

FINAL BUDGET OUTCOME 2004-05

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FOREWORD

The *Final Budget Outcome 2004-05* 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 2004-05 financial year and is based on external reporting standards.

- **Part 1** provides the general government sector budget aggregates for 2004-05 together with an analysis of the 2004-05 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 2004-05 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 2004-05 Australian Government general government sector financial statements in accordance with Australian Accounting Standards (AAS).
- **Part 4** provides details for 2004-05 on Federal Financial Relations, updated from that contained in the 2005-06 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 2004-05, the Australian Government general government sector recorded an underlying cash surplus of \$13.6 billion, or 1.6 per cent of gross domestic product (GDP). The fiscal balance was in surplus by \$10.8 billion (1.2 per cent of GDP).

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

	2003-04 Outcome	2004-05 Estimate at 2005-06 Budget	2004-05 Outcome
Revenue (\$b)	187.6	202.7	206.2
Per cent of GDP	23.1	23.5	23.9
Expenses (\$b)	181.2	195.0	195.3
Per cent of GDP	22.4	22.6	22.6
Net operating balance (\$b)	6.3	7.7	10.9
Net capital investment (\$b)	0.7	0.7	0.1
Fiscal balance (\$b)	5.6	7.0	10.8
Per cent of GDP	0.7	0.8	1.2
Underlying cash balance (\$b)	8.0	9.2	13.6
Per cent of GDP	1.0	1.1	1.6
<i>Memorandum item:</i>			
Headline cash balance (\$b)	7.6	7.9	12.5

(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.

Australian Government general government sector net worth improved by \$7.6 billion in 2004-05 to around -\$32.0 billion, largely reflecting the strong budget surplus. Net debt also improved, falling by \$11.9 billion in 2004-05 to around \$11.5 billion or 1.3 per cent of GDP which is the lowest level in 28 years.

In cash terms the outcome was \$4.4 billion higher than estimated at the time of the 2005-06 Budget principally because total cash payments were around \$3.5 billion lower than expected at the 2005-06 Budget. This is due mainly to a lower than expected take up of grant and subsidy payments across a range of programmes (\$1.3 billion). Also contributing to the underspends were delays in contract negotiations and delivery of goods and services (\$0.5 billion), lower wages and salary payments (\$0.5 billion), and the rejection by the Tasmanian and South Australian governments of an offer to extinguish state rail superannuation liabilities (\$0.4 billion).

Part 1: Australian Government Budget Outcome

The fiscal balance outcome was \$3.8 billion higher than estimated at Budget time, principally because revenue in accrual terms was around \$3.6 billion higher than expected.

REVENUE

Total accrual revenue in 2004-05 of \$206.2 billion was 1.8 per cent higher than expected at the 2005-06 Budget. The variation reflects:

- company taxation accrual revenue was around \$2.5 billion higher than expected, primarily owing to stronger income growth and profitability in the June quarter 2005;
- other individuals taxation accrual revenue was \$363 million higher than expected, primarily owing to the lagged effect of strong growth in investment income in 2003-04; and
- non-taxation accrual revenue was \$500 million higher than expected.

Table 2: Australian Government general government sector revenue

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
<i>Income taxation</i>		
Individuals and other withholding(a)		
Gross income tax withholding	97,990	98,250
Gross other individuals	23,640	24,003
less: Refunds	13,700	13,734
Total individuals and other withholding	107,930	108,519
Companies	40,610	43,106
Superannuation funds		
Contributions and earnings	5,090	5,083
Superannuation surcharge	1,290	1,326
Total superannuation funds	6,380	6,410
Petroleum resource rent tax	1,460	1,465
Total income taxation revenue	156,380	159,499
<i>Excise and customs</i>		
Excise duty		
Petroleum and other fuel products	13,620	13,682
Crude oil	650	668
Alcohol products	2,460	2,394
Tobacco	5,280	5,237
Total excise duty	22,010	21,981
Customs duty		
Textiles, clothing and footwear	1,000	966
Passenger motor vehicles	1,450	1,397
Excise-like goods	1,680	1,697
Other imports	1,884	1,793
less: Refunds and drawbacks	300	306
Total customs duty	5,714	5,548
Total excise and customs revenue	27,724	27,529
<i>Indirect taxation</i>		
Wine equalisation tax	690	693
Luxury car tax	300	302
Other taxes	190	169
Total indirect taxation revenue	1,180	1,164
<i>Other taxation</i>		
Fringe benefits tax(b)	3,050	3,089
Agricultural levies	572	584
Other taxes	1,296	1,389
Total other taxation revenue	4,917	5,061
Total taxation revenue	190,201	193,252
<i>Non-taxation</i>		
Sales of goods and services	4,828	4,880
Dividends	3,146	3,176
Interest received	1,562	1,621
Other	2,929	3,289
Total non-taxation revenue	12,465	12,965
Total revenue	202,666	206,218

(a) Includes Medicare levy revenue of \$6,105 million in 2004-05.

