duty revenue assume that underlying residential property market transactions will return to long-term trend levels. Property values are expected to be flat for the next two years following recent strong growth in property prices.

There is a risk that activity levels and/or property prices will vary from that estimated.

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

**Figure 6.1: Total conveyance duty — annual growth <sup>(a)</sup>**

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.

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 as the impact of these changes are finalised, the changes present a greater risk that actual collections may vary from those forecast.

*Impact:* A 1.0 per cent variation in 2023-24 property values equates to about \$13 million in conveyance duty revenue, while a 1.0 per cent variation in transactions in 2023-24 equates to about \$11 million in conveyance duty revenue.

A 1.0 per cent variation in land values equates to around \$5 million in private land tax revenue in 2023-24 (after indexation of tax brackets for growth in land values).

### Gaming machine revenue

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

Discretionary spending levels are influenced by a range of factors, including growth in wages and incomes, debt servicing levels, the cost of essential items and perceived future spending needs. Regulatory reforms can also impact on gaming machine taxation revenue collections. 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 \$5 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 \$6 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. Royalty revenue 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 \$5 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 \$4 million.

## Traffic infringement fines

Revenue collected from traffic infringement fines is sensitive to changes in driver behaviour patterns and the number of detection devices in operation.

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

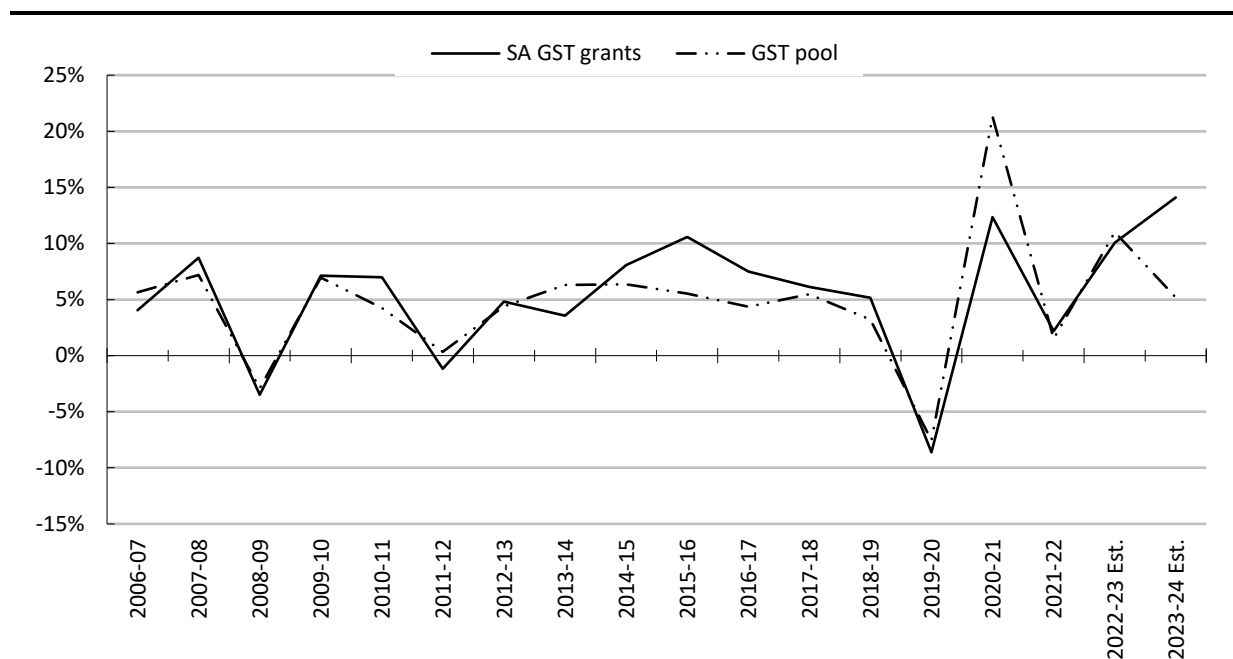
## Changes to general purpose payments (GST revenue)

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

South Australia's GST revenue grants are driven by the size of the national GST pool and the state's population share. They are also impacted by changes to the state's share of the pool, which is determined by the Commonwealth Grants Commission (CGC) in accordance with current HFE principles. South Australia's GST revenue grants comprise around 33 per cent of total revenues and therefore the budget is particularly exposed to changes in GST revenue.

Figure 6.2 demonstrates the volatility in annual growth for the GST pool and South Australia's GST revenue grants. 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, growing by 21.3 per cent reflecting strength in consumer spending. Following relatively flat growth in 2021-22, the national GST pool is forecast to grow by 11.0 per cent in 2022-23 reflecting strength in consumer spending and high inflation.

South Australia's estimated GST revenue varies from growth in the national GST pool reflecting changes in the state's share of the pool. For example, while the GST pool is estimated to increase by 5.2 per cent in 2023-24, South Australia's GST revenue grant is projected to increase by a higher rate of 14.1 per cent reflecting an increase in South Australia's GST grant share in 2023-24, largely due to the outcome of the CGC's 2023 Update.

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

**Impact:** A 1.0 percentage point change in GST pool growth has a revenue impact for South Australia of about \$88 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 \$2.8 billion more in GST revenue grants (including no worse off guarantee payments) than it would if funding was 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 2023-24, it is estimated that South Australia will require \$372 million through the no worse-off guarantee to ensure that total revenue received through the new arrangements is not less than what would have been received through the previous full equalisation approach to the distribution of GST revenue. In contrast, the new arrangements are expected to deliver an additional \$5.6 billion in GST revenue to Western Australia in 2023-24.

There is a risk that South Australia will receive less ongoing GST revenue from 2027-28 onwards following the expiry of the no worse-off guarantee.

South Australia together with other impacted states has made representations, including through the Board of Treasurers, for the Commonwealth Government to extend the no worse-off guarantee to ensure that the states are not significantly worse off from 2027-28.

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. The 2025 Review will affect South Australia's share of GST revenue from 2025-26, increasing the risk that GST revenue will vary from the forecast level from that year.

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.

*Impact:* A 0.01 change in South Australia's full HFE relativity would result in a change in GST revenue grants of about \$54 million in 2023-24.

### **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.

State governments are currently negotiating a new National Skills Agreement and National Housing and Homelessness Agreement. In addition, state governments are currently undertaking a mid-term review of the National Health Reform Agreement and negotiations will soon commence for a new National School Reform Agreement, which will be informed by the Commonwealth Government Expert Panel Review to Inform a Better and Fairer Education System. The Commonwealth Government is also currently leading a review of the NDIS which will consider options to manage the costs of the scheme to ensure its ongoing financial sustainability.

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.

*Impact:* Commonwealth payments for specific purposes account for about 24 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 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 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.

The government continues to implement a number of strategies designed to ensure that health services and infrastructure are provided for the South Australian community to deliver quality health outcomes efficiently. This includes delivery of the substantial infrastructure program committed to by this government that will increase the number of beds in the system, as well as expanded use of virtual care services to further expand system capacity.

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 2023–24 Budget would increase expenditure by approximately \$73 million per annum.

### Student enrolment numbers

The budget includes an estimate of expected movements in the number of student enrolments in government and non-government schools.

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 non-government education.

*Impact:* A 1.0 per cent growth in government school enrolment numbers above the levels incorporated in the 2023–24 Budget would increase expenditure by approximately \$26 million per annum.

### Growth in children and young people in care

The budget includes provisions for resourcing requirements of children and young people in care, including family based and residential 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 residential care accommodation are generally 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 2023–24 Budget would increase expenditure by approximately \$6 million per annum.

## Disability

The state has been in the full 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 NDIA provides appropriate packages to NDIS clients and that they are able to utilise appropriate services to ensure they receive quality care and support. South Australia continues to work with both the NDIA and the Commonwealth Government to ensure that this occurs.

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. It will be important that the Department of Human Services (DHS) continues to realign DHS-run accommodation 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 2023-24 Budget.

The outcomes of future wage negotiations will be critical 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 \$295 million in 2026-27.

## Delivery of savings and revenue measures

Agency budgets include a continuation of the existing efficiency dividend policy of 1.0 per cent of the agency employee expenses budget per annum, a 1.0 per cent reduction in their net cost of services per annum and saving strategies introduced to offset the cost of 2022 election commitments. In this budget, the government has introduced an executive savings measure. This measure is expected to save \$5 million in 2023-24 and \$10 million per annum from 2024-25 through a reduction of 50 executives across government.

With the exception of the Department for Health and Wellbeing, agencies have to date generally achieved efficiency savings requirements and will be required to continue to find efficiencies to deliver future savings. The Department for Health and Wellbeing has been provided with substantial additional resources as part of the 2023-24 Budget to support the state's health system. The system is currently operating well above the national efficient price and accordingly it is intended that the system pursue efficient service delivery to work towards achieving the national efficient price over the forward estimates.

## 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 \$203 million in 2023-24 rising to \$286 million in 2026-27.

A 1.0 percentage point move in interest rates applying to the PNFC sector net debt would change its net interest expense by approximately \$89 million in 2023-24. 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. The current high demand for infrastructure related labour and materials also increases the risks of cost escalations for capital programs.

*Impact:* If cost escalations exceed the allowances included in the investment program, there will be an adverse 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 \$37 million in 2023-24.

## 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.

*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 \$75 million. An increase in unfunded superannuation liabilities of this magnitude would increase nominal superannuation interest expenses, decreasing the net operating balance by around \$2.8 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 \$1.6 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 would also fall by 1.0 percentage point. The net effect on the budget would be an improvement of around \$23 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 \$1.3 billion and increase the imputed interest and reduce the net operating balance by \$4 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 2022.

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)**

	2022	2021
Guarantees	745	816
Other	130	91
<b>Total</b>	<b>874</b>	<b>907</b>
Note: Totals may not add due to rounding		

Final whole of government data for 2022-23 will be published in the Consolidated Financial Report as at 30 June 2023.

The information below provides 30 June 2022 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:* \$693 million at 30 June 2022 (compared with \$760 million at 30 June 2021).

- 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 2021).

- 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 2022 (unchanged from 30 June 2021).

- 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 2022 was \$52 million with the value of claims made during 2021-22 at \$4.5 million.

*Exposure:* \$52 million at 30 June 2022 (compared with \$55 million at 30 June 2021).

### 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:* \$801 million at 30 June 2022 (compared with \$858 million at 30 June 2021).

- 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:* \$80 million at 30 June 2022 (compared with \$93 million at 30 June 2021).

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**

Having recovered strongly from the COVID-19 pandemic, the global economy now faces a new set of challenges. The war in Ukraine and supply-chain issues, although tapering, have weighed on global supply, which along with strong global demand have resulted in a rapid increase in prices, and a synchronised tightening in policy interest rates by most central banks. Labour markets remain tight in many countries, and wages growth has picked up.

Following strong global growth, economic growth forecasts in general are expected to be lower in 2023 and 2024. The International Monetary Fund forecasts global growth to fall from 3.4 per cent in 2022 to 2.8 per cent in 2023, before rising to 3.0 per cent in 2024. The forecast slowdown is expected to be particularly pronounced in advanced economies, with growth forecast to fall from 2.7 per cent in 2022, to 1.3 per cent in 2023. In contrast, growth in emerging market and developing economies is forecast to fall slightly, from 4.0 per cent in 2022 to 3.9 per cent in 2023.

These themes are broadly echoed in the Australian economy. Economic performance has been strong in recent years, and the labour market has remained tight, with the unemployment rate falling to record low levels in recent months. As is the case globally, Australians have experienced high growth in inflation, with prices growing by 7.0 per cent in the year to the March quarter 2023. Further adding to the cost-of-living pressures, interest rates have risen sharply, with the Reserve Bank of Australia (RBA) having raised the target cash rate by a cumulative 4.0 percentage points since May 2022, bringing the cash rate target to 4.1 per cent as at the June RBA Board meeting. The RBA attributes high inflation in Australia in 2022 to supply shocks and it is now widely believed that inflation in Australia peaked at the end of 2022.

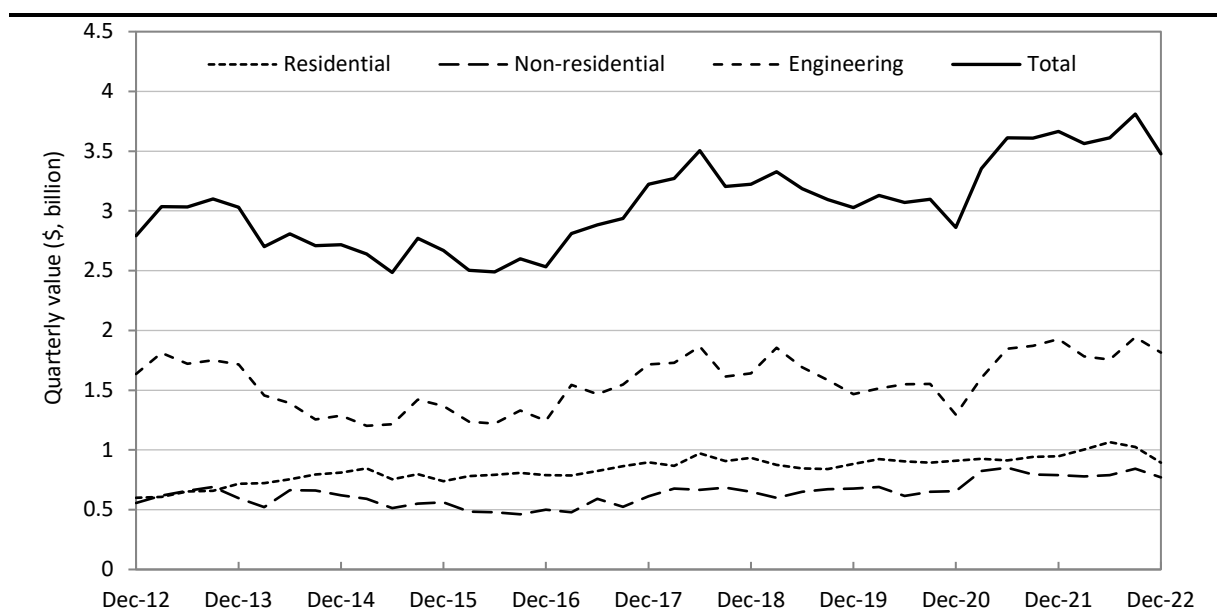
## **South Australia's economic performance and outlook**

South Australia's economic performance in the last two years has been strong, with several indicators now at or near record levels.

The South Australian economy has experienced solid growth in Gross State Product (GSP) over the last two years, growing by 4.7 per cent in 2020-21 and 5.1 per cent in 2021-22. The largest contributors to growth in 2021-22 were household and public consumption, and private new business investment. Industry sectors contributing significantly to growth include agriculture, forestry and fishing, construction, professional and scientific services, and manufacturing.

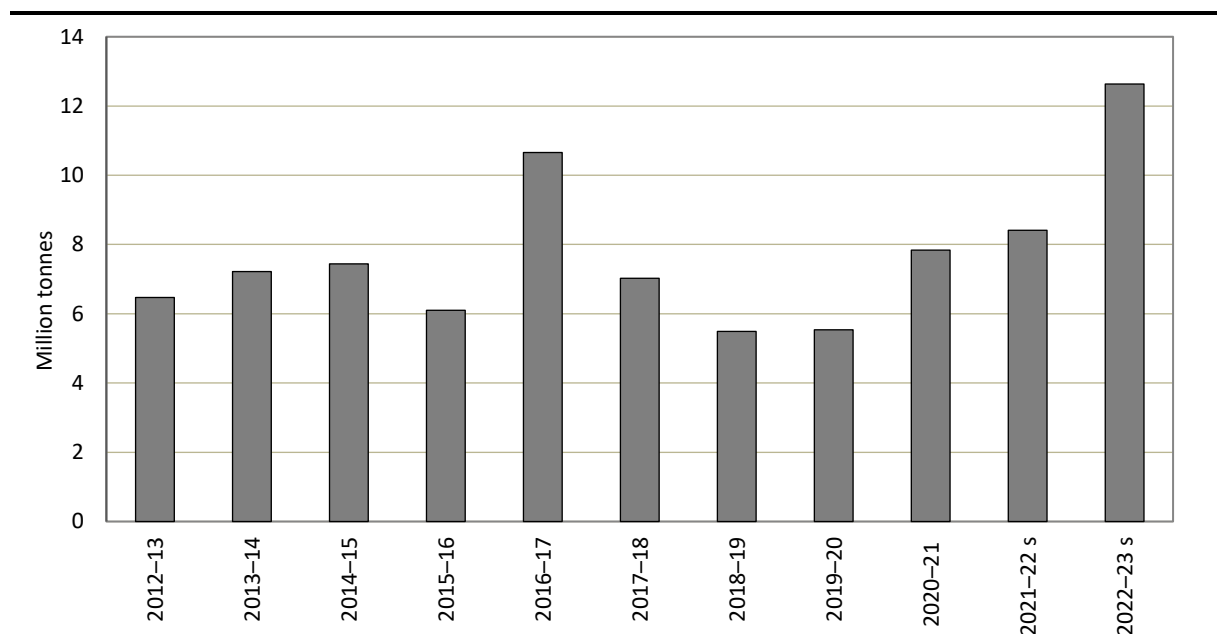
Aggregate spending in the state economy recovered strongly post-COVID pandemic and has remained at near record high levels in the December quarter 2022. State Final Demand (SFD), a measure of total spending in the South Australian economy by households, businesses and governments, rose by 3.2 per cent in the year to the December quarter 2022, underpinned by strong household consumption (up 4.4 per cent) and new business investment (up 12 per cent). South Australian retail turnover has also performed well, with real retail turnover rising by 1.7 per cent in the year to March 2023. SFD is estimated to grow by 2½ per cent in 2022-23 before moderating to a forecast growth rate of 1¼ per cent in 2023-24.

The residential construction sector has been experiencing very high levels of activity following the highest per capita take-up in the nation of the HomeBuilder Scheme. Dwelling approvals remained at a relatively strong level following the conclusion of HomeBuilder eligibility, but have now started to ease. The pipeline value of construction projects remains at an elevated level as at the December quarter 2022, which will provide support for construction activity in the near term – see Figure 7.1.

**Figure 7.1: South Australia's construction work in the pipeline**

Source: ABS, *Building Activity, Australia* (published 12 April 2023); ABS, *Engineering Construction Activity, Australia* (published 29 March 2023)

South Australia has recorded a third consecutive year of very strong winter grain crop production, culminating in an estimated record crop for 2022-23. Consecutive years of strong crop production, combined with elevated prices (due to persistent dry conditions in other major exporting nations, and the war in Ukraine), have contributed to historically high values. The Australian Bureau of Agricultural and Resource Economics and Sciences estimates South Australia's winter crop production to be 12.6 million tonnes in 2022-23. This is a record high, 50 per cent higher than 2021-22 and 84 per cent above the 5-year average – see Figure 7.2.

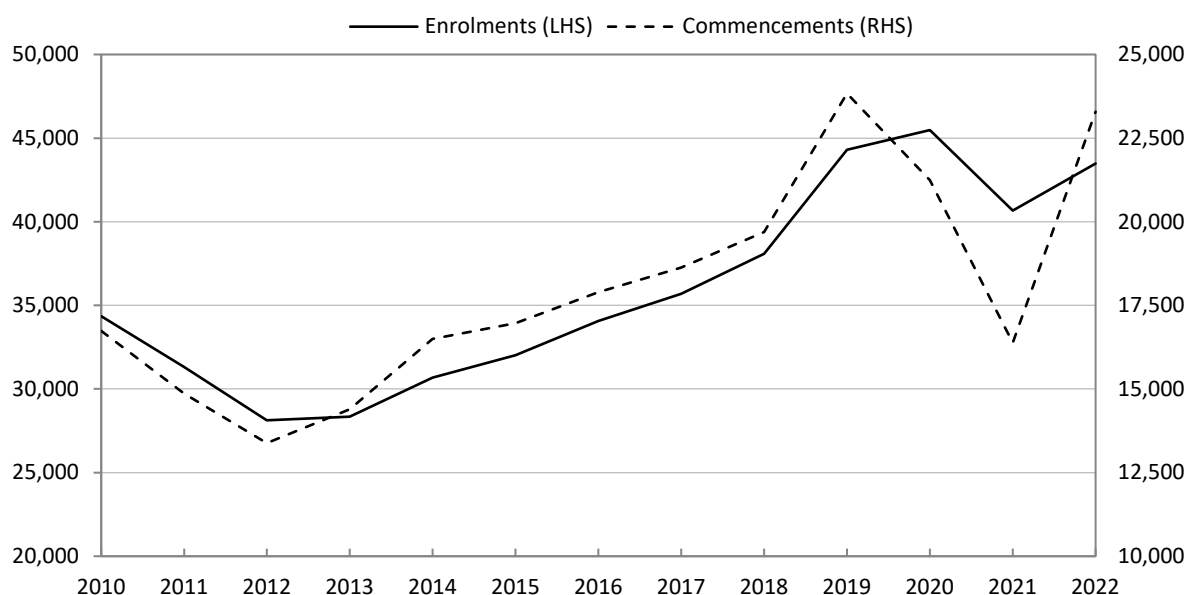
**Figure 7.2: South Australia's winter crop production**

Source: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), *Australian Crop Report*, (published 7 March 2023). s denotes ABARES estimate

South Australia has experienced strong growth in the value of goods exports which rose to a record high of \$17.2 billion in the 12 months to March 2023, up 25 per cent compared to the same period a year earlier. Exports growth was led by wheat, refined copper and copper products, and vegetables.

Strong growth in the value of goods exports resulted from high growth in both volumes and prices, as is demonstrated by goods and services exports on a balance of payments basis. Goods exports in current prices rose by 25 per cent through the year to the December quarter 2022, with growth in volumes up 10 per cent over the same period. Services exports growth has been robust following the lifting of travel restrictions, but services exports are still below pre-COVID pandemic levels. Student commencements and enrolments have returned to around pre-COVID levels – see Figure 7.3, and some indicators of tourism activity are performing above pre-COVID levels.

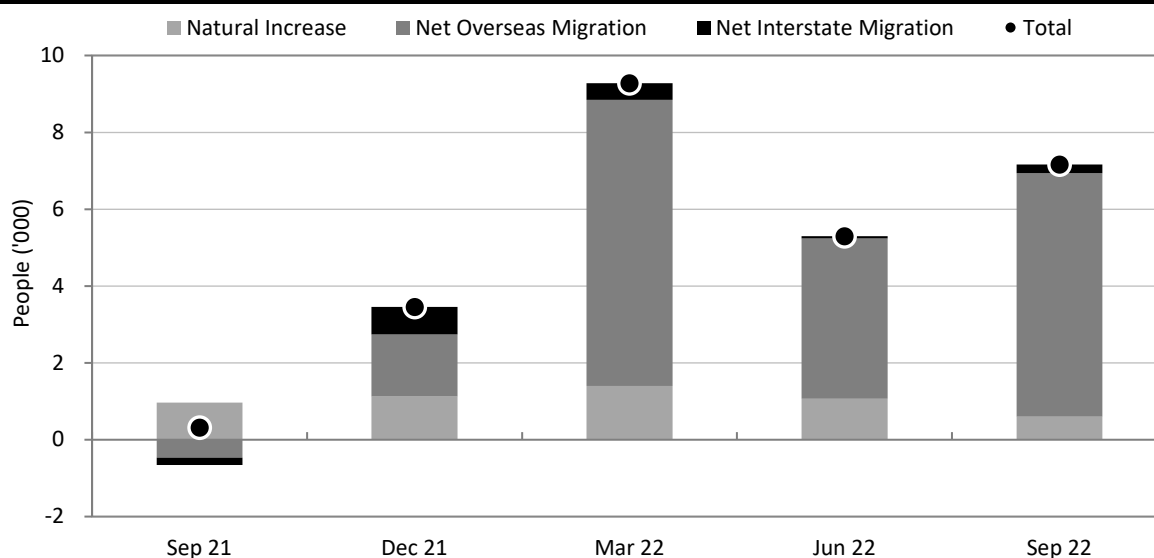
**Figure 7.3: International student enrolments and commencements, South Australia**



Source: Department of Education, *International Student Data* (full year data based on data finalised in December 2022).

