

FINAL BUDGET OUTCOME

2003-04

CIRCULATED BY
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FOREWORD

The *Final Budget Outcome 2003-04* has been prepared in a manner consistent with the *Charter of Budget Honesty Act 1998*. The Charter requires that, inter alia, the Government provide a final budget outcome report no later than three months after the end of the financial year. Consistent with these requirements, this report encompasses Australian Government general government sector fiscal outcomes for the 2003-04 financial year and is based on external reporting standards.

- **Part 1** provides the general government sector budget aggregates for 2003-04 together with an analysis of the 2003-04 final budget outcome. This includes summary analysis of revenue, expenses, net capital investment, cash flows and the balance sheet (net debt and net worth).
- **Part 2** presents the Australian Government financial statements for 2003-04 in accordance with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework. This data covers the general government sector as well as the Australian Government public corporations sectors.
- **Part 3** presents the 2003-04 Australian Government general government sector financial statements in accordance with Australian Accounting Standards (AAS).
- **Part 4** provides details for 2003-04 on Federal Financial Relations, updated from that contained in the *2004-05 Budget Paper No. 3*.
- **Appendix A** contains details of budget concepts and reporting standards. **Appendix B** contains expenses data on a functional and sub-functional basis. Historical fiscal data are presented in **Appendix C**.

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Notes

- (a) The following definitions are used in this paper:
- ‘real’ means adjusted for the effect of inflation;
 - real growth in expenses is measured by the non-farm Gross Domestic Product deflator; and
 - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
 - estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
 - estimates midway between rounding points are rounded up; and
 - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (d) The following notations are used:

NEC/nec	not elsewhere classified
AEST	Australian Eastern Standard Time
-	not available
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million
\$b	\$ billion

- (e) References to the 'States' or 'each State' include the territories. The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC/Vic	Victoria
QLD/Qld	Queensland
WA	Western Australia
SA	South Australia
TAS/Tas	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

PART 1: AUSTRALIAN GOVERNMENT BUDGET OUTCOME

OVERVIEW

In 2003-04, the Australian Government general government sector recorded an underlying cash surplus of \$8.0 billion, or 1.0 per cent of gross domestic product (GDP). This was \$3.5 billion higher than estimated at the time of the 2004-05 Budget. The 2003-04 accrual fiscal balance was a surplus of \$5.6 billion (0.7 per cent of GDP), \$2.6 billion higher than estimated at the 2004-05 Budget.

Table 1: Australian Government general government sector budget aggregates^(a)

	2002-03 Outcome	2003-04 Estimate at 2003-04 Budget	2003-04 Estimate at 2004-05 Budget	2003-04 Outcome
Revenue (\$b)	175.0	178.3	186.2	187.6
Per cent of GDP	23.3	22.4	23.0	23.1
Expenses (\$b)	169.2	178.0	183.1	181.2
Per cent of GDP	22.5	22.4	22.6	22.4
Net operating balance (\$b)	5.8	0.3	3.1	6.3
Net capital investment (\$b)	-0.2	-0.4	0.0	0.7
Fiscal balance (\$b)	6.0	0.7	3.0	5.6
Per cent of GDP	0.8	0.1	0.4	0.7
Underlying cash balance (\$b)	7.5	2.2	4.6	8.0
Per cent of GDP	1.0	0.3	0.6	1.0
<i>Memorandum item:</i>				
Headline cash balance (\$b)	7.3	1.5	4.0	7.6

(a) All estimates are based on Government Finance Statistics (GFS) standards, but with goods and services tax (GST) revenue collected on behalf of the states and territories netted off revenue and expenses.

Total cash receipts were around \$1.8 billion higher than expected at the 2004-05 Budget. This largely reflects higher than expected tax collections from other individuals. Total accrual revenue was \$1.4 billion higher than the 2004-05 Budget estimate, largely reflecting higher than expected tax revenue from individuals partly offset by lower than expected company tax revenue.

Total cash payments were around \$1.7 billion lower than expected at the 2004-05 Budget. This was partly due to slippage in a range of health grant programmes, along with a slower take-up of newly listed drugs under the Pharmaceutical Benefits Scheme. Total accrual expenses were \$1.9 billion lower than expected at the 2004-05 Budget, while total accrual net capital investment was \$0.7 billion higher than expected at the 2004-05 Budget.

Part 1: Australian Government Budget Outcome

Australian Government general government sector net debt fell by \$6.2 billion in 2003-04 to \$23.4 billion. At 2.9 per cent of GDP this is the lowest in 26 years. This reduction is \$2.6 billion greater than estimated at the 2004-05 Budget, largely reflecting the stronger than expected underlying cash surplus.

REVENUE

Total accrual revenue in 2003-04 of \$187.6 billion was \$1.4 billion (0.7 per cent) higher than expected at the 2004-05 Budget. The variation largely reflects higher than expected tax revenue from other individuals partly offset by lower than expected company tax revenue.

- Revenue from other individuals was \$1.2 billion (6.3 per cent) higher than anticipated due to stronger than expected profitability for unincorporated small businesses.
- Revenue from income tax withholding was \$225 million (0.2 per cent) above the Budget estimate, reflecting ongoing strength in employment.
- Revenue from companies was \$973 million (2.6 per cent) below the Budget estimate. The lower than expected outcome largely reflected a smaller build-up in company tax receivables¹ than anticipated.
- Other tax revenue was \$304 million (27 per cent) higher than expected, largely due to recognising the Universal Services Levy notionally paid by Telstra of \$166 million. This was fully offset by a corresponding increase in expenses representing the notional return of funds to Telstra for meeting universal service obligations.

1 Tax receivables arise where tax liabilities are recognised by the Australian Taxation Office in one period, but the taxpayer is not expected to pay the liability until a later period.

Table 2: Australian Government general government sector revenue (accrual basis)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Taxation revenue		
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	89,870	90,095
Gross other individuals	19,760	21,010
less Refunds	12,200	12,325
Total individuals and other withholding taxes	97,430	98,779
Companies	37,310	36,337
Superannuation funds		
Contributions and earnings	4,510	4,487
Superannuation surcharge	1,260	1,298
Total superannuation funds	5,770	5,785
Petroleum resource rent tax	1,200	1,165
Total income taxation	141,710	142,067
<i>Indirect taxation</i>		
Excise duty		
Petroleum and other fuel products and crude oil	13,470	13,529
Other excise	7,470	7,539
Total excise duty	20,940	21,068
Customs duty	5,585	5,622
Other indirect taxes	990	1,002
Total indirect taxation	27,515	27,692
Fringe benefits tax(b)	3,180	3,277
Agricultural levies	561	603
Other taxes	1,116	1,420
Total taxation revenue	174,082	175,058
Non-taxation revenue	12,115	12,501
Total revenue	186,197	187,559

(a) Includes Medicare levy revenue of \$5,560 million in 2003-04.

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$365 million in 2003-04).

EXPENSES

Total accrual expenses were \$181.2 billion in 2003-04, a reduction of \$1.9 billion (1.0 per cent) from the estimate provided in the 2004-05 Budget. This reduction was largely the result of:

- a decrease in expenses of \$788 million due to the reclassification by the Department of Defence of some supplier expenses to inventory purchases in net capital investment, with no net impact on the fiscal balance;
- slippage in grant expenses of \$373 million across a range of health programmes, due to lower than expected achievement of grant conditions upon which payments are based, including Indigenous and Aged Care capital grants, Co-ordinated Care Trials and medical research grants;
- lower personal benefits expenses of \$244 million, primarily attributable to a slower take-up of newly listed drugs under the Pharmaceutical Benefits Scheme;
- lower expenses of \$127 million due to suspended National Competition Policy Payments not being released to states and territories in 2003-04, pending further assessment and recommendations by the National Competition Council and subsequent Australian Government consideration of such recommendations; and
- lower expenses for Natural Disaster Relief Assistance of \$88 million due to lower than forecast demand from some states, in part due to slippage in infrastructure claims.

Table 3 provides information on Government Finance Statistics (GFS) general government sector expenses by function.

Table 3: Australian Government general government sector expenses by function

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
General public services		
Legislative and executive affairs	754	732
Financial and fiscal affairs	3,304	3,522
Foreign affairs and economic aid	2,238	2,162
General research	2,066	1,910
General services	606	453
Government superannuation benefits	1,946	2,069
Defence	13,687	12,937
Public order and safety	2,381	2,386
Education	13,338	13,398
Health	32,355	31,771
Social security and welfare	79,949	80,103
Housing and community amenities	1,652	1,634
Recreation and culture	2,233	2,168
Fuel and energy	3,692	3,494
Agriculture, forestry and fishing	2,158	2,038
Mining, manufacturing and construction	1,717	1,589
Transport and communication	2,731	2,816
Other economic affairs		
Tourism and area promotion	142	135
Labour and employment affairs	3,317	3,403
Other economic affairs	782	748
Other purposes		
Public debt interest	4,014	4,001
Nominal superannuation interest	5,155	4,898
General purpose intergovernmental transactions	2,775	2,775
Natural disaster relief	144	62
Contingency reserve(a)	0	35
Total expenses	183,136	181,238

(a) Asset sale related expenses are treated as a component of the contingency reserve.

NET CAPITAL INVESTMENT

Total net capital investment for 2003-04 was \$724 million, which is \$706 million higher than the estimate provided in the 2004-05 Budget. This variation relates primarily to the reclassification by the Department of Defence of some inventory purchases incorrectly classified as supplier expenses in the Budget, partially offset by a delay in receiving vaccines and anti-viral medication purchased in 2003-04.

Table 4: Australian Government general government sector net capital investment by function

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
General public services	94	119
Defence	-189	600
Public order and safety	76	62
Education	5	1
Health	153	45
Social security and welfare	31	9
Housing and community amenities	-59	9
Recreation and culture	-192	-188
Fuel and energy	1	0
Agriculture, forestry and fishing	2	11
Mining, manufacturing and construction	5	1
Transport and communication	27	11
Other economic affairs	38	44
Other purposes	26	0
Total net capital investment	18	724

CASH FLOWS

The 2003-04 underlying cash surplus was \$8.0 billion, \$3.5 billion higher than estimated at the 2004-05 Budget. The higher than anticipated outcome was the result of higher cash receipts of \$1.8 billion and lower cash payments of \$1.7 billion.

Total Australian Government general government sector cash receipts of \$187.0 billion were \$1.8 billion (0.9 per cent) higher than estimated at the 2004-05 Budget. The total cash receipts outcome is lower than the total accrual revenue outcome reflecting tax revenue recognised, but not received, in relation to other individuals, income tax withholding, companies and customs.

The positive variation in the cash tax receipts outcome primarily reflects higher than expected receipts from other individuals.

- Receipts from other individuals were \$1.0 billion (5.5 per cent) above the 2004-05 Budget estimate, reflecting stronger than expected profitability for small unincorporated businesses.

Total Australian Government general government sector cash payments were \$178.9 billion in 2003-04, \$1.7 billion (0.9 per cent) lower than estimated at the 2004-05 Budget. Many of the differences in expenses and net capital investment from Budget were also reflected in similar cash differences and are explained by the expense and net capital investment variations described earlier in this Part. The greater

decrease in cash payments relative to expenses and net capital investment largely reflects:

- changes in accounting treatments requiring the recognition of higher expenses of \$130 million for the superannuation guarantee charge and \$166 million for Telstra Universal Service Obligation subsidies which did not impact on cash payments; and
- lower than expected military superannuation cash payments of \$105 million, primarily due to lower than forecast retirement rates which did not impact on expenses.

Table 5: Summary of Australian Government general government sector cash flows^(a)

	2003-04 Estimate at 2004-05 Budget \$b	2003-04 Outcome \$b
Cash receipts		
Operating cash receipts	184.1	186.1
Capital cash receipts(b)	1.1	0.8
Total cash receipts	185.2	187.0
Cash payments		
Operating cash payments	178.0	176.2
Capital cash payments(c)	2.6	2.7
Total cash payments	180.6	178.9
Finance leases and similar arrangements(d)	0.0	0.0
Underlying cash balance	4.6	8.0
Per cent of GDP	0.6	1.0
<i>Memorandum items:</i>		
Net cash flows from investments in financial assets for policy purposes(e)		
Major asset sales	0.4	0.4
less Other net advances paid	-1.0	-0.8
Headline cash balance	4.0	7.6

(a) Cash flows are derived from the accrual GFS framework excluding GST.

(b) Equivalent to cash receipts from the sale of non-financial assets in the GFS cash flow statement.

(c) Equivalent to cash payments for purchases of new and second-hand non-financial assets in the GFS cash flow statement.

(d) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(e) Under the cash budgeting framework, these cash flows were referred to as 'net advances'.

The 2003-04 headline cash balance was a surplus of \$7.6 billion, \$3.6 billion higher than estimated at the 2004-05 Budget, primarily due to the higher than expected underlying cash surplus outcome.

NET DEBT AND NET WORTH

In 2003-04, the level of Australian Government net debt continued to fall from a peak of 19.1 per cent of GDP in 1995-96 to 2.9 per cent of GDP in 2003-04. Since 1996-97, net debt has fallen by \$72.9 billion. The fall in net debt was \$2.6 billion greater than estimated at the 2004-05 Budget, largely reflecting the higher than expected underlying cash surplus outcome.

Net interest payments in 2003-04 were in line with expectations at the 2004-05 Budget. Having peaked at \$8.4 billion in 1996-97, net interest payments have declined to \$3.0 billion in 2003-04, representing annual savings in interest payments of \$5.5 billion.

Australian Government general government sector net worth increased from -\$51.3 billion in 2002-03 to -\$37.8 billion at the end of 2003-04. This improvement largely reflects the effect of a net operating balance surplus of \$6.3 billion; an increase in the market value of the Government's shareholding in Telstra due to a rise in the share price over the year to 30 June 2004 (\$4.1 billion); a fall in the market valuation of debt liabilities due to movements in interest rates (\$1.7 billion); and a revaluation to fair value of the National Gallery of Australia's collections (\$1.3 billion).

Table 6: Australian Government general government sector net worth, net debt and net interest payments

	2003-04 Estimate at 2004-05 Budget \$b	2003-04 Outcome \$b
Financial assets	104.9	110.1
Non-financial assets	36.8	40.5
Total assets	141.7	150.6
Total liabilities	185.3	188.4
Net worth	-43.5	-37.8
Net debt(a)	26.0	23.4
Per cent of GDP	3.2	2.9
Net interest payments(b)	3.0	3.0
Per cent of GDP	0.4	0.4

(a) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

(b) Australian Government cash interest payments less cash interest receipts.

Attachment A

REPORTING STANDARDS

The *Charter of Budget Honesty Act 1998* requires that the Final Budget Outcome be based on external reporting standards and that departures from applicable external reporting standards be identified.

The major external standards used for Final Budget Outcome reporting purposes are:

- the Australian Bureau of Statistics' (ABS) Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0, which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), including AAS 31 *Financial Reporting by Governments*.

Final Budget Outcome tables, with the exception of tables in Part 2, do not include goods and services tax (GST) collections and equivalent payments to the states and territories, which is a departure from ABS GFS and AAS. However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST receipts are appropriated to the states and territories and thus are not available for expenditure by the Australian Government. Because the Australian Taxation Office collects GST as an agent for the states and territories, GST receipts are not shown as Australian Government revenue. Estimates of GST receipts are provided in Table A2 of Appendix A.

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted because excluding such provisions would overstate the value of Australian Government assets in the balance sheet (and would, therefore, be inconsistent with the market valuation principle).

The AAS financial statements currently record IMF Special Drawing Rights (SDRs) as a liability. This is consistent with AAS. The GFS statements also record SDRs as a liability. However, in accordance with the IMF's GFS manual, IMF SDRs are not treated as a liability in ABS GFS although they are treated this way in other IMF documentation. In view of these differences, the current approach will remain in place pending further consultation with the ABS and IMF, and developments in train to harmonise GFS and AAS.

Similarly, the GFS financial statements currently adopt the AAS treatment for circulating coins. Under this treatment revenue is recognised upon the issue of coins and no liability is recorded, as there is no legal obligation requiring coins on issue to be repurchased by the Australian Government. However, in ABS GFS, coins on issue are

treated as a liability and no revenue is recognised. The current accounting treatment will remain in place pending further consultation with the ABS and IMF, and developments in train to harmonise GFS and AAS.

ABS GFS also requires defence weapons be treated as expenses. Defence weapons inventories are recorded as capital investment rather than expenses until such inventories can be reliably identified and measured. The treatment of these inventories as capital or expenses has the same impact on the underlying cash and fiscal balances.

In relation to the recognition of taxation revenue, the preferred basis of recognition and measurement under both GFS and AAS is at the time the underlying activity giving rise to the tax liability occurs. However, in order to ensure the reporting of reliable GFS and AAS budget estimates and outcomes, taxation revenue is recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Taxation Office or the Australian Customs Service. This alternative method is permitted under both GFS and AAS when there is an inability to reliably measure taxation revenues at the time the underlying transactions or events occur. Accordingly, for most categories of taxation revenue, there is a short lag between the time at which the underlying economic activity giving rise to the tax liability occurs and when the revenue is recognised. Longer lags of up to a year occur for some elements of company and superannuation funds taxation.