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$387 million in 2004-05).

EXPENSES

Total accrual expenses were \$195.3 billion in 2004-05, an increase of \$281 million (0.1 per cent) from the estimate provided in the 2005-06 Budget. Expenses increased by:

- \$1.0 billion due to higher than expected write-offs of tax penalties by the Australian Taxation Office, following a review of the collectability of its outstanding penalties;
- \$490 million due to a higher than expected impact of a change in accounting policy adopted in the Budget which recognises certain administered programmes by the Australian Taxation Office in the year of accrual rather than the year of payment;
- \$152 million due to a one-off payment to residential aged care providers for improved information technology infrastructure, financial reporting and training;
- \$131 million in depreciation expenses due mainly to a number of significant revaluations of property by the Department of Defence; and
- \$98 million in nominal superannuation interest expense due to an actuarial revaluation of the Department of Defence's superannuation liabilities.

These increases were partially offset by:

- a decrease in grant expenses of \$796 million including from delays in the finalisation of funding agreements in education and research programmes (\$231 million) and lower than expected take up in a range of programmes, including health (\$383 million) and agriculture (\$94 million);
- a decrease in personal benefit expenses of \$363 million primarily due to a lower than expected impact from the change in accounting policy adopted in the Budget for Family Tax Benefit entitlements; and
- a decrease in wages and salaries expense of \$561 million due to a reduction in accrued leave expenses, largely in the Department of Defence, and lower than anticipated staffing levels across a number of agencies.

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
General public services		
Legislative and executive affairs	850	728
Financial and fiscal affairs	3,730	5,189
Foreign affairs and economic aid	2,936	2,844
General research	2,206	2,157
General services	539	631
Government superannuation benefits	2,487	2,386
Defence	14,190	14,346
Public order and safety	2,490	2,345
Education	14,533	14,362
Health	35,541	35,561
Social security and welfare	83,814	82,962
Housing and community amenities	1,887	2,012
Recreation and culture	2,473	2,246
Fuel and energy	3,871	4,369
Agriculture, forestry and fishing	2,263	1,813
Mining, manufacturing and construction	1,754	1,702
Transport and communications	2,723	2,769
Other economic affairs		
Tourism and area promotion	216	216
Labour and employment affairs	3,746	3,922
Other economic affairs	820	757
Other purposes		
Public debt interest	3,907	3,880
Nominal superannuation interest	4,882	5,005
General purpose intergovernmental transactions	3,034	3,003
Natural disaster relief	84	77
Contingency reserve(a)	36	11
Total expenses	195,012	195,293

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

NET CAPITAL INVESTMENT

Total net capital investment for 2004-05 was \$147 million, which is \$505 million lower than the estimate provided in the 2005-06 Budget. This primarily reflects a delay in the purchase of non-financial assets of \$280 million including in the portfolios of Foreign Affairs and Trade, Attorney-General's, and Defence; and an increase in depreciation of \$131 million due mainly to a number of significant property revaluations by the Department of Defence.

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
General public services	245	99
Defence	-85	-115
Public order and safety	118	38
Education	5	5
Health	157	103
Social security and welfare	59	-16
Housing and community amenities	95	71
Recreation and culture	-50	-97
Fuel and energy	0	0
Agriculture, forestry and fishing	0	2
Mining, manufacturing and construction	5	2
Transport and communication	28	12
Other economic affairs	71	42
Other purposes	3	2
Total net capital investment	652	147

CASH FLOWS

The 2004-05 underlying cash surplus was \$13.6 billion, \$4.4 billion higher than estimated at the 2005-06 Budget. The higher than anticipated outcome was the result of higher cash receipts of \$0.9 billion and lower cash payments of \$3.5 billion.

Total Australian Government general government sector cash receipts of \$203.6 billion were \$0.9 billion (0.4 per cent) higher than estimated at the 2005-06 Budget. The cash receipts outcome reflects:

- higher than expected company tax receipts of \$804 million;
- higher than expected gross other individuals receipts of \$154 million;
- partially offset by a decrease in non-tax receipts of \$161 million due to delays in collections across a number of agencies, including the Department of Defence and Defence Housing Authority.