In the year to September 2022, South Australia's estimated resident population grew by 25,200 (1.4 per cent) — lower than the 1.6 per cent recorded nationally — to be 1.8 million people. Contribution to South Australia's population growth in the year was led by net overseas migration (19,600 people), followed by natural increase (4,200 people) and net interstate migration (1,400 people) — see Figure 7.4.

**Figure 7.4: Quarterly components of population change, South Australia**



Source: ABS *National, state and territory population* (published 16 March 2023).

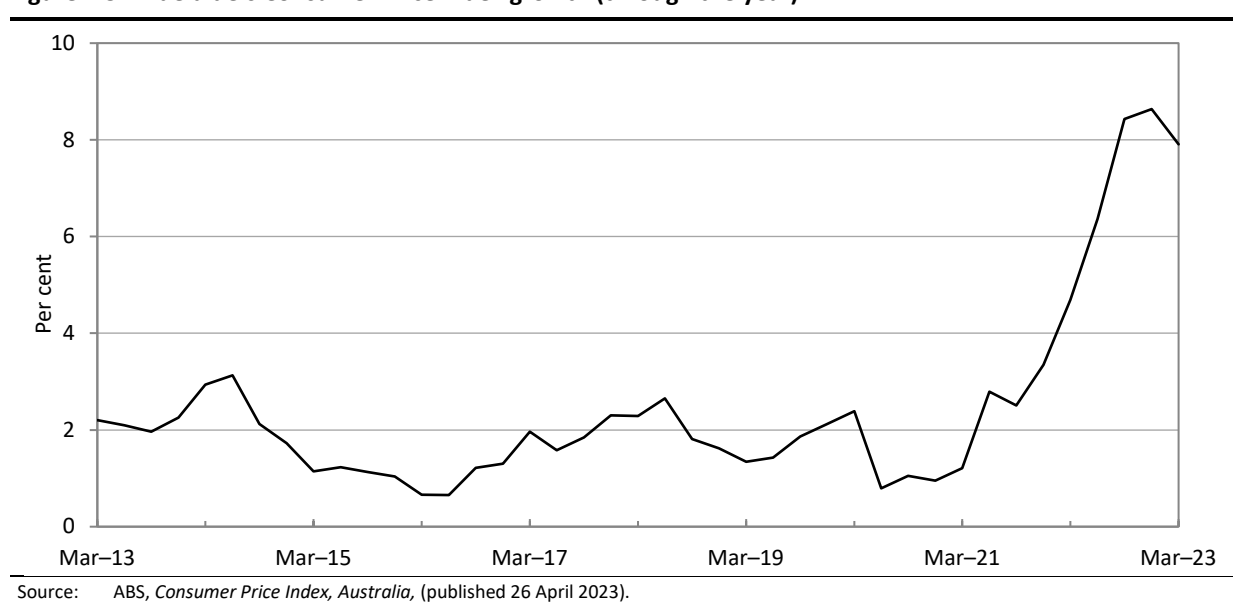


The South Australian labour market is strong by historical standards. In the year to April 2023, total employment rose by 3.9 per cent and the unemployment rate was 4.3 per cent. Strong employment growth through the year was recorded for both full-time employment (up 3.7 per cent) and part-time employment (up 4.2 per cent). Job vacancies, while having softened, remain at high levels. In April 2023, internet job vacancies in South Australia were 12 per cent higher than a year earlier, indicating that demand for labour remains strong. Employment is estimated to grow 3 per cent 2022-23, with slower growth of 1 per cent forecast for 2023-24, and  $\frac{3}{4}$  per cent for 2024-25. From 2025-26, employment growth is forecast to return to its longer-term average of 1 per cent per annum.

South Australian wages growth has picked up, with the Wage Price Index rising by 3.6 per cent through the year to the March quarter. However, wages fell in real terms as high inflation eroded nominal wages growth. The RBA forecasts growth in the Australian Wage Price Index of 4 per cent in the second half of 2023, declining to 3 $\frac{3}{4}$  per cent in mid-2025.

Cost-of-living has become a principal economic issue in South Australia, though inflation appears to have peaked in the December quarter of 2022. The Adelaide Consumer Price Index (CPI) rose by 1.2 per cent in the March quarter to be 7.9 per cent higher through the year – see Figure 7.5. Inflation was broadly based but the expenditure classes recording the largest price rises in the year to the March quarter included domestic and international holiday travel and accommodation, gas and other household fuels and new dwelling purchases by owner-occupiers. The RBA attributes at least half of the increase in inflation nationally to supply shocks related to the war in Ukraine, supply chain disruptions related to COVID-19, and poor weather domestically, but notes that demand has also played an important role. Despite the recent easing, inflation remains high and broadly based. Adelaide's CPI is estimated to grow by 7 $\frac{3}{4}$  per cent in 2022-23, before moderating to a forecast growth rate of 3 $\frac{3}{4}$  per cent in 2023-24 and 3 $\frac{3}{4}$  per cent in 2024-25.

**Figure 7.5: Adelaide's Consumer Price Index growth (through the year)**



South Australia's economy is expected to be supported in the near term by the recent reopening of the Chinese economy, a historically strong winter crop harvest, and very strong labour market conditions and is estimated to grow by 3 $\frac{1}{2}$  per cent in 2022-23, before moderating to growth of 1 per cent in 2023-24 – see Table 7.1. Forecasts and projections for South Australia from 2023-24 onwards take into consideration a range of factors, including the downgrading of growth forecasts for advanced economies globally, the winter crop returning to normal levels after a bumper year, moderating household spending on account of lower real household disposable income, and declines in dwelling investment, reflecting a return to more normal building activity, as well as the expectation that inflation has peaked.

## Economic forecasts

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

	2021-22 Actual	2022-23 Estimate	2023-24 Forecast	2024-25 Projection	2025-26 Projection	2026-27 Projection
<b>Australia<sup>(a)</sup></b>						
Gross Domestic Product (GDP)	3.7	3¼	1½	2¼	2¾	2¼
<b>South Australia</b>						
Gross State Product (GSP)	5.1	3½	1	1¾	2	2
State Final Demand (SFD)	5.6	2½	1¼	1¾	2	2
Employment	3.9	3	1	¾	1	1
Adelaide Consumer Price Index (CPI)	4.2	7¾	3¾	3¼	2¾	2½
(a) Australian forecasts from Commonwealth Government's 2023-24 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 2023-24 Budget for regional South Australia.

South Australia's regions play a crucial role in contributing to the future prosperity of the state. Regional South Australia contributes around \$36 billion to the state's economy, about one quarter of Gross State Product. Around 192 000 people are employed in regional South Australia in roles across agriculture, forestry, health, community support services, tourism, retail and construction.

Regional South Australia has again been heavily impacted by severe weather events in 2022-23, including the significant River Murray flood event impacting our river communities from late 2022. The government's swift response, including the initial \$51.6 million assistance package announced in the 2022-23 Mid-Year Budget Review, provided significant support to the region and has helped minimise the impact of this event.

The 2023-24 Budget includes \$588.4 million in new measures over the forward estimates supporting South Australia's regions. Major initiatives in this budget include:

- \$142.8 million for a range of additional support and relief measures in response to the River Murray flood event. This includes coordinated waste management, road repairs, primary producer recovery grants, and small business recovery grants. A number of these measures are jointly funded by the Commonwealth and State Governments under the National Disaster Recovery Funding Arrangements.
- \$100.8 million over two years to support the delivery of the new Mount Barker Hospital, to ensure the government's election commitment will be delivered in full.
- \$95.0 million over the forward estimates for regional road and transport improvements, including:
  - \$40.0 million over three years to upgrade the intersection of Adelaide, Alexandrina, Wellington and Flaxley Roads in Mount Barker
  - \$23.5 million over four years to ensure the continuation of bus services in regional South Australia
  - \$15.2 million to replace school buses across regional South Australia
  - \$10.0 million over four years for additional regional road safety infrastructure upgrades
  - \$6.2 million over four years for Kangaroo Island road improvements and maintenance.
- \$35.7 million for upgrades at regional government schools and preschools.
- \$31.1 million over three years for the extension and deployment of the electronic medical records program across all regional Local Health Networks.
- \$30.0 million to upgrade prisoner accommodation and staff facilities in two high security units at the Port Augusta Prison.
- \$26.7 million for additional aircraft to significantly enhance the state's aerial firefighting capability to combat the risk of bushfire.
- \$25.0 million to undertake significant emergency fruit fly response activities following the detection of further outbreaks across the Riverland.
- \$10.2 million to establish a Regional Skills Development Fund that will ensure TAFE SA can offer more courses in rural and regional South Australia aligned with the needs of local industry and government priorities.
- \$9.8 million for River Murray flood event extraordinary response costs for the State Emergency Service, Metropolitan Fire Service, Country Fire Service and the SA Fire and Emergency Services Commission.

- \$7.7 million for the cost of remediating the Mintabie Township.

The former Regional Growth Fund has transitioned into a new Thriving Regions Fund that will continue to be supported in this budget with \$15.0 million per annum allocated to foster economic and community development in our regions.

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 is committed to investing in regional infrastructure, with expenditure on projects either underway or commencing in 2023-24 totalling \$6.9 billion, including the Fleurieu connections project (\$685.4 million), hydrogen jobs plan (\$593.0 million), Freight Highway upgrade program (\$500.0 million) and the Eyre Peninsula desalination augmentation (\$330.0 million).

The 2023-24 capital program includes \$915.0 million for regional roads and transport projects, \$118.6 million for the hydrogen jobs plan, \$87.4 million for upgrades to regional health services, \$73.3 million for the Kangaroo Island desalination plant, \$61.4 million for the construction and upgrade of regional public housing and \$54.1 million for the Eyre Peninsula desalination augmentation.

## Regional Development Programs

### Thriving Regions Fund

The Government provides \$15 million per annum to support regional South Australia through the Thriving Regions Fund.

Informed by global regional development best practice, the new Thriving Regions Fund provides an opportunity for support to target all areas of natural, economic, human and social capital to address regional development objectives. It will also enable effective partnering with the Commonwealth and local governments, and the private sector to achieve more collectively.

The long-term outcomes from investment through the fund are:

- Improved quality of life for regional communities
- Thriving, resilient, sustainable regional communities that attract and retain people to live and work
- Pipeline of regional leaders providing a voice for their regions
- Regions creating job opportunities and improved career options by capitalising on regional growth potential
- Stronger regional economies.

### Mobile Phone Black Spot Fund

Through a \$680 000 commitment from the Mobile Phone Black Spot Fund, the Mobile Network Extension Devices Pilot Program is being delivered by Telstra through to 30 June 2023. The program provides solutions to mobile phone reception 'patchiness' by subsidising the installation of an approved mobile network extension device (or mobile repeater) to boost the signal for an eligible residence or business. Originally piloted across the Adelaide Hills region, the program has been expanded to include the Yorke Peninsula and flood-affected areas of the River Murray, providing more South Australians with the opportunity to improve their mobile phone reception.

### Regional Development Australia associations

A commitment of \$3.0 million per annum (indexed) from 1 July 2022 to 30 June 2026 has been made to the seven non-metropolitan Regional Development Australia associations (RDAs) to continue meeting their responsibilities, including providing independent advice on critical issues affecting their regions, and promoting awareness of government programs in the community. In consultation with their boards and key local stakeholders, each RDA has developed work programs that provide economic opportunities in their region and demonstrate alignment with state priorities.

In partnership with the state government, the RDAs have been working with all levels of government to identify and address the issue of worker and skills shortages across regional South Australia. The activities included matching job seekers with businesses and job opportunities in regions, and the development of regional job boards to increase the visibility of work that is available. Each RDA has also implemented a place-based project to address localised workforce attraction and retention issues, targeted to their region's needs.

The RDAs are delivering regional leadership programs in their regions based on an assessment of leadership needs, identification of already available local programs and development of place-based training solutions to fill any gaps. Increasing leadership capability is vital in regional South Australia to ensure a pipeline of skilled individuals who reflect local demographics and can represent the needs and guide the future aspirations of their communities.

### **Country Cabinet**

Country Cabinet meetings have been reinstated to ensure that South Australians living in regional areas have the opportunity to engage directly with the decision-makers in government. The Cabinet, as well as heads of government departments, travel regularly to regions across the state so that local people are able to discuss the issues impacting their communities.

### **Regional Roads and Infrastructure Fund**

The Regional Roads and Infrastructure Fund (RRIF) was established in 2018-19. An estimated \$491 million is projected to be paid into the Fund over the four years from 1 July 2023 to 30 June 2027, 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 supports regional communities, as well as enhancing transport economic productivity and links to relevant industries.

In 2023-24, the Department for Infrastructure and Transport will use the RRIF towards a number of projects including ongoing road maintenance, rehabilitation and reseals, projects on outback roads, and a state contribution towards projects funded in partnership with the Commonwealth Government.

## **Regional economic conditions**

### **The economic profile of South Australia's regions**

The economic contribution of South Australia's non-metropolitan regions was \$36.5 billion in 2021-22. This accounted for 28 per cent of the state's Gross State Product (GSP), which was \$128.6 billion (in nominal, current price terms).

Gross Regional Product (GRP) in the combined non-metropolitan regions of South Australia grew by 16.1 per cent in 2021-22, more than double the 6.0 per cent growth rate in the Adelaide metropolitan area. This reflects substantial growth in the mining and agricultural industries across the regions, in part due to strong winter crop production and high commodity prices.

The largest South Australian non-metropolitan region in 2021-22 in terms of GRP was the Far North (\$5.6 billion) which grew by 21.1 per cent, while the smallest region was the Fleurieu and Kangaroo Island (\$2.7 billion).

**Table 8.1: Gross Regional Product (\$ million, current prices) — 2021-22**

	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	1 468	460	740	618	1 431	1 766	1 573	943	207
Mining	1 879	78	94	58	116	65	36	417	3 211
Manufacturing	5 282	309	515	108	309	321	448	243	34
Construction	6 918	374	278	207	271	268	332	263	301
Household services <sup>(a)</sup>	28 532	1 327	1 159	784	1 280	1 252	1 263	1 117	834
Business services <sup>(b)</sup>	21 084	630	485	301	395	420	426	359	209
Goods related services <sup>(c)</sup>	15 170	575	557	343	656	634	725	588	305
Public administration and safety	5 973	163	97	88	154	198	157	147	145
Net taxes in final demand and ownership	5 816	264	265	169	311	332	334	275	354
Gross Regional Product (2021-22)	92 122	4 181	4 190	2 675	4 924	5 257	5 294	4 350	5 600
Regional share of GSP (2021-22)	71.6%	3.3%	3.3%	2.1%	3.8%	4.1%	4.1%	3.4%	4.4%
Growth since 2020-21	6.0%	9.5%	12.5%	14.5%	17.1%	19.0%	17.1%	15.8%	21.1%
Source: Based on Industry Gross Value Add from ABS, Australian National Accounts: State Accounts, 2021-22; allocated at the regional level using Employment by Place of Work from Census of Population and Housing, 2021.									
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 549 300 persons as at 30 June 2022. The non-metropolitan population increased by 5 600 persons or 1.0 per cent from a year earlier and accounted for 30 per cent of the total state population of 1.8 million. The Adelaide metropolitan area had an estimated resident population of 1.3 million, being 12 800 persons or 1.0 per cent higher than a year earlier.

The population of Barossa, Light and Lower North recorded the highest percentage growth over the year to 30 June 2022 at 2.4 per cent followed by the Adelaide Hills at 1.8 per cent. Population growth in both regions was supported by strong levels of net internal migration. The Far North is the only region to experience a population decline over the year to 30 June 2022.

According to Jobs and Skills Australia, the unemployment rate for South Australia's metropolitan and non-metropolitan regions both averaged 4.4 per cent in the year to December 2022. In the year to December 2022, the average unemployment rate was lowest in the Limestone Coast region (2.9 per cent) and highest in the Far North region (7.9 per cent).

**Table 8.2: Regional population and labour force data<sup>(a)</sup>**

	Estimated Resident Population <sup>(b)</sup> ( <sup>'000</sup> )	Unemployment <sup>(c)</sup> ( <sup>'000</sup> )	Unemployment Rate <sup>(c)</sup> (%)
Adelaide metro area	1 272.2	29.9	4.4
Non-metro areas			
Adelaide Hills	106.7	1.8	3.0
Barossa, Light and Lower North	78.8	1.4	3.6
Fleurieu and Kangaroo Island	57.6	0.8	3.4
Yorke and Mid North	78.5	2.4	7.2
Murray and Mallee	73.3	1.7	4.7
Limestone Coast	68.8	1.0	2.9
Eyre and Western	58.9	1.7	5.3
Far North	26.6	1.2	7.9
Total non-metro	549.3	12.1	4.4

Source: ABS, Regional Population, 2021-22; Jobs and Skills Australia, Small Area Labour Markets, December quarter 2022.

Note: Totals may not add due to rounding

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

(b) Estimated resident population is at the end of June 2022.

(c) Unemployment and unemployment rate estimates are averages for the year to December 2022.

## 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 2020-21 and 2021-22 is provided in Table 8.3. In 2021-22, overall production value increased across different sectors except wine.

**Table 8.3: Selected agricultural commodities, South Australia, Production Value, 2020-21 and 2021-22**

	2020-21 \$m	2021-22 \$m	Change (%)
Field crops	2 927	3 630	24.0%
Horticulture	1 269	1 449	14.2%
Livestock	2 125	2 957	39.2%
Seafood	392	406	3.6%
Wine grapes	827	622	-24.8%
Wool	358	441	23.1%
Dairy	263	263	0.3%
Forestry	248	292	17.7%
Totals	8 409	10 060	19.6%

Sources: Primary Industries ScoreCard 2021-22, Department of Primary Industries and Regions, Government of South Australia 2023 and Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) (2022) Australian forest and wood products statistics

Despite the challenges presented by the COVID-19 pandemic, supply chain disruptions, inflation and the disruptions caused by the war in Ukraine, South Australian primary producers have shown immense resilience and continued to provide a secure supply of high-quality food and beverage products.

Despite some challenges, good seasonal conditions in 2021-22 and high commodity prices are being reported as a major driver of improved broadacre farm performance. According to ABARES preliminary estimates, farm cash incomes for South Australian broadacre farms increased by 2.6 per cent to \$320 100 in 2021-22. Average farm cash income in 2022-23 is provisionally estimated to increase to \$404 000.

South Australia's 2021-22 grain production recorded a harvest of 8.4 million tonnes with a farm gate value of \$3.3 billion. The size of the crop harvest was above average but decreased by 8 per cent compared with the previous season. However, this decrease was more than offset by very high grain prices. Total cash costs also increased, reflecting inflation that continued to rise in 2021-22. As a result, farm cash income of all cropping farms in 2021-22 decreased by around 1 per cent to average \$431 900 per farm.

For the 2022-23 season, grain production was the highest on record at 12.8 million tonnes. Farm gate value of grain crops for 2022-23 is estimated to be around \$4.6 billion, largely driven by the 51 per cent increase in production. Farm cash income of the cropping industry is provisionally set to increase to \$607 000 in 2022-23.

A comparison of the change in the sales value of production for South Australia's mineral and petroleum commodities between 2020-21 and 2021-22 is provided in Table 8.4. The sales value of mineral production decreased slightly in 2021-22 due to lower iron ore pricing and also to lower production levels for copper, gold and uranium. The increase in petroleum value was mainly driven by improvements in crude pricing in 2021-22.

**Table 8.4: Selected mineral and petroleum commodities, South Australia, Gross Value of Production (\$million), 2020-21 and 2021-22**

	2020-21	2021-22
Minerals	7 452	6 841
Petroleum	1 364	1 859

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.

### 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 2021-22, primary production activity (agriculture, forestry and fisheries) alone contributed \$7.6 billion to the state's economy (Gross State Product) and, combined with associated processing, supported 71 000 jobs (FTEs) and accounted for 51 per cent of the state's merchandise exports.

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

- **Fruit Fly Response** — PIRSA continued its work in eradicating fruit fly from South Australia in response to multiple fruit fly outbreaks across the Riverland since December 2020. PIRSA's response in the Riverland will continue and preventative work is also being undertaken in the region. PIRSA has invested significant resources, including the deployment of over 230 staff and the release of over 15 million sterile flies weekly.