Additional information on the reporting standards and budget concepts is provided in Appendix A.

Attachment B

BUDGET FINANCIAL STATEMENTS

The budget financial statements consist of an operating statement, balance sheet, cash flow statement and statement of other economic flows (reconciliation of net worth) for the Australian Government general government sector. The budget financial statements are based on GFS Standards with the exception of the divergences discussed in Attachment A.

Table 7: Australian Government general government sector operating statement

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Revenue		
Taxation revenue	174,082	175,058
Current grants and subsidies	0	0
Sales of goods and services	4,192	4,314
Interest income	1,244	1,304
Dividend income	4,171	4,199
Other	2,507	2,684
Total revenue	186,197	187,559
Expenses		
Gross operating expenses		
Depreciation	1,593	1,643
Superannuation	1,946	2,069
Salaries and wages	11,989	11,004
Payment for supply of goods and services	40,014	38,852
Other operating expenses	2,312	3,174
<i>Total gross operating expenses</i>	<i>57,854</i>	<i>56,742</i>
Nominal superannuation interest expense	5,155	4,898
Other interest expenses	4,248	4,189
Other property expenses	0	0
Current transfers		
Grant expenses	34,634	33,844
Subsidy expenses	5,643	5,844
Personal benefit payments in cash	72,511	72,746
Other current transfers	0	0
<i>Total current transfers</i>	<i>112,788</i>	<i>112,434</i>
Capital transfers	3,091	2,974
Total expenses	183,136	181,238
Net operating balance	3,061	6,320
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,618	2,395
<i>less</i> Sales of non-financial assets	879	602
<i>less</i> Depreciation	1,593	1,643
<i>plus</i> Change in inventories	106	780
<i>plus</i> Other movements in non-financial assets	-235	-206
Total net acquisition of non-financial assets	18	724
Net lending/fiscal balance(a)	3,044	5,597

(a) The term fiscal balance is not used by the ABS.

Table 8: Australian Government general government sector balance sheet

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Assets		
Financial assets		
Cash and deposits	1,607	1,591
Advances paid	19,027	18,060
Investments, loans and placements	19,668	24,188
Other non-equity assets	17,541	16,671
Equity(a)	47,061	49,560
<i>Total financial assets</i>	<i>104,905</i>	<i>110,070</i>
Non-financial assets		
Land	4,576	5,196
Buildings (excluding heritage)	13,417	14,152
Plant, equipment and infrastructure(b)	7,951	8,122
Inventories	4,237	4,832
Heritage and cultural assets(b)	4,949	6,442
Other non-financial assets	1,714	1,747
<i>Total non-financial assets</i>	<i>36,844</i>	<i>40,491</i>
Total assets	141,749	150,560
Liabilities		
Deposits held	325	364
Advances received	0	0
Government securities	60,555	60,650
Loans	5,271	5,979
Other borrowing	175	267
Superannuation liability	87,869	88,090
Other employee entitlements and provisions	8,426	8,541
Other non-equity liabilities	22,672	24,474
Total liabilities	185,294	188,364
Net worth(c)	-43,545	-37,803
Net debt(d)	26,024	23,421

(a) The 2003-04 equity and net worth outcomes include the Telstra shareholding valued at the closing share price on 30 June 2004.

(b) Heritage and cultural assets were previously included in plant, equipment and infrastructure.

(c) Net worth is calculated as total assets minus total liabilities.

(d) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 9: Australian Government general government sector cash flow statement^(a)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Cash receipts from operating activities		
Taxes received	170,544	172,243
Receipts from sales of goods and services	4,342	4,422
Grants and subsidies received	0	0
Interest receipts	1,132	1,056
Dividends	3,207	3,223
GST input credits received by general government	2,461	2,462
Other receipts	2,417	2,734
Total operating receipts	184,102	186,140
Cash payments for operating activities		
Payments for goods and services	-44,041	-42,319
Grants and subsidies paid	-41,793	-41,247
Interest paid	-4,113	-4,050
Personal benefit payments	-70,694	-70,808
Salaries, wages and other entitlements	-16,768	-15,612
GST payments by general government to taxation authority	-129	-89
Other payments for operating activities	-499	-2,121
Total operating payments	-178,037	-176,248
Net cash flows from operating activities	6,065	9,892
Cash flows from investments in non-financial assets		
Sales of non-financial assets	1,112	832
Purchases of new and secondhand non-financial assets	-2,594	-2,682
Net cash flows from investments in non-financial assets	-1,482	-1,850
Net cash flows from investments in financial assets for policy purposes	-599	-452
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-70	-3,040
Net cash flows from investments in financial assets for liquidity purposes	-70	-3,040
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1,697	-2,458
Deposits received (net)	-1	38
Other financing (net)	-2,948	-2,876
Net cash flows from financing activities	-4,645	-5,296
Net increase/decrease in cash held	-731	-747
Net cash from operating activities and investments in non-financial assets	4,583	8,042
Finance leases and similar arrangements(b)	3	-5
Equals underlying cash balance	4,586	8,036
<i>plus</i> net cash flows from investments in financial assets for policy purposes	-599	-452
Equals headline cash balance	3,986	7,584

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

Table 10: Australian Government general government sector statement of other economic flows (reconciliation of net worth)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Opening net worth	-50,442	-50,442
Opening net worth adjustments(a)	-891	-891
Adjusted opening net worth	-51,333	-51,333
Change in net worth from operating transactions	3,061	6,320
Change in net worth from other economic flows		
Revaluation of equity(b)	3,210	5,767
Net writedowns of assets (including bad and doubtful debts)(c)	-2,189	-4,183
Assets recognised for the first time(c)	-1	450
Defence weapon platform adjustment(c)	0	0
Liabilities recognised for the first time(d)	0	-1,411
Actuarial revaluations	840	840
Net foreign exchange gains	306	599
Net swap interest received	339	340
Market valuation of debt	1,809	1,739
Other economic revaluations(c)(e)	412	3,068
Total other economic flows	4,727	7,210
Closing net worth	-43,545	-37,803

- (a) Includes the initial recognition of a provision for asbestos disease related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review, a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements. This liability has now been back-dated to 2002-03.
- (b) The 2003-04 Equity and Net worth outcomes include the Telstra shareholding valued at the closing share price on 30 June 2004.
- (c) Defence weapons are treated as expenses rather than assets under the GFS framework; hence, changes in value do not contribute to net worth and are not included in other economic flows. The adjustment to remove defence weapons has now been reallocated to net write-down of assets, assets recognised for the first time and other economic revaluations.
- (d) Includes the initial recognition of a \$944 million provision for claims under the Dairy Structural Adjustment Fund for which a reliable measure is now available. The historical series will be amended at a future date after consultation with the ABS of the appropriate treatment of this liability.
- (e) Largely reflects revaluation of assets and liabilities.

PART 2: GOVERNMENT FINANCE STATISTICS STATEMENTS

Financial tables presented in this Part are prepared in accordance with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework.

The tables include an operating statement, balance sheet and cash flow statement for the Australian Government general government, public non-financial corporations, total non-financial public, and public financial corporations sectors. A statement of other economic flows is also included for the Australian Government general government sector.

The Australian, State and Territory Governments have an agreed framework – the *Accrual Uniform Presentation Framework* – for the presentation of government financial information on a basis consistent with ABS GFS. This Part presents Australian Government data on an ABS GFS basis, as required by the *Accrual Uniform Presentation Framework*, except for the general government sector departures detailed in Attachment A to Part 1 (other than in relation to the treatment of goods and services tax (GST)).

The only difference between the Australian Government general government sector statements in Part 1 and this part is the treatment of the GST. The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* is that GST is collected by the Australian Taxation Office, as an agent for the states and territories (the States), and appropriated to the States. Consequently, it is not shown as Australian Government revenue in other parts of this document. However, the tables in this Part show GST related transactions as taxation revenue and payments to the States as grant expenses.

As a result of the different treatments of GST related transactions, fiscal balance, net operating balance and net worth, estimates in this part differ from those reported elsewhere in this document. This difference represents the effect of GST revenue accrued but not yet received and, therefore, not yet paid or payable to the States (as GST obligations to the States are on a cash basis). The underlying cash balance is not affected and provides identical results under both treatments of GST receipts.

Transactions between the Australian Government general government sector, public financial corporations sector and the public non-financial corporations sectors are included in the relevant tables. These transactions include income transfers (such as dividends paid to general government), net advances paid by general government to public corporations and taxes paid by public corporations.

Public access communication assets, computer software and other intangibles are recorded at historic cost, as market value information, or suitable proxies for market

Part 2: Government Finance Statistics Statements

value, are not readily observable. This affects the public non-financial corporations sector balance sheet, but does not affect the general government sector balance sheet.

Table A2 of Appendix A provides reconciliations between key GFS aggregates and their Australian Accounting Standards counterparts.

In accordance with *Accrual Uniform Presentation Framework* requirements, this Part also contains an update of the Australian Government's Loan Council Allocation.

Table 11: Australian Government general government sector operating statement

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS revenue		
Taxation revenue	208,257	209,178
Current grants and subsidies	0	0
Sales of goods and services	4,192	4,314
Interest income	1,244	1,304
Dividend income	4,171	4,199
Other	2,507	2,684
Total GFS revenue	220,372	221,679
GFS expenses		
Gross operating expenses		
Depreciation	1,593	1,643
Superannuation	1,946	2,069
Salaries and wages	11,989	11,004
Payment for supply of goods and services	40,014	38,852
Other operating expenses	2,312	3,174
<i>Total gross operating expenses</i>	<i>57,854</i>	<i>56,742</i>
Nominal superannuation interest expense	5,155	4,898
Other interest expenses	4,248	4,201
Other property expenses	0	0
Current transfers		
Grant expenses	67,874	67,039
Subsidy expenses	5,643	5,844
Personal benefit payments in cash	72,511	72,746
Other current transfers	0	0
<i>Total current transfers</i>	<i>146,028</i>	<i>145,629</i>
Capital transfers	3,171	3,033
Total GFS expenses	216,456	214,503
Net operating balance(a)	3,916	7,176
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,618	2,395
<i>less</i> Sales of non-financial assets	879	602
<i>less</i> Depreciation	1,593	1,643
<i>plus</i> Change in inventories	106	780
<i>plus</i> Other movements in non-financial assets	-235	-206
Total net acquisition of non-financial assets	18	724
Net lending/fiscal balance(a)(b)	3,899	6,452

(a) The fiscal balance and net operating balance outcomes in this table differ from those presented elsewhere in the Final Budget Outcome reflecting the treatment of the GST as an Australian Government tax.

(b) The term fiscal balance is not used by the ABS.

Table 12: Australian Government general government sector balance sheet

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	1,607	1,591
Advances paid	19,027	18,060
Investments, loans and placements	19,668	24,188
Other non-equity assets	19,448	18,548
Equity(a)	47,061	49,560
<i>Total financial assets</i>	<i>106,812</i>	<i>111,946</i>
Non-financial assets		
Land	4,576	5,196
Buildings (excluding heritage)	13,417	14,152
Plant, equipment and infrastructure(b)	7,951	8,122
Inventories	4,237	4,832
Heritage and cultural assets(b)	4,949	6,442
Other non-financial assets	1,714	1,747
<i>Total non-financial assets</i>	<i>36,844</i>	<i>40,491</i>
Total GFS assets	143,656	152,437
GFS liabilities		
Deposits held	325	364
Advances received	0	0
Government securities	60,555	60,650
Loans	5,271	5,979
Other borrowing	175	267
Superannuation liability	87,869	88,090
Other employee entitlements and provisions	8,426	8,541
Other non-equity liabilities	23,031	24,713
Total GFS liabilities	185,652	188,602
Net worth(c)(d)	-41,996	-36,165
Net financial worth(e)	-78,840	-76,656
Net debt(f)	26,024	23,421

(a) The 2003-04 equity and net worth outcomes include the Telstra shareholding valued at the closing price on 30 June 2004.

(b) Heritage and cultural assets were previously included in plant, equipment and infrastructure.

(c) The net worth outcome in this table differs from those presented elsewhere in the Final Budget Outcome reflecting the treatment of the GST as an Australian Government tax.

(d) Net worth is calculated as total assets minus total liabilities.

(e) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

(f) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 13: Australian Government general government sector cash flow statement^(a)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Cash receipts from operating activities		
Taxes received(b)	203,789	205,312
Receipts from sales of goods and services(c)	4,169	4,203
Grants/subsidies received	0	0
Interest receipts	1,132	1,056
Dividends	3,207	3,223
GST input credits received by general government(c)	0	0
Other receipts	2,417	2,734
Total operating receipts	214,714	216,527
Cash payments for operating activities		
Payments for goods and services(c)	-41,542	-39,600
Grants and subsidies paid(d)	-75,033	-74,442
Interest paid	-4,113	-4,050
Personal benefit payments	-70,694	-70,808
Salaries, wages and other entitlements	-16,768	-15,612
GST payments to taxation authority(c)	0	0
Other payments for operating activities	-499	-2,121
Total operating payments	-208,649	-206,635
Net cash flows from operating activities	6,065	9,892
Cash flows from investments in non-financial assets		
Sales of non-financial assets	1,112	832
Purchases of new and secondhand non-financial assets	-2,594	-2,682
Net cash flows from investments in non-financial assets	-1,482	-1,850
Net cash flows from investments in financial assets for policy purposes	-599	-452
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-70	-3,040
Net cash flows from investments in financial assets for liquidity purposes	-70	-3,040
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1,697	-2,458
Deposits received (net)	-1	38
Other financing (net)	-2,948	-2,876
Net cash flows from financing activities	-4,645	-5,296
Net increase/decrease in cash held	-731	-747
Net cash from operating activities and investments in non-financial assets	4,583	8,042
Finance leases and similar arrangements(e)	3	-5
Equals surplus(+)/deficit(-)	4,586	8,036

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) Includes GST cash receipts on an Australian Government tax basis, which are \$126 million lower in 2003-04 than GST cash receipts measured by the Australian Government on a State tax basis (as shown in Part 3, Note 15).

(c) GST flows are excluded from these categories.

(d) Includes GST cash payments to the states and territories.

(e) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 14: Australian Government general government sector statement of other economic flows (reconciliation of net worth)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Opening net worth	-49,524	-49,524
Opening net worth adjustments(a)	-891	-891
Adjusted opening net worth	-50,415	-50,415
Change in net worth from operating transactions	3,916	7,176
Change in net worth from other economic flows		
Revaluation of equity(b)	3,210	5,767
Net writedowns of assets (including bad and doubtful debts)(c)	-2,414	-4,319
Assets recognised for the first time(c)	-1	450
Defence weapon platform adjustment(c)	0	0
Liabilities recognised for the first time(d)	0	-1,411
Actuarial revaluations	840	840
Net foreign exchange gains	306	599
Net swap interest received	339	340
Market valuation of debt	1,809	1,739
Other economic revaluations(c)(e)	412	3,068
Total other economic flows	4,502	7,074
Closing net worth	-41,996	-36,165

(a) Includes the initial recognition of a provision for asbestos disease related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements. This liability has now been back-dated to 2002-03.

(b) Revaluations of equity for the 2003-04 outcome reflect changes in the market valuation of commercial entities, including a change in the value of Telstra shareholding due to a change in the closing share price between 30 June 2003 and 30 June 2004. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Defence weapons are treated as expenses rather than assets under the GFS framework; hence, changes in value do not contribute to net worth and are not included in other economic flows. The adjustment to remove defence weapons has now been reallocated to net writedowns of assets, assets recognised for the first time and other economic revaluations.

(d) Includes the initial recognition of a \$944 million provision for claims under the Dairy Structural Adjustment Fund for which a reliable measure is now available. The historical series will be amended at a future date after consultation with the Australian Bureau of Statistics of the appropriate treatment of this liability.

(e) Largely reflects revaluations of assets and liabilities.

Table 15: Supplementary table — Australian Government general government sector revenue (accrual basis)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Taxation revenue		
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	89,870	90,095
Gross other individuals	19,760	21,010
less Refunds	12,200	12,325
Total individuals and other withholding taxes	97,430	98,779
Companies	37,310	36,337
Superannuation funds		
Contributions and earnings	4,510	4,487
Superannuation surcharge	1,260	1,298
Total superannuation funds	5,770	5,785
Petroleum resource rent tax	1,200	1,165
Total income taxation	141,710	142,067
<i>Indirect taxation</i>		
Excise duty		
Petroleum and other fuel products and crude oil	13,470	13,529
Other excise	7,470	7,539
Total excise duty	20,940	21,068
Customs duty	5,585	5,622
Other indirect taxes	990	1,002
Total indirect taxation	27,515	27,692
GST	34,175	34,121
Fringe benefits tax(b)	3,180	3,277
Agricultural levies	561	603
Other taxes	1,116	1,420
Total taxation revenue	208,257	209,178
Non-taxation revenue	12,115	12,501
Total revenue	220,372	221,679

(a) Includes Medicare levy revenue of \$5,560 million in 2003-04.

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$365 million in 2003-04).