The higher accrual revenue outcome relative to cash primarily reflects higher tax revenue recognised but not yet received for company tax and gross other individuals heads of revenue.

Total Australian Government general government sector cash payments were \$189.9 billion in 2004-05, \$3.5 billion (1.8 per cent) lower than estimated at the 2005-06 Budget. This is due mainly to a lower than expected take up of grant and subsidy payments across a range of programmes (\$1.3 billion). Also contributing to the underspends were delays in contract negotiations and delivery of goods and services (\$0.5 billion), lower wages and salary payments (\$0.5 billion), and the rejection by the Tasmanian and South Australian governments of an offer to extinguish state rail superannuation liabilities (\$0.4 billion).

Many of these cash variations were also reflected in similar expense and net capital investment variations discussed earlier in this part, with some major differences.

The variations in cash payments that were greater than in accrual expenses include:

- delayed payments of \$454 million across a range of health and veterans' affairs programmes, including the Medicare Services, National Public Health, and Access to Public Hospitals programmes, and contracts for hospital services for veterans;
- a decline in cash payments of \$411 million due to the rejection by the Tasmanian and South Australian governments of an offer to extinguish state rail superannuation liabilities; and
- a decline in cash payments of \$61 million to suppliers reflecting delays in delivery of explosive ordnance orders to the Department of Defence.

Similarly, variations in accrual expenses and net capital investments that do not affect cash payments include:

- an increase of \$1.0 billion from higher than expected write-offs of tax penalties by the Australian Taxation Office following a review of the collectability of outstanding penalties;
- an actuarial revaluation of the Department of Defence's superannuation liabilities, resulting in a \$98 million increase in nominal superannuation interest expense; and
- an increase of \$91 million due to increased use of inventories by the Department of Defence reflecting higher levels of activity.

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

	2004-05 Estimate at 2005-06 Budget \$b	2004-05 Outcome \$b
Cash receipts		
Operating cash receipts	202.2	203.0
Capital cash receipts(b)	0.4	0.5
Total cash receipts	202.7	203.6
Cash payments		
Operating cash payments	190.9	187.7
Capital cash payments(c)	2.6	2.2
Total cash payments	193.4	189.9
Finance leases and similar arrangements(d)	0.0	0.0
GFS cash surplus(+)/deficit(-)	9.2	13.6
Per cent of GDP	1.1	1.6
<i>less</i> Future Fund earnings	0.0	0.0
Underlying cash balance	9.2	13.6
Per cent of GDP	1.1	1.6
<i>Memorandum items:</i>		
Net cash flows from investments in financial assets for policy purposes(e)		
Major asset sales	0.0	0.0
<i>less</i> Other net advances paid	-1.3	-1.1
<i>plus</i> Future Fund earnings	0.0	0.0
Headline cash balance	7.9	12.5

(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.

NET DEBT AND NET WORTH

In 2004-05, the level of Australian Government net debt continued to fall from a peak of 19.1 per cent of GDP in 1995-96 to 1.3 per cent of GDP in 2004-05. Since 1996-97, net debt has fallen by \$84.7 billion. The fall in net debt was \$4.8 billion greater than estimated at the 2005-06 Budget, largely reflecting the higher than expected underlying cash surplus outcome.

Net interest payments in 2004-05 were around similar levels anticipated at the 2005-06 Budget. Having peaked at \$8.4 billion in 1996-97, net interest payments have declined to \$2.5 billion in 2004-05, representing annual savings in interest payments of \$6.0 billion.

Australian Government general government sector net worth increased from -\$39.6 billion in 2003-04 to -\$32.0 billion at the end of 2004-05. The \$7.6 billion improvement largely reflects a strong net operating surplus of \$10.9 billion and a \$3.4 billion revaluation of assets, including a \$1.2 billion revaluation of land by the Department of Defence. These improvements are partially offset by:

- a net writedown of assets of \$5.2 billion, largely due to provisioning for bad and doubtful debts by the Australian Taxation Office; and
- actuarial revaluations of \$1.1 billion relating mainly to the unfunded superannuation liability.

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

	2004-05 Estimate at 2005-06 Budget \$b	2004-05 Outcome \$b
Financial assets	119.4	124.0
Non-financial assets	41.3	42.4
Total assets	160.6	166.4
Total liabilities	194.7	198.3
Net worth	-34.1	-32.0
Net debt(a)	16.3	11.5
Per cent of GDP	1.9	1.3
Net interest payments(b)	2.4	2.5
Per cent of GDP	0.3	0.3

(a) 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.