- **Port Augusta Sterile Insect Technology Facility Expansion** – PIRSA has undertaken considerable work to commence expansion of the Port Augusta sterile insect technology (SIT) facility, which aims to double the number of sterile Queensland fruit fly produced each week. The project is underway with on-ground work having commenced, along with the construction and supply of all necessary equipment for the expanded facility so that increased production levels will be available later in 2023.
- **Japanese Encephalitis Response** – In February 2022, an outbreak of the zoonotic disease Japanese Encephalitis (JEV) was detected in pigs across Queensland, New South Wales and Victoria, and subsequently South Australia. PIRSA established an Incident Management Team for 15 weeks to manage the outbreak in pigs and to support SA Health and the affected livestock industries. PIRSA subsequently transitioned to a management program that includes surveillance activities, communications and development of a One Health agreement with SA Health. The continued management of JEV involves extensive liaison and collaborative efforts with health authorities, the pork industry and other jurisdictions to understand the epidemiology and impacts of JEV in Australia.
- **Aquaculture (Zones-Lower Eyre Peninsula) Policy Review** – The periodic review of aquaculture zone policies ensures they remain relevant and appropriate to the latest science and industry developments; maximise benefits to the community from the state's aquaculture resources; promote ecologically sustainable marine aquaculture development; and ensure efficient and effective regulation of the aquaculture industry. Following a review of the current policy, public and stakeholder consultation has concluded on the draft Aquaculture (Zones-Lower Eyre Peninsula) Policy 2022 which supports the sustainable growth of existing established aquaculture sectors, such as tuna, yellowtail kingfish and mussels, as well as emerging sectors such as seaweed. Submissions will now be considered, and the new policy finalised in late 2023.
- **Electronic Catch and Disposal Records (eCDR)** – With an investment of over \$700 000, the eCDR project will transition all quota fisheries to electronic submission of Catch and Disposal Records. On 1 February 2023, the Marine Scalefish Fishery transitioned to electronic CDRs, significantly improving the CDR process for the fishery and its just over 200 licence holders. This is the first step in the continuing roll-out of the technology across the other quota fisheries, providing major benefits to the industry. The digital transformation of the fishing and aquaculture sectors is a critical component to enhancing the management and monitoring of South Australia's aquatic resources.
- **Seaweed, South Australia's Next Big Marine Industry** – The South Australian Research and Development Institute (SARDI) is leading a \$1.5 million, two-year project funded through the Jobs and Economic Growth Fund to develop a commercial seaweed industry in South Australia. The project aims to foster engagement between commercial industry companies, technical experts and researchers to enhance the understanding of seaweed as a raw material, along with identifying and resolving constraints in large-scale seaweed production. SARDI has established a pilot scale production facility at Port Lincoln and hatchery technology at West Beach, leveraged Commonwealth funding to support industry aligned projects and developed a seaweed industry consortium. Approximately 1 200 hectares of water space has been approved for commercial seaweed aquaculture to support industry growth. Since 2020, over 50 licences have been assessed and approved to farm seaweed, including existing and new aquaculture sites, to facilitate research trials and future commercial production.
- **Protection of Giant Australian Cuttlefish** – To increase protection arrangements for Giant Australian Cuttlefish, a temporary 12-month fishing closure was implemented in the Upper Spencer Gulf in May 2022. Following consultation through the Giant Australian Cuttlefish Working Group on long-term arrangements to protect spawning aggregations of Giant Australian Cuttlefish, amendments to the *Fisheries Management (General) Regulations 2017* have been made to permanently implement a closure to prohibit the take of all cuttlefish species in the Upper Spencer Gulf north of a line between Arno Bay and Wallaroo.
- **South Australian Dog Fence Rebuild** – The \$26.6 million project to rebuild 1 600 kilometres of South Australia's 2 150 kilometres of the Dog Fence is approaching the half-way mark. A total of 776 kilometres are now complete, 150 kilometres are underway, and 182 kilometres are contracted or under procurement. More than 30 South Australian-based businesses or individuals have been engaged to supply goods or services to the project. Almost two million hectares of land previously impacted by wild dogs have been restocked with sheep. The Dog Fence Rebuild is due to be completed by June 2025, which is one year later than planned. The delay has been caused by a shortage of fencing contractors, who are in high demand following significant flooding and bushfire events in recent years, and by the impacts of the flooding caused by ex-cyclone Tiffany, which cut the Dog Fence in 67 places, requiring 25 kilometres to be replaced.

- **Wild Dog Eradication Project** — PIRSA and SA Landscape Boards are leading the program to eradicate wild dogs from sheep country inside the South Australian Dog Fence. This ten-year \$15.0 million project has now secured \$5.0 million (from the Commonwealth and state governments, Australian Wool Innovation, Sheep Industry Fund, and Meat and Livestock Australia) to deliver wild dog control activities over four years to 2026, including ground and aerial baiting programs, a professional trapper program, producer workshops, productivity resources for livestock producers, and state-wide coordination. Since 2018, PIRSA, SA Landscape Boards and other project partners have delivered almost a million baits to risk areas and the trappers have removed over 730 wild dogs from the state's sheep country.
- **Feral Deer Eradication Project** — With \$4.0 million of funding secured from the Commonwealth and state governments, PIRSA and SA Landscape Boards are delivering this project of intensive aerial culling programs targeting feral deer over four years to 2026. Feral deer are problematic because they compete with livestock for feed, reducing the carrying capacity of pasture for livestock production. As cloven-hooved animals, feral deer can be hosts of serious animal diseases, including foot-and-mouth disease, John's disease and lumpy-skin-disease; they are also potential vectors of foot rot. Since mid-2022, PIRSA, SA Landscape Boards and other project partners have eradicated over 8 095 feral deer, which equates to the feed requirements of approximately 12 500 sheep.
- **Bushfire Recovery Program** — PIRSA continues to support the recovery of industries and communities impacted by the five summer 2019-20 bushfires and to coordinate the delivery of \$65.4 million in funding for bushfire recovery projects. Four projects — Kangaroo Island Biosecurity Measures Program, Kangaroo Island Feral Pig Eradication Project, Yorke Peninsula Bushfire Recovery Project and Apple Grower Recovery Grants — jointly funded with the Commonwealth Government under the Disaster Recovery Funding Arrangements continued in 2022-23, with additional funding of \$1.1 million secured to extend the Kangaroo Island Feral Pig Eradication Project, which is close to achieving zero pigs on the island. The Kangaroo Island Feral Pig Eradication Project has been a highly successful partnership between PIRSA, the KI Landscape Board, KI National Parks and Wildlife, Ag KI, Kangaroo Island Land for Wildlife and local landholders.
- **The Regional Recovery Partnerships Program** provided \$1.0 million to establish a Kangaroo Island AgTech Hub to assist primary producers better understand and adopt technology solutions. The Local Economic Recovery Program, jointly funded by the Commonwealth and state governments, funded six projects in the Kangaroo Island and Cudlee Creek communities to aid recovery needs and realise economic opportunities, which will be delivered by 30 June 2023:
  - Building Back Better Agriculture and Land Management
  - The Horticulture Rebuild and Resilience Program
  - The South Australian Apiary Industry Project
  - Kangaroo Island Blue Gum Plantation Clean Up
  - Kangaroo Island Blue Gum Wildlings Control
  - Cudlee Creek Small Plantation Clean Up
- **Storm Recovery Program** — PIRSA continued to provide recovery support appropriate to the regions impacted by two significant storm events during spring 2021 and summer 2022, including activation of a Recovery Facilitator on the Eyre Peninsula; support for remediation of water courses and erosion offered by SA Landscape Boards and industry groups; and implementation of a \$2.0 million pest and weed control program on the Eyre Peninsula jointly funded with the Commonwealth Government under the Disaster Recovery Funding Arrangements. Permanent repairs are ongoing to alleviate the temporary emergency repairs to sections of the Dog Fence damaged in the January 2022 intense rainfall storm.
- **River Murray Flood Recovery Program: Cleaning Up Fish Kills** — Following the River Murray flood event, PIRSA has coordinated several large-scale fish kill clean-ups. Many of these have occurred in scenic coastal and riverine areas, on the South Coast, at Murray Bridge and at Wellington, where tourism is an important component of the local economy. Approximately 30 tonnes of fish and material has been transported to a commercial composting facility.

- Accelerating Development and Adoption of AgTech Solutions – The AgTech Program has continued to showcase new technology and best practice farm management for producers:
  - PIRSA’s demonstration farms provide the opportunity for AgTech developers to showcase new technology which supports on-farm decision-making and enhances productivity and profitability.
  - The AgTech Start-up Hubs have continued to support AgTech entrepreneurs to develop capabilities to solve critical industry challenges by providing expert advice, support and access to relevant entrepreneurial programs.
  - The successful hosting of the evokeAG 2023 international conference, which explored how farming, technology, science and people collectively have the power to bring innovative ideas to life, fostered global innovation and connection between primary producers, innovators, researchers and universities.
- Future Drought Fund Programs – The government is delivering two Future Drought Fund Programs jointly funded by the Commonwealth and state governments: the Farm Business Resilience Program and the Regional Drought Resilience Planning Program.
  - The Farm Business Resilience Program assists farmers to increase their knowledge and skills in strategic farm business management and planning, farm risk management and decision-making, natural resource management, and personal and social resilience. Delivery of training has been led by industry in the livestock, grains, dairy and vegetable sectors, with the livestock industry continuing delivery of its Agri-Resilience program until 30 June 2023.
  - The Regional Drought Resilience Program supports regions to develop regional drought resilience plans to prepare for and manage future drought risks. A consortium comprised of RDAs, local governments, the Outback Communities Authority and SA Landscape Boards has led planning in the Murraylands and Riverland, Yorke Peninsula and Mid North (including the Barossa), and the Far North and Outback. The plans for the Murraylands and Riverland, and Yorke and Mid North have been independently assessed and are being finalised for approval by the Commonwealth Government, while the Far North and Outback plan is expected to be completed in 2023.
- Construction Softwood Transport Assistance Scheme and Additional Building Timbers Grants — To alleviate the national shortage of structural timber, initiatives to increase softwood log supply and boost sawmilling capacity were offered to eligible South Australian sawmills during 2022-23. Commonwealth and state government funding was made available under the Construction Softwood Transport Assistance Scheme to subsidise the cost of transporting fire-affected softwood construction-grade logs from Kangaroo Island to mainland mills. Two sawmills received Additional Building Timbers grants through the Regional Growth Fund to increase their construction-grade sawmilling capacity to provide more building timber into the South Australian market.
- Trees on Farms Initiative – To further assist the growth and development of the on-farm forest plantation sector, the state government invested \$210 000 in the Green Triangle Forest Industries Hub, as part of its Trees on Farms election commitment. The investment sees industry knowledge and research transferred to landholders through reports and a forum, including on new and shorter rotation plantation management models; addressing barriers inhibiting harvesting of smaller forests; identifying suitable land for farm-based forestry; understanding Emissions Reduction Fund opportunities; and relevant forestry tax information. PIRSA released new fact sheets to promote the multiple benefits of farm-based forestry and guide landholders in their commercial plantation investments.
- Low and No Alcohol Wine Trial Scale Research and Production Facility – The government has invested \$2.0 million for the University of Adelaide to establish a three-year trial scale research facility to support the development of the no and low alcohol wine sector in the state. The facility opened in April 2023 and will enable wine businesses to access equipment and expertise to develop new high-quality products at no cost. The growth of this market, currently worth approximately \$51.6 million per annum in Australia, will accelerate as product quality improves through trials and research.
- Riverland Wine Industry Blueprint – To address the issue of oversupply of red grape varieties, the government is investing \$100 000 to partner with Riverland Wine to develop the Riverland Wine Industry Blueprint. Guided by extensive consultation across the grape and wine industry value chain, the blueprint will provide a strategic direction for the region for the next ten years.

- Implementation of South Australia's Spirits Boom – Following development of South Australia's Spirits Boom, the strategic blueprint to sustain and grow the spirits sector in the state, the government committed \$200 000 over four years to support an executive officer for the South Australian Spirit Producers' Association to implement the blueprint and develop the capability of this growing sector.
- Sterile Sheep Blowfly Breeding Facility on Kangaroo Island – A \$3.9 million project, funded through the Local Economic Recovery Program by the Commonwealth and state governments as well as PIRSA, is underway on Kangaroo Island to breed sterile flies in a bid to eradicate sheep blowfly from the island within four years. Flystrike caused by sheep blowfly costs South Australian producers an estimated \$60 million in production losses and management every year. Preventing flystrike eliminates the need for mulesing or chemical management of sheep blowfly. Sterile insect technology (SIT) is already widely used successfully for other fly species such as fruit flies and screw-worm flies. The world-first mobile dedicated sterile blowfly breeding facility is being built from shipping containers and, when operational in mid-2023, will breed up to 50 million sterile flies a week. Located at the Kangaroo Island Resource Recovery Centre, it will be in place for up to five years before being redeployed elsewhere in South Australia to continue the program. In the interim, sterile blowflies have already been released on Kangaroo Island, which are bred and irradiated in Adelaide and taken to the island by ferry, enabling information to be gathered on migration and longevity of the reared flies, which will be used to tailor the large-scale releases for the coming years.

Key initiatives to be delivered in 2023-24 to support primary industries and regions include:

- Emergency Animal Disease Preparedness – With increasing biosecurity risks on Australia's northern border and overseas, and the potentially devastating impacts to South Australia's livestock industries of an outbreak, the government has invested an additional \$6.8 million over 3.5 years to assist government and industries prepare for a response to possible future disease incursions. The initiative includes development of operational policy and procedures, laboratory infrastructure upgrades, training and exercising, and additional expertise for epidemiology, risk assessment and diagnostic capacity.
- Forestry Centre of Excellence — Work will continue to progress the Centre of Excellence with forestry stakeholders, incorporating the National Institute for Forest Products Innovation and other key research and development organisations across the Green Triangle region to support long-term forestry research and development capability at Mount Gambier. A transitional board, with an independent chair, is to be established for twelve months to ensure collaboration across the education precinct at Wireless Road in Mount Gambier.
- Cross Border Commissioner – A workplan for the Commissioner will be prepared and delivered.
- Accelerating Development and Adoption of AgTech Solutions – PIRSA will implement the successful projects from Round Two of the AgTech Growth Fund which provide opportunities for investment in and acceleration of development and commercialisation of game-changing innovative technology addressing specific primary production challenges. Further work will be undertaken to build strong partnerships with primary producers and support peer-to-peer learning through workshops, field days and tours across all regional demonstration farms. South Australia's premier AgTech conference Advance Ag 2024 will be delivered to foster innovation and connection between primary producers, innovators, researchers and universities on a local, regional, national and international scale.
- Future Drought Fund Programs – the government has signed agreements for the extension of the two Future Drought Fund Programs it is delivering on behalf of the Commonwealth Government for four years. The wine grape sector has been included under the Farm Business Resilience Program. The plan for the Far North and Outback will continue, with further regions to be included under the Regional Drought Resilience Planning Program, expanding these programs further across the state.
- River Murray Flood Recovery Program – A further \$142.8 million to support relief and recovery from the River Murray flood event, which when combined with the \$51.6 million provided in the Mid-Year Budget Review brings the total amount of support to over \$194 million. The additional package of support and relief measures includes primary producer recovery grants, blackwater fish kill clean-up, and additional family and business support services, along with the existing measures to relocate or re-establish irrigation and electricity infrastructure impacted by the flood. The timing of recovery and the needs of primary producers will differ along the river corridor due to the varying pace of de-watering and its impacts, with assistance allowing for these timeframes.

Initial focus is on working with SA Power Networks, primary producers and industry groups on electricity reconnection, and with Green Industries SA on waste removal from properties. A number of these measures are jointly funded by the Commonwealth and state governments under the Disaster Recovery Funding Arrangements.

- **Carbon Farming Roadmap Implementation / Growing Carbon Farming Pilot** – The Carbon Farming Roadmap was released in November 2022 and provides a strategic framework to facilitate the uptake of carbon farming while addressing challenges and mitigating associated risks. The roadmap is underpinned by four key pillars: progressing research, innovation and market development; enabling policy and regulatory environment; building knowledge and skills; and engagement, collaboration and partnership. The strategic actions under each pillar provide key activities for government and the private sector to engage and stimulate growth, and PIRSA will work closely with industry, private sector and government partners to implement the plan. PIRSA is also administering the Growing Carbon Farming Pilot, a \$1.0 million initiative to encourage carbon farming adoption and build the carbon market in South Australia. Grants of up to \$100 000 are available for carbon farming establishment costs or for participation in PIRSA-led demonstration activities that improve carbon farming knowledge and capability.
- **Management Plan for the South Australian Commercial Sardine Fishery** – With the current plan expiring on 30 September 2023, a new draft management plan prepared with input from the South Australian Sardine Industry Association is currently available for public consultation. Submissions will then be considered and the new Management Plan finalised.
- **New Farming Methods for the Oyster Industry** – PIRSA will continue to facilitate the introduction and development of new farming methods in the oyster industry. Flip Farm technology (a semi-automated, innovative, contained longline system with floating oyster baskets) is currently being utilised successfully in New Zealand and has recently been adopted by growers in New South Wales, Tasmania and Western Australia. Flip farming requires less construction and infrastructure with benefits for the marine floor; provides operational efficiencies, improved safety and is less labour-intensive; is more environmentally friendly by minimising shading to seagrass; reduces risk of pests, disease and bacteria; and provides an improved product. PIRSA is working with the industry to ensure this innovative oyster farming method is developed sustainably and maintains the industry's social licence, as well as mitigating risks such as marine debris, entanglement of marine life and other environmental impacts.
- **Growing Seaweed Aquaculture** – Seaweed is an emerging aquaculture sector likely to contribute significant economic and social benefits, particularly to regional South Australia. The state's \$2.6 million contribution to the Marine Bioproducts Cooperative Research Centre over ten years aims to establish South Australia as an international leader in commercial seaweed production and has supported the creation of an industry cluster that is driving supply chain development of a diversity of seaweed products, including anti-methanogenic livestock feed additives, liquid fertiliser, soil amelioration products, seaweed-based food and natural colour pigments, nutraceuticals, pharmaceuticals, cosmeceuticals, bioenergy, bioplastics and biocomposites. PIRSA is providing national regulatory leadership through the establishment of a national seaweed aquaculture working group with jurisdictional regulators to share information and identify key research needs to underpin the development of effective and efficient regulation where needed.

## Energy and mining

The Department for Energy and Mining (DEM) is dedicated to delivering the government'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.

Combined mineral and petroleum royalties for 2022-23 from projects across regional South Australia are forecast to total a record \$386 million. This forecast is comprised of \$106.3 million of petroleum royalties and \$279.7 million of mining royalties.

The state's royalty forecasts have been revised upwards by about \$133.3 million in the period 2022-23 and 2026-27, which is being driven predominantly by improvements in mineral commodity prices, particularly iron ore, zircon and copper, as well as strong mineral production growth. Improving crude oil and gas pricing is expected to have a positive effect on royalties in the next three to four years.

As well as collecting royalties that support the funding of key services for the state, the government is also committed to leveraging and growing opportunities to secure jobs and business activity for all South Australians. Authorising appropriate mineral and petroleum resource production in regional South Australia and lowering energy costs for households and businesses aligns with this commitment.

To support skills and workforce development within the resources and heavy engineering sectors, in January 2023 the Minister for Energy and Mining provided \$1.2 million in funding over four years (\$300 000 per annum) to the Resources and Engineering Skills Alliance (RESA) to deliver a range of services. A reference group comprising representatives from DEM, the Department for Industry, Innovation and Science, the Department for Education and Skills SA was established under the Funding Agreement to collaborate with RESA to maximise opportunities from the delivery of initiatives and activities. RESA's strategic priorities funded under the agreement also include the development of regional supply chain capability and Aboriginal participation in economic opportunities.

Exploration and related mineral and energy discovery are essential to create a pipeline of projects necessary to deliver the mining operations and jobs of the future. To realise this potential, the state provided \$10.5 million over three years to deliver Phase 1 of the Accelerated Discovery Initiative (ADI), a government / industry co-funded partnership to stimulate innovation and de-risk investment in the exploration sector. The initiative also supports Aboriginal employment through exploration programs across the state. Fourteen projects were allocated funding in the \$3 million first round of partnerships. As part of the state's COVID-19 recovery plans, Round Two was increased by \$1.5 million to \$4.5 million with 22 projects allocated funding in 2020-21.

South Australia maintains more than 850 mineral and energy resource exploration licences and more than 400 mineral and 251 energy resource projects and operations at various stages. These projects are primarily located in regional areas throughout South Australia. The Landowner Information Service continues to provide independent free information to regional landholders on mineral resource regulation as related to the exploration, mining and quarrying sector. In 2022-23, \$415 000 was allocated to the service, which is delivered by Rural Business Support, an agricultural advisory not-for-profit group. The information service has worked with more than 100 clients on issues related to mining, quarrying and mineral exploration activities, as well as having face-to-face contact with more than 500 people across South Australia.

Investment in exploration over many decades has led to the development of several significant mines across regional South Australia. These important mineral and energy resource projects that continue to contribute to economic growth in regional South Australia include:

- Continued production, development and expansion at the Prominent Hill and Carrapateena copper and gold mines and the bordering mining province in the Far North
- Continued production and development at the Olympic Dam copper, gold and uranium project at Roxby Downs as a significant contributor to the state's economy
- Continued production and development at iron ore operations in the Middleback Ranges that sustain both the steelworks in Whyalla, as well as export sales through the Port of Whyalla
- Continued production and development at Jacinth Ambrosia heavy mineral sands project and near field deposits on the state's west coast
- Continued production and development of the Four Mile and Beverly uranium mines in the Far North and the proposed resumption of uranium mining at Honeymoon in the Mid North
- Continued production and development at Cairn Hill and Peculiar Knob iron ore mine and start-up of the Buzzard iron ore mine in the Woomera Prohibited Area near Coober Pedy in the Far North

- Exploration and development of several mineral projects including Oak Dam West copper gold project, Peak Irons' Hawks Nest iron ore projects in the Gawler Craton, Central Eyre Iron Project near Wudinna, Koppamurra rare earth project in the Limestone Coast region and Olary, Razorback and other iron ore projects in the Braemar region of the Mid North continue to advance. Development of several graphite, gold and base metals projects also continue to progress across regional South Australia
- The ongoing development of the Hillside copper gold project on Yorke Peninsula, the Siviour graphite project near Arno Bay on the lower Eyre Peninsula and the Great White kaolin project near Poochera on the Eyre Peninsula continue to progress toward production
- Since 2021, DEM has received more than 40 applications for Petroleum Exploration Licences to target natural hydrogen throughout South Australia. Gold Hydrogen is the first mover and has begun low impact exploration on Yorke Peninsula
- Seed funding from DEM for Carbon Capture and Storage and hydrogen storage research at the University of Adelaide has contributed to the award of significant grant funding from the Australian Research Council, as well as funding from multinational energy company Chevron that will underpin the establishment of a new Centre for GeoEnergy to tap into the expertise of the University's geoscience and engineering researchers.

Significant energy infrastructure development that continues to support economic growth in regional South Australia includes:

- The construction related to the hydrogen jobs plan that comprises a hydrogen power station, electrolyser and storage facility in the Whyalla region. This project will deliver a variety of outcomes for South Australia including downward pressure on electricity prices for business and industry, thousands of new jobs for South Australians and unlock the development of a \$20 billion pipeline of renewable energy projects
- Investment in a Clean Hydrogen Industrial Hub at Port Bonython, in partnership with the Commonwealth Government and the private sector, to support common service infrastructure development to enable establishment of a globally competitive hydrogen export sector
- Project EnergyConnect, a high voltage interconnector linking South Australia's Mid North with western New South Wales through the Riverland to provide South Australians with access to cheaper, more secure and reliable energy, and increased opportunities to export renewable energy into the National Energy Market
- A new double-circuit transmission line from Cultana to Port Lincoln through Yadnarie, which was completed in March 2023 and is enabling increased capacity to connect users to the electricity network and enable new renewable energy projects.