Table 16: Supplementary table — Australian Government general government sector indirect tax (accrual basis)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Excise duty		
Petroleum and other fuel products		
Petrol(a)	7,380	7,423
Diesel	5,570	5,587
Other(b)	210	210
Total petroleum and other fuel products	13,160	13,220
Crude oil	310	309
Other excise		
Beer	1,640	1,633
Potable spirits	670	659
Tobacco products	5,160	5,247
Total other excise	7,470	7,539
Total excise duty	20,940	21,068
Customs duty(c)	5,585	5,622
Other indirect taxes		
Wine equalisation tax(d)	705	705
Luxury car tax	340	336
Wholesale sales tax(e)	-55	-38
Total other indirect taxes	990	1,002
Total indirect taxation revenue	27,515	27,692

(a) Includes unleaded petrol and lead replacement petrol.

(b) Includes aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene.

(c) Customs duty includes duties imposed on imported petroleum products, tobacco, beer and spirits, which are analogous to excise duty on these items.

(d) Estimates of wine equalisation tax revenue include the offsetting revenue effects of the wine equalisation tax rebate for cellar door and other sales.

(e) Wholesale sales tax was abolished on 1 July 2000; however, final liabilities, net of refunds, continue to be recognised.

Table 17: Australian Government public non-financial corporations sector operating statement

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS revenue		
Current grants and subsidies	241	691
Sales of goods and services	24,547	24,637
Interest income	77	99
Other	28	22
Total GFS revenue	24,893	25,449
GFS expenses		
Gross operating expenses		
Depreciation	3,525	3,311
Salaries, wages and other entitlements	5,131	5,158
Other operating expenses	10,952	8,709
<i>Total gross operating expenses</i>	<i>19,608</i>	<i>17,179</i>
Interest expenses	590	788
Other property expenses	1,912	3,440
Current transfers		
Tax expenses	1,677	2,037
Other current transfers	0	0
<i>Total current transfers</i>	<i>1,677</i>	<i>2,037</i>
Capital transfers	0	0
Total GFS expenses	23,787	23,444
Net operating balance	1,106	2,005
Net acquisition of non-financial assets		
Purchases of non-financial assets	3,303	3,148
<i>less</i> Sales of non-financial assets	363	207
<i>less</i> Depreciation	3,525	3,311
<i>plus</i> Change in inventories	-47	-17
<i>plus</i> Other movements in non-financial assets	-12	249
Total net acquisition of non-financial assets	-645	-138
Net lending/fiscal balance(a)	1,752	2,143

(a) The term fiscal balance is not used by the ABS.

Table 18: Australian Government public non-financial corporations sector balance sheet

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	1,649	1,378
Advances paid	0	0
Investments, loans and placements	680	1,076
Other non-equity assets	4,947	4,595
Equity	350	367
<i>Total financial assets</i>	<i>7,625</i>	<i>7,417</i>
Non-financial assets		
Land and fixed assets	26,563	25,011
Other non-financial assets(a)	699	2,855
<i>Total non-financial assets</i>	<i>27,262</i>	<i>27,866</i>
Total GFS assets	34,887	35,283
GFS liabilities		
Deposits held	0	0
Advances received	0	0
Borrowing	11,216	11,855
Unfunded superannuation liability and other employee entitlements	1,868	1,923
Provisions (other than depreciation and bad and doubtful debts)(a)	3,012	3,312
Other non-equity liabilities	1,111	1,353
Total GFS liabilities	17,206	18,443
Shares and other contributed capital	62,168	66,417
Net worth(b)	-44,487	-49,577
Net financial worth(c)	-71,749	-77,444
Net debt(d)	8,887	9,400

(a) Includes the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.

(b) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The negative net worth recorded for this sector reflects a higher valuation of listed Australian Government corporations by the sharemarket than the value of net assets recorded by these corporations.

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

(d) 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 19: Australian Government public non-financial corporations sector cash flow statement^(a)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	24,540	26,742
Grants and subsidies received	241	457
GST input credit receipts	15	169
Other receipts	160	122
Total operating receipts	24,956	27,490
Cash payments for operating activities		
Payment for goods and services	-6,882	-9,487
Interest paid	-468	-785
Salaries, wages and other entitlements	-5,248	-5,290
GST payments to taxation authority	-1,338	-1,481
Other payments for operating activities	-4,957	-2,470
Total operating payments	-18,893	-19,513
Net cash flows from operating activities	6,063	7,977
Cash flows from investments in non-financial assets		
Sales of non-financial assets	397	228
Purchases of new and secondhand non-financial assets	-3,348	-3,179
Net cash flows from investments in non-financial assets	-2,952	-2,951
Net cash flows from investments in financial assets for policy purposes	0	-13
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-131	-1,005
Net cash flows from investments in financial assets for liquidity purposes	-131	-1,005
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-905	-253
Deposits received (net)	0	0
Distributions paid (net)	-1,912	-3,450
Other financing (net)	234	-719
Net cash flows from financing activities	-2,583	-4,423
Net increase/decrease in cash held	398	-414
Net cash from operations and investments in non-financial assets	3,111	5,026
Finance leases and similar arrangements(b)	0	0
Distributions paid	-1,912	-3,450
Equals surplus(+)/deficit(-)	1,199	1,575

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 20: Australian Government total non-financial public sector operating statement

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS revenue		
Taxation revenue	206,580	206,939
Current grants and subsidies	0	0
Sales of goods and services	28,186	28,032
Interest income	1,321	1,403
Dividend income	1,979	2,320
Other	2,536	2,689
Total GFS revenue	240,602	241,383
GFS expenses		
Gross operating expenses		
Depreciation	5,118	4,955
Superannuation	1,962	2,121
Salaries and wages	17,120	16,162
Payment for supply of goods and services	47,942	46,034
Other operating expenses	2,575	3,511
<i>Total gross operating expenses</i>	<i>74,717</i>	<i>72,784</i>
Nominal superannuation interest expense	5,155	4,898
Other interest expenses	4,838	4,989
Other property expenses	1,912	1,561
Current transfers		
Grant expenses	67,874	67,039
Subsidy expenses	5,401	5,153
Personal benefit payments in cash	72,511	72,746
Other current transfers	0	0
<i>Total current transfers</i>	<i>145,787</i>	<i>144,938</i>
Capital transfers	3,171	3,033
Total GFS expenses	235,579	232,203
Net operating balance(a)	5,023	9,180
Net acquisition of non-financial assets		
Purchases of non-financial assets	5,920	5,543
<i>less</i> Sales of non-financial assets	1,241	808
<i>less</i> Depreciation	5,118	4,955
<i>plus</i> Change in inventories	59	764
<i>plus</i> Other movements in non-financial assets	-247	42
Total net acquisition of non-financial assets	-627	585
Net lending/fiscal balance(a)(b)	5,650	8,595

(a) The fiscal balance and net operating balance outcomes differ from those presented elsewhere in the Final Budget Outcome reflecting the treatment of the GST as an Australian Government tax.

(b) The term fiscal balance is not used by the ABS.

Table 21: Australian Government total non-financial public sector balance sheet

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	3,256	2,973
Advances paid	19,027	18,060
Investments, loans and placements	20,347	25,264
Other non-equity assets	24,388	23,095
Equity	14,472	14,606
<i>Total financial assets</i>	<i>81,490</i>	<i>83,998</i>
Non-financial assets		
Land and fixed assets	63,163	63,755
Other non-financial assets	943	4,583
<i>Total non-financial assets</i>	<i>64,106</i>	<i>68,337</i>
Total GFS assets	145,596	152,335
GFS liabilities		
Deposits held	325	367
Advances received	0	0
Government securities	60,555	60,650
Loans	5,271	5,979
Other borrowing	11,390	12,122
Unfunded superannuation liability and other employee entitlements	98,163	98,553
Other provisions	6,102	7,079
Other non-equity liabilities	21,044	22,231
Total GFS liabilities	202,851	206,981
Shares and other contributed capital	29,228	31,096
Net worth(a)(b)	-86,483	-85,743
Net financial worth(b)(c)	-150,590	-154,080
Net debt(d)	34,911	32,821

(a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The negative net worth recorded for this sector partly reflects a higher valuation of listed Australian Government corporations by the sharemarket than the value of net assets recorded by these corporations.

(b) Net worth and net financial worth for the non-financial public sector now equal the sum of the general government and public non-financial corporations sectors. This is due to the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax now being made within the public non-financial corporations sector.

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

(d) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 22: Australian Government total non-financial public sector cash flow statement^(a)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Cash receipts from operating activities		
Taxes received	202,111	203,203
Receipts from sales of goods and services(b)	26,197	28,333
Grants and subsidies received	0	0
Interest receipts	1,132	1,155
Dividends	1,246	1,344
GST input credit receipts(b)	0	0
Other receipts	2,608	2,725
Total operating receipts	233,295	236,759
Cash payments for operating activities		
Payments for goods and services(b)	-47,266	-47,831
Grants and subsidies paid	-74,791	-73,985
Interest paid	-4,580	-4,835
Personal benefit payments	-70,694	-70,729
Salaries, wages and other entitlements	-22,016	-20,835
GST payments to taxation authority(b)	0	0
Other payments for operating activities	-1,818	-2,554
Total operating payments	-221,167	-220,770
Net cash flows from operating activities	12,128	15,990
Cash flows from investments in non-financial assets		
Sales of non-financial assets	1,509	1,060
Purchases of new and secondhand non-financial assets	-5,943	-5,862
Net cash flows from investments in non-financial assets	-4,434	-4,802
Net cash flows from investments in financial assets		
for policy purposes	-599	-465
Cash flows from investments in financial assets		
for liquidity purposes		
Increase in investments	-201	-3,971
Net cash flows from investments in financial assets		
for liquidity purposes	-201	-3,971
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-2,601	-2,712
Deposits received (net)	-1	38
Distributions paid (net)(c)	-1,912	-1,571
Other financing (net)	-2,714	-3,669
Net cash flows from financing activities	-7,228	-7,913
Net increase/decrease in cash held	-333	-1,161
Net cash from operating activities and investments		
in non-financial assets	7,694	11,188
Finance leases and similar arrangements(d)	3	-5
Distributions paid	-1,912	-1,571
Equals surplus(+)/deficit(-)	5,785	9,611

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) GST flows are excluded from these categories.

(c) Distributions paid comprise non-financial public sector dividends to external shareholders.

(d) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 23: Australian Government public financial corporations sector operating statement

	2003-04 Outcome \$m
GFS revenue	
Current grants and subsidies	120
Sales of goods and services	2,529
Interest income	2,180
Other	14
Total GFS revenue	4,843
GFS expenses	
Gross operating expenses	
Depreciation	24
Salaries, wages and other entitlements	2,704
Other operating expenses	0
<i>Total gross operating expenses</i>	<i>2,728</i>
Interest expenses	1,132
Other property expenses	2,281
Current transfers	
Tax expenses	0
Other current transfers	0
<i>Total current transfers</i>	<i>0</i>
Capital transfers	0
Total GFS expenses	6,141
Net operating balance	-1,298
Net acquisition of non-financial assets	
Purchases of non-financial assets	40
<i>less</i> Sales of non-financial assets	<i>1</i>
<i>less</i> Depreciation	<i>24</i>
<i>plus</i> Change in inventories	<i>4</i>
<i>plus</i> Other movements in non-financial assets	<i>-2</i>
Total net acquisition of non-financial assets	17
Net lending/fiscal balance(a)	-1,315

(a) The term fiscal balance is not used by the ABS.

Table 24: Australian Government public financial corporations sector balance sheet

	2003-04 Outcome \$m
GFS assets	
Financial assets	
Cash and deposits	1,473
Advances paid	0
Investments, loans and placements	75,332
Other non-equity assets	524
Equity	525
<i>Total financial assets</i>	<i>77,853</i>
Non-financial assets	
Land and fixed assets	372
Other non-financial assets(a)	4
<i>Total non-financial assets</i>	<i>377</i>
Total GFS assets	78,230
GFS liabilities	
Deposits held	52,121
Advances received	0
Borrowing	11,647
Unfunded superannuation liability and other employee entitlements	518
Provisions (other than depreciation and bad and doubtful debts)(a)	1,632
Other non-equity liabilities	62
Total GFS liabilities	65,980
Shares and other contributed capital	12,250
Net worth(b)	0
Net financial worth(c)	-377
Net debt(d)	-13,037

(a) Includes the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.

(b) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

(d) 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 25: Australian Government public financial corporations sector cash flow statement^(a)

	2003-04 Outcome \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	2,543
Grants and subsidies received	132
GST input credit receipts	25
Other receipts	2,120
Total operating receipts	4,819
Cash payments for operating activities	
Payment for goods and services	-2,465
Interest paid	-936
Salaries, wages and other entitlements	-254
GST payments to taxation authority	-3
Other payments for operating activities	-4
Total operating payments	-3,662
Net cash flows from operating activities	1,157
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1
Purchases of new and secondhand non-financial assets	-42
Net cash flows from investments in non-financial assets	-41
Net cash flows from investments in financial assets for policy purposes	-222
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-5,338
Net cash flows from investments in financial assets for liquidity purposes	-5,338
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	150
Deposits received (net)	3,363
Distributions paid (net)	-1,317
Other financing (net)	1,873
Net cash flows from financing activities	4,069
Net increase/decrease in cash held	-374
Net cash from operating activities and investments in non-financial assets	1,116
Finance leases and similar arrangements(b)	0
Distributions paid	-1,317
Equals surplus(+)/deficit(-)	-201

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 26: Australian Government general government sector purchases of non-financial assets by function

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
General public services	495	360
Defence	484	589
Public order and safety	274	269
Education	19	11
Health	95	83
Social security and welfare	175	143
Housing and community amenities	455	474
Recreation and culture	269	185
Fuel and energy	4	3
Agriculture, forestry and fishing	16	22
Mining, manufacturing and construction	45	41
Transport and communications	67	51
Other economic affairs	182	164
Other purposes	38	0
General government purchases of non-financial assets	2,618	2,395

Attachment A

LOAN COUNCIL ALLOCATION

Under the Loan Council arrangements, every year the Australian Government and each State nominates a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector cash deficit/surplus (underlying cash balance), made up from the general government and public non-financial corporations sector balances;
- net cash flows from investment in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table 27, the Australian Government's 2003-04 LCA outcome is a \$7,708 million surplus. This compares with the Australian Government's 2003-04 Budget estimate of a \$2,159 million surplus. The LCA outcome exceeds the upper bound of the LCA Budget estimate by more than the 2 per cent tolerance limit. A tolerance limit of 2 per cent of non-financial public sector receipts applies between the LCA Budget update and the outcome. Tolerance limits recognise that LCAs are nominated at an early stage of the budget process and may change as a result of policy and parameter changes.

Table 27: Australian Government Loan Council Allocation

	2003-04 Budget Estimate \$m	2003-04 Outcome \$m
General government sector cash deficit(+)/surplus(-)	-2,172	-8,036
Public non-financial corporations sector cash deficit(+)/surplus(-)	-1,499	-1,575
Non-financial public sector cash deficit(+)/surplus(-)	-3,671	-9,611
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(a)	-701	-465
<i>plus</i> Memorandum items(b)	811	1,439
Loan Council Allocation	-2,159	-7,708

(a) Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit/surplus. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(b) For the Australian Government, memorandum items comprise the change in the net present value (NPV) of operating leases (with NPV greater than \$5 million), overfunding of superannuation and an adjustment to exclude Telstra's net financing requirement.

PART 3: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This Part presents financial statements prepared in accordance with applicable Australian Accounting Standards (AAS), including AAS 31 *Financial Reporting by Governments*, except where departures from the standard are identified in Note 1. This Part also provides month of June figures.

A reconciliation between the Australian Government's general government AAS financial statements and Government Finance Statistics (GFS) revenue, expenses and operating result is provided in Appendix A.

Table 28: Statement of financial performance for the Australian Government general government sector

	Note	2003-04 Estimate at 2004-05 Budget \$m	Month of June 2004(a) \$m	2003-04 Outcome \$m
Revenues				
Taxation				
Income taxation	3	141,710	9,831	142,067
Indirect taxation	4	27,515	2,412	27,692
Fringe benefits tax		3,180	182	3,277
Other taxes		1,575	385	1,791
Total taxation revenue		173,980	12,810	174,826
Non-taxation				
Sales of goods and services		4,294	473	4,380
Interest and dividends	5	7,324	709	7,415
Net foreign exchange gains		306	455	599
Proceeds from the sale of assets		1,580	-400	1,497
Other sources of non-taxation revenue	6	2,911	1,334	4,006
Total non-taxation revenue		16,416	2,571	17,897
Total revenue		190,396	15,382	192,723
Expenses				
Goods and services				
Employees	7	20,463	2,101	20,246
Suppliers	8	14,642	1,762	14,244
Depreciation and amortisation	9	4,322	384	3,747
Net writedown of assets		2,985	2,724	5,208
Value of assets sold		1,084	-507	1,003
Other goods and services expenses		7,076	1,465	7,762
Total goods and services		50,572	7,929	52,209
Subsidies benefits and grants				
Personal benefits		85,108	11,921	85,339
Subsidies		9,947	1,346	9,944
Grants	10	36,189	2,177	36,277
Total subsidies benefits and grants		131,243	15,444	131,560
Borrowing costs				
Interest		5,850	516	5,787
Other borrowing costs		24	19	31
Total interest and other borrowing costs		5,874	535	5,818
Total expenses		187,689	23,908	189,587
Operating result		2,707	-8,526	3,136

(a) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued.