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

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*.

The Australian Equivalents to International Financial Reporting Standards (AEIFRS) reporting requirements apply to reporting periods starting on or after 1 January 2005. The 2005-06 AAS financial statements will be prepared in accordance with these standards and the impact of applying these new standards has been outlined in Note 2 of Part 3.

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 (the States). However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST receipts are appropriated to the States and thus are not available for expenditure by the Australian Government. Because the Australian Taxation Office collects GST as an agent for the states, 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 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. This treatment does not affect the underlying cash and fiscal balances.

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 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.

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Revenue		
Taxation revenue	190,201	193,252
Current grants and subsidies	0	0
Sales of goods and services	4,828	4,880
Interest income	1,562	1,621
Dividend income	3,146	3,176
Other	2,929	3,289
Total revenue	202,666	206,218
Expenses		
Gross operating expenses		
Depreciation	1,892	2,023
Superannuation	2,487	2,386
Salaries and wages	11,922	11,361
Payment for supply of goods and services	45,246	45,330
Other operating expenses	2,814	2,971
<i>Total gross operating expenses</i>	<i>64,362</i>	<i>64,071</i>
Nominal superannuation interest expense	4,882	5,005
Other interest expenses	4,131	4,145
Other property expenses	0	0
Current transfers		
Grant expenses	37,203	36,407
Subsidy expenses	6,470	7,221
Personal benefit payments in cash	74,478	74,115
Other current transfers	0	0
<i>Total current transfers</i>	<i>118,151</i>	<i>117,743</i>
Capital transfers	3,486	4,328
Total expenses	195,012	195,293
Net operating balance	7,655	10,925
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,487	2,207
<i>less</i> Sales of non-financial assets	364	490
<i>less</i> Depreciation	1,892	2,023
<i>plus</i> Change in inventories	374	508
<i>plus</i> Other movements in non-financial assets	47	-55
Total net acquisition of non-financial assets	652	147
Net lending/fiscal balance(a)	7,003	10,778

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

Table 8: Australian Government general government sector balance sheet

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Assets		
Financial assets		
Cash and deposits	927	1,808
Advances paid	19,314	20,199
Investments, loans and placements	31,066	35,022
Other non-equity assets	17,147	16,772
Equity(a)	50,895	50,183
<i>Total financial assets</i>	<i>119,351</i>	<i>123,984</i>
Non-financial assets		
Land	4,863	6,140
Buildings	13,894	14,195
Plant, equipment and infrastructure	8,411	8,209
Inventories	5,299	4,524
Heritage and cultural assets	6,698	7,275
Other non-financial assets	2,085	2,032
<i>Total non-financial assets</i>	<i>41,250</i>	<i>42,374</i>
Total assets	160,601	166,358
Liabilities		
Deposits held	365	403
Advances received	0	0
Government securities	61,452	62,331
Loans	5,595	5,648
Other borrowing	224	182
Superannuation liability	91,071	91,172
Other employee entitlements and provisions	7,605	8,178
Other non-equity liabilities	28,416	30,423
Total liabilities	194,727	198,337
Net worth(b)	-34,126	-31,979
Net debt(c)	16,328	11,534

(a) The 2004-05 equity and net worth outcomes include the Telstra shareholding valued at the closing share price on 30 June 2005.

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

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Cash receipts from operating activities		
Taxes received	186,205	187,279
Receipts from sales of goods and services	5,015	4,865
Grants and subsidies received	0	0
Interest receipts	1,460	1,400
Dividends	3,808	3,838
GST input credits received by general government	2,908	2,883
Other receipts	2,849	2,763
Total operating receipts	202,246	203,027
Cash payments for operating activities		
Payments for goods and services	-48,518	-48,040
Grants and subsidies paid	-45,200	-43,937
Interest paid	-3,856	-3,863
Personal benefit payments	-73,664	-73,206
Salaries, wages and other entitlements	-16,508	-15,990
GST payments by general government to taxation authority	-120	-60
Other payments for operating activities	-2,988	-2,638
Total operating payments	-190,855	-187,735
Net cash flows from operating activities	11,391	15,293
Cash flows from investments in non-financial assets		
Sales of non-financial assets	416	546
Purchases of new and secondhand non-financial assets	-2,579	-2,210
Net cash flows from investments in non-financial assets	-2,163	-1,664
Net cash flows from investments in financial assets for policy purposes	-1,317	-1,139
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-7,456	-11,024
Net cash flows from investments in financial assets for liquidity purposes	-7,456	-11,024
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	188	136
Deposits received (net)	0	39
Other financing (net)	-1,306	-1,422
Net cash flows from financing activities	-1,118	-1,247
Net increase/decrease in cash held	-663	218

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Net cash from operating activities and investments in non-financial assets	9,227	13,629
Finance leases and similar arrangements(b)	-7	-13
GFS cash surplus(+)/deficit(-)	9,221	13,616
<i>less</i> Future Fund earnings	0	0
Equals underlying cash balance(c)	9,221	13,616
<i>plus</i> net cash flows from investments in financial assets for policy purposes	-1,317	-1,139
<i>plus</i> Future Fund earnings	0	0
Equals headline cash balance	7,904	12,477

(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.