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

- GFG Alliance announced the phase-out of coal-based steelmaking at its Whyalla steelworks, signing a supply contract with Italy's Danieli Group for a \$485 million low carbon electric arc furnace that is expected to reduce direct CO<sub>2</sub> emissions by 90 per cent and lift steelmaking capacity at Whyalla from 1 million to 1.5 million tonnes a year, while supporting growth in Whyalla's permanent workforce. The next phase of the transformation will engage global equipment suppliers for the installation of a 1.8 million tonne a year Direct Reduction Iron plant to process local magnetite ore to produce low-carbon iron. Since 2016, the government has maintained its commitment to make available a \$50 million grant to co-fund qualifying projects that contribute to improving the operational efficiency of the Whyalla Steelworks. Access to the funds will be in accordance with the Whyalla Steelworks Operational Efficiency Improvements Fund Guidelines
- The multi-agency Leigh Creek Task Force continues to oversee delivery of the \$43.6 million Leigh Creek Future Town Plan to transform the former mining centre into a sustainable open town, providing a thriving regional tourist hub and service centre for surrounding northern Flinders Ranges communities. The Leigh Creek transformation program is on track to be completed by June 2024
- The multi-stakeholder Mintabie Oversight Committee provides advice and recommendations regarding key decisions for the appropriate remediation of the former Mintabie township on the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands

- The multi-stakeholder Targeted Lead Abatement Program (TLAP) Board and Port Pirie Task Force provide oversight for the delivery of the government's \$20.4 million lead abatement program in Port Pirie and are expediting the regional centre's continued transformation through renewing TLAP for a further ten years until 2034
- South Australia aims to be a national leader in electric vehicle (EV) uptake and smart charging by 2025. To achieve this aim, the government has partnered with RAA and Chargefox through a \$12.4 million grant to build South Australia's Electric Vehicle Charging Network. The partnership is rolling out the network to 140 sites across the state to provide 536 rapid and fast chargers in 52 rural, regional and metropolitan service locations
- The state government and Tesla have partnered to develop South Australia's Virtual Power Plant (SA VPP), a network of solar and home battery systems on eligible Housing SA properties across South Australia, working together through smart technology to form Australia's largest virtual power plant. SA VPP is designed to provide more affordable, reliable and secure electricity
- The government has partnered with the Australian Institute for Machine Learning (AIML) to establish the Smarter Regions Cooperative Research Centre (CRC). This CRC aims to expand artificial intelligence and machine learning opportunities and applications to regional industries, including both the agriculture and resource sectors. The CRC aims to enable application of machine learning to geology to facilitate the identification of prospective geological targets and outcrops, which will improve the efficiency of identifying future exploration targets and expand the collected knowledge of the state's geology
- The MinEx Cooperative Research Centre (CRC) National Drilling Initiative (NDI) has been established to address the threat of declining mineral discovery in Australia and realise the opportunity offered by novel drilling technologies. The initiative entails State Geological Surveys joining with MinEx partners to deliver drilling programs in selected case study areas that are under-explored but considered prospective. The NDI vision is to drill multiple holes in a region of the state to map the regional geology and architecture and define the potential for mineral systems in 3D. The first drilling program, completed in August 2022, focused on the Delamerian basement in the Murray Basin (the Delamerian Orogen), a zone of deformed rocks encompassing the Mount Lofty and Flinders Ranges and the basement rocks to the east concealed beneath the younger Murray Basin. The project partners university researchers with geologists from the Geological Survey of South Australia to improve the understanding of the tectonic setting deformational history and mineral systems of the Delamerian region, providing industry with new data and new constraints on the geological framework and mineral prospectivity. All areas investigated through South Australia's contribution to this national initiative will be opened to exploration licence applications by mid-2023
- The Remote Area Energy Supply (RAES) scheme provides a safe, reliable, sustainable and cost-effective electricity supply to homes and businesses in very remote South Australian communities not connected to the National Electricity Market. The off-grid scheme, which aligns its residential and business tariffs to average market offers available to on-grid customers, provides subsidised electricity to about 3 400 customers in 13 townships and 15 Aboriginal communities across the West Coast and Far North. The net cost of the RAES scheme is budgeted to be about \$17.3 million operating plus \$4.3 million capital in 2022-23 (\$14.1 million operating plus \$6.1 million capital in 2023-24), with the operating budget comprising of \$9.8 million (\$8.2 million in 2023-24) net cost of the government-owned component of the scheme and \$7.5 million (\$5.9 million in 2023-24) in direct subsidies to the three independent operators
- The government also continues to invest in improving the reliability and sustainability of the RAES system, with the completion of the \$9.8 million upgrade of the Central Power House at Umuwa in the APY Lands to reduce reliance on diesel. The upgrade has integrated three megawatts of solar panels and one megawatt of battery storage to provide clean renewable energy, saving about 700 000 litres of diesel per year. Solar integration has also been completed at Manna Hill during 2022-23 (\$0.3 million), with a further \$6.6 million allocated in 2023-24 for further integration of renewable technology and upgrade/replacement of generation and distribution infrastructure within the RAES scheme.



## Regional Tourism

Tourism is a key driver of the South Australian economy and one of the state's growth opportunities, with regional tourism important to achieving this growth.

Prior to the effects of COVID-19, the visitor economy in South Australia was growing strongly, with a record-setting year to December 2019. As a result of the COVID-19 pandemic, the South Australian visitor economy experienced the most severe contraction on record. The full impact of 12 months of COVID-19 was reflected in the low point of \$4.4 billion in the 12 months to March 2021. From this point on South Australia has seen extremely strong growth in the visitor economy with the year-end December 2022 annualised result reaching a record high of \$8.3 billion, eclipsing the pre-COVID record of \$8.1 billion. This represents growth of 3 per cent on pre-COVID levels in South Australia and is in line with the national growth of 3 per cent.

Regional South Australia fared remarkably well and recovered quickly as COVID-19 restrictions eased. Regional visitor expenditure declined from \$3.6 billion in 2019 to \$2.6 billion in 2020. In the latest results regional expenditure has recovered back to a record high \$4.0 billion. Parts of regional South Australia have seen periods of significant growth as shown through monthly visitor expenditure and accommodation data. Room nights occupied in regional South Australia, as collected by STR Global, reached record levels from December 2019 through to December 2022. This compares to Adelaide where accommodation struggled through the initial stages of COVID-19 but recovered strongly in 2022 after the impact of Omicron in January and February.

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 have been difficult. These pressures have eased in 2022 with the opening of international borders and the resurgence of the interstate markets.

With the launch of the second Regional Visitor Strategy, the South Australian Tourism Commission has continued to work in partnership with regional tourism organisations and councils to drive the achievement of the headline goal of the strategy of \$4 billion by December 2025. Due to the substantially stronger than expected recovery from COVID-19, achievement of this goal is on track. Many regions are already above the record high expenditure levels set in 2019 but there is potential for this recovery to slow as the appetite for interstate and international travel grows.

In 2022, the Experience Nature Tourism Fund was developed to support tourism projects which create nature-based tourism experiences that enhance the visitor experience and encourage visitors to enjoy and learn more about South Australian national parks. The \$2 million fund was designed to activate nature-based tourism over four financial years with grants ranging from \$10 000 to \$50 000 for new and improved nature-based tourism products and experiences in or near a national park, reserve, wilderness protection area or marine park. In Round One, 18 projects were funded worth a project total of \$824 000. By the middle of 2023, 11 projects should be complete, with the remainder complete by the end of 2023, providing visitors and locals alike with new experiences that showcase national parks. Round Two will be open for applications early in the new financial year.

The Great State Voucher Stimulus Program was completed in 2022 with an economic impact of \$148.7 million across the state, providing stimulus to Adelaide and regional South Australia.

With robust recovery well underway and strong conditions forecast for the recovery of interstate and international tourism, conditions for regional South Australia are strong.

## 2023-24 Budget —Initiatives

The 2023-24 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 2023-24 Budget Measures Statement.

**Table 8.5: 2023-24 Government expenditure on regional initiatives (\$000s)**

	2022-23 Estimate	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	Total
<b>Across Government</b>						
A better housing future <sup>(a)</sup>	-375	-761	-773	-784	-796	<b>-3 489</b>
River Murray flood event — support, assistance and response	-114 081	-28 574	-119	—	—	<b>-142 774</b>
<b>Correctional Services</b>						
Port Augusta Community Corrections Centre	—	-2 356	-1 826	-197	-205	<b>-4 584</b>
Port Augusta Prison upgrades — Bluebush and Greenbush high security units	—	-6 682	-11 346	-11 971	—	<b>-29 999</b>
<b>Education</b>						
Regional school bus services <sup>(a)</sup>	—	-1 300	-2 646	-5 557	-5 724	<b>-15 227</b>
Government schools and preschools upgrades <sup>(a)</sup>	—	-12 764	-14 000	-8 900	—	<b>-35 664</b>
<b>Emergency Services – CFS</b>						
Aerial firefighting fleet enhancement	—	-5 977	-6 420	-6 889	-7 394	<b>-26 680</b>
Extraordinary fire response costs	-5 557	—	—	—	—	<b>-5 557</b>
<b>Emergency Services – SES</b>						
River Murray flood event extraordinary response costs	-9 822	—	—	—	—	<b>-9 822</b>
Strategic flood barrier cache acquisition	—	-1 250	-21	-21	-22	<b>-1 314</b>
<b>Energy and Mining</b>						
Brukung Mine water treatment plant	—	-500	-500	—	—	<b>-1 000</b>
Copper task force	—	-500	-513	-526	-538	<b>-2 077</b>
Remediation of Mintabie Township	—	-7 700	—	—	—	<b>-7 700</b>
Remote Area Energy Supply Scheme — fuel costs	-3 800	—	—	—	—	<b>-3 800</b>
<b>Health and Wellbeing</b>						
Electronic medical records — regional expansion	-9 051	-15 392	-6 661	—	—	<b>-31 104</b>
Naracoorte health services planning	—	-1 000	—	—	—	<b>-1 000</b>
New Mount Barker Hospital — additional funding	—	—	-55 000	-45 800	—	<b>-100 800</b>
<b>Infrastructure and Transport</b>						
Kangaroo Island road maintenance	—	-1 500	-1 538	-1 576	-1 615	<b>-6 229</b>
Mount Barker roundabout upgrade	—	-3 000	-6 000	-31 000	—	<b>-40 000</b>
Outback Futures	-740	-1 500	-1 500	-1 500	-1 500	<b>-6 740</b>
Regional bus services	—	-5 502	-5 752	-6 012	-6 282	<b>-23 548</b>
Regional Road Safety Infrastructure	—	-2 500	-2 500	-2 500	-2 500	<b>-10 000</b>
SA Jetties Renewal Program	—	-5 000	-5 000	-5 000	-5 000	<b>-20 000</b>

	2022-23 Estimate	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	Total
<b>Police</b>						
APY Lands accommodation project — Indulkana	—	-2 700	—	—	—	-2 700
Prescribed interview rooms — supporting vulnerable witnesses <sup>(a)</sup>	—	-340	-340	—	—	-680
<b>Primary Industry and Regions</b>						
Dog fence rebuild	—	-1 600	—	—	—	-1 600
Fruit fly eradication response	-15 000	-10 000	—	—	—	-25 000
Future Drought Fund	—	-3 203	-1 500	-770	—	-5 473
Implementation of eID for sheep and goats <sup>(b)</sup>	—	-1 600	-1 600	—	—	-3 200
On-Farm Emergency Water Infrastructure Rebate Scheme	—	-4 185	—	—	—	-4 185
Snapper fishery management <sup>(c)</sup>	-550	-2 750	-1 900	-1 098	—	-6 298
<b>TAFE SA</b>						
Regional Skills Development Fund	—	-1 455	-2 910	-2 910	-2 910	-10 185
<b>Total regional initiatives</b>	<b>-158 976</b>	<b>-131 591</b>	<b>-130 365</b>	<b>-133 011</b>	<b>-34 486</b>	<b>-588 429</b>
Note: Totals may not add due to rounding						
(a) The figures quoted represent the estimated regional component of the overall measure.						
(b) This initiative leverages additional Commonwealth funds for the program.						
(c) A further \$2.5 million contribution will also be provided from the Commonwealth Fisheries Research and Development Corporation.						

## Regional Investing Expenditure

The 2023-24 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 2023-24.

**Table 8.6: 2023-24 Government regional capital investment program (\$'000s)**

	Expected completion quarter	Proposed expenditure 2023-24	Estimated total cost
<b>General Government</b>			
<b>Correctional Services</b>			
<b>Major Projects</b>			
Port Augusta Community Corrections Centre <sup>(a)</sup>	Jun 2027	2 072	4 584
Port Augusta Prison upgrades — Bluebush and Greenbush high security units	Jun 2026	6 682	29 999
<b>Total — Correctional Services</b>		<b>8 754</b>	<b>34 583</b>
<b>Education</b>			
<b>Major projects</b>			
Ceduna Special Education Unit	Sep 2024	4 100	4 500
Eastern Fleurieu R-12 School — Langhorne Creek campus	Dec 2023	1 800	3 000
Elliston RSL Memorial Children's Centre relocation	Mar 2024	1 400	2 000
Elsie Ey Children's Centre	Dec 2025	300	2 500
Five new technical colleges <sup>(b)</sup>	Jun 2026	10 000	70 000
Fregon Anangu School <sup>(a)</sup>	Mar 2025	10 028	19 470
Meningie Area School	Jun 2026	300	9 700

	Expected completion quarter	Proposed expenditure 2023-24	Estimated total cost
Murray Bridge North School <sup>(a)</sup>	Sep 2023	90	5 000
Reidy Park Primary School <sup>(a)</sup>	Jun 2023	90	5 330
Two Wells Community Children's Centre	Dec 2025	400	2 500
Upper Sturt Primary School	Jun 2026	300	7 000
Yahl Primary School	Dec 2025	500	3 000
<b>Annual Programs</b>			
School Bus Replacement <sup>(b)</sup>	n.a.	1 300	n.a.
<b>Total — Education</b>		<b>30 608</b>	<b>134 000</b>
<b>Emergency Services</b>			
<b>Major projects</b>			
Gawler SES Unit	Jun 2024	1 850	2 692
High and Bulk Capacity Fleet Renew — CFS	n.a.	2 005	n.a.
Mid Capacity Fleet Renew — CFS	n.a.	3 474	n.a.
Small Capacity Fleet Renew — CFS	n.a.	6 571	n.a.
<b>Annual programs</b>			
Capital works, vehicles and equipment — CFS	n.a.	12 539	n.a.
Capital works, vehicles, vessels and rescue equipment — SES <sup>(b)</sup>	n.a.	1 810	n.a.
Replacement of telecommunications equipment — CFS	n.a.	212	n.a.
<b>Total — Emergency Services</b>		<b>28 461</b>	<b>2 692</b>
<b>Energy and Mining</b>			
<b>Major projects</b>			
Hydrogen Jobs Plan — powering new jobs and industry	Dec 2025	118 600	593 000
Remote Area Energy Supply — Renewable Integration	Jun 2024	4 000	5 000
<b>Annual Programs</b>			
Remote Area Energy Supply — Power Generation and Distribution Equipment <sup>(b)</sup>	n.a.	2 130	n.a.
<b>Total — Energy and Mining</b>		<b>124 730</b>	<b>598 000</b>
<b>Environment and Water</b>			
<b>Major projects</b>			
East End Kangaroo Island Projects	Jun 2024	3 329	6 512
Flows for the Future	Jun 2024	7 623	14 203
Kangaroo Island Recovery	Jun 2024	20 622	43 606
Parks 2025	Jun 2024	7 661	25 292
River Murray in South Australia Constraints Measure	Jun 2024	3 930	4 166
South Australian Sustaining Riverland Environments Program	Jun 2024	19 222	20 264
State Groundwater and Minerals Data Platform <sup>(b)</sup>	Jun 2024	1 413	4 212
Steam Ranger Bridge Remediation	Jun 2025	4 913	8 450
<b>Annual Programs</b>			
Fire Management on Public Land — Enhanced Capabilities	n.a.	2 373	n.a.
Parks renewal investment	n.a.	2 000	n.a.
<b>Total — Environment and Water</b>		<b>73 086</b>	<b>126 705</b>

	Expected completion quarter	Proposed expenditure 2023-24	Estimated total cost
<b>Health and Wellbeing</b>			
<b>Major projects</b>			
Ambulance Station Boost <sup>(b)</sup>	Jun 2026	7 800	29 100
Country Health SA Sustainment and Compliance	Jun 2028	2 600	113 243
Gawler Emergency Department Expansion	Dec 2024	8 700	17 655
Kangaroo Island Health Service Workforce accommodation	Jun 2024	4 000	5 000
Kangaroo Island's Hospital in Kingscote Upgrade	Jun 2026	3 200	10 000
Leigh Creek Health Clinic	Dec 2023	1 200	1 794
Mount Barker Hospital Emergency Department	Jun 2024	4 650	13 097
Mount Gambier Hospital Drug and Alcohol Detox Beds	Jun 2024	1 500	3 000
Mount Gambier Hospital Emergency Department	Jun 2025	4 000	8 000
Mount Gambier Hospital mental health beds	Jun 2026	2 000	9 000
Naracoorte Hospital Upgrade	Jun 2026	2 600	8 000
New Mount Barker Hospital	Dec 2027	21 000	320 800
Port Augusta Ambulance Station	Dec 2023	2 438	6 294
Port Augusta Hospital Upgrade	Jun 2026	2 600	8 000
Port Pirie Hospital Emergency Department Upgrade	Jun 2026	3 900	12 000
Southern Fleurieu Health Service — Hospital Redevelopment	Jun 2025	4 700	8 325
Southern Fleurieu Health Service — Renal Dialysis Services	Jun 2025	3 540	5 100
Whyalla Hospital Emergency Department	Jun 2025	7 000	11 400
<b>Total – Health and Wellbeing</b>		<b>87 428</b>	<b>589 808</b>
<b>Infrastructure and Transport</b>			
<b>Major projects</b>			
Adelaide Hills Park 'n' Ride – Crafers	Jun 2024	5 000	6 000
Adelaide Hills Priority Program	Jun 2024	78	8 762
Adelaide Hills Productivity and Road Safety Package	Jun 2027	22 000	150 000
Augusta Highway Duplication — Stage 1	Jun 2027	13 500	80 000
Augusta Highway Duplication — Stage 2 (Nantawarra to Lochiel)	Jun 2027	47 000	180 000
Augusta Highway Duplication — Stage 3 (Port Pirie to Crystal Brook) — Business Case	Jun 2024	761	5 000
Direct Express Service — Adelaide Hills	Jun 2024	5 000	10 000
Duplication of Joy Baluch AM Bridge	Jun 2025	2 900	189 000
Fleurieu Connections	Dec 2025	211 000	685 373
Freight Highway Upgrade Program	Jun 2033	31 250	500 000
Hahndorf Traffic Improvements	Jun 2027	19 000	250 000
High Productivity Vehicle Network (SA) — Planning	Jun 2024	6 943	17 000
Horrocks Highway	Jun 2025	20 000	91 722
Kangaroo Island Road Upgrades	Jun 2024	20 302	32 000
Main South Road Productivity Package	Jun 2026	2 000	20 000
Marine Package	Jun 2024	6 000	33 930
Mount Barker roundabout upgrade	Jun 2026	3 000	40 000
Naracoorte Roundabouts	Jun 2024	2 750	14 600
Old Murray Bridge Refurbishment	Jun 2025	9 000	46 000
Penneshaw and Cape Jervis Ports	Jun 2025	15 000	37 000
Port Bonython Jetty Refurbishment	Jun 2025	21 200	64 147

	Expected completion quarter	Proposed expenditure 2023-24	Estimated total cost
Port Wakefield Overpass and Highway Duplication	Jun 2025	1 000	124 500
Princes Highway Corridor	Jun 2025	76 000	190 000
Regional Road Safety Infrastructure	n.a.	2 500	n.a.
Riddoch Highway Intersection Upgrade	Jun 2024	4 850	5 000
Road Safety Package	Jun 2024	22 655	315 000
Road Safety Package — Regional	Jun 2025	11 000	155 500
Roads of Strategic Importance Initiative — Cockburn to Burra	Jun 2024	13 201	62 500
Roads of Strategic Importance Initiative — Eyre Highway — Port Augusta to Perth	Jun 2025	18 112	94 000
Roads of Strategic Importance Initiative — Eyre Peninsula Road Upgrades	Jun 2024	5 965	51 250
Roads of Strategic Importance Initiative — Renmark to Gawler	Jun 2025	18 000	87 500
South Eastern Freeway Upgrade	Jun 2026	50 000	150 000
Strzelecki Track	Jun 2026	55 000	215 000
Targeted Investments to Improve National Supply Chain Resilience	Jun 2026	31 250	75 000
Truro Bypass	Jun 2027	45 000	202 000
<b>Annual programs</b>			
DIT Annual Programs <sup>(b)</sup>	n.a.	96 755	n.a.
<b>Total — Infrastructure and Transport</b>		<b>914 972</b>	<b>4 187 784</b>
<b>Police</b>			
<b>Major Projects</b>			
APY Lands accommodation projects	Jun 2024	10 433	13 924
Prescribed interview rooms — supporting vulnerable witnesses <sup>(b)</sup>	Jun 2025	340	680
<b>Total — Police</b>		<b>10 773</b>	<b>14 604</b>
<b>Primary Industries and Regions</b>			
<b>Major Projects</b>			
Upgrade of South Australia's Dog Fence	Jun 2024	6 013	26 600
<b>Annual Programs</b>			
Minor Capital Works and Equipment <sup>(b)</sup>	n.a.	2 400	n.a.
<b>Total — Primary Industries and Regions</b>		<b>8 413</b>	<b>26 600</b>
<b>TAFE SA</b>			
<b>Major Projects</b>			
Upgrades to Mount Gambier campus	Jun 2024	5 000	5 000
<b>Total — TAFE SA</b>		<b>5 000</b>	<b>5 000</b>
<b>Total — Regional investing expenditure general government sector</b>		<b>1 292 225</b>	<b>5 719 776</b>
<b>Public non-financial corporations</b>			
<b>ForestrySA</b>			
<b>Annual Programs</b>			
Plant and equipment, roadworks	n.a.	1 550	n.a.
<b>Total — ForestrySA</b>		<b>1 550</b>	<b>n.a.</b>

	Expected completion quarter	Proposed expenditure 2023-24	Estimated total cost
<b>SA Water</b>			
<b>Major Projects</b>			
Baroota Dam safety	Mar 2025	10 000	12 284
Eyre Peninsula desalination augmentation	Mar 2026	54 094	330 000
Fleurieu water quality Improvement	Sep 2023	237	8 536
Kangaroo Island desalination plant	Jun 2024	73 331	147 700
Leigh Creek water main mine diversion	Sep 2023	168	10 255
Morgan Whyalla pipeline	Dec 2023	40 858	61 800
Mount Bold Dam safety	Mar 2033	8 000	276 919
Victor Harbor Road duplication	Jun 2024	17 018	25 829
<b>Total – SA Water</b>		<b>203 706</b>	<b>873 324</b>
<b>South Australian Housing Authority</b>			
<b>Major Projects</b>			
Affordable housing Initiative <sup>(b)</sup>	Jun 2026	450	37 336
Public housing improvement program — new construction <sup>(b)</sup>	Jun 2026	32 000	50 200
Public housing improvement program — upgrades <sup>(b)</sup>	Jun 2026	3 200	6 300
Remote indigenous housing	Jun 2024	16 270	239 562
<b>Annual Programs</b>			
Aboriginal housing capital program <sup>(b)</sup>	n.a.	2 543	n.a.
Public housing capital maintenance <sup>(b)</sup>	n.a.	3 500	n.a.
Public housing construction and acquisition <sup>(b)</sup>	n.a.	3 900	n.a.
<b>Total – South Australian Housing Authority Total</b>		<b>61 863</b>	<b>333 398</b>
<b>Total regional investing expenditure public non-financial corporations</b>		<b>267 119</b>	<b>1 206 722</b>
<b>Total regional investing expenditure non-financial public sector</b>		<b>1 559 344</b>	<b>6 926 498</b>
Note: Totals may not add due to rounding			
(a) The total project cost includes operating expenditure.			
(b) The figures quoted represent the estimated regional component of the overall program.			

# **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.

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 net operating balance less the net acquisition of non-financial assets.

Net lending is the accrual counterpart of the 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.

### **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.

### **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. It differs from net financial liabilities in that equity in non-financial public corporations and public financial corporations are included as assets.