Table 29: Statement of financial position for the Australian Government general government sector as at 30 June

		2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
	Note		
Assets			
Financial assets			
Cash		1,607	1,591
Receivables		30,341	28,120
Investments		35,942	40,484
Equity accounted investments		451	401
Accrued revenue		374	543
Other financial assets		24	16
Total financial assets		68,740	71,155
Non-financial assets			
	11		
Land and buildings (excluding heritage)		17,993	19,347
Infrastructure(a)		38,974	38,867
Heritage and cultural assets(a)		4,949	6,442
Intangibles		1,470	1,550
Inventories		4,237	4,832
Other non-financial assets		1,787	1,968
Total non-financial assets		69,410	73,007
Total assets		138,150	144,162
Liabilities			
Debt			
Government securities		55,359	55,355
Loans		4,202	4,906
Leases		151	250
Deposits		325	364
Other debt		1,094	1,160
Total debt		61,131	62,036
Provisions and payables			
Employees and superannuation	12	96,295	96,630
Suppliers		2,244	2,349
Personal benefits payable		5,010	5,662
Subsidies payable		373	431
Grants payable	13	9,004	8,577
Other provisions and payables		9,225	10,683
Total provisions and payables		122,152	124,333
Total liabilities		183,283	186,368
Net assets	14	-45,133	-42,207
Equity			
Accumulated results		-78,624	-77,509
Reserves		33,491	35,302
Capital		0	0
Total equity		-45,133	-42,207

(a) Heritage and cultural assets were previously included in infrastructure.

Table 30: Statement of cash flows for the Australian Government general government sector

	Note	2003-04 Estimate at 2004-05 Budget \$m	Month of June 2004(a) \$m	2003-04 Outcome \$m
Operating activities				
Cash received				
Taxation	15	170,442	14,738	172,177
Sales of goods and services		4,443	479	4,488
Interest		3,042	383	2,987
Dividends		3,207	24	3,223
GST input credit receipts		2,461	213	2,462
Other		2,471	257	2,756
Total operating cash received		186,066	16,093	188,093
Cash used				
Payments to employees		18,480	1,929	17,928
Payments to suppliers		17,391	3,203	17,564
Subsidies paid		9,423	1,358	9,340
Personal benefits		83,291	9,399	83,037
Grant payments		35,681	2,061	35,188
Interest and other financing costs		5,870	328	5,837
GST payments to taxation authority		129	-3	89
Other		7,146	588	6,996
Total operating cash used		177,410	18,863	175,979
Net cash from operating activities		8,656	-2,770	12,114
Investing activities				
Cash received				
Proceeds from asset sales program		376	159	376
Proceeds from sales of property, plant and equipment and intangibles		1,142	114	853
Net loans, advances and HECS		0	-360	0
Other net investing cash received		343	-818	281
Total investing cash received		1,860	-904	1,509
Cash used				
Purchase of property, plant and equipment and intangibles		5,187	-65	4,897
Net loans, advances and HECS		752	605	605
Other net investing cash paid		406	-7,485	3,353
Total investing cash used		6,344	-6,945	8,855
Net cash from investing activities		-4,484	6,041	-7,345
Financing activities				
Cash received				
Other		0	-1,879	71
Total financing cash received		0	-1,879	71
Cash used				
Net repayments of borrowings		1,697	-1,575	2,458
Other		3,206	3,100	3,128
Total financing cash used		4,903	1,525	5,586
Net cash from financing activities		-4,903	-3,405	-5,515
Net increase/decrease in cash held	2	-731	-134	-747

(a) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued.

Notes to the financial statements

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* requires that the Final Budget Outcome be based on external reporting standards and that departures from applicable external reporting standards be identified.

The financial statements included in this section of the Final Budget Outcome have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), including AAS 31 *Financial Reporting by Governments* except as noted below.

AAS requires governments to prepare accrual-based general purpose financial reports. This means that assets, liabilities, revenues and expenses are recorded in financial statements when transactions have an economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS, a statement of financial performance, a statement of financial position and a statement of cash flows have been prepared using results for 2003-04.

The accounting policies in this Part are generally consistent with the requirements of AAS. While the scope for financial reporting recommended in AAS 31 is the whole of government (that is, the Australian Government public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the presentation of financial outcomes in Part 3 covers the general government sector only.

AAS would suggest the gross amount of goods and services tax (GST) be included in the Australian Government's financial statements. However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, GST is collected by the Australian Taxation Office as an agent for the states and territories, and appropriated to the states and territories. Therefore, accrued GST revenues and associated payments to the states and territories are not recorded in the financial statements.

Note 2: Reconciliation of cash

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Operating result (revenues less expenses)	2,707	3,136
<i>less</i> Revenues not providing cash		
Foreign exchange gains	306	599
Gains from asset sales programme	267	376
Gains from sale of assets	234	1,121
Other	473	1,206
Total revenues not providing cash	1,281	3,302
<i>plus</i> Expenses not requiring cash		
Increase/(decrease) in employee entitlements	1,983	-685
Depreciation/amortisation expense	4,322	3,747
Provision for bad and doubtful debts	624	1,500
Provision for diminution in value of assets	391	1,044
Losses from asset sales programme	0	133
Losses from sale of assets	0	853
Other	-56	3,064
Total expenses not requiring cash	7,264	9,655
<i>plus</i> Cash provided by working capital items		
Decrease in other financial assets	57	0
Decrease in other non-financial assets	146	50
Increase in benefits subsidies and grants payable	2,350	3,998
Increase in suppliers' liabilities	0	72
Increase in other provisions and payables	0	87
Total cash provided by working capital items	2,553	4,207
<i>less</i> Cash used by working capital items		
Increase in inventories	88	576
Increase in receivables	2,111	896
Increase in other financial assets	0	110
Decrease in benefits subsidies and grants payable	41	0
Decrease in other provisions and payables	275	0
Decrease in suppliers' liabilities	73	0
Total cash used by working capital items	2,588	1,582
<i>equals</i> Net cash from/(to) operating activities	8,656	12,114
<i>Net cash from/(to) investing activities</i>	-4,484	-7,345
Net cash from operating activities and investment	4,172	4,769
<i>Net cash from/(to) financing activities</i>	-4,903	-5,515
equals Net (decrease)/increase in cash	-731	-747

Note 2(a): Consolidated Revenue Fund

The cash balance reflected in the statement of financial position for the Australian Government general government sector (Table 29) includes the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997* and the reported cash balances controlled and administered by entities, subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government general government sector cash, less cash controlled and administered by CAC Act entities, plus special public monies, represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown below.

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Total general government sector cash	1,607	1,591
<i>less</i> CAC Agency cash balances	814	938
<i>plus</i> Special public monies	74	91
Balance of Consolidated Revenue Fund at 30 June	867	744

Note 3: Income tax revenue — accrual

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Individuals and other withholding taxes		
Gross income tax withholding	89,870	90,095
Gross other individuals	19,760	21,010
<i>less</i> Refunds	12,200	12,325
Total individuals and other withholding taxes	97,430	98,779
Companies	37,310	36,337
Superannuation funds		
Contributions and earnings	4,510	4,487
Superannuation surcharge	1,260	1,298
Total superannuation funds	5,770	5,785
Petroleum resource rent tax	1,200	1,165
Total income taxation revenue	141,710	142,067

Note 4: Indirect tax revenue — accrual

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Excise duty		
Petroleum and other fuel products and crude oil	13,470	13,529
Other excise	7,470	7,539
Total excise duty	20,940	21,068
Customs duty	5,585	5,622
Other indirect tax	990	1,002
GST	34,175	34,121
<i>less</i> GST revenue to States and Territories	34,175	34,121
GST revenue	0	0
Mirror taxes	312	312
<i>less</i> mirror tax revenue to States and Territories	312	312
Mirror tax revenue	0	0
Total indirect taxation revenue	27,515	27,692

Note 5: Interest and dividend revenue

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Interest		
Interest from other governments		
State and Territory debt	38	38
Housing agreements	178	178
Total interest from other governments	215	215
Interest from other sources		
Swap interest	1,909	1,912
Advances	19	2
Deposits	3	0
Bills receivable	6	4
Bank deposits	172	682
Indexation of HECS receivable and other student loans	276	274
Other	553	126
Total interest from other sources	2,938	3,001
Total interest	3,153	3,216
Dividends		
Dividends from associated entities	4,126	4,181
Other dividends	45	18
Total dividends	4,171	4,199
Total interest and dividends	7,324	7,415

Note 6: Other sources of non-taxation revenue

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Industry contributions	125	135
International Monetary Fund related revenue	35	36
Other	2,752	3,835
Total other sources of non-taxation revenue	2,911	4,006

Note 7: Employees expenses

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Salaries and wages(a)	11,989	11,004
Leave and other entitlements	1,486	1,414
Separations and redundancies	72	99
Workers compensation premiums	0	344
Other (including superannuation)	6,916	7,384
Total employee expenses	20,463	20,246

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Supply of goods and services	12,953	9,705
Operating lease rental expenses	1,559	1,606
Other	131	2,932
Total suppliers	14,642	14,244

Note 9: Depreciation and amortisation expenses

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Depreciation		
Specialist military equipment	2,729	2,104
Buildings	537	400
Heritage and cultural assets	40	35
Other infrastructure, plant and equipment	712	859
Total depreciation	4,019	3,398
Total amortisation	303	349
Total depreciation and amortisation	4,322	3,747

Note 10: Grants expenses

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
State and territory governments	23,592	23,243
Non-profit organisations	1,675	1,754
Overseas	276	238
Private sector	1,923	2,100
Local governments	362	368
Other	8,361	8,574
Total grants	36,189	36,277

Note 11: Total non-financial assets

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Land and buildings		
Land	4,576	5,196
Buildings	13,417	14,152
Total land and buildings	17,993	19,347
Infrastructure		
Specialist military equipment	31,023	30,746
Other	7,951	8,122
Total infrastructure	38,974	38,867
Intangibles		
Computer software	1,388	1,417
Other	82	133
Total intangibles	1,470	1,550
Heritage and cultural assets	4,949	6,442
Total heritage and cultural assets	4,949	6,442
Inventories	4,237	4,832
Total inventories	4,237	4,832
Other non-financial assets		
Prepayments	1,543	1,770
Other	244	197
Total other non-financial assets	1,787	1,968
Total non-financial assets	69,410	73,007

Note 12: Employee and superannuation liabilities

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Superannuation	87,869	88,090
Leave and other entitlements	4,173	4,069
Accrued salaries and wages	339	416
Workers compensation claims	1,437	1,400
Separations and redundancies	38	67
Workers compensation premiums	1,641	1,789
Other	798	800
Total employee and superannuation liability	96,295	96,630

Note 13: Grants payable

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
State and Territory Governments	3,679	3,630
Non-profit organisations	34	78
Private sector	57	856
Overseas	828	822
Local governments	1	7
Other	4,405	3,184
Total grants payable	9,004	8,577

Note 14: Net asset movements

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Opening net assets	-48,075	-48,075
Operating result	2,707	3,136
Asset revaluation reserve	260	2,735
Other movements	-25	-3
Closing net assets	-45,133	-42,207

Note 15: Tax receipts — cash

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Total taxation receipts	203,994	205,684
<i>less</i> payments to States and Territories in relation to GST revenue	33,240	33,195
<i>less</i> payments to States and Territories in relation to mirror tax revenue	312	312
Taxation receipts	170,442	172,177

PART 4: FEDERAL FINANCIAL RELATIONS

This Part provides information concerning goods and services tax (GST) revenue, general revenue assistance, revenue replacement payments, general purpose assistance to local government and Specific Purpose Payments to the states and territories (the States) in 2003-04. The information supplements material provided in Budget Paper No. 3, *Federal Financial Relations 2004-05*.

Under *The New Tax System*, which came into effect on 1 July 2000, Commonwealth-State financial relations have been substantially reformed. All GST revenue collected is received by the States. This provides the States with access to a secure, growing and broad-based revenue source. States can spend the GST revenue according to their own budget priorities.

The implementation of *The New Tax System* has also enabled the abolition of a range of narrow and inefficient state taxes. This includes financial institutions duty and stamp duty on quoted marketable securities which were abolished from 1 July 2001. In March 2004, the Australian Government and the State Governments agreed to abolish bank account debits tax by 1 July 2005 and agreed to review the need to retain a range of state business stamp duties.

The new system of Commonwealth-State financial relations has also provided for the introduction of the First Home Owners Scheme.

In addition, the Australian Government has made a commitment to provide assistance to the States in the transitional years to ensure that each individual state will be no worse off than it would have been had the reforms not been implemented. To meet this guarantee, the Australian Government pays the States Budget Balancing Assistance to cover any shortfall of GST revenue below the Guaranteed Minimum Amount (GMA) which is a calculation of the amount of funding each state would have had available to it under the previous system of financial relations.

GST REVENUE PROVISION

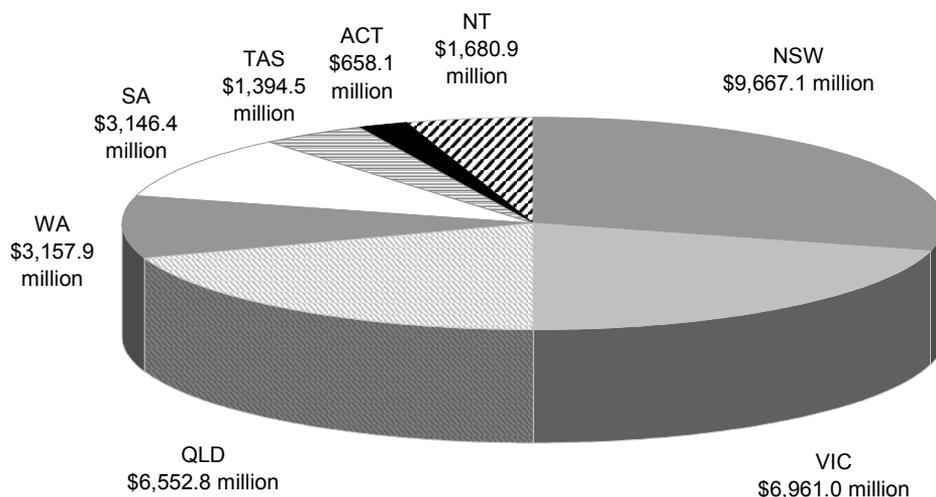
The *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* (the Act) provides that the States receive all GST revenue. The GST revenue pool is distributed to the States on the basis of recommendations of the Commonwealth Grants Commission (CGC), which applies the principles of Horizontal Fiscal Equalisation to help determine state revenue shares. Budget Paper No. 3, *Federal Financial Relations 2004-05* provides more details on Horizontal Fiscal Equalisation.

Under the Act, the Commissioner of Taxation (the Commissioner) is required to make a determination by 20 June each year of the estimated GST revenue collections for the year. In accordance with the Commissioner's determination of GST revenue on

18 June 2004, a total of \$33,218.7 million in GST revenue was provided to the States in 2003-04. This reflects a GST revenue estimate for 2003-04 of \$33,240.0 million minus a \$21.3 million adjustment for the difference between the Commissioner's determination of 2002-03 GST collections and the 2002-03 GST outcome. The Commissioner's estimate of GST for 2003-04 was broadly consistent with both the estimate at Budget, and the final GST revenue outcome as reported in Appendix A and in Note 15 in Part 3.

The final provision of GST revenue to the States in 2003-04 is illustrated in Chart 1.

Chart 1: GST revenue provision to the states and territories



The calculation of the distribution of GST revenue to the States is shown in Table 31. The distribution differs marginally from estimates shown in Budget Paper No. 3, *Federal Financial Relations 2004-05*, reflecting final determinations made under the Act.

The 2003-04 GST revenue was distributed, in accordance with the Act, using GST relativities recommended by the CGC.

Table 31 shows the per capita relativities applied to the States' populations (as at 31 December 2003) in order to arrive at a weighted population share for each state. A state's share of GST revenue is equal to its weighted population share of the combined GST revenue and unquarantined Health Care Grants (HCGs), less the unquarantined HCGs it receives.

Table 31: GST revenue provision to the states and territories

	Population as at 31 December 2003	Per capita relativities	Weighted population (1) x (2)	Share of Weighted Population (%)	GST revenue/HCGs pool according to (4) (\$m)	Unquarantined HCGs (\$m)	Distribution of GST revenue (5) - (6) (\$m)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,716,277	0.89117	5,985,345	30.0	12,082.9	2,415.8	9,667.1
VIC	4,947,985	0.87010	4,305,242	21.5	8,691.2	1,730.2	6,961.0
QLD	3,840,111	1.01902	3,913,150	19.6	7,899.6	1,346.8	6,552.8
WA	1,969,046	0.96946	1,908,911	9.6	3,853.6	695.7	3,157.9
SA	1,531,375	1.21215	1,856,256	9.3	3,747.3	600.9	3,146.4
TAS	479,958	1.59948	767,683	3.8	1,549.8	155.3	1,394.5
ACT	322,579	1.14979	370,898	1.9	748.7	90.7	658.1
NT	198,700	4.38638	871,574	4.4	1,759.5	78.6	1,680.9
Total	20,006,031	na	19,979,059	100.0	40,332.6	7,113.9	33,218.7

GENERAL REVENUE ASSISTANCE

In 2003-04, general revenue assistance to the States comprised Budget Balancing Assistance (BBA), National Competition Policy Payments and Special Revenue Assistance.