(c) The term underlying cash balance is not used by the ABS.

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Opening net worth	-37,803	-37,803
Opening net worth adjustments(a)	-1,741	-1,792
Adjusted opening net worth	-39,544	-39,595
Change in net worth from operating transactions	7,655	10,925
Change in net worth from other economic flows		
Revaluation of equity(b)	1,301	698
Net writedowns of assets (including bad and doubtful debts)	-2,226	-5,233
Assets recognised for the first time	23	631
Liabilities recognised for the first time	0	0
Actuarial revaluations	-937	-1,108
Net foreign exchange gains	-384	-423
Net swap interest received	180	181
Market valuation of debt	-195	-708
Other economic revaluations(c)	2	2,653
Total other economic flows	-2,236	-3,309
Closing net worth	-34,126	-31,979

(a) Decrease in net worth arising from a change in recognition of family tax benefits and other expenses from a cash to an accrual basis.

(b) The 2004-05 equity and net worth outcomes include the change in the value of Telstra shareholding between the closing share price on 30 June 2004 and 30 June 2005.

(c) Largely reflects revaluation of assets and liabilities mainly by the Department of Defence.

PART 2: GOVERNMENT FINANCE STATISTICS STATEMENTS

Financial tables presented in this part are prepared in accordance with the Australian Bureau of Statistics (ABS) accrual 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 the ABS GFS publication. This part presents Australian Government data on an ABS GFS basis, as required by the *Accrual Uniform Presentation Framework*, except for the departures (other than in relation to the treatment of goods and services tax (GST)) detailed in Attachment A to Part 1.

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 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 GFS cash surplus/deficit 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, but removed from the total non-financial public sector tables as they are transactions internal to that sector.

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

Part 2: Government Finance Statistics Statements

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
GFS revenue		
Taxation revenue	226,501	228,726
Current grants and subsidies	0	0
Sales of goods and services	4,828	4,880
Interest income	1,562	1,621
Dividend income	3,146	3,176
Other	2,929	3,289
Total GFS revenue	238,966	241,691
GFS expenses		
Gross operating expenses		
Depreciation	1,892	2,023
Superannuation	2,487	2,386
Salaries and wages	11,922	11,361
Payment for supply of goods and services	45,246	45,330
Other operating expenses	2,814	2,971
<i>Total gross operating expenses</i>	<i>64,362</i>	<i>64,071</i>
Nominal superannuation interest expense	4,882	5,005
Other interest expenses	4,131	4,154
Other property expenses	0	0
Current transfers		
Grant expenses	72,753	71,470
Subsidy expenses	6,470	7,221
Personal benefit payments in cash	74,478	74,115
Other current transfers	0	0
<i>Total current transfers</i>	<i>153,701</i>	<i>152,805</i>
Capital transfers	3,591	4,448
Total GFS expenses	230,667	230,483
Net operating balance(a)	8,300	11,207
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,487	2,207
<i>less</i> Sales of non-financial assets	<i>364</i>	<i>490</i>
<i>less</i> Depreciation	<i>1,892</i>	<i>2,023</i>
<i>plus</i> Change in inventories	<i>374</i>	<i>508</i>
<i>plus</i> Other movements in non-financial assets	<i>47</i>	<i>-55</i>
Total net acquisition of non-financial assets	652	147
Net lending/fiscal balance(a)(b)	7,648	11,061