### **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.

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

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Revenue</b>					
Taxation revenue	5 612	5 827	6 011	6 232	6 488
Grants	13 952	15 404	15 711	16 182	16 926
Sales of goods and services	2 997	3 074	3 166	3 289	3 391
Interest income	326	403	338	357	367
Dividend and income tax equivalent income	153	248	237	248	266
Other	1 619	1 647	1 684	1 747	1 789
<b>Total revenue</b>	<b>24 658</b>	<b>26 603</b>	<b>27 147</b>	<b>28 056</b>	<b>29 226</b>
<b>less Expenses</b>					
Employee expenses	9 738	9 870	10 128	10 491	10 760
Superannuation expenses					
Superannuation interest cost	269	265	247	228	208
Other superannuation expenses	1 054	1 121	1 146	1 182	1 213
Depreciation and amortisation	1 507	1 564	1 644	1 718	1 815
Interest expenses	988	1 254	1 335	1 489	1 684
Other property expenses	—	—	—	—	—
Other operating expenses	7 992	8 309	8 395	8 659	9 054
Grants	3 360	3 971	3 740	3 736	3 854
<b>Total expenses</b>	<b>24 907</b>	<b>26 353</b>	<b>26 635</b>	<b>27 504</b>	<b>28 587</b>
<b>equals Net operating balance</b>	<b>-249</b>	<b>250</b>	<b>512</b>	<b>552</b>	<b>639</b>
plus Other economic flows	-29	329	282	277	309
<b>equals Comprehensive result — total change in net worth</b>	<b>-278</b>	<b>579</b>	<b>794</b>	<b>828</b>	<b>948</b>
<b>Fiscal aggregates</b>					
<b>Net operating balance</b>	<b>-249</b>	<b>250</b>	<b>512</b>	<b>552</b>	<b>639</b>
<b>less Net acquisition of non-financial assets</b>					
Purchases of non-financial assets	2 965	3 788	3 813	4 879	5 229
less Sales of non-financial assets	225	128	46	40	41
less Depreciation	1 507	1 564	1 644	1 718	1 815
plus Change in inventories	3	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
<b>equals Total net acquisition of non-financial assets</b>	<b>1 236</b>	<b>2 096</b>	<b>2 123</b>	<b>3 121</b>	<b>3 373</b>
<b>equals Net lending / borrowing</b>	<b>-1 485</b>	<b>-1 846</b>	<b>-1 611</b>	<b>-2 569</b>	<b>-2 734</b>
Note: Totals may not add due to rounding.					

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

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Revenue</b>					
Taxation revenue	—	—	—	—	—
Grants	377	455	422	510	603
Sales of goods and services	1 562	1 670	1 792	1 811	2 119
Interest income	24	17	16	15	15
Dividend and income tax equivalent income	1	1	1	1	1
Other	204	183	184	199	204
<b>Total revenue</b>	<b>2 167</b>	<b>2 325</b>	<b>2 415</b>	<b>2 536</b>	<b>2 941</b>
<b>less Expenses</b>					
Employee expenses	298	304	308	311	318
Superannuation expenses					
Superannuation interest cost	—	—	—	—	—
Other superannuation expenses	38	40	40	41	42
Depreciation and amortisation	546	567	578	581	582
Interest expenses	226	251	297	320	339
Other property expenses	26	49	47	48	53
Other operating expenses	1 226	1 268	1 294	1 298	1 529
Grants	114	120	98	98	97
<b>Total expenses</b>	<b>2 475</b>	<b>2 599</b>	<b>2 662</b>	<b>2 695</b>	<b>2 959</b>
<b>equals Net operating balance</b>	<b>-308</b>	<b>-274</b>	<b>-246</b>	<b>-160</b>	<b>-17</b>
plus Other economic flows	527	548	543	553	518
<b>equals Comprehensive result — total change in net worth</b>	<b>220</b>	<b>274</b>	<b>297</b>	<b>394</b>	<b>501</b>
<b>Fiscal aggregates</b>					
<b>Net operating balance</b>	<b>-308</b>	<b>-274</b>	<b>-246</b>	<b>-160</b>	<b>-17</b>
<b>less Net acquisition of non-financial assets</b>					
Purchases of non-financial assets	897	1 214	825	720	614
less Sales of non-financial assets	92	192	170	202	21
less Depreciation	546	567	578	581	582
plus Change in inventories	148	87	136	-31	-274
plus Other movements in non-financial assets	—	—	—	—	—
<b>equals Total net acquisition of non-financial assets</b>	<b>408</b>	<b>542</b>	<b>214</b>	<b>-94</b>	<b>-263</b>
<b>equals Net lending / borrowing</b>	<b>-715</b>	<b>-816</b>	<b>-460</b>	<b>-65</b>	<b>246</b>
Note: Totals may not add due to rounding.					

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

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Revenue</b>					
Taxation revenue	5 401	5 575	5 758	5 971	6 219
Grants	13 952	15 403	15 710	16 182	16 925
Sales of goods and services	4 358	4 541	4 749	4 887	5 291
Interest income	339	408	343	361	370
Dividend and income tax equivalent income	37	85	82	88	89
Other	1 820	1 829	1 867	1 945	1 993
<b>Total revenue</b>	<b>25 907</b>	<b>27 842</b>	<b>28 509</b>	<b>29 434</b>	<b>30 888</b>
<b>less Expenses</b>					
Employee expenses	10 018	10 154	10 417	10 780	11 056
Superannuation expenses					
Superannuation interest cost	269	265	247	228	208
Other superannuation expenses	1 091	1 161	1 186	1 223	1 254
Depreciation and amortisation	2 049	2 128	2 220	2 297	2 395
Interest expenses	1 204	1 494	1 619	1 797	2 011
Other property expenses	—	—	—	—	—
Other operating expenses	8 825	9 142	9 248	9 504	10 119
Grants	3 097	3 635	3 416	3 324	3 347
<b>Total expenses</b>	<b>26 553</b>	<b>27 980</b>	<b>28 353</b>	<b>29 154</b>	<b>30 389</b>
<b>equals Net operating balance</b>	<b>-646</b>	<b>-138</b>	<b>157</b>	<b>280</b>	<b>499</b>
plus Other economic flows	377	701	635	548	465
<b>equals Comprehensive result — total change in net worth</b>	<b>-269</b>	<b>563</b>	<b>791</b>	<b>828</b>	<b>964</b>
<b>Fiscal aggregates</b>					
<b>Net operating balance</b>	<b>-646</b>	<b>-138</b>	<b>157</b>	<b>280</b>	<b>499</b>
<b>less Net acquisition of non-financial assets</b>					
Purchases of non-financial assets	3 753	4 960	4 638	5 599	5 843
less Sales of non-financial assets	192	284	216	243	62
less Depreciation	2 049	2 128	2 220	2 297	2 395
plus Change in inventories	136	87	136	-31	-274
plus Other movements in non-financial assets	—	—	—	—	—
<b>equals Total net acquisition of non-financial assets</b>	<b>1 648</b>	<b>2 635</b>	<b>2 338</b>	<b>3 028</b>	<b>3 112</b>
<b>equals Net lending / borrowing</b>	<b>-2 294</b>	<b>-2 773</b>	<b>-2 182</b>	<b>-2 748</b>	<b>-2 613</b>
Note: Totals may not add due to rounding.					

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

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Assets</b>					
Financial assets					
Cash and deposits	10 457	11 072	11 627	12 172	12 363
Advances paid	203	257	318	367	384
Investments, loans and placements	643	678	977	975	972
Receivables	2 726	2 833	2 918	3 007	3 097
Equity					
Investments in other public sector entities	19 994	20 464	20 878	21 076	21 254
Other equity investments	101	101	101	101	101
Other financial assets	—	—	—	—	—
<b>Total financial assets</b>	<b>34 124</b>	<b>35 405</b>	<b>36 819</b>	<b>37 698</b>	<b>38 171</b>
Non-financial assets					
Land and other fixed assets	62 164	64 302	66 467	69 629	73 044
Other non-financial assets	126	124	122	122	122
<b>Total non-financial assets</b>	<b>62 290</b>	<b>64 427</b>	<b>66 589</b>	<b>69 751</b>	<b>73 166</b>
<b>Total assets</b>	<b>96 414</b>	<b>99 832</b>	<b>103 408</b>	<b>107 449</b>	<b>111 337</b>
<b>Liabilities</b>					
Deposits held	465	399	365	453	472
Advances received	—	—	—	—	—
Borrowing	28 697	31 900	35 045	38 494	41 826
Superannuation	7 052	6 598	6 114	5 597	5 046
Other employee benefits	3 021	3 163	3 304	3 470	3 631
Payables	1 595	1 600	1 605	1 616	1 624
Other liabilities	3 418	3 426	3 437	3 451	3 423
<b>Total liabilities</b>	<b>44 247</b>	<b>47 086</b>	<b>49 869</b>	<b>53 081</b>	<b>56 021</b>
<b>Net worth</b>	<b>52 167</b>	<b>52 746</b>	<b>53 539</b>	<b>54 368</b>	<b>55 316</b>
<b>Fiscal Aggregates</b>					
Net financial worth (a)	-10 123	-11 681	-13 050	-15 383	-17 850
Net financial liabilities	30 117	32 145	33 928	36 459	39 104
Net debt (b)	17 859	20 293	22 488	25 433	28 579

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)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Assets</b>					
Financial assets					
Cash and deposits	352	268	239	333	357
Advances paid	8	18	21	21	21
Investments, loans and placements	38	37	38	38	38
Receivables	481	486	484	489	494
Equity					
Investments in other public sector entities	—	—	—	—	—
Other equity investments	10	10	10	10	10
Other financial assets	—	—	—	—	—
<b>Total financial assets</b>	<b>889</b>	<b>819</b>	<b>792</b>	<b>891</b>	<b>920</b>
Non-financial assets					
Land and other fixed assets	27 617	28 815	29 700	30 267	30 630
Other non-financial assets	107	101	95	89	83
<b>Total non-financial assets</b>	<b>27 724</b>	<b>28 916</b>	<b>29 796</b>	<b>30 356</b>	<b>30 713</b>
<b>Total assets</b>	<b>28 613</b>	<b>29 736</b>	<b>30 588</b>	<b>31 247</b>	<b>31 633</b>
<b>Liabilities</b>					
Deposits held	3	3	4	4	5
Advances received	—	—	—	—	—
Borrowing	8 664	9 191	9 434	9 608	9 486
Superannuation	—	—	—	—	—
Other employee benefits	91	95	99	103	108
Payables	469	468	468	467	466
Other liabilities	1 430	1 517	1 605	1 688	1 750
<b>Total liabilities</b>	<b>10 658</b>	<b>11 275</b>	<b>11 609</b>	<b>11 870</b>	<b>11 814</b>
<b>Net worth</b>	<b>17 955</b>	<b>18 461</b>	<b>18 979</b>	<b>19 377</b>	<b>19 819</b>
<b>Fiscal Aggregates</b>					
Net financial worth (a)	-9 769	-10 456	-10 817	-10 979	-10 895
Net financial liabilities	9 769	10 456	10 817	10 979	10 895
Net debt (b)	8 270	8 872	9 140	9 221	9 075

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)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Assets</b>					
Financial assets					
Cash and deposits	10 541	11 139	11 702	12 254	12 453
Advances paid	211	275	339	388	405
Investments, loans and placements	535	546	857	868	879
Receivables	1 750	1 780	1 781	1 793	1 805
Equity					
Investments in other public sector entities	2 039	1 986	1 878	1 675	1 426
Other equity investments	112	112	112	112	112
Other financial assets	—	—	—	—	—
<b>Total financial assets</b>	<b>15 187</b>	<b>15 837</b>	<b>16 667</b>	<b>17 090</b>	<b>17 079</b>
Non-financial assets					
Land and other fixed assets	89 705	93 038	96 089	99 820	103 599
Other non-financial assets	138	131	123	117	110
<b>Total non-financial assets</b>	<b>89 843</b>	<b>93 168</b>	<b>96 212</b>	<b>99 936</b>	<b>103 709</b>
<b>Total assets</b>	<b>105 030</b>	<b>109 005</b>	<b>112 879</b>	<b>117 026</b>	<b>120 788</b>
<b>Liabilities</b>					
Deposits held	197	197	198	198	199
Advances received	—	—	—	—	—
Borrowing	37 134	40 836	44 236	47 875	51 101
Superannuation	7 052	6 598	6 114	5 597	5 046
Other employee benefits	3 113	3 258	3 403	3 573	3 739
Payables	1 990	1 994	1 997	2 007	2 013
Other liabilities	3 369	3 384	3 401	3 417	3 369
<b>Total liabilities</b>	<b>52 854</b>	<b>56 266</b>	<b>59 349</b>	<b>62 668</b>	<b>65 466</b>
<b>Net worth</b>	<b>52 176</b>	<b>52 739</b>	<b>53 530</b>	<b>54 359</b>	<b>55 322</b>
<b>Fiscal Aggregates</b>					
Net financial worth (a)	-37 667	-40 429	-42 682	-45 577	-48 387
Net financial liabilities	39 705	42 415	44 559	47 252	49 813
Net debt (b)	26 043	29 074	31 537	34 563	37 563

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)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	5 805	5 795	6 004	6 221	6 476
Receipts from sales of goods and services	2 899	2 973	3 073	3 190	3 290
Grants and subsidies received	14 303	15 389	15 711	16 182	16 883
Interest receipts	309	382	315	332	341
Dividends and income tax equivalents	194	274	263	274	291
Other receipts	1 637	1 670	1 705	1 750	1 793
<b>Total operating receipts</b>	<b>25 147</b>	<b>26 483</b>	<b>27 070</b>	<b>27 948</b>	<b>29 074</b>
<b>Cash payments for operating activities</b>					
Payments to employees	-11 247	-11 470	-11 779	-12 169	-12 488
Purchases of goods and services	-5 858	-6 141	-6 238	-6 432	-6 765
Grants and subsidies paid	-3 405	-3 965	-3 734	-3 730	-3 848
Interest paid	-953	-1 228	-1 310	-1 470	-1 672
Other payments	-2 081	-2 075	-2 088	-2 149	-2 214
<b>Total operating payments</b>	<b>-23 545</b>	<b>-24 880</b>	<b>-25 148</b>	<b>-25 951</b>	<b>-26 988</b>
<b>Net cash flows from operating activities</b>	<b>1 602</b>	<b>1 603</b>	<b>1 922</b>	<b>1 998</b>	<b>2 086</b>
<b>Net cash flows from investments in non-financial assets</b>					
Sales of non-financial assets	168	36	13	7	7
Purchases of non-financial assets	-2 626	-3 510	-3 623	-4 238	-5 049
<b>Net cash flows from investment in non-financial assets</b>	<b>-2 458</b>	<b>-3 474</b>	<b>-3 610</b>	<b>-4 231</b>	<b>-5 042</b>
<b>Net cash flows from investments in financial assets for policy purposes (a)</b>	<b>-340</b>	<b>-397</b>	<b>-386</b>	<b>-153</b>	<b>-58</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-11</b>	<b>-12</b>	<b>-312</b>	<b>10</b>	<b>10</b>
<b>Net cash flow from financing activities</b>					
Advances received (net)	—	—	—	—	—
Borrowing (net)	762	2 959	2 976	2 833	3 176
Deposits received (net)	-76	-66	-34	88	19
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
<b>Net cash flows from financing activities</b>	<b>685</b>	<b>2 893</b>	<b>2 942</b>	<b>2 921</b>	<b>3 195</b>
<b>Net increase/(decrease) in cash held</b>	<b>-522</b>	<b>613</b>	<b>555</b>	<b>545</b>	<b>191</b>
<b>Fiscal Aggregates</b>					
Net cash flows from operating activities	1 602	1 603	1 922	1 998	2 086
Net cash flows from investments in non-financial assets	-2 458	-3 474	-3 610	-4 231	-5 042
Dividends paid	—	—	—	—	—
<b>Cash surplus / (deficit)</b>	<b>-856</b>	<b>-1 871</b>	<b>-1 688</b>	<b>-2 233</b>	<b>-2 956</b>
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)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 522	1 645	1 766	1 779	2 087
Grants and subsidies received	377	455	422	510	603
Interest receipts	16	9	9	9	9
Dividends and income tax equivalents	1	1	1	1	1
Other receipts	202	181	193	205	210
<b>Total operating receipts</b>	<b>2 117</b>	<b>2 292</b>	<b>2 390</b>	<b>2 504</b>	<b>2 910</b>
<b>Cash payments for operating activities</b>					
Payments to employees	-332	-340	-345	-348	-355
Purchases of goods and services	-1 063	-1 005	-1 075	-902	-880
Grants and subsidies paid	-114	-120	-98	-98	-97
Interest paid	-325	-354	-404	-428	-451
Other payments	-337	-311	-309	-318	-329
<b>Total operating payments</b>	<b>-2 171</b>	<b>-2 130</b>	<b>-2 231</b>	<b>-2 094</b>	<b>-2 111</b>
<b>Net cash flows from operating activities</b>	<b>-53</b>	<b>161</b>	<b>159</b>	<b>411</b>	<b>799</b>
<b>Net cash flows from investments in non-financial assets</b>					
Sales of non-financial assets	91	192	170	202	21
Purchases of non-financial assets	-859	-1 154	-802	-696	-589
<b>Net cash flows from investment in non-financial assets</b>	<b>-768</b>	<b>-962</b>	<b>-631</b>	<b>-494</b>	<b>-569</b>
<b>Net cash flows from investments in financial assets for policy purposes (a)</b>	<b>-7</b>	<b>-9</b>	<b>-2</b>	<b>1</b>	<b>1</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>9</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>
<b>Net cash flow from financing activities</b>					
Advances received (net)	236	346	331	118	65
Borrowing (net)	338	487	224	166	-153
Deposits received (net)	—	—	—	—	—
Dividends paid	-91	-115	-110	-113	-124
Other financing (net)	—	—	—	—	—
<b>Net cash flows from financing activities</b>	<b>483</b>	<b>719</b>	<b>446</b>	<b>171</b>	<b>-212</b>
<b>Net increase/(decrease) in cash held</b>	<b>-336</b>	<b>-84</b>	<b>-23</b>	<b>93</b>	<b>24</b>
<b>Fiscal Aggregates</b>					
Net cash flows from operating activities	-53	161	159	411	799
Net cash flows from investments in non-financial assets	-768	-962	-631	-494	-569
Dividends paid	-91	-115	-110	-113	-124
<b>Cash surplus / (deficit)</b>	<b>-912</b>	<b>-916</b>	<b>-582</b>	<b>-196</b>	<b>106</b>

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)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	5 524	5 544	5 751	5 959	6 207
Receipts from sales of goods and services	4 224	4 418	4 630	4 758	5 159
Grants and subsidies received	14 302	15 388	15 711	16 182	16 882
Interest receipts	315	380	312	330	340
Dividends and income tax equivalents	37	85	82	88	89
Other receipts	1 829	1 849	1 896	1 954	2 002
<b>Total operating receipts</b>	<b>26 232</b>	<b>27 664</b>	<b>28 382</b>	<b>29 270</b>	<b>30 680</b>
<b>Cash payments for operating activities</b>					
Payments to employees	-11 561	-11 791	-12 103	-12 495	-12 821
Purchases of goods and services	-6 822	-7 064	-7 228	-7 247	-7 556
Grants and subsidies paid	-3 142	-3 630	-3 410	-3 318	-3 341
Interest paid	-1 169	-1 468	-1 594	-1 778	-2 000
Other payments	-2 068	-2 063	-2 076	-2 137	-2 202
<b>Total operating payments</b>	<b>-24 761</b>	<b>-26 016</b>	<b>-26 412</b>	<b>-26 975</b>	<b>-27 919</b>
<b>Net cash flows from operating activities</b>	<b>1 471</b>	<b>1 647</b>	<b>1 971</b>	<b>2 295</b>	<b>2 760</b>
<b>Net cash flows from investments in non-financial assets</b>					
Sales of non-financial assets	135	228	184	209	27
Purchases of non-financial assets	-3 376	-4 664	-4 425	-4 934	-5 638
<b>Net cash flows from investment in non-financial assets</b>	<b>-3 242</b>	<b>-4 436</b>	<b>-4 241</b>	<b>-4 725</b>	<b>-5 611</b>
<b>Net cash flows from investments in financial assets for policy purposes (a)</b>	<b>-122</b>	<b>-72</b>	<b>-69</b>	<b>-47</b>	<b>-6</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-2</b>	<b>-5</b>	<b>-306</b>	<b>15</b>	<b>14</b>
<b>Net cash flow from financing activities</b>					
Advances received (net)	—	—	—	—	—
Borrowing (net)	1 115	3 460	3 214	3 013	3 040
Deposits received (net)	—	—	—	—	—
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
<b>Net cash flows from financing activities</b>	<b>1 115</b>	<b>3 461</b>	<b>3 214</b>	<b>3 014</b>	<b>3 040</b>
<b>Net increase/(decrease) in cash held</b>	<b>-779</b>	<b>595</b>	<b>568</b>	<b>552</b>	<b>198</b>
<b>Fiscal Aggregates</b>					
Net cash flows from operating activities	1 471	1 647	1 971	2 295	2 760
Net cash flows from investments in non-financial assets	-3 242	-4 436	-4 241	-4 725	-5 611
Dividends paid	—	—	—	—	—
<b>Cash surplus / (deficit)</b>	<b>-1 771</b>	<b>-2 789</b>	<b>-2 271</b>	<b>-2 430</b>	<b>-2 850</b>

Note: Totals may not add due to rounding.

(a) Includes equity acquisitions and disposals.

**Table A.10: General government sector taxes (\$million)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Taxes on employers' payroll and labour force</b>	<b>1 603</b>	<b>1 685</b>	<b>1 769</b>	<b>1 862</b>	<b>1 961</b>
<b>Taxes on property</b>					
Land taxes	568	706	706	726	747
Other	255	265	284	293	301
<b>Total</b>	<b>824</b>	<b>971</b>	<b>990</b>	<b>1 019</b>	<b>1 048</b>
<b>Taxes on the provision of goods and services</b>					
Excises and levies	—	—	—	—	—
Taxes on gambling	621	605	611	622	632
Taxes on insurance	605	633	660	688	718
Stamp duties on financial and capital transactions	1 152	1 092	1 117	1 182	1 251
<b>Total</b>	<b>2 377</b>	<b>2 330</b>	<b>2 388</b>	<b>2 492</b>	<b>2 601</b>
<b>Taxes on use of goods and performance of activities</b>					
Motor vehicle taxes	808	841	864	859	878
Other	—	—	—	—	—
<b>Total</b>	<b>808</b>	<b>841</b>	<b>864</b>	<b>859</b>	<b>878</b>
<b>Total taxation revenue</b>	<b>5 612</b>	<b>5 827</b>	<b>6 011</b>	<b>6 232</b>	<b>6 488</b>
Note: Totals may not add due to rounding.					