Budget Balancing Assistance

As previously noted, the Australian Government has guaranteed that in each of the transitional years following the introduction of tax reform, each state's budgetary position will be no worse off than had the reforms not been implemented. This is given effect to by the payment of transitional assistance in the form of BBA.

In June 2004, it was determined that New South Wales was entitled to \$68.8 million in BBA for 2003-04. The other states did not require BBA in 2003-04 as their respective shares of GST revenue exceeded their GMAs by a combined total of \$1,106.0 million.

The calculation of BBA entitlements for 2003-04 is shown in Table 32 and is broadly consistent with estimates at Budget.

Consistent with the terms of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Australian Government advanced BBA to a number of states in four quarterly instalments in 2003-04. These advances were based on the estimated BBA entitlements of the States at the time of each advance. However, the upward revision to GST estimates in the Budget resulted in a lower than previously estimated BBA entitlement for New South Wales, and no BBA entitlement for any of the other States. On the basis of the determined BBA entitlements, the advances to the states in 2003-04 exceeded the states' final entitlements to BBA in 2003-04 by \$374.2 million. This is shown in Table 33.

Consistent with the provisions of the Act, the Australian Government will deduct the amount of excess BBA paid in 2003-04 from payments to be made to the states under the Act in 2004-05.

Table 32: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance to the states and territories

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
State revenues forgone									
Financial Assistance Grants	5,411.0	4,016.3	4,219.1	1,810.6	2,170.1	1,032.5	443.1	1,388.4	20,491.1
Revenue Replacement Payments	2,544.0	1,702.4	1,543.4	1,064.1	661.8	224.7	113.1	143.6	7,997.0
Financial Institutions Duty	703.0	398.3	na	150.7	100.1	24.2	20.0	16.7	1,413.0
Marketable Securities Duty	456.0	236.5	27.0	29.3	15.6	0.8	24.8	1.1	791.1
Marketable Securities Duty Needs	-22.7	11.2	13.6	2.8	3.9	2.6	-12.2	0.9	0.0
Accommodation taxes	82.0	na	na	na	na	na	na	9.0	91.0
plus Reduced revenues									
Gambling taxes	582.0	389.4	251.3	62.7	98.2	27.9	23.9	17.7	1,453.2
plus Interest costs									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
plus Additional expenditures									
First Home Owners Scheme	237.9	195.8	168.8	93.9	57.0	19.5	11.3	7.8	792.0
GST administration costs	191.7	141.2	109.6	56.2	43.7	13.7	9.2	5.7	570.9
plus Other items									
Wholesale sales tax payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
minus Reduced expenditures									
Off-road diesel subsidies	141.2	58.8	137.4	177.9	37.7	2.3	0.0	4.0	559.3
Savings from tax reform	179.1	122.9	101.6	60.6	44.1	14.9	10.1	14.8	548.0
Low alcohol beer subsidies	25.3	17.5	4.9	8.0	4.7	1.7	1.0	1.2	64.4
minus Growth dividend									
Remaining State taxes	99.1	64.0	33.5	20.0	16.1	4.1	3.1	2.2	242.0
plus Adjustments									
2002-03 GMA adjustment	-4.4	6.5	-6.1	-2.5	-0.6	2.1	0.3	0.7	-4.0
Total	9,735.9	6,834.4	6,049.3	3,001.3	3,047.2	1,325.0	619.3	1,569.3	32,181.5
GST revenue provision	9,667.1	6,961.0	6,552.8	3,157.9	3,146.4	1,394.5	658.1	1,680.9	33,218.7
Budget Balancing Assistance	68.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	68.8

Table 33: Overpayment of Budget Balancing Assistance

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Payments in 2003-04	316.7	104.2	0.0	0.0	22.0	0.0	0.0	0.0	443.0
BBA entitlement	68.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	68.8
BBA overpayment	247.9	104.2	0.0	0.0	22.0	0.0	0.0	0.0	374.2

National Competition Policy Payments (NCPPs)

NCPPs are distributed between the States on an equal per capita basis. Payment is subject to each State achieving satisfactory progress in implementing specified reforms under the *Agreement to Implement the National Competition Policy and Related Reforms*. Out of a maximum level of payments in 2003-04 of \$759.0 million, the National Competition Council (NCC) recommended permanent deductions of \$53.9 million and suspensions of \$126.9 million. The payments made to the States in 2003-04, as set out in Table 34, reflect that the permanent deductions and suspensions recommended by the NCC were agreed to by the Australian Government and applied accordingly.

Table 34: National Competition Policy Payments

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2003-04	203.5	178.7	87.9	33.6	40.7	17.2	11.0	5.9	578.5

Special Revenue Assistance

In 2003-04, in accordance with the recommendations of the CGC, Special Revenue Assistance of \$15.0 million was paid to the Australian Capital Territory.

FINANCIAL ASSISTANCE GRANTS TO LOCAL GOVERNMENT

Table 35 provides details of the Australian Government payments to local government authorities in 2003-04 for each of the six states and the Northern Territory, and an analogous payment made to the Australian Capital Territory.

In 2003-04, local government Financial Assistance Grants were increased on the basis of an annual escalation factor determined by the Treasurer. The payments made to the States in 2003-04 and shown in Budget Paper No. 3, *Federal Financial Relations 2004-05* were based on an estimated escalation factor of 1.0367, estimated in June 2003, and take into account an underpayment of \$6.0 million in 2002-03.

On 24 June 2004, the Treasurer determined the final 2003-04 escalation factor to be 1.0316 on the basis of the Australian Statistician's determination of population and Treasury's estimate of the ongoing consumer price index. The difference between the estimate and the final escalation factor for 2003-04 has resulted in an overpayment of \$7.4 million in 2003-04 for which there will be an adjustment in 2004-05, as provided for under the *Local Government (Financial Assistance) Act 1995*.

Table 35: Financial Assistance Grants to local government

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
General Purpose Assistance	353.2	260.0	199.2	103.0	80.9	25.2	17.0	10.4	1,049.0
Untied local road funding	135.0	96.0	87.2	71.2	25.6	24.7	14.9	10.9	465.5
Total Financial Assistance Grants(a)	488.3	355.9	286.4	174.2	106.5	49.9	32.0	21.3	1,514.5

(a) Total Financial Assistance Grant is the actual cash payment that the State receives on behalf of local government. It is equal to the estimated entitlement for a given year adjusted for an overpayment or underpayment from the previous year. The information presented in this table differs from that in Table 36, which is prepared on an accrual basis.

SPECIFIC PURPOSE PAYMENTS (SPPs)

Tables 36 and 37 provide information on Australian Government SPPs to and through the States, and direct to local government.

Table 36 presents SPPs on a functional basis, and includes SPPs for current and capital purposes. Payments are aggregated according to like objectives and purposes and are further divided into those paid to the States and those paid through the States to be passed on to local government and others. Payments through the States are indicated in the table with an (*) and separate totals for payments to the States and payments through the States are presented in the summary at the end of the table.

Australian Government advances (loans) to the States, including new advances, interest on advances and repayments by the States are also detailed in Table 36. The majority of these advances were funded from borrowing made on behalf of the States under the previous Australian Loan Council arrangements.

Table 37 presents information on Australian Government SPPs paid direct to local government authorities for both current and capital purposes.

Tables 36 and 37 provide information prepared on an accrual basis.

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Public Order and Safety</i>									
Legal aid	40,629	0	0	11,612	10,927	4,039	3,337	2,732	73,276
Film and literature classifications	89	89	89	88	89	88	89	86	707
Gun Buyback Scheme	21,633	21,756	19,624	4,463	10,899	2,411	999	1,525	83,310
<i>Public Order and Safety - total</i>	62,351	21,845	19,713	16,163	21,915	6,538	4,425	4,343	157,293
<i>Education</i>									
Government schools	516,758	370,801	315,911	153,123	112,614	43,193	25,365	19,243	1,557,008
*Non-government schools	1,362,230	1,078,858	749,209	401,577	310,043	82,840	86,962	35,184	4,106,903
Vocational Education and Training Funding Act(a)	364,614	276,433	185,331	100,487	85,674	28,007	21,262	14,971	1,076,779
Targeted programmes - government schools and joint	128,034	80,858	56,572	30,475	31,322	9,902	3,411	7,520	348,094
*Targeted Programmes - non-government schools	66,073	53,615	24,181	13,814	13,890	3,154	2,642	1,842	179,211
Indigenous Education Strategic Initiatives									
Programme - government(b)	26,363	6,980	26,764	18,421	6,966	2,443	1,048	24,836	113,821
*Indigenous Education Strategic Initiatives									
Programme - non-government	14,613	2,333	11,185	10,634	2,708	646	534	10,522	53,175
<i>Education - total</i>	2,478,685	1,869,878	1,369,153	728,531	563,217	170,185	141,224	114,118	7,434,991
<i>Health</i>									
Hepatitis C Settlement Fund	0	0	0	0	0	0	2,311	0	2,311
Health Programme Grants	0	2,149	0	0	0	0	0	600	2,749
Health Care Grants	2,535,658	1,813,773	1,419,245	730,408	634,289	168,152	98,555	92,719	7,492,799
Highly specialised drugs	140,045	102,242	71,608	38,451	31,021	8,341	6,976	5,242	403,926
Youth health services	792	661	60	60	212	193	53	411	2,442
National public health	59,971	46,756	26,405	13,831	13,067	5,549	3,781	3,690	173,050
Essential vaccines	45,338	31,469	25,389	14,254	10,416	2,944	2,550	1,800	134,160
Repatriation general hospitals	17	98	0	0	716	0	0	0	831
Assistance for Bali victims	474	130	238	2,337	350	0	0	1,320	4,849
<i>Health - total</i>	2,782,295	1,997,278	1,542,945	799,341	690,071	185,179	114,226	105,782	8,217,117

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Social Security and Welfare									
Aged care assessment	16,784	12,110	8,162	4,235	4,365	1,353	482	810	48,301
Home and community care	228,726	187,980	145,883	72,497	63,086	18,743	8,516	5,058	730,489
Disabilities services	193,798	124,329	105,352	43,971	61,263	19,300	7,603	5,676	561,292
Children's services	1,049	977	837	432	7,396	225	56	0	10,972
Supported accommodation assistance	55,167	36,667	28,387	16,906	16,238	7,271	5,792	4,832	171,260
Unaccompanied humanitarian minors	126	162	46	93	412	0	0	0	839
Extension of fringe benefits	64,340	45,995	32,116	16,172	18,297	5,876	1,306	895	184,997
Native Title	0	0	0	0	0	0	0	0	0
Concessions for Cwth Seniors Health Card holders(c)	0	0	0	0	0	0	0	0	0
State Senior's Card reciprocal transport concessions(c)	0	0	0	0	0	0	0	0	0
Social Security and Welfare - total	559,990	408,220	320,783	154,306	171,057	52,768	23,755	17,271	1,708,150
Housing and Community Amenities									
Assistance for water and sewerage	0	0	0	0	0	0	8,873	0	8,873
Natural Heritage Trust of Australia - Bushcare	177	552	590	474	50	30	0	5	1,878
Natural Heritage Trust of Australia - Coastcare	98	105	2,560	610	855	977	0	0	5,205
Natural Heritage Trust of Australia - Landcare	282	25	239	78	48	291	0	0	963
Natural Heritage Trust of Australia - Rivercare	49	65	0	20	105	3	0	0	242
Housing and Community Amenities - total	606	747	3,389	1,182	1,058	1,301	8,873	5	17,161
Recreation and Culture									
Melbourne Commonwealth Games 2006	0	40,000	0	0	0	0	0	0	40,000
Natural Heritage Trust of Australia - Bushcare	629	0	3,810	161	86	11,027	0	0	15,713
Natural Heritage Trust of Australia - Coastcare	45	0	0	0	0	30	0	0	75
Natural Heritage Trust of Australia - Landcare	30	0	0	0	0	30	0	0	60
Natural Heritage Trust of Australia - Rivercare	30	0	0	0	0	40	0	0	70
Recreation and Culture - total	734	40,000	3,810	161	86	11,127	0	0	55,918
Fuel and Energy									
Snowy Hydro Ltd - company tax compensation	21,596	10,798	0	0	0	0	0	0	32,394
Fuel and Energy - total	21,596	10,798	0	0	0	0	0	0	32,394

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000) (continued)

Function	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Agriculture, Forestry and Fishing									
Natural Heritage Trust of Australia - Bushcare	14,955	7,383	10,282	4,334	4,109	3,625	608	2,551	47,847
Natural Heritage Trust of Australia - Coastcare	4,903	1,718	3,761	1,748	1,159	1,457	17	2,974	17,737
Natural Heritage Trust of Australia - Landcare	10,264	5,866	9,937	2,509	2,252	2,986	335	1,128	35,277
Natural Heritage Trust of Australia - Rivercare	10,492	1,670	6,879	1,024	1,906	1,941	227	949	25,088
TAS Wheat Freight - shipping	0	0	0	0	0	1,200	0	0	1,200
Exotic Disease Preparedness	560	970	18	41	13	0	36	16	1,654
Exceptional circumstances assistance	49,142	12,310	30,694	5,273	512	0	0	0	97,931
National Landcare Programme (NLP)	6,243	4,627	7,936	3,662	3,184	995	140	1,080	27,867
Regional Assistance	1,965	-15	411	1,186	482	0	0	0	4,029
Great Artesian Basin Sustainability Initiative	0	0	0	0	0	0	0	0	0
Forest Industry Structural Adjustment Package	12,173	1,624	0	0	0	0	0	0	13,797
Skilling Farmers for the Future	3,158	5,517	9,777	938	3,348	488	0	353	23,579
War Service Land Settlement Scheme	0	0	0	0	1,026	2	0	0	1,028
Eradication of Red Imported Fire Ant	0	0	20,500	0	0	0	0	0	20,500
National Action Plan for Salinity and Water Quality	39,924	25,251	9,989	2,652	13,946	1,837	15	45	93,659
Plant Disease and Eradication	0	0	369	0	1,014	0	0	231	1,614
Agricultural Development Partnerships	0	0	0	0	192	0	0	0	192
Agriculture, Forestry and Fishing - total	153,779	66,921	110,553	23,367	33,143	14,531	1,378	9,327	412,999
Transport and Communication									
Interstate road transport	19,147	11,141	3,945	1,649	5,032	208	208	208	41,538
Petroleum Products Freight Subsidy Scheme	194	0	1,913	17	252	0	0	1,224	3,600
Roads to Recovery - Unincorporated areas	950	50	0	0	1,001	0	0	0	2,001
Gold Coast light rail	0	0	230	0	0	0	0	0	230
Transport and Communication - total	20,291	11,191	6,088	1,666	6,285	208	208	1,432	47,369

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Other Purposes									
Debt Redemption Assistance	9,613	4,996	8,743	3,091	3,773	3,726	0	1,368	35,310
*Financial Assistance Grants for local government									
<i>Financial Assistance Grants</i>	352,336	258,936	198,076	102,482	80,494	25,054	17,042	10,388	1,044,808
<i>United Local Roads Grants</i>	134,513	95,583	86,867	70,889	25,480	24,569	14,866	10,860	463,627
Compensation - companies regulation	51,790	45,275	25,497	15,694	11,673	3,616	0	2,307	155,852
Natural Disaster Relief	4,770	30,127	2,023	79	0	0	9,919	18	46,936
Royalties	0	0	0	368,457	0	0	0	2,242	370,699
ACT National Capital influences	0	0	0	0	0	0	22,067	0	22,067
Special Revenue Assistance to the ACT	0	0	0	0	0	0	15,000	0	15,000
Assistance to ACT Softwood Sawmill	0	0	0	0	0	0	1,000	0	1,000
Other Purposes - total	553,022	434,917	321,206	560,692	121,420	56,965	79,894	27,183	2,155,299
TOTAL CURRENT	6,633,349	4,861,795	3,697,640	2,285,409	1,608,252	498,802	373,983	279,461	20,238,691
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Education									
Government schools	83,439	58,948	48,617	25,755	18,781	6,799	4,121	3,119	249,579
*Non-government schools	32,593	26,282	17,220	9,458	7,337	2,107	2,192	874	98,063
Education - total	116,032	85,230	65,837	35,213	26,118	8,906	6,313	3,993	347,642
Social Security and Welfare									
Home and community care	0	1,899	0	0	0	0	0	0	1,899
Crisis accommodation assistance	13,372	9,827	7,518	3,889	3,055	951	647	396	39,655
Social Security and Welfare - total	13,372	11,726	7,518	3,889	3,055	951	647	396	41,554
Housing and Community Amenities									
Housing assistance for indigenous people	17,777	3,638	27,524	18,177	8,926	351	0	24,188	100,581
Community housing	21,578	15,858	12,131	6,276	4,930	1,534	1,044	639	63,990
CSHA Block Assistance/Base Funding	239,388	175,929	134,579	69,629	54,690	21,189	16,747	13,079	725,230
Social Housing Subsidy Programme	1,926	0	0	0	0	0	121	0	2,047