(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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	927	1,808
Advances paid	19,314	20,199
Investments, loans and placements	31,066	35,022
Other non-equity assets	19,472	18,758
Equity(a)	50,895	50,183
<i>Total financial assets</i>	<i>121,675</i>	<i>125,970</i>
Non-financial assets		
Land	4,863	6,140
Buildings	13,894	14,195
Plant, equipment and infrastructure	8,411	8,209
Inventories	5,299	4,524
Heritage and cultural assets	6,698	7,275
Other non-financial assets	2,085	2,032
<i>Total non-financial assets</i>	<i>41,250</i>	<i>42,374</i>
Total GFS assets	162,925	168,344
GFS liabilities		
Deposits held	365	403
Advances received	0	0
Government securities	61,452	62,331
Loans	5,595	5,648
Other borrowing	224	182
Superannuation liability	91,071	91,172
Other employee entitlements and provisions	7,605	8,178
Other non-equity liabilities	28,654	30,828
Total GFS liabilities	194,966	198,741
Net worth(b)(c)	-32,040	-30,397
Net financial worth(d)	-73,291	-72,771
Net debt(e)	16,328	11,534

- (a) The 2004-05 equity and net worth outcomes include the Telstra shareholding valued at the closing share price on 30 June 2005.
- (b) 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.
- (c) Net worth is calculated as total assets minus total liabilities.
- (d) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.
- (e) 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)

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Cash receipts from operating activities		
Taxes received(b)	221,796	222,417
Receipts from sales of goods and services(c)	4,814	4,585
Grants/subsidies received	0	0
Interest receipts	1,460	1,400
Dividends	3,808	3,838
GST input credits received by general government(c)	0	0
Other receipts	2,849	2,763
Total operating receipts	234,727	235,002
Cash payments for operating activities		
Payments for goods and services(c)	-45,570	-45,012
Grants and subsidies paid(d)	-80,750	-79,000
Interest paid	-3,856	-3,863
Personal benefit payments	-73,664	-73,206
Salaries, wages and other entitlements	-16,508	-15,990
GST payments to taxation authority(c)	0	0
Other payments for operating activities	-2,988	-2,638
Total operating payments	-223,336	-219,709
Net cash flows from operating activities	11,391	15,293
Cash flows from investments in non-financial assets		
Sales of non-financial assets	416	546
Purchases of non-financial assets	-2,579	-2,210
Net cash flows from investments in non-financial assets	-2,163	-1,664
Net cash flows from investments in financial assets for policy purposes	-1,317	-1,139
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-7,456	-11,024
Net cash flows from investments in financial assets for liquidity purposes	-7,456	-11,024
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	188	136
Deposits received (net)	0	39
Other financing (net)	-1,306	-1,422
Net cash flows from financing activities	-1,118	-1,247
Net increase/decrease in cash held	-663	218
Net cash from operating activities and investments in non-financial assets	9,227	13,629
Finance leases and similar arrangements(e)	-7	-13
Equals surplus(+)/deficit(-)	9,221	13,616

(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 \$75 million higher in 2004-05 than GST cash receipts measured by the Australian Government on a State tax basis (as shown in Part 3, Note 18).

(c) GST flows are excluded from these categories.

(d) Includes GST cash payments on an Australian Government tax basis.

(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)

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Opening net worth	-36,165	-36,165
Opening net worth adjustments(a)	-1,741	-1,792
Adjusted opening net worth	-37,906	-37,957
Change in net worth from operating transactions	8,300	11,207
Change in net worth from other economic flows		
Revaluation of equity(b)	1,301	698
Net writedowns of assets (including bad and doubtful debts)	-2,423	-5,573
Assets recognised for the first time	23	631
Liabilities recognised for the first time	0	0
Actuarial revaluations	-937	-1,108
Net foreign exchange gains	-384	-423
Net swap interest received	180	181
Market valuation of debt	-195	-708
Other economic revaluations(c)	2	2,653
Total other economic flows	-2,433	-3,648
Closing net worth	-32,040	-30,397

(a) Decrease in net worth arising from a change in recognition of family tax benefits and other expenses from a cash to an accrual basis.

(b) The 2004-05 equity and net worth outcomes include the change in the value of Telstra shareholding between the closing share price on 30 June 2004 and 30 June 2005.

(c) Largely reflects revaluation of assets and liabilities mainly by the Department of Defence.