**Table A.11(part a): General government sector grant revenue (\$million)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Current grant revenue</b>					
Current grants from the Commonwealth					
General purpose grants	7 702	8 788	9 023	9 161	9 052
National partnership grants	444	420	312	151	126
National partnership grants for on-passing	77	197	198	205	210
Specific purpose grants	2 683	2 758	2 857	3 009	3 146
Specific purpose grants for on-passing	1 397	1 466	1 542	1 606	1 669
Other grants	555	546	535	541	551
Total current grants from the Commonwealth	12 859	14 176	14 467	14 673	14 754
Other contributions and grants	158	146	143	142	141
<b>Total current grant revenue</b>	<b>13 017</b>	<b>14 322</b>	<b>14 610</b>	<b>14 816</b>	<b>14 895</b>
<b>Capital grant revenue</b>					
Capital grants from the Commonwealth					
General purpose grants	—	—	—	—	—
National partnership grants	791	927	973	1 237	1 900
National partnership grants for on-passing	1	—	—	—	—
Specific purpose grants	116	120	118	120	122
Specific purpose grants for on-passing	—	—	—	—	—
Other capital grants	22	11	5	5	5
Total capital grants from the Commonwealth	930	1 058	1 096	1 362	2 026
Other contributions and grants	5	24	5	5	5
<b>Total capital grant revenue</b>	<b>935</b>	<b>1 082</b>	<b>1 101</b>	<b>1 367</b>	<b>2 031</b>
<b>Total grant revenue</b>	<b>13 952</b>	<b>15 404</b>	<b>15 711</b>	<b>16 182</b>	<b>16 926</b>

**Table A.11(part b): General government sector grant expense (\$million)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
<b>Current grant expense</b>					
State/territory government	3	8	1	1	1
Local government	163	128	77	73	85
Local government on-passing	75	194	193	199	204
Private and not-for-profit sector	836	957	910	878	835
Private and not-for-profit sector on-passing	1 400	1 470	1 547	1 611	1 675
Grants to other sectors of government	334	408	373	460	551
Other	472	724	571	445	434
<b>Total current grant expense</b>	<b>3 282</b>	<b>3 887</b>	<b>3 672</b>	<b>3 667</b>	<b>3 785</b>
<b>Capital grant expense</b>					
State/territory government	—	—	—	—	—
Local government	—	—	—	—	—
Local government on-passing	—	—	—	—	—
Private and not-for-profit sector	76	84	68	69	69
Private and not-for-profit sector on-passing	—	—	—	—	—
<b>Total capital grant expense</b>	<b>78</b>	<b>84</b>	<b>68</b>	<b>69</b>	<b>69</b>
<b>Total grant expense</b>	<b>3 360</b>	<b>3 971</b>	<b>3 740</b>	<b>3 736</b>	<b>3 854</b>

Note: Totals may not add due to rounding.

**Table A.12: General government sector dividend and income tax equivalent income (\$million)**

	2022–23 Estimated Result	2023–24 Budget	2024–25 Estimate	2025–26 Estimate	2026–27 Estimate
Dividend and income tax equivalent income from PNFC sector	117	164	156	161	177
Dividend and income tax equivalent income from PFC sector	36	84	80	87	88
Other dividend income	1	1	1	1	1
<b>Total dividend and income tax equivalent income</b>	<b>153</b>	<b>248</b>	<b>237</b>	<b>248</b>	<b>266</b>

Note: Totals may not add due to rounding.

**Table A.13: General government sector expenses by function (\$million)<sup>(a)</sup>**

	2022-23 Estimated Result	2023-24 Budget	Sustainable Development Goal & Target <sup>(c)</sup>
<b>General public services</b>			
Executive and legislative organs, financial and fiscal affairs, external affairs	358	229	16.6
Foreign economic aid	—	—	
General services	173	170	16.6
Basic research	—	—	
Research and development — general public services	—	—	
Public debt transactions	1 257	1 519	16.6
Transfers of a general character between different levels of government	78	204	16.6
General public services not elsewhere classified	23	19	16.6
<b>Total General public services</b>	<b>1 888</b>	<b>2 141</b>	
<b>Defence<sup>(b)</sup></b>			
<b>Public order and safety</b>			
Police services	980	1 046	16.1-16.3
Civil and fire protection services	348	374	13.1
Law courts	351	458	16.3
Prisons	389	419	16.6
Research and development — public order and safety	—	—	
Public order and safety not elsewhere classified	22	24	16
<b>Total Public order and safety</b>	<b>2 091</b>	<b>2 321</b>	
<b>Economic affairs</b>			
General economic, commercial and labour affairs	491	672	8.1, 3.8
Agriculture, forestry, fishing and hunting	178	140	14.2, 15.2, 2.4
Fuel and energy	118	112	13.2, 7.1, 7.2
Mining, manufacturing and construction	30	21	12.2
Communication	102	95	9.c
Other industries	191	165	8.1
Research and development — economic affairs	76	63	9.5
Economic affairs not elsewhere classified	7	12	
<b>Total Economic affairs</b>	<b>1 193</b>	<b>1 280</b>	
<b>Environmental protection</b>			
Waste management	3	4	11.6
Waste water management	5	6	11.6
Pollution abatement	105	68	3.9, 12.5
Protection of biodiversity and landscape	368	378	15.5
Research and development — environmental protection	—	—	
Environmental protection not elsewhere classified	—	—	
<b>Total Environmental protection</b>	<b>482</b>	<b>456</b>	














	2022-23 Estimated Result	2023-24 Budget	Sustainable Development Goal & Target <sup>(c)</sup>
<b>Housing and community amenities</b>			
Housing development	54	21	11.1
Community development	200	176	11.3
Water supply	123	140	6.4
Street lighting	—	—	
Research and development — housing and community amenities	—	—	
Housing and community amenities not elsewhere classified	—	—	
<b>Total Housing and community amenities</b>	<b>377</b>	<b>337</b>	
<b>Health</b>			
Medical products, appliances and equipment	125	125	3.8
Outpatient services	611	622	3.8
Hospital services	5 425	5 498	3.8
Mental health institutions	53	57	3.4
Community health services	800	820	3.8
Public health services	698	575	3.8
Research and development — health	43	57	3.b
Health not elsewhere classified	151	157	3.8
<b>Total Health</b>	<b>7 906</b>	<b>7 912</b>	
<b>Recreation, culture and religion</b>			
Recreational and sporting services	674	756	11
Cultural services	268	259	11.4
Broadcasting and publishing services	—	—	
Religious and other community services	—	—	
Research and development — recreation, culture and religion	—	—	
Recreation, culture and religion not elsewhere classified	5	6	11
<b>Total Recreation, culture and religion</b>	<b>948</b>	<b>1 020</b>	
<b>Education</b>			
Pre-primary and primary education	3 133	3 464	4.2
Secondary education	2 177	2 425	4.2
Tertiary education	416	418	4.3
Education not definable by level	4	4	4
Subsidiary services to education	59	67	4
Research and development — education	—	—	
Education not elsewhere classified	2	3	4.a
<b>Total Education</b>	<b>5 790</b>	<b>6 382</b>	
<b>Social protection</b>			
Sickness and disability	907	903	8.8
Old age	157	157	10.2
Survivors	1	1	












	2022-23 Estimated Result	2023-24 Budget	Sustainable Development Goal & Target <sup>(c)</sup>
Family and children	798	866	5.4, 1.4, 1.5
Unemployment	—	—	
Housing	62	68	11.1
Social exclusion not elsewhere classified	317	472	10.2
Research and development — social protection	—	—	
Social protection not elsewhere classified	120	54	13.1, 1.5
<b>Total Social protection</b>	<b>2 362</b>	<b>2 521</b>	
<b>Transport</b>			
Road transport	1 276	1 373	9.1, 11.2
Bus transport	304	307	11.2
Water transport	26	32	9.1
Railway transport	207	210	11.2
Air transport	—	—	
Multi-mode urban transport	57	60	9.1
Pipeline and other transport	—	—	
Research and development — transport	—	—	
Transport not elsewhere classified	1	1	
<b>Total Transport</b>	<b>1 871</b>	<b>1 983</b>	
<b>Total Expenses</b>	<b>24 907</b>	<b>26 353</b>	
Note: Table may not add due to rounding			
(a) Expenses by function data is derived from information submitted by government departments and agencies. The processes for deriving this data are subject to ongoing refinements. Consequently the data may be subject to future revisions.			
(b) The ABS defines 'defence' as expenditure on military and civil defence affairs, foreign military aid and defence research. The expenditure of Defence SA is included in 'Economic affairs'.			
(c) This denotes a material alignment of the expenses by function data to a United Nations Sustainable Development Goal (SDG) or SDG target. Where there are no expenses by function, no alignment has been presented. There are a total of 17 SDGs. <a href="https://sdgs.un.org/goals">https://sdgs.un.org/goals</a> . Not all SDGs have been aligned with the expenses by function data.			



**Table A.14: General government sector capital expenditure by function (\$million)<sup>(a)</sup>**

	<b>2022-23 Estimated Result</b>	<b>2023-24 Budget</b>	<b>Sustainable Development Goal &amp; Target<sup>(c)</sup></b>
General public services	37	43	16.6
Defence <sup>(b)</sup>	—	—	
Public order and safety	193	270	16.1-16.3, 16.6
Economic affairs	66	193	8.1, 2.4, 13.2, 7.1, 7.2, 9.c
Environmental protection	61	107	15.5
Housing and community amenities	18	174	11.3, 6.4
Health	427	586	3.8
Recreation, culture and religion	189	201	11, 11.4
Education	266	403	4.2, 4.3
Social protection	16	14	1.4, 1.5
Transport	1 692	1 797	9.1, 11.2
<b>Total capital expenditure</b>	<b>2 965</b>	<b>3 788</b>	
<p>(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.</p> <p>(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'.</p> <p>(c) This denotes a material alignment of the expenses by function data to a United Nations Sustainable Development Goal (SDG) or SDG target. Where there are no expenses by function, no alignment has been presented. There are a total of 17 SDGs. <a href="https://sdgs.un.org/goals">https://sdgs.un.org/goals</a>. Not all SDGs have been aligned with the expenses by function data.</p>			

Table A.15: General government sector expenses by function

	Sustainable Development Goal Definition	Primary SDG	Secondary SDGs
General public services	<b>Goal 16.</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels		
Public order and safety	<b>Goal 16.</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels		
	<b>Goal 13.</b> Take urgent action to combat climate change and its impacts		
Economic affairs	<b>Goal 8.</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		
	<b>Goal 14.</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development		
	<b>Goal 13.</b> Take urgent action to combat climate change and its impacts		
	<b>Goal 15.</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss		
	<b>Goal 2.</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture		
	<b>Goal 7.</b> Ensure access to affordable, reliable, sustainable and modern energy for all		
	<b>Goal 3.</b> Ensure healthy lives and promote well-being for all at all ages		
Environmental protection	<b>Goal 15.</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss		

	Sustainable Development Goal Definition	Primary SDG	Secondary SDGs
	<b>Goal 3.</b> Ensure healthy lives and promote well-being for all at all ages		<b>3</b> GOOD HEALTH AND WELL-BEING 
	<b>Goal 12.</b> Ensure sustainable consumption and production patterns		<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>Housing and community amenities</b>	<b>Goal 11.</b> Make cities and human settlements inclusive, safe, resilient and sustainable	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	
	<b>Goal 6.</b> Ensure availability and sustainable management of water and sanitation for all		<b>6</b> CLEAN WATER AND SANITATION 
<b>Health</b>	<b>Goal 3.</b> Ensure healthy lives and promote well-being for all at all ages	<b>3</b> GOOD HEALTH AND WELL-BEING 	
<b>Recreation, culture and religion</b>	<b>Goal 11.</b> Make cities and human settlements inclusive, safe, resilient and sustainable	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	
<b>Education</b>	<b>Goal 4.</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<b>4</b> QUALITY EDUCATION 	
<b>Social protection</b>	<b>Goal 8.</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	
	<b>Goal 5.</b> Achieve gender equality and empower all women and girls		<b>5</b> GENDER EQUALITY 
	<b>Goal 10.</b> Reduce inequality within and among countries		<b>10</b> REDUCED INEQUALITIES 
	<b>Goal 1.</b> End poverty in all its forms everywhere		<b>1</b> NO POVERTY 

	Sustainable Development Goal Definition	Primary SDG	Secondary SDGs
Transport	<b>Goal 11.</b> Make cities and human settlements inclusive, safe, resilient and sustainable		
	<b>Goal 9.</b> Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation		

Following a mapping exercise, the information above presents an alignment of the general government sector expenditure using Classification of the Functions of Government – Australia (COFOG-A) codes with the United Nations Sustainable Development Goals (SDGs). The alignment with a primary or secondary SDG does not indicate that all expenditure within the COFOG-A group or division directly aligns to the SDG presented. The alignment against a primary SDG is an alignment of the largest amount of expenditure by function in the COFOG-A division. The alignment against a secondary SDG indicates material expenditure by function in the COFOG-A division.

Whilst noting SDGs are not mutually exclusive, the interlinked nature of an SDG to another has not been considered for this initial alignment, with the expenditure aligned to the most compatible SDG, as determined qualitatively. Future developments in the alignment mapping process will consider the interlinked nature of the SDGs, the positive, ie co-benefits, negative, ie trade-offs and neutral impact.

*The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials. <https://sdgs.un.org/goals>*

**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 2023-24 Budget. Data provided is sourced for 1998-99 from the *Australian Bureau of Statistics Government Finance Statistics 2007-08* and for 1999-2000 to 2021-22 from the budget outcome publications for South Australia. The estimates for 2022-23 onwards are contained in the 2023-24 Budget papers.

Gross State Product (GSP) and Consumer Price Index (for real-growth calculations) data up to 2021-22, 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.

## 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	17.2	-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	16.6	11 547	1.9	16.3	209	139	71
2007-08	12 879	6.1	16.8	12 414	4.1	16.2	464	242	222
2008-09	13 531	1.9	16.8	13 764	7.5	17.1	-233	639	-872
2009-10 <sup>(a)</sup>	15 534	12.3	18.4	15 347	9.1	18.2	187	1 279	-1 092
2010-11 <sup>(a)</sup>	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	16.2	16 282	-1.3	17.2	-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	16.8	16 738	0.4	17.0	-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	18.3	19 657	6.6	18.6	-313	665	-977
2018-19	20 514	4.4	18.7	20 225	1.3	18.5	289	638	-348
2019-20 <sup>(b)(c)</sup>	20 332	-2.6	18.4	21 817	6.0	19.7	-1 485	759	-2 244
2020-21 <sup>(c)</sup>	21 638	4.9	18.3	22 200	0.3	18.8	-563	1 204	-1 766
2021-22	23 711	5.1	18.4	24 540	6.0	19.1	-829	1 412	-2 242
2022-23	24 658	-3.5	17.7	24 907	-5.8	17.9	-249	1 236	-1 485
2023-24	26 603	4.0	18.2	26 353	2.0	18.1	250	2 096	-1 846
2024-25	27 147	-1.2	17.8	26 635	-2.1	17.4	512	2 123	-1 611
2025-26	28 056	0.6	17.5	27 504	0.5	17.2	552	3 121	-2 569
2026-27	29 226	1.6	17.5	28 587	1.4	17.1	639	3 373	-2 734

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.
- (c) In 2019-20 and 2020-21 revenues, expenses, net operating balance and net lending are impacted by the COVID pandemic and COVID stimulus measures.



**Table B.2: General government key balance sheet aggregates at 30 June (\$million)**

	Net debt <sup>(a)</sup>			Unfunded superannuation \$m <sup>(b)</sup>	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 <sup>(c)</sup>	-24	-0.2	0.0	5 075	7 254	8 110	22 128
2008 <sup>(d)(e)(f)</sup>	-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 <sup>(g)</sup>	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 <sup>(h)</sup>	7 071	46.1	7.3	10 877	20 761	1 056	39 654
2015 <sup>(i)</sup>	3 929	23.7	4.0	11 358	18 296	1 374	40 121
2016 <sup>(j)</sup>	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 <sup>(k)(l)</sup>	10 537	51.8	9.5	12 474	29 229	-12 494	43 710
2021	13 710	63.4	11.6	9 588	28 456	-11 544	47 006
2022 <sup>(j)</sup>	16 479	69.5	12.8	7 065	28 259	-8 588	52 444
2023 <sup>(e)</sup>	17 859	72.4	12.8	7 052	30 117	-10 123	52 167
2024	20 293	76.3	13.9	6 598	32 145	-11 681	52 746
2025	22 488	82.8	14.7	6 114	33 928	-13 050	53 539
2026	25 433	90.7	15.9	5 597	36 459	-15 383	54 368
2027	28 579	97.8	17.1	5 046	39 104	-17 850	55 316

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. These assets are being transferred back from the general government sector to the Adelaide Festival Centre Trust in 2023.
  - (f) There is a structural break in 2008 reflecting the first-time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray-Darling Basin Commission. This had no impact on net debt, however resulted in a reduction in net financial liabilities of \$615 million in 2007-08, and an increase in net financial worth and net worth of \$615 million.
  - (g) There is a structural break in 2012 reflecting the transfer of the Rail Commissioner to the general government sector. This resulted in a reduction in net debt of \$6 million, an increase in net financial liabilities of \$37 million, and a reduction in net financial worth of \$144 million in 2011-12, with no impact on net worth.
  - (h) There is a structural break in 2014 reflecting the transfer of the Lotteries Commission of South Australia (SA Lotteries) to the general government sector. This resulted in a reduction in net debt of \$46 million, a reduction in net financial liabilities of \$1 million, with no impact on net worth.
  - (i) There is a structural break in 2015 reflecting the government's decision to reduce its equity in SA Water. This resulted in a once-off \$2.7 billion return of capital to the Consolidated Account in 2014-15. The restructure resulted in a reduction in distributions paid to government partially offset by increased guarantee fees payable and lower borrowing costs.
  - (j) There is a structural break in 2016 reflecting the transfer of the South Australian Motor Sport Board to the general government sector. This resulted in an increase in net financial liabilities of \$3 million, and a reduction in net financial worth of \$12 million in 2015-16, with no impact on net worth. The SA Motor Sport Board recommenced operation in September 2022 as a new public non-financial corporation under the *South Australian Motor Sport Act 1984* to promote motorsport in South Australia including responsibility for holding the Adelaide 500 event each year from 2022.
  - (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.
  - (l) In 2019-20 and 2020-21 net debt, net financial liabilities, net financial worth and net worth are impacted by the COVID pandemic and COVID stimulus measures.
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**Table B.3: General government sector receipts, payments and surplus (\$million)<sup>(a)</sup>**

	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 <sup>(b)</sup>	20 570	20 919	-348
2019-20 <sup>(c)</sup>	20 256	22 843	-2 586
2020-21	20 693	23 402	-2 709
2021-22	24 060	26 326	-2 265
2022-23	25 315	26 171	-856

	Receipts	Payments	Cash surplus
2023-24	26 519	28 390	-1 871
2024-25	27 084	28 772	-1 688
2025-26	27 955	30 188	-2 233
2026-27	29 081	32 037	-2 956

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 2018-19 reflecting the derivation of cash surplus. The ABS GFS cash surplus definition has been updated in 2018-19 to align with the previous cash surplus definition under the 2008 UPF to no longer include finance leases.
- (c) 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)<sup>(a)(b)</sup>

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Revenue</b>										
Taxation revenue	4 558	4 576	4 478	4 865	5 513	5 612	5 827	6 011	6 232	6 488
Grants	10 677	11 883	11 342	12 150	13 407	13 952	15 404	15 711	16 182	16 926
Sales of goods and services	2 637	2 640	2 605	2 804	2 991	2 997	3 074	3 166	3 289	3 391
Interest income	23	25	87	37	25	326	403	338	357	367
Dividend and income tax equivalent income	677	535	386	250	207	153	248	237	248	266
Other	771	856	1 433	1 533	1 568	1 619	1 647	1 684	1 747	1 789
<b>Total revenue</b>	<b>19 344</b>	<b>20 514</b>	<b>20 332</b>	<b>21 638</b>	<b>23 711</b>	<b>24 658</b>	<b>26 603</b>	<b>27 147</b>	<b>28 056</b>	<b>29 226</b>
<b>less Expenses</b>										
Employee expenses	8 420	8 714	8 756	8 989	9 405	9 738	9 870	10 128	10 491	10 760
Superannuation expenses										
Superannuation interest cost	348	322	231	183	188	269	265	247	228	208
Other superannuation expenses	805	814	844	858	921	1 054	1 121	1 146	1 182	1 213
Depreciation and amortisation	1 016	1 071	1 379	1 414	1 447	1 507	1 564	1 644	1 718	1 815
Interest expenses	443	361	464	442	505	988	1 254	1 335	1 489	1 684
Other property expenses	—	—	—	—	—	—	—	—	—	—
Other operating expenses	5 326	5 306	6 760	7 303	8 256	7 992	8 309	8 395	8 659	9 054
Grants	3 299	3 638	3 382	3 011	3 818	3 360	3 971	3 740	3 736	3 854
<b>Total expenses</b>	<b>19 657</b>	<b>20 225</b>	<b>21 817</b>	<b>22 200</b>	<b>24 540</b>	<b>24 907</b>	<b>26 353</b>	<b>26 635</b>	<b>27 504</b>	<b>28 587</b>
<i>equals</i> <b>Net operating balance</b>	-313	289	-1 485	-563	-829	-249	250	512	552	639
<i>plus</i> <b>Other economic flows<sup>(b)</sup></b>	867	-1 798	4 536	3 858	6 128	-29	329	282	277	309
<i>equals</i> <b>Comprehensive result --- total change in net worth<sup>(c)(d)</sup></b>	554	-1 509	3 051	3 296	5 299	-278	579	794	828	948
<b>Net operating balance</b>	<b>-313</b>	<b>289</b>	<b>-1 485</b>	<b>-563</b>	<b>-829</b>	<b>-249</b>	<b>250</b>	<b>512</b>	<b>552</b>	<b>639</b>
<b>less Net acquisition of non-financial assets</b>										
Purchases of non-financial assets	1 999	1 794	2 460	2 821	2 981	2 965	3 788	3 813	4 879	5 229
<i>less</i> Sales of non-financial assets	320	88	324	200	124	225	128	46	40	41

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
less Depreciation	1 016	1 071	1 379	1 414	1 447	1 507	1 564	1 644	1 718	1 815
plus Change in inventories	1	3	3	-4	2	3	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
<b>equals Total net acquisition of non-financial assets</b>	<b>665</b>	<b>638</b>	<b>759</b>	<b>1 204</b>	<b>1 412</b>	<b>1 236</b>	<b>2 096</b>	<b>2 123</b>	<b>3 121</b>	<b>3 373</b>
<b>equals Net lending/borrowing</b>	<b>-977</b>	<b>-348</b>	<b>-2 244</b>	<b>-1 766</b>	<b>-2 242</b>	<b>-1 485</b>	<b>-1 846</b>	<b>-1 611</b>	<b>-2 569</b>	<b>-2 734</b>

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.

(b) In 2019-20 and 2020-21 revenues, expenses, net operating balance and net lending are impacted by the COVID pandemic and COVID stimulus measures.

(c) The government has adopted the full retrospective transition approach under AASB 1059 by recognising and measuring service concession assets at the date of initial application of 1 July 2019. The only impact at that date was to recognise the service concession data asset of \$283.6 million, with a corresponding adjustment recognised in the revaluation reserve.

(d) Comprehensive result excludes transactions with owners in their capacity as owners.