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000) (continued)

Function	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
Housing and Community Amenities (continued)									
*Federal flood mitigation	3,060	132	1,008	168	209	171	0	0	4,748
*Disaster Mitigation Package	1,823	320	1,797	680	661	36	154	0	5,471
*Additional First Home Owners Scheme	2,120	0	0	0	0	187	0	0	2,307
Housing and Community Amenities - total	287,672	195,877	177,039	94,930	69,416	23,468	18,066	37,906	904,374
Fuel and Energy									
*Photovoltaic Rebate Programme (PVRP)	1,113	751	6,056	5,729	3,799	1,668	18	4,002	23,136
Renewable Remote Power Generation	91	0	145	521	41	132	0	211	1,141
Fuel and Energy - total	1,204	751	6,201	6,250	3,840	1,800	18	4,213	24,277
Agriculture, Forestry and Fishing									
Natural Heritage Trust of Australia - Landcare	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Rivercare	0	0	0	0	0	0	0	0	0
Warner Creek Dam and Northern Midlands Water Project	0	0	0	0	0	0	0	0	0
Great Artesian Basin Sustainability Initiative	3,000	0	4,556	0	0	0	0	0	7,556
Agriculture, Forestry and Fishing - total	3,000	0	4,556	0	0	0	0	0	7,556
Transport and Communication									
Alice Springs to Darwin Railway	0	0	0	0	0	0	0	0	0
Road programmes	418,189	110,105	230,351	69,369	59,538	13,517	586	26,913	928,568
Road safety blackspots	13,787	10,598	8,734	6,013	3,780	547	278	763	44,500
Federation Fund Projects - QLD	0	0	24,780	0	0	0	0	0	24,780
Federation Fund Projects - NSW/VIC	8,538	0	0	0	0	0	0	0	8,538
Transport and Communication - total	440,514	120,703	263,865	75,382	63,318	14,064	864	27,676	1,006,386
Other Purposes									
Sinking Fund on State Debt	434	128	506	23	176	143	0	0	1,410
Other Purposes - total	434	128	506	23	176	143	0	0	1,410
TOTAL CAPITAL	862,228	414,415	525,522	215,687	165,923	49,332	25,908	74,184	2,333,199

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
REPAYMENTS									
Supplementary Contributions	55,404	43,341	111,310	7,958	31,871	35,986	0	0	285,870
Payments to Debt Sinking Funds	1,754	516	2,045	91	712	578	0	0	5,696
Total	57,158	43,857	113,355	8,049	32,583	36,564	0	0	291,566
Repayments of Australian Government Loans									
ACT Debt Repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - Housing Nominations	5,287	0	1,945	3,373	3,166	1,418	0	1,760	16,949
Repayments of Australian Government Loans - total	5,287	0	1,945	3,373	3,166	1,418	4,647	1,760	21,596
Defence									
Housing for servicemen	742	0	454	147	18	0	0	0	1,361
Defence - total	742	0	454	147	18	0	0	0	1,361
Housing and Community Amenities									
CSHA loans	31,371	0	8,633	8,215	9,597	3,647	0	488	61,951
Other housing	0	0	0	0	0	0	6,047	2,482	8,529
Urban water supply and treatment	0	0	0	0	396	0	0	0	396
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Growth centres	304	0	0	0	0	0	0	0	304
Urban rehabilitation	0	103	0	0	0	0	0	0	103
Community facilities - Townsville	0	0	39	0	0	0	0	0	39
Captains Flat (Abatement of Pollution) Agreement	8	0	0	0	0	0	0	0	8
Sewerage	2,712	0	677	5	0	0	0	0	3,394
Housing and Community Amenities - total	34,395	103	9,349	8,220	9,993	3,647	6,047	3,106	74,860
Agriculture, Forestry and Fishing									
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	0	0
Rural Adjustment Scheme	1,310	0	0	0	0	0	0	104	1,414
War Service Land Settlement Scheme	444	474	0	0	0	5	0	0	923
Agriculture, Forestry and Fishing - total	1,754	474	0	0	0	5	0	104	2,337

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Payment title</i>									
<i>Transport and Communication</i>									
Railway projects	96	96	0	379	0	0	0	0	571
<i>Transport and Communication - total</i>	96	96	0	379	0	0	0	0	571
<i>Other Purposes</i>									
Natural Disaster Relief	388	0	1,770	0	0	0	0	657	2,815
<i>Other Purposes - total</i>	388	0	1,770	0	0	0	0	657	2,815
TOTAL REPAYMENTS	99,820	44,530	126,873	20,168	45,760	41,634	10,694	5,627	395,106
ADVANCES									
<i>Other Purposes</i>									
Natural Disaster Relief	341	0	3	0	0	0	0	0	344
<i>Other Purposes - total</i>	341	0	3	0	0	0	0	0	344
TOTAL ADVANCES	341	0	3	0	0	0	0	0	344
INTEREST									
Interest on Loan Council and NT Government Borrowings	7,655	664	6,018	108	2,626	2,037	0	0	19,108
Total	7,655	664	6,018	108	2,626	2,037	0	0	19,108
<i>Interest on Australian Government Loans</i>									
ACT Government Debt	0	0	0	0	0	0	4,674	0	4,674
Housing nominations	21,425	0	7,721	13,216	12,954	5,689	0	7,442	68,447
<i>Interest on Australian Government Loans - total</i>	21,425	0	7,721	13,216	12,954	5,689	4,674	7,442	73,121
Defence									
Housing for servicemen	2,456	0	1,397	293	103	0	0	0	4,249
Defence - total	2,456	0	1,397	293	103	0	0	0	4,249
<i>Housing and Community Amenities</i>									
CSHA loans	44,172	0	12,269	11,744	18,439	5,973	0	1,495	94,092
Other housing	0	0	0	0	0	0	10,411	4,037	14,448
Urban water supply and treatment	0	0	0	0	1,097	0	0	0	1,097
NT - water and sewerage assistance	0	0	0	0	0	0	0	630	630
Growth centres	59	4	0	0	0	0	0	0	63
Urban rehabilitation	0	0	0	0	0	0	0	0	0
Sewerage	5,536	0	1,454	106	0	0	0	0	7,096

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000) (continued)

Function	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Housing and Community Amenities (continued)</i>									
Community facilities - Townsville	0	0	7	0	0	0	0	0	7
Captains Flat (Abatement of Pollution) Agreement	6	0	0	0	0	0	0	0	6
Housing and Community Amenities - total	49,773	4	13,730	11,850	19,536	5,973	10,411	6,162	117,439
<i>Agriculture, Forestry and Fishing</i>									
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	0	0
Rural Adjustment Scheme	114	0	0	0	0	0	0	8	122
War Service Land Settlement Scheme	148	157	0	0	0	1	0	0	306
Agriculture, Forestry and Fishing - total	262	157	0	0	0	1	0	8	428
<i>Transport and Communication</i>									
Railway projects	39	39	0	317	0	0	0	0	395
Transport and Communication - total	39	39	0	317	0	0	0	0	395
<i>Other Purposes</i>									
Natural Disaster Relief	240	0	290	0	0	0	0	35	565
Other Purposes - total	240	0	290	0	0	0	0	35	565
TOTAL INTEREST	81,850	864	29,156	25,784	35,219	13,700	15,085	13,647	215,305
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	7,495,577	5,276,210	4,223,162	2,501,096	1,774,175	548,134	399,891	353,645	22,571,890
Total 'To'	5,525,103	3,759,400	3,127,563	1,885,665	1,329,554	407,702	275,481	279,973	16,590,441
Total 'Through'	1,970,474	1,516,810	1,095,599	615,431	444,621	140,432	124,410	73,672	5,981,449

* Items so marked are classified as payments 'through' the States.

(a) The allocation of funds to the states and territories for each year, as per the Australian National Training Authority's Directions and Resource Allocations, is subject to agreement by the Australian National Training Authority Ministerial Council. The total level of funding is subject to the amendment of the *Vocational Education and Training Funding Act 1992*.

(b) 'Away from Base' payments under the Indigenous Education Strategic Initiatives Programme - government have been reclassified effective from 2003-04. Funding is now classified as grants direct to providers and personal beneficiaries. Total funding has not been affected by this reclassification. Details of this payment can be found in the Education, Science and Training Portfolio Budget Statement 2004-05.

(c) State and territory governments did not agree to the terms of the Australian Government's offer in 2003-04. As a result no funding was provided in regard to this SPP.

Table 37: Specific Purpose Payments direct to local government authorities, 2003-04 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Disability services	378	-21	504	0	0	0	0	0	861
Children's services	17,292	19,147	6,421	3,715	2,192	2,216	0	4,186	55,169
Roads to Recovery Programme	94,934	59,414	56,528	45,779	24,190	11,166	5,032	2,957	300,000
Weipa Structural Adjustment Package	0	0	0	0	0	0	0	0	0
TOTAL CURRENT	112,604	78,540	63,453	49,494	26,382	13,382	5,032	7,143	356,030
DIRECT PAYMENTS - CAPITAL									
Children's services	129	143	48	28	16	17	0	31	412
Natural Heritage and Water Park, Goondiwindi	0	0	530	0	0	0	0	0	530
Bert Hinkler Hall of Aviation	0	0	0	0	0	0	0	0	0
Development of Sewerage Schemes for Boat Harbour Beach and Sisters Beach	0	0	0	0	0	1,000	0	0	1,000
Mount Panorama motor racing circuit	10,000	0	0	0	0	0	0	0	10,000
TOTAL CAPITAL	10,129	143	578	28	16	1,017	0	31	11,942
TOTAL DIRECT PAYMENTS	122,733	78,683	64,031	49,522	26,398	14,399	5,032	7,174	367,972

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

EXTERNAL REPORTING STANDARDS

The *Charter of Budget Honesty Act 1998* requires that the Final Budget Outcome be based on external reporting standards. Accordingly, the major external standards used in the Final Budget Outcome are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS), including AAS 31 *Financial Reporting by Governments*. The major fiscal aggregates (including the fiscal and underlying cash balances) are based on the accrual GFS framework.

The Charter also requires that departures from applicable external reporting standards be identified. These are disclosed in Attachment A to Part 1 and Note 1 in Part 3.

The next section provides a brief overview of the GFS and AAS reporting frameworks. Further information can be found in Budget Paper No. 1 *Budget Strategy and Outlook 2004-05, Statement 8: Financial Reporting Standards and Budget Concepts*.

ACCRUAL GFS FRAMEWORK

The GFS reporting framework is a specialised financial reporting system designed to support economic analysis of the public sector. It allows comprehensive assessments to be made of the economic impact of government and is consistent with international statistical standards (the *System of National Accounts 1993* (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*).¹

The GFS framework comprises a number of separate statements, each of which draws out analytical aggregates or balances of particular economic significance. Together, these aggregates provide for a thorough understanding of the financial position of the public sector. The GFS statements reported in the Final Budget Outcome are the operating statement, balance sheet, cash flow statement and statement of other economic flows.

All GFS data are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows).

1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2003* (Cat. No. 5514.0.55.001).

A transaction results from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets minus liabilities) are reported as revenues and expenses respectively in the operating statement.²

A change to the value or volume of an asset or liability that does not result from a transaction is an other economic flow. This can include changes in values from market prices, most actuarial valuations and exchange rates and changes in volumes from discoveries, depletion and destruction. Other economic flows are reported in the statement of other economic flows.

Under the accrual GFS framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the effected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in GFS revenues, GFS expenses and the net acquisition of non-financial assets (net capital investment) for an accounting period.

GFS revenues arise from transactions that increase net worth and GFS expenses arise from transactions that decrease net worth. GFS revenues less GFS expenses gives the GFS net operating balance. The net operating balance is comparable to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets due to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

Fiscal balance

The fiscal balance (or GFS net lending/borrowing) is the net operating balance less net capital investment. Thus, fiscal balance includes the impact of net expenditure

2 Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

(effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.³

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government general government sector to the balance on the current account in the balance of payments.

Balance sheet

The balance sheet shows stocks of assets, liabilities and GFS net worth. Net debt is also reported in the balance sheet.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowing) less the sum of selected financial assets (cash and deposits; advances paid; and investments, loans and placements). Net debt does not include superannuation or superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Net worth

The net worth of the general government sector is defined as assets less liabilities. For the public financial corporations and public non-financial corporations sectors, net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are identified specifically because cash management is considered an integral function of accrual budgeting.

³ The net operating balance includes consumption of non-financial assets, as depreciation is a GFS expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Underlying cash balance

The underlying cash balance (GFS surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. The underlying cash balance measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the general government sector, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁴
<i>equals</i>
Underlying cash balance

Headline cash balance

The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the states, net loans to students under the Higher Education Contribution Scheme (HECS), and contributions to international organisations that increase the Australian Government's financial assets.

Statement of other economic flows (reconciliation of net worth)

The statement of other economic flows outlines changes in net worth driven by economic flows other than GFS revenues and GFS expenses. GFS revenues, GFS expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government general government sector arise from price movements in its assets and liabilities.

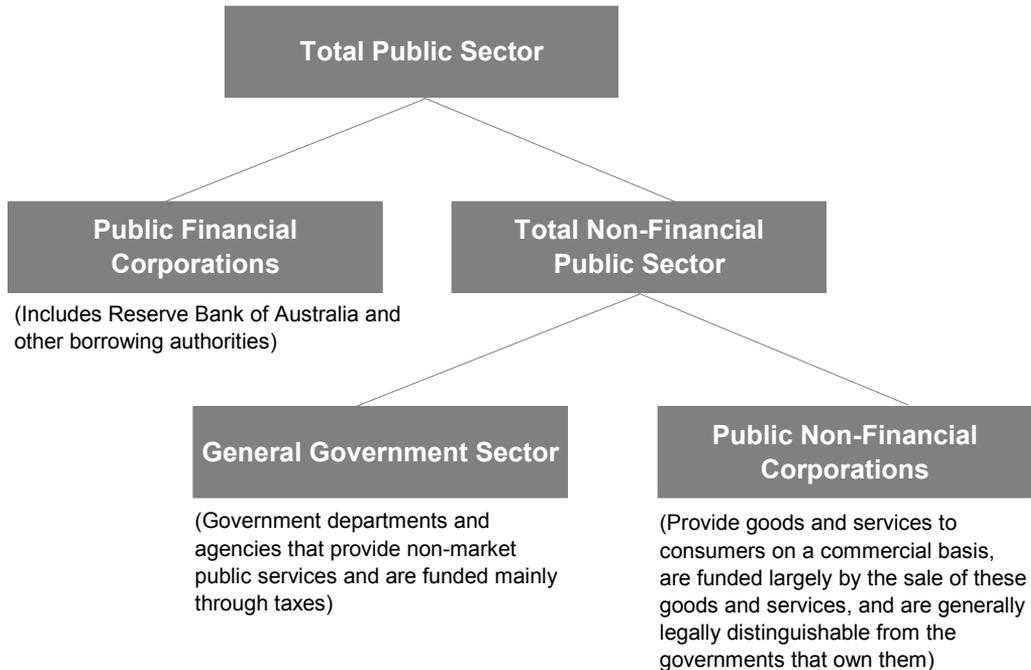
4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Sectoral classifications

To assist in analysing the public sector, GFS data are presented by institutional sector. GFS distinguishes between the general government sector, the public non-financial corporations sector and the public financial corporations sector, as shown in Figure A1.

Figure A1: Institutional structure of the Public Sector



Budget reporting focuses on the general government sector. The general government sector provides public services that are mainly non-market in nature, and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, although user charging and external funding have increased in recent years. This sector comprises all government departments, offices and some other bodies.

In preparing financial statements for the sectors all material transactions and balances between entities within the sectors are eliminated.

AUSTRALIAN ACCOUNTING STANDARDS REPORTING FRAMEWORK, INCLUDING AAS 31

AAS 31 *Financial Reporting by Governments* requires governments to prepare accrual-based general purpose financial reports, including in relation to the assets they control and any liabilities incurred, their revenues and expenses, and cash flows.

Reporting under this standard is intended to provide a consolidated overview of the financial performance and position of government, including in the area of financing and investing activities.

There are three main general purpose statements that must be prepared in accordance with AAS 31. These are:

- a statement of financial performance, which includes an operating result;
- a statement of financial position, which shows net assets; and
- a statement of cash flows, which includes net increase/decrease in cash held.

In addition to these general purpose statements, the standard requires notes to the financial statements to be prepared which report disaggregated information in relation to the financial performance and financial position of the government. The notes should also include other information seen as relevant to users.

While AAS 31 provides a general framework for financial reporting by governments, compliance with all other applicable accounting standards is required. Exceptions to this rule are explicitly stated in AAS 31.