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
<i>Income taxation</i>		
Individuals and other withholding(a)		
Gross income tax withholding	97,990	98,250
Gross other individuals	23,640	24,003
less: Refunds	13,700	13,734
Total individuals and other withholding	107,930	108,519
Companies	40,610	43,106
Superannuation funds		
Contributions and earnings	5,090	5,083
Superannuation surcharge	1,290	1,326
Total superannuation funds	6,380	6,410
Petroleum resource rent tax	1,460	1,465
Total income taxation revenue	156,380	159,499
<i>Excise and customs</i>		
Excise duty		
Petroleum and other fuel products	13,620	13,682
Crude oil	650	668
Alcohol products	2,460	2,394
Tobacco	5,280	5,237
Total excise duty	22,010	21,981
Customs duty		
Textiles, clothing and footwear	1,000	966
Passenger motor vehicles	1,450	1,397
Excise-like goods	1,680	1,697
Other imports	1,884	1,793
less: Refunds and drawbacks	300	306
Total customs duty	5,714	5,548
Total excise and customs revenue	27,724	27,529
<i>Indirect taxation</i>		
Wine equalisation tax	690	693
Luxury car tax	300	302
Other taxes	190	169
Total indirect taxation revenue	1,180	1,164
GST	36,300	35,473
<i>Other taxation</i>		
Fringe benefits tax(b)	3,050	3,089
Agricultural levies	572	584
Other taxes	1,296	1,389
Total other taxation revenue	4,917	5,061
Total taxation revenue	226,501	228,726
<i>Non-taxation</i>		
Sales of goods and services	4,828	4,880
Dividends	3,146	3,176
Interest received	1,562	1,621
Other	2,929	3,289
Total non-taxation revenue	12,465	12,965
Total revenue	238,966	241,691

(a) Includes Medicare levy revenue of \$6,105 million in 2004-05.

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$387 million in 2004-05).

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Excise duty		
Petroleum and other fuel products		
Petrol(a)	7,370	7,371
Diesel	6,100	6,164
Other(b)	150	147
Total petroleum and other fuel products	13,620	13,682
Crude oil	650	668
Beer	1,680	1,653
Potable spirits	780	741
Tobacco	5,280	5,237
Total excise duty	22,010	21,981
Customs duty		
Textiles, clothing and footwear	1,000	966
Passenger motor vehicles	1,450	1,397
Excise-like goods(c)	1,680	1,697
Other imports	1,884	1,793
less: Refunds and drawbacks	300	306
Total customs duty	5,714	5,548
Total excise and customs duty	27,724	27,529

(a) Includes unleaded petrol and lead replacement petrol.

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

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

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
GFS revenue		
Current grants and subsidies	353	375
Sales of goods and services	26,221	26,402
Interest income	117	185
Other	1	3
Total GFS revenue	26,693	26,965
GFS expenses		
Gross operating expenses		
Depreciation	3,561	3,381
Salaries, wages and other entitlements	5,810	5,877
Other operating expenses	11,486	9,465
<i>Total gross operating expenses</i>	<i>20,857</i>	<i>18,723</i>
Interest expenses	322	787
Other property expenses	1,674	3,693
Current transfers		
Tax expenses	2,071	1,987
Other current transfers	0	0
<i>Total current transfers</i>	<i>2,071</i>	<i>1,988</i>
Capital transfers	0	0
Total GFS expenses	24,924	25,191
Net operating balance	1,769	1,774
Net acquisition of non-financial assets		
Purchases of non-financial assets	4,412	3,738
<i>less</i> Sales of non-financial assets	159	81
<i>less</i> Depreciation	3,561	3,381
<i>plus</i> Change in inventories	24	8
<i>plus</i> Other movements in non-financial assets	-420	17
Total net acquisition of non-financial assets	295	302
Net lending/fiscal balance(a)	1,475	1,473

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

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	1,913	1,755
Advances paid	0	0
Investments, loans and placements	234	1,758
Other non-equity assets	5,288	4,611
Equity	304	298
<i>Total financial assets</i>	<i>7,738</i>	<i>8,421</i>
Non-financial assets		
Land and fixed assets	26,442	25,950
Other non-financial assets(a)	2,171	3,511
<i>Total non-financial assets</i>	<i>28,613</i>	<i>29,461</i>
Total GFS assets	36,351	37,882
GFS liabilities		
Deposits held	0	0
Advances received	0	0
Borrowing	12,692	13,237
Unfunded superannuation liability and other employee entitlements	2,018	2,110
Provisions (other than depreciation and bad and doubtful debts)(a)	3,002	3,879
Other non-equity liabilities	1,678	1,516
Total GFS liabilities	19,390	20,743
Shares and other contributed capital	67,553	66,523
Net worth(b)	-50,592	-49,384
Net financial worth(c)	-79,205	-78,845
Net debt(d)	10,546	9,725

(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)