Table B.5: General government sector balance sheet at 30 June (\$million)<sup>(a)(b)</sup>

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Assets</b>										
<b>Financial assets</b>										
Cash and deposits	1 506	2 114	10 328	11 171	10 979	10 457	11 072	11 627	12 172	12 363
Advances paid	69	116	150	145	107	203	257	318	367	384
Investments, loans and placements	408	425	555	643	627	643	678	977	975	972
Receivables	647	739	2 402	3 022	2 977	2 726	2 833	2 918	3 007	3 097
<b>Equity</b>										
Investments in other public sector entities	19 896	20 454	16 735	16 912	19 671	19 994	20 464	20 878	21 076	21 254
Investments - other	28	88	86	90	103	101	101	101	101	101
Other financial assets	91	113	—	—	—	—	—	—	—	—
<b>Total financial assets</b>	<b>22 646</b>	<b>24 048</b>	<b>30 257</b>	<b>31 984</b>	<b>34 463</b>	<b>34 124</b>	<b>35 405</b>	<b>36 819</b>	<b>37 698</b>	<b>38 171</b>
<b>Non-financial assets</b>										
Land and other fixed assets <sup>(c)</sup>	45 972	47 420	56 037	58 384	60 874	62 164	64 302	66 467	69 629	73 044
Other non-financial assets	32	1	167	166	158	126	124	122	122	122
<b>Total non-financial assets</b>	<b>46 005</b>	<b>47 421</b>	<b>56 204</b>	<b>58 550</b>	<b>61 032</b>	<b>62 290</b>	<b>64 427</b>	<b>66 589</b>	<b>69 751</b>	<b>73 166</b>
<b>Total assets</b>	<b>68 650</b>	<b>71 468</b>	<b>86 461</b>	<b>90 533</b>	<b>95 496</b>	<b>96 414</b>	<b>99 832</b>	<b>103 408</b>	<b>107 449</b>	<b>111 337</b>
<b>Liabilities</b>										
Deposits held	399	1 438	345	286	541	465	399	365	453	472
Advances received	231	208	—	—	—	—	—	—	—	—
Borrowing	6 801	7 077	21 225	25 384	27 651	28 697	31 900	35 045	38 494	41 826
Superannuation	11 288	13 836	12 474	9 588	7 065	7 052	6 598	6 114	5 597	5 046
Other employee benefits	2 907	3 312	3 336	3 295	2 965	3 021	3 163	3 304	3 470	3 631
Payables <sup>(d)</sup>	1 103	1 250	1 284	1 596	1 657	1 595	1 600	1 605	1 616	1 624
Other liabilities <sup>(d)</sup>	2 836	2 771	4 086	3 379	3 171	3 418	3 426	3 437	3 451	3 423
<b>Total liabilities</b>	<b>25 565</b>	<b>29 892</b>	<b>42 751</b>	<b>43 528</b>	<b>43 051</b>	<b>44 247</b>	<b>47 086</b>	<b>49 869</b>	<b>53 081</b>	<b>56 021</b>

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Net worth</b>	<b>43 085</b>	<b>41 576</b>	<b>43 710</b>	<b>47 006</b>	<b>52 444</b>	<b>52 167</b>	<b>52 746</b>	<b>53 539</b>	<b>54 368</b>	<b>55 316</b>
Net financial worth	-2 920	-5 845	-12 494	-11 544	-8 588	-10 123	-11 681	-13 050	-15 383	-17 850
Net financial liabilities	22 816	26 298	29 229	28 456	28 259	30 117	32 145	33 928	36 459	39 104
Net debt	5 447	6 068	10 537	13 710	16 479	17 859	20 293	22 488	25 433	28 579
<p>Note: Totals may not add due to rounding.</p> <p>(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.</p> <p>(b) In 2019-20 and 2020-21 net debt, net financial liabilities, net financial worth and net worth are impacted by the COVID pandemic and COVID stimulus measures.</p> <p>(c) The government has adopted the full retrospective transition approach under AASB 1059 by recognising and measuring service concession assets at the date of initial application of 1 July 2019. The only impact at that date was to recognise the service concession data asset of \$283.6 million, with a corresponding adjustment recognised in the revaluation reserve.</p> <p>(d) Adjustments made to align classification of payables and other liabilities with data presented for 2021.</p>										



## 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		21.5	9 597		21.8	-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	17.8	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	17.7	11 634	2.3	17.5	172	53	119
2006-07	12 321	1.7	17.4	12 175	2.0	17.2	147	173	-26
2007-08	13 634	7.1	17.8	13 065	3.9	17.0	569	303	266
2008-09	14 360	2.1	17.8	14 567	8.1	18.1	-207	1 249	-1 456
2009-10 <sup>(a)</sup>	16 315	11.2	19.3	15 679	5.3	18.6	636	2 361	-1 725
2010-11 <sup>(a)</sup>	15 960	-5.2	17.6	15 939	-1.5	17.5	21	1 920	-1 898
2011-12	16 866	3.0	18.2	16 908	3.3	18.2	-41	1 383	-1 424
2012-13	16 494	-4.1	17.4	17 152	-0.6	18.1	-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	18.7	18 310	1.0	18.5	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	19.3	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 <sup>(b)(c)</sup>	21 373	-2.9	19.3	23 322	8.8	21.1	-1 949	557	-2 506
2020-21 <sup>(c)</sup>	22 759	4.9	19.2	23 691	0.1	20.0	-932	1 414	-2 346
2021-22	25 019	5.5	19.5	26 152	5.9	20.3	-1 132	1 374	-2 506
2022-23	25 907	-3.9	18.6	26 553	-5.8	19.1	-646	1 648	-2 294
2023-24	27 842	3.6	19.1	27 980	1.6	19.2	-138	2 635	-2 773
2024-25	28 509	-0.8	18.7	28 353	-1.9	18.6	157	2 338	-2 182
2025-26	29 434	0.5	18.4	29 154	0.1	18.2	280	3 028	-2 748
2026-27	30 888	2.4	18.5	30 389	1.7	18.2	499	3 112	-2 613

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.
- (c) In 2019-20 and 2020-21 revenues, expenses, net operating balance and net lending are impacted by the COVID pandemic and COVID stimulus measures.

**Table B.7: Non-financial public sector key balance sheet aggregates at 30 June (\$million)**

	Net debt <sup>(a)</sup>			Unfunded superannuation \$m <sup>(b)</sup>	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	17.4	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 <sup>(c)</sup>	1 989	16.1	2.8	5 075	9 518	-8 795	22 128
2008 <sup>(d)(e)</sup>	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 <sup>(f)(g)</sup>	17 452	81.7	15.8	12 474	37 828	-38 599	43 710
2021	21 169	93.0	17.9	9 588	37 496	-38 394	47 006
2022	23 988	95.9	18.7	7 065	37 174	-35 100	52 444
2023	26 043	100.5	18.7	7 052	39 705	-37 667	52 176
2024	29 074	104.4	19.9	6 598	42 415	-40 429	52 739
2025	31 537	110.6	20.6	6 114	44 559	-42 682	53 530
2026	34 563	117.4	21.6	5 597	47 252	-45 577	54 359
2027	37 563	121.6	22.5	5 046	49 813	-48 387	55 322

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 resulted in a reduction in net financial liabilities of \$615 million in 2007-08 and increases in net financial worth and net worth of \$615 million.
  - (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.
  - (g) In 2019-20 and 2020-21 net debt, net financial liabilities, net financial worth and net worth are impacted by the COVID pandemic and COVID stimulus measures.
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**Table B.8: Non-financial public sector receipts, payments and surplus (\$million)<sup>(a)</sup>**

	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 <sup>(b)</sup>	21 860	21 888	-28
2019-20 <sup>(c)</sup>	20 969	24 044	-3 074
2020-21	21 558	24 967	-3 409
2021-22	25 438	28 056	-2 618
2022-23	26 367	28 137	-1 771

	Receipts	Payments	Cash surplus
2023-24	27 891	30 680	-2 789
2024-25	28 566	30 836	-2 271
2025-26	29 480	31 910	-2 430
2026-27	30 707	33 558	-2 850

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 2018-19 reflecting the derivation of cash surplus. The ABS GFS cash surplus definition has been updated in 2018-19 to align with the previous cash surplus definition under the 2008 UPF to no longer include finance leases.
- (c) 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)<sup>(a)(b)</sup>

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Revenue</b>										
Taxation revenue	4 198	4 207	4 208	4 680	5 321	5 401	5 575	5 758	5 971	6 219
Grants	10 678	11 883	11 344	12 154	13 409	13 952	15 403	15 710	16 182	16 925
Sales of goods and services	4 208	4 364	4 174	4 132	4 448	4 358	4 541	4 749	4 887	5 291
Interest income	24	29	88	32	28	339	408	343	361	370
Dividend and income tax equivalent income	429	241	60	125	144	37	85	82	88	89
Other	847	909	1 498	1 637	1 670	1 820	1 829	1 867	1 945	1 993
<b>Total revenue</b>	<b>20 384</b>	<b>21 633</b>	<b>21 373</b>	<b>22 759</b>	<b>25 019</b>	<b>25 907</b>	<b>27 842</b>	<b>28 509</b>	<b>29 434</b>	<b>30 888</b>
<b>less Expenses</b>										
Employee expenses	8 626	8 993	9 022	9 249	9 673	10 018	10 154	10 417	10 780	11 056
Superannuation expenses										
Superannuation interest cost	348	322	231	183	188	269	265	247	228	208
Other superannuation expenses	832	848	879	887	954	1 091	1 161	1 186	1 223	1 254
Depreciation and amortisation	1 490	1 565	1 881	1 921	1 964	2 049	2 128	2 220	2 297	2 395
Interest expenses	720	636	712	665	707	1 204	1 494	1 619	1 797	2 011
Other property expenses	—	—	—	—	—	—	—	—	—	—
Other operating expenses	5 917	6 024	7 404	7 948	9 029	8 825	9 142	9 248	9 504	10 119
Grants	2 835	2 674	3 193	2 837	3 637	3 097	3 635	3 416	3 324	3 347
<b>Total expenses</b>	<b>20 768</b>	<b>21 062</b>	<b>23 322</b>	<b>23 691</b>	<b>26 152</b>	<b>26 553</b>	<b>27 980</b>	<b>28 353</b>	<b>29 154</b>	<b>30 389</b>
<i>equals</i> <b>Net operating balance</b>	-384	571	-1 949	-932	-1 132	-646	-138	157	280	499
<i>plus</i> <b>Other economic flows<sup>(c)</sup></b>	938	-2 080	5 000	4 228	6 431	377	701	635	548	465
<i>equals</i> <b>Comprehensive result --- total change in net worth<sup>(c)(d)</sup></b>	554	-1 509	3 051	3 296	5 299	-269	563	791	828	964
<b>Net operating balance</b>	<b>-384</b>	<b>571</b>	<b>-1 949</b>	<b>-932</b>	<b>-1 132</b>	<b>-646</b>	<b>-138</b>	<b>157</b>	<b>280</b>	<b>499</b>
<b>less Net acquisition of non-financial assets</b>										
Purchases of non-financial assets	2 682	2 576	2 619	3 498	3 602	3 753	4 960	4 638	5 599	5 843
<i>less</i> Sales of non-financial assets	431	211	132	255	196	192	284	216	243	62

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
<i>less</i> Depreciation	1 490	1 565	1 881	1 921	1 964	2 049	2 128	2 220	2 297	2 395
<i>plus</i> Change in inventories	-33	30	-49	92	-68	136	87	136	-31	-274
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
<i>equals</i> <b>Total net acquisition of non-financial assets</b>	<b>728</b>	<b>830</b>	<b>557</b>	<b>1 414</b>	<b>1 374</b>	<b>1 648</b>	<b>2 635</b>	<b>2 338</b>	<b>3 028</b>	<b>3 112</b>
<i>equals</i> <b>Net lending/borrowing</b>	<b>-1 112</b>	<b>-259</b>	<b>-2 506</b>	<b>-2 346</b>	<b>-2 506</b>	<b>-2 294</b>	<b>-2 773</b>	<b>-2 182</b>	<b>-2 748</b>	<b>-2 613</b>

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) In 2019-20 and 2020-21 revenues, expenses, net operating balance and net lending are impacted by the COVID pandemic and COVID stimulus measures.
- (c) The government has adopted the full retrospective transition approach under AASB 1059 by recognising and measuring service concession assets at the date of initial application of 1 July 2019. The only impact at that date was to recognise the service concession data asset of \$283.6 million, with a corresponding adjustment recognised in the revaluation reserve.
- (d) Comprehensive result excludes transactions with owners in their capacity as owners.

Table B.10: Non-financial public sector balance sheet at 30 June (\$million)<sup>(a)(b)</sup>

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Assets</b>										
<b>Financial assets</b>										
Cash and deposits	1 603	2 272	11 172	11 691	11 320	10 541	11 139	11 702	12 254	12 453
Advances paid	36	83	117	112	107	211	275	339	388	405
Investments, loans and placements	429	445	485	514	511	535	546	857	868	879
Receivables	801	840	1 045	1 782	1 985	1 750	1 780	1 781	1 793	1 805
<b>Equity</b>										
Investments in other public sector entities	1 040	813	-771	-898	2 074	2 039	1 986	1 878	1 675	1 426
Investments — other	43	105	97	102	113	112	112	112	112	112
Other financial assets	93	120	4	2	—	—	—	—	—	—
<b>Total financial assets</b>	<b>4 045</b>	<b>4 677</b>	<b>12 150</b>	<b>13 305</b>	<b>16 110</b>	<b>15 187</b>	<b>15 837</b>	<b>16 667</b>	<b>17 090</b>	<b>17 079</b>
<b>Non-financial assets</b>										
Land and fixed assets <sup>(c)</sup>	72 564	74 503	82 126	85 225	87 368	89 705	93 038	96 089	99 820	103 599
Other non-financial assets	44	3	183	175	176	138	131	123	117	110
<b>Total non-financial assets</b>	<b>72 608</b>	<b>74 506</b>	<b>82 308</b>	<b>85 400</b>	<b>87 544</b>	<b>89 843</b>	<b>93 168</b>	<b>96 212</b>	<b>99 936</b>	<b>103 709</b>
<b>Total assets</b>	<b>76 654</b>	<b>79 184</b>	<b>94 458</b>	<b>98 705</b>	<b>103 654</b>	<b>105 030</b>	<b>109 005</b>	<b>112 879</b>	<b>117 026</b>	<b>120 788</b>
<b>Liabilities</b>										
Deposits held	191	565	190	134	196	197	197	198	198	199
Advances received	231	208	—	—	—	—	—	—	—	—
Borrowing	14 596	15 110	29 037	33 352	35 730	37 134	40 836	44 236	47 875	51 101
Superannuation	11 288	13 836	12 474	9 588	7 065	7 052	6 598	6 114	5 597	5 046
Other employee benefits	2 980	3 412	3 437	3 390	3 053	3 113	3 258	3 403	3 573	3 739
Payables <sup>(d)</sup>	1 383	1 477	1 486	1 874	2 044	1 990	1 994	1 997	2 007	2 013
Other liabilities <sup>(d)</sup>	2 899	2 999	4 124	3 360	3 123	3 369	3 384	3 401	3 417	3 369
<b>Total liabilities</b>	<b>33 569</b>	<b>37 608</b>	<b>50 748</b>	<b>51 699</b>	<b>51 210</b>	<b>52 854</b>	<b>56 266</b>	<b>59 349</b>	<b>62 668</b>	<b>65 466</b>



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Net worth</b>	<b>43 085</b>	<b>41 576</b>	<b>43 710</b>	<b>47 006</b>	<b>52 444</b>	<b>52 176</b>	<b>52 739</b>	<b>53 530</b>	<b>54 359</b>	<b>55 322</b>
Net financial worth	-29 523	-32 930	-38 599	-38 394	-35 100	-37 667	-40 429	-42 682	-45 577	-48 387
Net financial liabilities	30 564	33 744	37 828	37 496	37 174	39 705	42 415	44 559	47 252	49 813
Net debt	12 950	13 084	17 452	21 169	23 988	26 043	29 074	31 537	34 563	37 563
<p>Note: Totals may not add due to rounding.</p> <p>(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.</p> <p>(b) In 2019-20 and 2020-21 net debt, net financial liabilities, net financial worth and net worth are impacted by the COVID pandemic and COVID stimulus measures.</p> <p>(c) The government has adopted the full retrospective transition approach under AASB 1059 by recognising and measuring service concession assets at the date of initial application of 1 July 2019. The only impact at that date was to recognise the service concession data asset of \$283.6 million, with a corresponding adjustment recognised in the revaluation reserve.</p> <p>(d) Adjustments made to align classification of payables and other liabilities with data presented for 2021.</p>										

## Appendix C: Consolidated Account

Table C.1: Summary of receipts and payments

	2023-24 Budget \$000	2022-23 Estimated Result \$000	2022-23 Budget \$000
<b>Receipts</b>			
Taxation	5 235 921	5 293 516	4 759 830
Commonwealth general purpose grants	8 788 282	7 895 887	7 378 211
Commonwealth specific purpose grants	236 393	228 829	225 745
Commonwealth National Partnership payments	41 029	83 756	84 029
Contributions from state undertakings	284 834	204 128	278 357
Fees and charges	685 031	624 017	608 835
Recoveries	91 173	614 403	111 234
Royalties	404 658	386 744	385 986
Other receipts	370 531	533 635	136 385
<b>Total receipts</b>	<b>16 137 852</b>	<b>15 864 915</b>	<b>13 968 612</b>
<b>Payments</b>			
Appropriation Act	19 223 861	16 751 825	16 873 194
Specific appropriation authorised in various Acts	151 409	144 874	165 658
<b>Total payments</b>	<b>19 375 270</b>	<b>16 896 699</b>	<b>17 038 852</b>
Consolidated Account financing requirement	3 237 418	1 031 784	3 070 240
Borrowing from (+) repayment to (-) South Australian Government Financing Authority	3 237 418	1 031 784	3 070 240
Note: Totals may not add due to rounding			

**Table C.2: Estimates of payments**

	<b>2023-24 Budget</b>	<b>2022-23 Estimated Result</b>	<b>2022-23 Budget</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Payments from Appropriation Act</b>			
Attorney-General's Department	114 607	109 700	109 934
Administered items for the Attorney-General's Department	158 992	58 099	51 535
Auditor-General's Department	19 200	18 815	18 518
Commission on Excellence and Innovation in Health	6 766	6 566	6 049
Courts Administration Authority	93 617	93 843	93 709
Defence SA	19 179	13 055	13 499
Department for Child Protection	795 684	784 074	721 449
Department for Correctional Services	400 308	376 425	370 762
Department for Education	3 631 281	3 431 257	3 224 421
Administered items for the Department for Education	428 355	195 037	189 683
Department for Energy and Mining	174 870	20 212	103 713
Department for Environment and Water	152 073	180 028	153 141
Administered items for the Department for Environment and Water	30 363	20 593	30 937
Department for Health and Wellbeing	5 231 002	5 117 657	4 814 787
Department of Human Services	963 281	989 151	982 620
Administered Items for the Department of Human Services	303 685	232 870	231 162
Department for Industry, Innovation and Science <sup>(a)</sup>	67 109	60 778	382 416
Administered Items for the Department for Industry, Innovation and Science <sup>(a)</sup>	10 891	10 692	13 365
Department for Infrastructure and Transport	1 107 742	1 093 112	1 086 425
Administered items for the Department for Infrastructure and Transport	7 863	7 047	6 293
Department of the Premier and Cabinet	341 333	342 367	377 085
Administered items for the Department of the Premier and Cabinet	20 260	36 763	20 505
Department of Primary Industries and Regions	132 612	120 843	105 030
Administered items for the Department of Primary Industries and Regions	4 516	4 393	4 393
Department for Trade and Investment	118 542	120 512	106 640
Administered Items for the Department for Trade and Investment	1 375	7 983	951
Department of Treasury and Finance	175 788	168 062	170 231
Administered items for the Department of Treasury and Finance	3 557 414	2 011 471	2 365 934
Electoral Commission of South Australia	8 867	10 460	6 195
Administered items for Electoral Commission of South Australia	532	510	583
House of Assembly	8 430	8 260	8 260
Joint Parliamentary Services	19 947	14 194	13 157
Administered items for Joint Parliamentary Services	3 809	3 550	3 550

	2023-24 Budget \$000	2022-23 Estimated Result \$000	2022-23 Budget \$000
<b>Table C.2: Estimates of payments continued</b>			
Legislative Council	6 050	5 926	5 926
Minister for Tourism	—	5 701	5 701
South Australia Police	1 006 195	938 578	955 110
Administered items for South Australia Police	69	67	67
South Australian Country Fire Service	—	6 690	750
South Australian Fire and Emergency Services Commission	500	—	—
South Australian Metropolitan Fire Service	3 513	4 200	3 750
South Australian State Emergency Service	1 050	5 835	1 000
South Australian Tourism Commission	65 738	88 531	88 530
State Governor's Establishment	4 569	6 966	4 476
Wellbeing SA	25 884	20 952	20 952
<b>Total payments appropriated for administrative units, statutory authorities and ministers</b>	<b>19 223 861</b>	<b>16 751 825</b>	<b>16 873 194</b>
Payments for which specific appropriation is authorised in various Acts	151 409	144 874	165 658
<b>Total Consolidated Account payments</b>	<b>19 375 270</b>	<b>16 896 699</b>	<b>17 038 852</b>
<b>Payments for which specific appropriation is authorised in various Acts</b>			
<b>Salaries and allowances</b>			
Agent-General — pursuant to <i>Agent-General Act 1901</i>	556	462	400
Auditor-General — pursuant to <i>Public Finance and Audit Act 1987</i>	495	420	353
Commissioners of Environment, Resource and Development Court — pursuant to <i>Remuneration Act 1990</i>	1 390	1 370	1 370
Commissioner of Police — pursuant to <i>Police Act 1998</i>	512	504	504
Electoral Commissioner and Deputy Electoral Commissioner — pursuant to <i>Electoral Act 1985</i>	546	523	509
Electoral District Boundaries Commission — pursuant to <i>Constitution Act 1934</i>	315	—	—
Governor — pursuant to <i>Constitution Act 1934</i>	490	458	458
Health and Community Services Complaints Commissioner — pursuant to <i>Remuneration Act 1990</i>	261	259	257
Judges — pursuant to <i>Remuneration Act 1990</i>			
Chief Justice	819	807	807
Judges and Masters	26 513	26 093	26 093
Magistrates — pursuant to <i>Remuneration Act 1990</i>	18 303	17 942	17 735
Members of various standing committees — pursuant to <i>Parliamentary Remuneration Act 1990</i> and <i>Parliamentary Committees Act 1991</i>	268	268	268
Ombudsman — pursuant to <i>Ombudsman Act 1972</i>	480	473	473
Parliamentary salaries and electorate other allowances — pursuant to <i>Parliamentary Remuneration Act 1990</i> Ministers, officers and members of parliament	19 301	19 199	19 099