A full set of AAS financial statements and accompanying notes prepared for the general government sector can be found in Part 3. These statements are derived from audited financial statements with the exception of the Department of Defence and the Department of Family and Community Services, for which audit opinions are pending. Nevertheless, the financial tables in this report include the financial results for these two departments as at the time of publication. Final 2003-04 audit opinions for these two departments will be included in their respective annual reports and in the Australian Government *Consolidated Financial Statements for the year ended 30 June 2004* which will be released at a later time.

RECONCILIATION OF GFS AND AAS AGGREGATES

There is a general consistency of treatment of the elements of financial statements between GFS and AAS. Both frameworks are based on the concept of economic events that give rise to stocks and flows. As a result, the definitions of stocks are broadly similar under the two frameworks and relate to the control of economic benefits, while flows are defined with reference to changes in stocks.

The GFS and AAS definitions of the scope of the public sector agree in almost all cases, with AAS 31 recommending the same segmentation of the public sector into general government, public non-financial corporations and public financial corporations sectors.

Transactions are generally treated in a similar manner by GFS and accounting standards; however, where GFS is a framework designed to facilitate macro-economic analysis, AAS is designed for general purpose financial reporting. The different objectives of the two systems lead to some variation in the treatment of certain items. This differing treatment relates predominantly to the definitions of revenues and expenses under the two frameworks.

In particular, revaluations of assets and liabilities are classified differently under the AAS and GFS standards. Major revaluations include writedowns of bad and doubtful debts (excluding those that are mutually agreed), changes in the valuation of superannuation liabilities, and gains and losses due to changes in foreign exchange rates and interest rates.

Under AAS reporting, valuation changes generally affect revenues or expenses and therefore the operating result. However, under GFS reporting, revaluations are not considered to be transactions (that is, they are considered to be other economic flows) and accordingly do not form part of revenues or expenses. Therefore, most revaluations are not taken into account in the calculation of the GFS net operating balance or fiscal balance. However, revaluations still impact on GFS assets and liabilities, as can be seen in the statement of other economic flows.

Some of the major differences between the GFS and AAS treatments of transactions are outlined in Table A1. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2003* (Cat. No. 5514.0.55.001).

Table A1: Selected differences between AAS and GFS reporting standards

Issue	AAS Treatment	GFS Treatment
Asset writedowns	Treated as part of operating expenses.	Treated as revaluations (other economic flows), except for mutually agreed writedowns, and therefore removed from expenses.
Gains and losses on assets	Treated as part of operating revenues/expenses.	Treated as revaluations (other economic flows) and therefore removed from revenues/expenses.
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Act of creating provisions is not considered an economic event and is therefore not considered an expense or included in the balance sheet. The Australian Government departs from this latter requirement (see Attachment A to Part 1).
Interest flows related to swaps and other financial derivatives	Treated as operating revenues and expenses.	Treated as other economic flows and so not included in revenues and expenses.
Acquisition of defence weapons platforms	Treated as capital expenditure. Defence weapons platforms appear as an asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement.	Treated as an expense at the time of acquisition. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement.
Valuation of assets and liabilities	Classes of assets and liabilities are measured using a range of methods. The predominant methods for valuing different asset classes include historic cost and market value.	Individual assets and liabilities are measured at current market value based on current market prices or a suitable proxy where market prices are not available.
Finance leases	Treats finance leases as if an asset were purchased from borrowings. That is, the lease payment is split into an interest component (which is shown as an operating expense) and a principal component. The asset and the liability are recorded on the balance sheet. This convention does not apply to the cash flow statement, which does not record the acquisition of the asset or the liability.	As per the accounting standard, except that the GFS cash flow statement includes the acquisition of the asset as a supplementary item for the calculation of the surplus/deficit (underlying cash balance).

Following the broad strategic direction of the Financial Reporting Council, the Australian Accounting Standards Board is currently pursuing harmonisation of GFS and AAS. A converged financial reporting framework will reduce confusion associated with the publication of two sets of financial statements and improve the readability of government budget and outcome reports.

Table A2 reconciles GFS revenue and expenses with their AAS counterparts.

Table A2: Reconciliation of GFS and AAS revenue and expenses

	2003-04 Outcome \$m
GFS revenue (Part 2)	221,679
<i>less</i> GST revenue for States and Territories	34,121
GFS revenue (Part 1)	187,559
<i>plus</i> asset revenue recognised for the first time	797
<i>plus</i> foreign exchange gains	599
<i>plus</i> other economic revaluations	360
<i>plus</i> proceeds from the sale of assets	1,497
<i>plus</i> swap interest revenue	1,912
AAS revenue (Part 3)	192,723
GFS expenses (Part 2)	214,503
<i>less</i> GST grants to States and Territories	33,195
<i>less</i> GST interest on overpayments	12
<i>less</i> GST mutually agreed writedowns	59
GFS expenses (Part 1)	181,238
<i>plus</i> actuarial revaluations	-840
<i>plus</i> net writedown of assets/bad and doubtful debts	4,828
<i>plus</i> foreign exchange losses	0
<i>plus</i> other economic adjustments	1,772
<i>plus</i> value of assets sold	954
<i>plus</i> swap interest expense	1,572
<i>plus</i> defence weapons platforms depreciation	2,104
<i>less</i> defence weapons platforms investment	2,040
<i>plus</i> AusAID IDA/ADF expenses	0
AAS expenses (Part 3)	189,587

Table A3 reconciles the accounting operating result to the GFS net operating balance and the fiscal balance (GFS net lending).

The AAS net operating result is equal to AAS revenues less expenses. Similarly, GFS revenues less expenses equal the GFS net operating balance. Consequently, the reconciliation between the AAS operating result before extraordinary items and the GFS net operating balance relates directly to differences in the definitions of revenues and expenses which are shown in Table A2.

The second part of the Table A3 reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance.

As discussed previously, fiscal balance is calculated as the net operating balance less net capital investment. This is a useful economic indicator as it represents the gap between government saving (less capital transfers) and investment, and so is included at the end of the GFS operating statement. In AAS there is no equivalent measure to

the fiscal balance. That is, the AAS statement of financial performance stops at the operating result and includes no information on net capital investment.

Table A3: Reconciliation of AAS net operating result and fiscal balance

	2003-04 Outcome \$m
AAS operating result before extraordinary items (Part 3)	3,136
Net differences from revenue and expense definitions	4,039
GFS net operating balance (Part 2)	7,176
<i>less</i> purchase of property, plant and equipment and intangibles	4,450
<i>less</i> assets acquired under finance leases	5
<i>less</i> other non-financial assets	4
<i>less</i> increase in inventories	780
<i>plus</i> defence weapons platforms investment	2,040
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	832
<i>plus</i> depreciation and amortisation	3,747
<i>less</i> weapons depreciation	2,104
Fiscal balance (GFS net lending) (Part 2)(a)	6,452
<i>Impact of GST</i>	-855
Fiscal balance (GFS net lending) (Part 1)(a)	5,597

(a) The fiscal balance in Part 2 is higher than the fiscal balance presented in Part 1, as explained in the following section.

ACCOUNTING FOR GST AND BUDGET ASSISTANCE TO STATES AND TERRITORIES (THE STATES)

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), all goods and services tax (GST) receipts are appropriated to the states and territories and thus are not available for expenditure by the Australian Government. As such, the GST is a State tax, with the Australian Taxation Office acting as the States' agent in the collection of the tax. Consequently, collections of GST from taxpayers and payments of the GST to the States are not recorded as revenues and expenses of the Australian Government in Part 1.

Under the IGA, the Australian Government has guaranteed that the budgetary position of each individual state and territory will be no worse off than it would have been had the GST reforms not been implemented. Grants to the States to meet this guarantee are titled 'general budget assistance to the States' (GBA) and are recorded as expenses of the Australian Government.⁶ GBA comprises Budget Balancing Assistance (BBA) grants paid in accordance with the provisions of the IGA and any adjustments to account for actual GST cash collections. For States no longer receiving BBA grants, GBA relates to the difference between actual GST cash receipts and the Commissioner of Taxation's mid-June determination of cash GST receipts.

In Part 2, the accounts are presented including GST as Australian Government revenue. In addition to GBA, the Part 2 fiscal balance is adjusted for the accrual GST revenue less actual cash GST receipts, which are payable to the states and territories. This results in the Part 2 fiscal balance being \$855 million greater than the fiscal balance reported in Part 1 and elsewhere in the *Final Budget Outcome*. A reconciliation of GFS revenue and GFS expenses in Part 1 and Part 2 is presented in Table A2.

The different accounting approaches also flow through to differences in GFS net worth, resulting in GFS net worth in Part 2 being \$1.6 billion greater than GFS net worth reported in Part 1 and elsewhere. This difference results from the inclusion of GST receivables and payables in the GFS balance sheet in Part 2.

However, the net impact on cash flows is the same regardless of the accounting approach. Therefore the underlying cash balance is the same whether it is calculated on the basis that the GST is a State tax or an Australian Government tax.

Further information on accounting for GST and budget assistance to the states and territories can be found on page 10 of the *Final Budget Outcome 2000-01*.

⁶ The term 'general budget assistance to the States' explains aggregate changes in Australian Government expenses under a States' agent accounting arrangement and does not appear in the IGA, which governs the actual payments from the Australian Government to the States.

APPENDIX B: EXPENSES BY FUNCTION AND SUB-FUNCTION

Table B1 sets out Australian Government general government sector expenses by function and sub-function for 2003-04. This table has been prepared in accordance with the GFS accounting framework.

Table B1: Australian Government general government sector expenses by function and sub-function

	2002-03 Outcome \$m	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
General public services			
Legislative and executive affairs	732	754	732
Financial and fiscal affairs(a)	3,476	3,304	3,522
Foreign affairs and economic aid	2,334	2,238	2,162
General research	1,790	2,066	1,910
General services	566	606	453
Government superannuation benefits	2,090	1,946	2,069
Total general public services	10,988	10,914	10,848
Defence	13,307	13,687	12,937
Public order and safety			
Courts and legal services	589	586	549
Other public order and safety	1,378	1,795	1,837
Total public order and safety	1,968	2,381	2,386
Education			
Higher education	4,017	4,447	4,549
Vocational and other education	1,323	1,417	1,332
Non-government schools	3,869	4,450	4,452
Government schools	2,143	2,290	2,284
<i>Schools</i>	<i>6,013</i>	<i>6,740</i>	<i>6,735</i>
Student assistance	641	596	650
General administration	0	1	0
School education - specific funding	115	137	130
Total education	12,109	13,338	13,398
Health			
Medical services and benefits	11,726	13,122	12,897
Hospital services	1,537	1,603	1,599
Health care agreements	7,240	7,535	7,512
<i>Hospital services and health care agreements</i>	<i>8,776</i>	<i>9,138</i>	<i>9,110</i>
Pharmaceutical services and benefits	5,732	6,931	6,752
Aboriginal and Torres Strait Islander health	209	283	255
Health services	667	962	963
Other health services	892	1,256	1,149
<i>Other health services</i>	<i>1,559</i>	<i>2,218</i>	<i>2,111</i>
General administration	1,333	524	506
Health assistance to the aged	64	138	139
Total health	29,400	32,355	31,771
Social security and welfare			
Assistance to the aged	24,834	27,173	27,164
Assistance to veterans and dependents	5,579	5,745	5,737
Assistance to people with disabilities	9,551	10,669	10,694
Assistance to families with children	19,595	24,489	24,600

Table B1: Australian Government general government sector expenses by function and sub-function (continued)

	2002-03 Outcome \$m	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Social security and welfare (continued)			
Assistance to the unemployed	5,565	5,428	5,443
Assistance to the sick	86	84	86
<i>Assistance to the unemployed and the sick</i>	5,651	5,512	5,529
Common youth allowance	2,235	2,247	2,248
Other welfare programmes	309	339	303
Aboriginal advancement nec	1,275	1,391	1,429
General administration	2,233	2,384	2,398
Total social security and welfare	71,263	79,949	80,103
Housing and community amenities			
Housing	1,381	1,227	1,247
Urban and regional development	113	142	138
Environment protection	268	284	250
Total housing and community amenities	1,763	1,652	1,634
Recreation and culture			
Broadcasting	1,030	1,108	1,097
Arts and cultural heritage	671	713	679
Sport and recreation	151	206	207
National estate and parks	210	206	185
Total recreation and culture	2,062	2,233	2,168
Fuel and energy	3,395	3,692	3,494
Agriculture, forestry and fishing			
Wool industry	76	57	57
Grains industry	115	127	129
Dairy industry	276	267	114
Cattle, sheep and pig industry	121	113	130
Fishing, horticulture and other agriculture	178	172	168
General assistance not allocated to specific industries	299	338	384
Rural assistance	224	513	452
Natural resources development	318	388	423
General administration	164	184	181
Total agriculture, forestry and fishing	1,772	2,158	2,038
Mining, manufacturing & construction	1,502	1,717	1,589
Transport and communication			
Communication	429	412	529
Rail transport	17	451	450

Table B1: Australian Government general government sector expenses by function and sub-function (continued)

	2002-03 Outcome \$m	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Transport and communication (continued)			
Air transport	153	194	176
Road transport	1,271	1,372	1,356
Sea transport	203	201	204
Other transport and communication	100	101	101
Total Transport and communication	2,174	2,731	2,816
Other economic affairs			
Tourism and area promotion	156	142	135
Vocational and industry training	491	582	624
Labour market assistance to job seekers and industry	1,539	1,721	1,750
Industrial relations	270	271	277
Immigration	705	743	753
<i>Total labour and employment affairs</i>	<i>3,005</i>	<i>3,317</i>	<i>3,403</i>
Other economic affairs nec	642	782	748
Total other economic affairs	3,803	4,241	4,286
Other purposes			
Interest on Australian Government's behalf	4,602	3,995	3,982
Interest on behalf of States and Territories	27	19	19
Interest received on Australian Government stock	0	0	0
<i>Public debt interest</i>	<i>4,629</i>	<i>4,014</i>	<i>4,001</i>
Nominal superannuation interest	5,409	5,155	4,898
General revenue assistance - States and Territories	1,537	697	647
General capital assistance - States and Territories	0	0	0
Debt assistance(a)	0	37	37
Local government assistance	1,457	1,511	1,511
Revenue assistance to the States and Territories	166	156	171
Assistance to other governments	438	376	409
<i>General purpose inter-government transactions</i>	<i>3,598</i>	<i>2,775</i>	<i>2,775</i>
Natural disaster relief	95	144	62
Contingency reserve(b)	11	0	35
Total other purposes	13,743	12,088	11,771
Total expenses	169,247	183,136	181,238

(a) Debt redemption assistance expenses, paid by the Australian Office of Financial Management to the states and territories under the Financial Agreement Act 1994, have been reclassified from the financial and fiscal affairs sub-function (general public services function) to the debt assistance sub-function (other purposes function).

(b) Asset sale related expenses are now treated as a component of the contingency reserve.

APPENDIX C: HISTORICAL FISCAL DATA

This appendix provides historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Under the accrual Government Finance Statistics (GFS) framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Estimates up to and including 1998-99 are calculated on cash terms, while estimates from 1999-2000 onwards are derived from an accrual framework. Due to methodological and data-source changes associated with the move to an accrual accounting framework, time series data that include measures derived under both cash and accrual accounting should be used with caution.

There are other structural breaks within the data set, prior to the shift to accrual reporting. Classification differences and revisions, as well as changes to the structure of the budget, can impact on comparisons over such an extended period.

Specific factors that affect the comparability of data between years include:

- classification differences in the data relating to the period prior to 1976-77 (which means that earlier data may not be entirely consistent with data for 1976-77 onwards);
- adjustments in the coverage of agencies included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998-99, and subsequent backcasting to account for this change;
- consistent with the revised GFS treatment announced by the Australian Bureau of Statistics (ABS) (Cat. No. 5501.0, released October 2002), the general government surplus measures in this statement, from 1998-99 onwards, incorporate the interest component of superannuation related payments by the Australian Government general government in respect of accumulated public non-financial corporations' superannuation liabilities;
- transfers of taxing powers between the Australian Government and the states and territories;
- other changes in financial arrangements between the Australian Government and the state/local government sector; and

Appendix C: Historical Fiscal Data

- changes in arrangements for transfer payments, where tax concessions or rebates are replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts.

While approximate adjustments can be made to identify trends in budget aggregates on a generally consistent basis, the further back the analysis is taken, the more difficult the task becomes.