	2023-24 Budget \$000	2022-23 Estimated Result \$000	2022-23 Budget \$000
<b>Table C.2: Estimates of payments continued</b>			
Senior Judge and judges of the Industrial Relations Court and Commission — pursuant to <i>Remuneration Act 1990</i>	3 648	3 594	3 594
Solicitor-General — pursuant to <i>Solicitor-General Act 1972</i>	766	755	755
South Australian Civil and Administrative Tribunal — pursuant to <i>Remuneration Act 1990</i>	1 153	1 135	1 135
State Coroner and Deputy Coroner — pursuant to <i>Remuneration Act 1990</i>	933	1 384	1 384
Valuer-General — pursuant to <i>Valuation of Land Act 1971</i>	263	259	259
<b>Total salaries and allowances</b>	<b>77 012</b>	<b>75 905</b>	<b>75 453</b>
<b>Other</b>			
First Home Owner and HomeBuilder Grants — pursuant to <i>First Home and Housing Construction Grants Act 2000</i>	64 379	59 195	80 431
Victims of Crime Fund — Compensation for injuries resulting from criminal acts — pursuant to <i>Victims of Crime Act 2001</i>	10 018	9 774	9 774
<b>Total other</b>	<b>74 397</b>	<b>68 969</b>	<b>90 205</b>
<b>Total payments for which specific appropriation is authorised in various Acts</b>	<b>151 409</b>	<b>144 874</b>	<b>165 658</b>
Note: Totals may not add due to rounding			

**Table C.3: Estimates of receipts**

	<b>2023-24 Budget</b>	<b>2022-23 Estimated Result</b>	<b>2022-23 Budget</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Taxation receipts</b>			
Payroll tax	1 943 344	1 888 987	1 805 596
Commonwealth places mirror payroll tax <sup>(b)</sup>	35 200	33 500	31 492
Stamp duties	1 965 212	2 007 459	1 827 741
Commonwealth places mirror stamp duties <sup>(b)</sup>	263	263	271
Land tax	683 710	739 897	573 555
Commonwealth places mirror land tax <sup>(b)</sup>	1 400	1 100	1 000
Gaming machines tax	401 954	401 954	346 954
Contribution from SA Lotteries	114 395	111 685	103 635
Contribution from casino operations	27 090	26 755	18 000
Contribution from on-course totalizators, bookmakers and small Lotteries	—	—	3 369
Betting operations tax	63 353	81 916	48 217
<b>Total taxation receipts</b>	<b>5 235 921</b>	<b>5 293 516</b>	<b>4 759 830</b>
<b>Commonwealth general purpose payments</b>			
<b>GST revenue grants<sup>(c)</sup></b>	<b>8 788 282</b>	<b>7 895 887</b>	<b>7 378 211</b>
<b>Total Commonwealth general purpose payments</b>	<b>8 788 282</b>	<b>7 895 887</b>	<b>7 378 211</b>
<b>Commonwealth specific purpose payments<sup>(d)</sup></b>	<b>236 393</b>	<b>228 829</b>	<b>225 745</b>
<b>Commonwealth National Partnership payments<sup>(e)</sup></b>	<b>41 029</b>	<b>83 756</b>	<b>84 029</b>
<b>Contributions from state undertakings</b>			
Adelaide Cemeteries Authority			
Income tax equivalent	60	60	60
Adelaide Venue Management Corporation			
Dividend	1 600	1 600	1 600
Arrangements with private electricity entities			
Local government rate equivalent	138	135	135
Department for Infrastructure and Transport			
Income tax equivalent	2 614	2 614	2 614
Local government rate equivalent	1 207	1 178	1 178
Flinders Ports			
Payment in lieu of other taxes	3 080	3 005	3 005
ForestrySA			
Dividend	773	—	—
Income tax equivalent	332	—	—
Funds SA			
Local government rate equivalent	133	130	130

	2023-24 Budget \$000	2022-23 Estimated Result \$000	2022-23 Budget \$000
<b>Table C.3: Estimates of receipts continued</b>			
HomeStart Finance			
Dividend	23 735	23 805	26 412
Income tax equivalent	10 172	10 202	11 319
Motor Accident Commission			
Dividend	2 269	—	4 422
Public Trustee			
Dividend	4 960	5 324	4 930
Income tax equivalent	2 069	2 217	2 053
Renewal SA			
Dividend	2 246	36 399	2 259
Income tax equivalent	—	17 368	—
Local government rate equivalent	1 793	1 430	1 938
South Australian Government Financing Authority			
Dividend	33 600	1 750	32 800
Income tax equivalent	14 400	—	14 400
South Australian Water Corporation			
Dividend	103 904	46 020	96 499
Income tax equivalent	71 305	46 228	68 411
Local government rate equivalent	2 101	2 050	2 050
State Owned Generators Leasing Co Pty Ltd			
Dividend	1 504	1 410	1 410
Income tax equivalent	645	604	604
TAFE SA			
Local government rate equivalent	52	51	51
West Beach Trust			
Income tax equivalent	142	548	77
<b>Total contributions from state undertakings</b>	<b>284 834</b>	<b>204 128</b>	<b>278 357</b>
<b>Fees and charges<sup>(f)</sup></b>			
Auditor-General's Department — fees for audit and other sundry receipts	17 485	17 058	17 058
Court fines	80 573	60 153	70 620
Court regulatory fees	46 401	36 858	44 141
Guarantee fees	123 057	118 163	118 823
Infringement notice schemes — expiation fees	99 191	72 813	80 925
Land Services regulatory fees	317 657	318 324	276 645
Small lotteries	629	610	610
Sundry fees	38	38	13
<b>Total fees and charges</b>	<b>685 031</b>	<b>624 017</b>	<b>608 835</b>

	2023-24 Budget	2022-23 Estimated Result	2022-23 Budget
	\$000	\$000	\$000

**Table C.3: Estimates of receipts continued****Recoveries**

Adelaide Oval Sublease Fees	1 083	1 036	1 036
Casino Unclaimed Prizes	40	40	40
Department for Environment and Water — Qualco Sunlands	250	50	250
Department for Infrastructure and Transport — indentured ports	15 727	15 713	15 713
Essential Services Commission of South Australia	14 645	14 593	14 256
Government Banking Contract Rebate	—	1 883	1 883
Helicopter service — recovery of costs and sponsorships	—	—	1 503
Hotel Quarantine Interstate Cross Charging	—	27 464	—
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	2 000	2 000	2 000
Landscape Levy — Treasurer's Water Licences	439	429	429
Metropolitan Drainage Fund	7	7	7
National Tax Equivalent Program	50	50	50
Off-course wagering services annual fee	1 271	1 271	1 271
On-passing of Digital Technology Academy Funding	6 000	4 000	—
On-passing of Innovation Centre Funding	3 000	8 000	3 000
On-passing of SAHMRI grant	—	27 280	27 280
Private Hospital Funding	—	19 821	—
Recoup from SAFA Insurance Fund No. 3	—	8 700	—
Recoup from the Department for Trade and Investment	—	4 900	—
Recoup from the Economic Investment Fund	4 722	3 061	950
Return of cash to Consolidated Account — cash alignment policy	—	436 593	—
Return of deposit account balances	—	4 750	—
Return of deposit account balances — superannuation	30 000	30 000	30 000
Return of working capital	9 046	—	8 825
Sundry recoupment	193	187	206
Unclaimed monies and personal property	2 700	2 575	2 535
<b>Total recoveries</b>	<b>91 173</b>	<b>614 403</b>	<b>111 234</b>

**Table C.3: Estimates of receipts continued****Royalties**

Department for Energy and Mining	403 896	385 998	384 740
Land Services data royalties	762	746	1 246
<b>Total royalties</b>	<b>404 658</b>	<b>386 744</b>	<b>385 986</b>

**Other receipts****Interest**

Interest on investments	354 424	286 024	119 524
Interest recoveries from general government entities	802	728	728
Interest recoveries from the private sector	439	646	646



	2023-24 Budget \$000	2022-23 Estimated Result \$000	2022-23 Budget \$000
<b>Repayment of advances</b>			
Catholic Church Endowment Society Incorporated	3 600	—	—
Department of Primary Industries and Regions	6 518	3 518	3 518
Electoral Commission of South Australia	—	4 000	—
<b>Other</b>			
Festival Plaza Car Park	—	101 957	—
Other receipts	1 057	1 057	1 044
Return of equity capital contribution — Department for Education	—	80 327	—
Return of equity capital contribution — TAFE SA	—	38 272	—
Sale of land and buildings	3 691	16 696	10 925
Scope Global Pty Ltd — sale of shares	—	410	—
<b>Total other receipts</b>	<b>370 531</b>	<b>533 635</b>	<b>136 385</b>
<b>Total Consolidated Account receipts</b>	<b>16 137 852</b>	<b>15 864 915</b>	<b>13 968 612</b>
Note: Totals may not add due to rounding			
(a) Effective July 1 2022, The Department for Innovation was renamed the Department for Industry, Innovation and Science.			
(b) 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.			
(c) This includes the estimate of the Commonwealth Government's no worse off guarantee payments to South Australia.			
(d) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account.			
(e) Refers only to National Partnership payments that are paid to the Consolidated Account. The remainder of National Partnership payments are paid into the Intergovernmental Agreement on Federal Financial Relations special deposit account for subsequent disbursement to the relevant line agencies.			
(f) Refers to only those fees and charges paid to the Consolidated Account.			

# 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 2023-24 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	Human Services, Department of
Adelaide Film Festival	Incorporated Hospitals and Health Services
Agents Indemnity Fund	Independent Commission Against Corruption (ICAC)
Alinytjara Wilurara Landscape Board	Independent Gambling Authority
Anzac Day Commemoration Fund	Infrastructure and Transport, Department for
Art Gallery Board, The (trading as AGSA)	Infrastructure SA
Attorney-General's Department	Industry, Innovation and Science, Department for
Auditor-General's Department	International Koala Centre of Excellence
Board of Botanic Gardens and State Herbarium	Joint Parliamentary Services
Carrick Hill Trust	Judicial Conduct Commissioner
Child Protection, Department for	Kangaroo Island Landscape Board
Coast Protection Board	Legislative Council
Commission on Excellence and Innovation in Health	Libraries Board of South Australia
Correctional Services, Department for	Limestone Coast Landscape Board
Courts Administration Authority	Lotteries Commission of South Australia (trading as SA Lotteries)
CTP Regulator (trading as CTP Insurance Regulator)	Murraylands and Riverland Landscape Board
Dairy Authority of South Australia	Museum Board (trading as South Australian Museum)
Defence SA	Native Vegetation Fund
Dog and Cat Management Board	Northern and Yorke Landscape Board
Dog Fence Board	Office for Public Integrity
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 Hydrogen Power South Australia
Energy and Mining, Department for	Office of the Industry Advocate
Environment and Water, Department for	Office of the Inspector
Environment Protection Authority	Office of the South Australian Productivity Commission
Essential Services Commission of South Australia	Outback Communities Authority
Eyre Peninsula Landscape Board	Premier and Cabinet, Department of the
Government Schools	Premier's Delivery Unit
Green Adelaide Board	Primary Industries and Regions, Department of
Green Industries SA	Professionals Standards Council
Health and Wellbeing, Department for	Residential Tenancies Fund
History Trust of South Australia	Retail shop Leases Fund
Hills and Fleurieu Landscape Board	SACE Board of South Australia
House of Assembly	Second-hand Vehicles Compensation Fund

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 Theatre Company of South Australia
Study Adelaide
TAFE 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 Housing Trust (trading as South Australian Housing Authority)
South Australian Motor Sport Board
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 West Beach Parks)

#### 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 2022-23 Budget

### New entities

- Effective 8 September 2022, the South Australian Motor Sport Board was created under the South Australian Motor Sport Act 1984.
- Effective 5 December 2022, the Office of the Inspector was created under the Independent Commission Against Corruption Act 2012.

### Other changes

- Effective 1 July 2022, the Department for Innovation was renamed the Department for Industry, Innovation and Science.

### **Dissolved entities**

- The Public Corporations (Australian Children's Performing Arts Company) (Dissolution and Revocation) Regulations 2021 (dated 9 December 2021) proclaimed that the Australian Children's Performing Arts Company (trading as Windmill Performing Arts) is dissolved on 30 June 2022. Immediately before its dissolution, all its assets, rights and liabilities were transferred to the Minister for Education.

# **Appendix E: Tax expenditure statement**

## **Overview**

This statement provides a summary of tax expenditures incurred by the Government of South Australia in 2021-22 and 2022-23.

## **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.

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, reduce the level of tax rates or, if expenditure 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. This means that the revenue forgone approach assumes taxpayer behaviour will remain unchanged if concessions are removed. As a result, 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 judgement. 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, the land tax threshold and land tax exemptions for primary production and residential land.

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 2022-23 of \$910.7 million represents 57.0 per cent of payroll tax revenue collections (net of related tax expenditures and excluding general government collections). This is a \$24.5 million increase on the estimated value of payroll tax expenditures in 2021-22.

The largest payroll tax expenditure is the provision of a tax-free threshold and deduction. Payroll tax is levied on wages paid by employers. 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 \$567.5 million in 2022-23 for private sector employers.

Several other groups of taxpayers are exempt from payroll tax liabilities, many of which have not been 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 \$164.5 million in 2022-23. Other expenditures include public benevolent institutions (\$70.8 million), local government councils (\$45.5 million), not-for-profit schools (\$28.1 million) and not-for-profit hospital and health providers (\$22.5 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 2022-23 of \$532.2 million is equivalent to 26.5 per cent of stamp duty revenues. The total cost of stamp duty tax expenditures has decreased by \$106.9 million in 2022-23 largely reflecting a lower cost for the duty exemption for eligible family farm transfers.

Conveyance duty tax expenditures are estimated to amount to \$488.7 million in 2022-23. The stamp duty exemption for non-real property transfers is estimated to cost \$51.5 million in 2022-23, with the stamp duty exemption for non-residential real property (excluding primary production) estimated to cost \$297.6 million. An exemption from duty on the transfer of family farms is estimated to cost \$127.3 million in 2022-23. As part of the 2023-24 Budget, a stamp duty concession for eligible first home buyers on the purchase of a new home or vacant land to build a new home is being introduced. This concession will apply to eligible contracts entered into on or after 15 June 2023 and will impact tax expenditures from 2023-24.

Approximately \$43.5 million of stamp duty tax expenditures in 2022-23 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 \$13.7 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 \$1163 million in 2022-23. This represents 206 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. No tax is payable if the total taxable value of all land is less than the tax-free threshold level. The 2022-23 tax-free threshold for general non-trust landholdings was \$534 000 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 2022-23 tax expenditures associated with land tax include:

- the primary production exemption (provided it meets certain criteria) — estimated to cost \$378.2 million
- the tax-free threshold — estimated to cost \$356.6 million
- the principal place of residence exemption — estimated to cost \$285.2 million
- other specific exemptions provided in section 4 of the *Land Tax Act 1936*. Exempt categories include land used for religious purposes, state subsidised hospitals, libraries, parklands, conservation of native flora and fauna, sporting activities and other items. The cost of these exemptions amounts to approximately \$135.0 million in 2022-23.

Total land tax expenditures in 2022-23 are \$82.9 million higher than in 2021-22. This primarily reflects the estimated higher cost of providing exemptions for the tax-free threshold, principal places of residence and primary production land.

## Gambling taxes

Total gambling tax expenditures are estimated to be \$57.3 million in 2022-23, representing around 9 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 2022-23, it is estimated that the revenue forgone as a result of the existence of the tax-free threshold for gaming machines in hotels and not-for-profit venues is \$9.0 million. The benefit to not-for-profit venues from lower gaming machine tax rates is estimated to be \$9.6 million in 2022-23. The benefit to the Adelaide Casino of different tax treatment for gaming machines compared to hotels is estimated to be \$38.8 million in 2022-23.

Total gambling tax expenditures in 2022-23 are \$12.0 million higher than in 2021-22 mainly reflecting the estimated higher cost of the differential tax rate for gaming machines at the Adelaide Casino due to strong NGR growth.

### **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 different land use and regional factors are not treated as a tax expenditure.

The cost of the fixed property remission is estimated at \$128.6 million in 2022-23 which is broadly consistent with 2021-22.



**Table E.1: Summary of tax expenditures (\$million)**

<b>Tax expenditures (\$m)</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Payroll tax</b>		
Threshold related exemption, of which:		
benefit of \$600 000 deduction	476.3	498.3
incremental benefit of \$1.5m threshold	56.8	62.2
incremental benefit of phased rate for payrolls between \$1.5m and \$1.7m	6.4	7.0
COVID-19 Relief		
waiver for businesses with wages <\$4m	2.8	—
waiver for businesses with wages >\$4m	—	—
exemption for JobKeeper payments	—	—
Religious institutions	0.7	0.7
Public benevolent institutions	64.8	70.8
Public hospitals exemption	164.5	164.5
Non-profit hospital and health providers exemption	22.5	22.5
Non-profit schools or colleges at or below secondary level	28.1	28.1
Non-profit kindergartens	6.2	6.2
Child care centres	1.3	1.3
Local government council exemption	45.6	45.5
Apprentice and trainee wages exemption	9.9	3.0
Assistance for motion picture production companies <sup>(a)</sup>	0.8	0.8
<b>Total for payroll tax</b>	<b>886.3</b>	<b>910.7</b>
<b>Stamp duties</b>		
Conveyance duty		
Family farm exemption	225.4	127.3
Corporate reconstructions	5.6	12.4
Off-the-plan stamp duty concession	0.5	—
Non-real property stamp duty - abolition <sup>(b)</sup>	47.1	51.5
Non-residential (non-primary production) property stamp duty - abolition <sup>(c)</sup>	316.9	297.6
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	1.0
Hire vehicles with more than 12 seats	0.1	0.1
Councils	0.2	0.3
Conditionally registered vehicles	28.2	28.3
Incapacitated ex-servicemen and other persons	0.2	0.2
Pensioners and eligible low-income earners	14.0	13.7
Stamp duty on motor vehicle registrations		
General remissions	<0.1	<0.1
<b>Total for stamp duties</b>	<b>639.1</b>	<b>532.2</b>

<b>Tax expenditures (\$m)</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Land tax</b>		
Threshold exemption	319.6	356.6
Principal place of residence <sup>(d)</sup>	268.2	285.2
Primary production <sup>(d)</sup>	362.7	378.2
Caravan parks and residential parks <sup>(d)</sup>	1.1	1.1
Supported residential facilities <sup>(d)</sup>	0.4	0.4
For-profit aged care facilities <sup>(d)</sup>	2.7	3.0
Other exemptions <sup>(e)</sup>	122.8	135.0
COVID-19 land tax relief for landlords and commercial owner occupiers	2.0	—
Transition fund support	1.0	4.0
<b>Total for land tax</b>	<b>1 080.6</b>	<b>1 163.5</b>
<b>Gambling taxes</b>		
Gaming machines		
Threshold exemption	9.3	9.0
Differential treatment of non-profit businesses	8.4	9.6
Casino <sup>(f)</sup>		
Premium gaming machines	21.8	30.6
Non-premium gaming machines	5.9	8.1
<b>Total for gambling taxes</b>	<b>45.3</b>	<b>57.3</b>
<b>Other taxes on property</b>		
Emergency services levy		
Pensioner concessions	6.4	6.5
General remissions		
Fixed property	129.1	128.6
Mobile property	3.5	3.1
<b>Total for other taxes on property</b>	<b>139.0</b>	<b>138.2</b>
<b>Total expenditures</b>	<b>2 790.3</b>	<b>2 802.0</b>
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.		
(b) Stamp duty on non-real property transfers was abolished from 18 June 2015.		
(c) Stamp duty on non-residential (non-primary production) transfers was fully abolished from 1 July 2018. The amount in 2022-23 includes the refund of stamp duty in relation to a number of student accommodation transfers following a Supreme Court decision that such transfers are non-residential in nature and therefore exempt for stamp duty purposes.		
(d) 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.		
(e) Includes a wide range of exemptions provided to land used for a number of specific activities under section four of the <i>Land Tax Act 1936</i> . Some of these include land used for religious purposes, state subsidised hospitals, libraries, parklands, conservation of native flora and fauna as well as sporting activities.		
(f) This has been estimated by applying the gaming machine tax rate structure applicable to for-profit venues.		

# Glossary of terms used in the budget statement

Term	Definition
<b>Assets</b>	Resources controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
<b>Australian Bureau of Statistics Government Finance Statistics (ABS GFS) Manual</b>	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).
<b>Balance sheet</b>	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.
<b>Capital grants</b>	Amounts paid or received for capital purposes for which no economic benefits of equal value are receivable or payable in return.
<b>Cash flow statement</b>	A statement showing the cash inflows and outflows of a reporting entity during the reporting period. Cash flows are classified as operating, investing and/or financing activities.
<b>Cash surplus/deficit</b>	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).
<b>Comprehensive result — total change in net worth</b>	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.
<b>Consolidated Account</b>	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> .
<b>Consumer Price Index (CPI)</b>	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).
<b>Contingent asset</b>	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.
<b>Contingent liability</b>	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.
<b>Convergence differences</b>	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.

Term	Definition
<b>Current grants</b>	The provision of something in value for no specific return or consideration and includes grants, subsidies and donations.
<b>Financial reports</b>	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.
<b>General government</b>	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.
<b>Government finance statistics (GFS)</b>	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.
<b>Classification of the functions of government (COFOG-A)</b>	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.
<b>Gross Domestic Product (GDP)</b>	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.
<b>Gross State Product (GSP)</b>	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.
<b>Horizontal fiscal equalisation (HFE)</b>	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 has the capacity to provide services at the standard of New South Wales or Victoria (whichever is greater).
<b>Income (revenue)</b>	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.
<b>Income tax equivalent (ITE)</b>	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.
<b>Investment expenditure</b>	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
<b>Liabilities</b>	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.
<b>Net cash flow from investments in financial assets (liquidity management purposes)</b>	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.
<b>Net cash flow from investments in financial assets (policy purposes)</b>	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.
<b>Net debt</b>	<p>Net debt comprises the stock of selected gross financial liabilities less selected financial assets.</p> <p>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.</p>
<b>Net financial liabilities</b>	<p>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.</p> <p>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.</p>
<b>Net financial worth</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.
<b>Net lending/borrowing position</b>	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 net operating balance less the net acquisition of non-financial assets.
<b>Net operating balance</b>	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).
<b>Net worth</b>	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.

Term	Definition
<b>Non-financial public sector</b>	The consolidation of the general government sector and public non-financial corporations sector.
<b>Operating expenses</b>	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.
<b>Operating statement</b>	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.
<b>Other economic flows</b>	Changes to assets, liabilities and equity that are not the result of transactions e.g. revaluation of assets.
<b>Public financial corporation (PFC)</b>	Government controlled entity that is mainly engaged in financial intermediation or the provision of auxiliary financial services.
<b>Public non-financial corporation (PNFC)</b>	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.
<b>Real terms</b>	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.
<b>Sector</b>	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.
<b>State Final Demand (SFD)</b>	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.
<b>Superannuation interest cost</b>	Represents the carrying cost of unfunded superannuation liabilities, net of interest revenue on plan assets of defined benefit schemes.
<b>Transactions</b>	Changes to assets, liabilities and equity that arise from mutually agreed interactions between entities.
<b>Unfunded superannuation liability</b>	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.
<b>Uniform presentation framework (UPF)</b>	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

## 2023-24

### DEPARTMENT OF TREASURY AND FINANCE

State Administration Centre  
200 Victoria Square, Adelaide  
South Australia 5000

GPO Box 1045, Adelaide  
South Australia 5001

[treasury.sa.gov.au](https://treasury.sa.gov.au)



**Government of  
South Australia**