Table C1: Australian Government general government sector receipts, payments and surplus^(a)

	Receipts			Payments			Cash surplus	
	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP	\$m	Per cent of GDP
		real growth			real growth			
1970-71	8,000	6.0	20.9	7,176	10.0	18.7	824	2.1
1971-72	8,827	3.3	20.9	7,987	4.2	18.9	840	2.0
1972-73	9,414	0.4	19.8	9,120	7.5	19.2	294	0.6
1973-74	11,890	10.4	20.6	10,829	3.8	18.8	1,061	1.8
1974-75	15,325	5.8	22.6	15,275	15.8	22.5	50	0.1
1975-76	18,316	3.6	23.0	19,876	12.8	25.0	-1,560	-2.0
1976-77	21,418	4.2	23.3	22,657	1.6	24.7	-1,239	-1.4
1977-78	23,491	0.9	23.4	25,489	3.5	25.4	-1,998	-2.0
1978-79	25,666	3.0	22.6	27,753	2.7	24.5	-2,087	-1.8
1979-80	29,780	5.9	23.1	31,041	2.1	24.1	-1,261	-1.0
1980-81	35,148	6.9	24.1	35,260	2.9	24.2	-112	-0.1
1981-82	40,831	2.9	24.3	40,394	1.4	24.0	437	0.3
1982-83	44,675	-1.7	24.7	47,907	6.5	26.5	-3,232	-1.8
1983-84	49,102	2.9	24.0	55,966	9.4	27.4	-6,864	-3.4
1984-85	57,758	11.8	25.6	63,639	8.1	28.2	-5,881	-2.6
1985-86	64,845	5.8	26.1	69,838	3.4	28.1	-4,993	-2.0
1986-87	73,145	5.3	26.9	75,392	0.8	27.7	-2,247	-0.8
1987-88	81,217	3.4	26.1	79,440	-1.8	25.6	1,777	0.6
1988-89	88,369	0.4	25.1	82,202	-4.5	23.4	6,167	1.8
1989-90	95,517	1.8	24.8	88,882	1.9	23.1	6,635	1.7
1990-91	97,705	-2.4	24.6	97,333	4.5	24.5	372	0.1
1991-92	92,966	-6.8	22.9	104,551	5.2	25.7	-11,585	-2.8
1992-93	94,448	0.5	22.2	111,484	5.5	26.2	-17,036	-4.0
1993-94	100,142	5.1	22.4	117,252	4.2	26.2	-17,110	-3.8
1994-95	109,720	8.7	23.3	122,901	4.0	26.1	-13,181	-2.8
1995-96	121,105	7.5	24.1	131,182	4.0	26.1	-10,077	-2.0
1996-97	129,845	5.1	24.5	135,126	1.0	25.5	-5,281	-1.0
1997-98	135,779	3.1	24.2	134,608	-1.8	24.0	1,171	0.2
1998-99	146,496	7.4	24.7	142,159	5.1	24.0	4,337	0.7
1999-00	165,806	na	26.5	152,747	na	24.4	13,059	2.1
2000-01	160,829	-7.2	24.0	154,858	-3.0	23.1	5,970	0.9
2001-02	162,524	-0.9	22.8	163,507	3.5	22.9	-983	-0.1
2002-03	176,147	5.4	23.3	168,661	0.3	22.3	7,486	1.0
2003-04	186,971	2.2	23.1	178,935	2.1	22.1	8,036	1.0

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, 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. Due to associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

na Not applicable, due to a structural break in the series.

Table C2: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts^(a)

	Taxation receipts			Non-taxation receipts			Total receipts		
	Per cent		Per cent of GDP	Per cent		Per cent of GDP	Per cent		Per cent of GDP
	\$m	real growth		\$m	real growth		\$m	real growth	
1970-71	7,148	6.0	18.6	852	6.0	2.2	8,000	6.0	20.9
1971-72	7,887	3.3	18.6	940	3.2	2.2	8,827	3.3	20.9
1972-73	8,411	0.4	17.7	1,003	0.4	2.1	9,414	0.4	19.8
1973-74	10,832	12.6	18.8	1,058	-7.8	1.8	11,890	10.4	20.6
1974-75	14,141	7.2	20.8	1,184	-8.1	1.7	15,325	5.8	22.6
1975-76	16,920	3.7	21.3	1,396	2.2	1.8	18,316	3.6	23.0
1976-77	19,714	3.8	21.5	1,704	8.7	1.9	21,418	4.2	23.3
1977-78	21,428	0.0	21.4	2,063	11.3	2.1	23,491	0.9	23.4
1978-79	23,409	3.0	20.6	2,257	3.2	2.0	25,666	3.0	22.6
1979-80	27,473	7.1	21.3	2,307	-6.7	1.8	29,780	5.9	23.1
1980-81	32,641	7.6	22.4	2,507	-1.5	1.7	35,148	6.9	24.1
1981-82	37,880	2.7	22.5	2,951	4.2	1.8	40,831	2.9	24.3
1982-83	41,025	-2.7	22.7	3,650	11.1	2.0	44,675	-1.7	24.7
1983-84	44,849	2.4	21.9	4,253	9.1	2.1	49,102	2.9	24.0
1984-85	52,970	12.3	23.5	4,788	7.0	2.1	57,758	11.8	25.6
1985-86	58,841	4.7	23.7	6,004	18.2	2.4	64,845	5.8	26.1
1986-87	66,467	5.5	24.4	6,678	3.9	2.5	73,145	5.3	26.9
1987-88	75,076	5.2	24.2	6,141	-14.3	2.0	81,217	3.4	26.1
1988-89	83,452	2.6	23.7	4,917	-26.1	1.4	88,369	0.4	25.1
1989-90	90,773	2.5	23.6	4,744	-9.1	1.2	95,517	1.8	24.8
1990-91	92,739	-2.5	23.3	4,966	-0.1	1.2	97,705	-2.4	24.6
1991-92	87,364	-7.7	21.5	5,602	10.5	1.4	92,966	-6.8	22.9
1992-93	88,760	0.5	20.8	5,688	0.4	1.3	94,448	0.5	22.2
1993-94	93,362	4.3	20.9	6,780	18.1	1.5	100,142	5.1	22.4
1994-95	104,921	11.5	22.3	4,799	-29.8	1.0	109,720	8.7	23.3
1995-96	115,700	7.4	23.0	5,405	9.7	1.1	121,105	7.5	24.1
1996-97	124,559	5.6	23.5	5,286	-4.1	1.0	129,845	5.1	24.5
1997-98	130,984	3.7	23.3	4,795	-10.5	0.9	135,779	3.1	24.2
1998-99	141,105	7.2	23.8	5,391	11.9	0.9	146,496	7.4	24.7
1999-00	150,695	na	24.1	15,111	na	2.4	165,806	na	26.5
2000-01	146,056	-7.3	21.8	14,774	-6.5	2.2	160,829	-7.2	24.0
2001-02	147,544	-0.9	20.7	14,980	-0.6	2.1	162,524	-0.9	22.8
2002-03	160,661	5.8	21.2	15,487	0.5	2.0	176,147	5.4	23.3
2003-04	172,243	3.2	21.2	14,729	-8.5	1.8	186,971	2.2	23.1

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets. Due to associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

na Not applicable, due to a structural break in the series.

**Table C3: Australian Government general government sector receipts
(cash basis)**

	2002-03 \$m	2003-04 \$m
Taxation receipts		
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	84,134	89,638
Gross other individuals	17,436	19,935
less Refunds	11,651	12,325
Total individuals and other withholding taxes	89,919	97,247
Companies	32,752	36,101
Superannuation funds		
Contributions and earnings	3,865	4,502
Superannuation surcharge	975	1,050
Total superannuation funds	4,840	5,551
Petroleum resource rent tax	1,712	1,168
Total income taxation	129,222	140,067
<i>Indirect taxation</i>		
Excise duty		
Crude oil	417	309
Petroleum and other fuel products	12,866	13,231
Other excise	7,450	7,539
Total excise duty	20,733	21,079
Customs duty	4,982	5,038
Other indirect taxes	858	992
Total indirect taxation	26,573	27,108
Fringe benefits tax(b)	3,103	3,226
Agricultural levies	586	603
Other taxes	1,176	1,239
Total taxation receipts	160,661	172,243
Non-taxation receipts	15,487	14,729
Total receipts	176,147	186,971

(a) Includes Medicare levy receipts (\$5,000 million in 2002-03 and \$5,560 million in 2003-04).

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$355 million in 2002-03 and \$364 million in 2003-04).

Table C4: Australian Government general government sector net debt and net interest payments^(a)

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1972-73	-790	-1.7	-266	-0.6
1973-74	-1,851	-3.2	-306	-0.5
1974-75	-1,901	-2.8	-267	-0.4
1975-76	-341	-0.4	-389	-0.5
1976-77	898	1.0	-161	-0.2
1977-78	2,896	2.9	-106	-0.1
1978-79	4,983	4.4	126	0.1
1979-80	6,244	4.8	290	0.2
1980-81	6,356	4.4	444	0.3
1981-82	5,919	3.5	475	0.3
1982-83	9,151	5.1	654	0.4
1983-84	16,015	7.8	1,327	0.6
1984-85	21,896	9.7	2,462	1.1
1985-86	26,889	10.8	3,626	1.5
1986-87	29,136	10.7	4,387	1.6
1987-88	27,359	8.8	4,019	1.3
1988-89	21,982	6.2	3,722	1.1
1989-90	16,121	4.2	3,848	1.0
1990-91	16,936	4.3	2,834	0.7
1991-92	31,132	7.7	2,739	0.7
1992-93	55,218	13.0	2,912	0.7
1993-94	70,223	15.7	4,549	1.0
1994-95	83,492	17.7	6,310	1.3
1995-96	95,831	19.1	7,812	1.6
1996-97	96,281	18.2	8,449	1.6
1997-98	82,935	14.8	7,381	1.3
1998-99	70,402	11.9	6,901	1.2
1999-00	53,768	8.6	6,014	1.0
2000-01	42,651	6.4	4,855	0.7
2001-02	38,024	5.3	4,238	0.6
2002-03	29,665	3.9	3,641	0.5
2003-04	23,421	2.9	2,994	0.4

(a) There is a break in the net debt and net interest series between 1998-99 and 1999-2000 (the first year of accrual budgeting). Up to 1998-99, Australian Government general government debt instruments are valued at historic cost. From 1999-2000 onwards, Australian Government general government debt instruments are valued at market prices, consistent with accrual GFS standards.

(b) Source: ABS Cat. No. 5501.0, 5513.0, Australian Government Final Budget Outcomes and Treasury estimates.

(c) Excludes superannuation related interest flows.

Table C5: Australian Government general government sector revenue, expenses, net capital investment and fiscal balance and net worth^(a)

	Revenue(b)		Expenses(b)		Net capital investment		Fiscal balance		Net worth(c)(d)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	141,688	26.7	145,809	27.5	90	0.0	-4,211	-0.8	-74,354	-14.0
1997-98	146,820	26.2	148,646	26.5	147	0.0	-1,973	-0.4	-68,544	-12.2
1998-99	151,897	25.7	146,620	24.8	1,433	0.2	3,844	0.6	-76,150	-12.9
1999-00	166,810	26.6	154,697	24.7	-1,225	-0.2	13,339	2.1	-39,105	-6.2
2000-01	161,737	24.1	157,046	23.4	-1,168	-0.2	5,859	0.9	-41,769	-6.2
2001-02	162,547	22.8	166,702	23.3	-369	-0.1	-3,786	-0.5	-47,553	-6.7
2002-03	175,180	23.2	169,413	22.4	-219	0.0	5,986	0.8	-51,333	-6.8
2003-04	187,559	23.1	181,238	22.4	724	0.1	5,597	0.7	-37,803	-4.7

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net worth is calculated as assets less liabilities.

(b) Following advice from the ABS, the revenue and expense series for the general government and public non-financial corporations sectors have been revised back to 1999-2000. This reflects universal service levy amounts notionally paid by Telstra to the general government sector and returned as subsidies for the universal service obligation.

(c) There is a break in the net worth series between 1998-99 and 1999-2000. Data up to 1998-99 are sourced from the Australian Government's Consolidated Financial Statements based on Australian accounting standards. Data beginning in 1999-2000 are based on the GFS framework. For the general government sector, the major change across the break in the series is an improvement in net worth. This is primarily due to the move from valuing investments in public corporations at historic cost to current market value (which is calculated using the share price for listed corporations). This is partly offset by defence weapons platforms no longer being recorded as assets and valuing debt at current market value.

(d) From 2002-03 net worth includes the initial recognition of a provision for asbestos related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements.

Table C6: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue

	Taxation revenue(a)			Non-taxation revenue			Total revenue(a)		
	\$m	Per cent real growth	Per cent of GDP	\$m	Per cent real growth	Per cent of GDP	\$m	Per cent real growth	Per cent of GDP
1999-00	152,791	na	24.4	14,020	na	2.2	166,810	na	26.6
2000-01	151,385	-5.2	22.6	10,352	-29.4	1.5	161,737	-7.3	24.1
2001-02	150,025	-2.8	21.0	12,522	18.6	1.8	162,547	-1.4	22.8
2002-03	163,221	5.8	21.6	11,958	-7.2	1.6	175,180	4.8	23.2
2003-04	175,058	3.2	21.6	12,501	0.6	1.5	187,559	3.0	23.1

(a) Following advice from the ABS, the revenue and expense series for the general government and public non-financial corporations sectors have been revised back to 1999-2000. This reflects universal service levy amounts notionally paid by Telstra to the general government sector and returned as subsidies for the universal service obligation
na Data not available.

Table C7: Australian Government general government sector revenue (accrual basis)

	2002-03 \$m	2003-04 \$m
Tax revenue		
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	84,640	90,095
Gross other individuals	18,314	21,010
less Refunds	11,651	12,325
Total individuals and other withholding taxes	91,303	98,779
Companies	33,365	36,337
Superannuation funds		
Contributions and earnings	3,617	4,487
Superannuation surcharge	1,279	1,298
Total superannuation funds	4,896	5,785
Petroleum resource rent tax	1,715	1,165
Total income taxation	131,278	142,067
<i>Indirect taxation</i>		
Excise duty		
Crude oil	417	309
Petroleum and other fuel products	12,920	13,220
Other excise	7,450	7,539
Total excise duty	20,787	21,068
Customs duty	5,573	5,622
Other indirect taxes	896	1,002
Total indirect taxation	27,255	27,692
Fringe benefits tax(b)	2,832	3,277
Agricultural levies	586	603
Other taxes	1,270	1,420
Total taxation revenue(c)	163,221	175,058
Non-taxation revenue	11,958	12,501
Total revenue(c)	175,180	187,559

(a) Includes Medicare levy (\$5,000 million in 2002-03 and \$5,560 million in 2003-04).

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$323 million in 2002-03 and \$365 million in 2003-04).

(c) Following advice from the ABS, the revenue and expense series for the general government and public non-financial corporations sectors have been revised back to 1999-2000. This reflects universal service levy amounts notionally paid by Telstra to the general government sector and returned as subsidies for the universal service obligation.

Table C8: Australian Government cash receipts, payments and cash surplus by institutional sector^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus
1987-88	81,217	79,440	1,777	4,129	5,006	944	84,333	83,439	2,721
1988-89	88,369	82,202	6,167	4,177	6,035	257	91,544	87,188	6,424
1989-90	95,517	88,882	6,635	3,926	11,322	-5,261	98,387	99,081	1,374
1990-91	97,705	97,333	372	4,804	9,351	-2,139	101,315	105,476	-1,767
1991-92	92,966	104,551	-11,585	3,899	7,713	101	95,063	110,448	-11,484
1992-93	94,448	111,484	-17,036	4,385	7,819	-196	97,327	117,775	-17,232
1993-94	100,142	117,252	-17,110	5,178	6,476	1,482	103,065	121,457	-15,628
1994-95	109,720	122,901	-13,181	5,262	7,318	1,956	113,013	128,247	-11,225
1995-96	121,105	131,182	-10,077	4,927	8,190	-527	123,269	136,607	-10,604
1996-97	129,845	135,126	-5,281	4,782	7,373	473	131,512	139,385	-4,808
1997-98	135,779	134,608	1,171	6,238	7,923	1,119	139,560	140,006	2,290
1998-99	146,496	142,159	4,337	na	na	-353	na	na	3,984
1999-00	165,806	152,747	13,059	na	na	-2,594	na	na	10,465
2000-01	160,829	154,858	5,970	na	na	391	na	na	6,362
2001-02	162,524	163,507	-983	na	na	1,210	na	na	227
2002-03	176,147	168,661	7,486	na	na	1,280	na	na	8,766
2003-04	186,971	178,935	8,036	na	na	1,575	na	na	9,611

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, 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. Due to associated methodological and data-source changes, time series data which encompasses measures derived under both cash and accrual accounting should be used with caution.
na Data not available.

Table C9: Australian Government accrual revenue, expenses and fiscal balance by institutional sector^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue(b)	Expenses(b)	Fiscal balance	Revenue(b)	Expenses(b)	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	141,688	145,809	-4,211	27,431	26,015	-331	na	na	-4,542
1997-98	146,820	148,646	-1,973	29,618	26,999	2,360	na	na	387
1998-99	151,897	146,620	3,844	27,687	26,088	-816	175,682	168,806	3,028
1999-00	166,810	154,697	13,339	25,485	23,542	1,062	188,347	173,134	14,400
2000-01	161,737	157,046	5,859	25,869	24,762	-826	183,000	177,202	5,034
2001-02	162,547	166,702	-3,786	26,638	25,341	793	184,577	187,435	-2,993
2002-03	175,180	169,413	5,986	24,339	22,916	1,975	194,391	187,244	7,919
2003-04	187,559	181,238	5,597	25,449	23,444	2,143	207,263	198,938	7,740

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(b) Following advice from the ABS, the revenue and expense series for the general government and public non-financial corporations sectors have been revised back to 1999-2000. This reflects universal service levy amounts notionally paid by Telstra to the general government sector and returned as subsidies for the universal service obligation.

na Data not available.