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	26,048	28,942
Grants and subsidies received	50	216
GST input credit receipts	61	165
Other receipts	230	180
Total receipts	26,390	29,502
Cash payments for operating activities		
Payment for goods and services	-8,691	-10,270
Interest paid	-155	-725
Salaries, wages and other entitlements	-5,838	-5,840
GST payments to taxation authority	-1,263	-1,543
Other payments for operating activities(b)	-3,230	-2,265
Total payments	-19,178	-20,643
Net cash flows from operating activities	7,212	8,859
Cash flows from investments in non-financial assets		
Sales of non-financial assets	177	119
Purchases of non-financial assets	-4,416	-3,747
Net cash flows from investments in non-financial assets	-4,239	-3,628
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	223	-390
Net cash flows from investments in financial assets for liquidity purposes	223	-390
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-129	547
Deposits received (net)	0	0
Distributions paid (net)(b)	-1,685	-3,680
Other financing (net)	-1,358	-572
Net cash flows from financing activities	-3,172	-3,706
Net increase/decrease in cash held	25	1,123
Net cash from operations and investments in non-financial assets	2,973	5,231
Finance leases and similar arrangements(c)	0	0
Distributions paid(b)	-1,685	-3,680
Equals surplus(+)/deficit(-)	1,288	1,550

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

(b) Estimates for other payments for operating activities include the cash flow to the general government sector from public financial corporations while for outcomes distributions paid includes all dividends paid to the general government sector.

(c) 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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
GFS revenue		
Taxation revenue	224,431	226,497
Current grants and subsidies	0	0
Sales of goods and services	30,513	30,480
Interest income	1,679	1,805
Dividend income	1,143	737
Other	2,930	3,252
Total GFS revenue	260,695	262,771
GFS expenses		
Gross operating expenses		
Depreciation	5,453	5,404
Superannuation	2,540	2,469
Salaries and wages	17,732	17,238
Payment for supply of goods and services	53,878	53,286
Other operating expenses	3,076	3,314
<i>Total gross operating expenses</i>	<i>82,679</i>	<i>81,711</i>
Nominal superannuation interest expense	4,882	5,005
Other interest expenses	4,454	4,941
Other property expenses	1,674	1,254
Current transfers		
Grant expenses	72,753	71,470
Subsidy expenses	6,117	6,846
Personal benefit payments in cash	74,478	74,115
Other current transfers	0	0
<i>Total current transfers</i>	<i>153,348</i>	<i>152,431</i>
Capital transfers	3,591	4,448
Total GFS expenses	250,627	249,790
Net operating balance(a)	10,069	12,982
Net acquisition of non-financial assets		
Purchases of non-financial assets	6,899	5,945
<i>less</i> Sales of non-financial assets	523	571
<i>less</i> Depreciation	5,453	5,404
<i>plus</i> Change in inventories	397	516
<i>plus</i> Other movements in non-financial assets	-373	-37
Total net acquisition of non-financial assets	946	448
Net lending/fiscal balance(a)	9,123	12,533

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

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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	2,840	3,563
Advances paid	19,314	20,199
Investments, loans and placements	31,300	36,780
Other non-equity assets	24,745	23,327
Equity	14,663	14,301
<i>Total financial assets</i>	<i>92,863</i>	<i>98,170</i>
Non-financial assets		
Land and fixed assets	65,607	66,293
Other non-financial assets	4,256	5,542
<i>Total non-financial assets</i>	<i>69,863</i>	<i>71,835</i>
Total GFS assets	162,726	170,005
GFS liabilities		
Deposits held	365	403
Advances received	0	0
Government securities	61,452	62,331
Loans	5,595	5,648
Other borrowing	12,916	13,419
Unfunded superannuation liability and other employee entitlements	100,694	101,460
Other provisions	6,868	8,192
Other non-equity liabilities	26,451	27,990
Total GFS liabilities	214,341	219,443
Shares and other contributed capital	31,017	30,344
Net worth(a)	-82,633	-79,782
Net financial worth(b)	-152,496	-151,617
Net debt(c)	26,874	21,259

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

(c) 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)

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Cash receipts from operating activities		
Taxes received	218,469	220,350
Receipts from sales of goods and services(b)	30,846	30,785
Grants and subsidies received	0	0
Interest receipts	1,578	1,565
Dividends	1,805	1,399
GST input credit receipts(b)	0	0
Other receipts	2,961	2,747
Total receipts	255,659	256,845
Cash payments for operating activities		
Payments for goods and services(b)	-54,192	-53,918
Grants and subsidies paid	-80,700	-78,784
Interest paid	-4,011	-4,588
Personal benefit payments	-73,664	-73,127
Salaries, wages and other entitlements	-22,345	-21,800
GST payments to taxation authority(b)	0	0
Other payments for operating activities	-2,144	-2,915
Total payments	-237,056	-235,132
Net cash flows from operating activities	18,603	21,713
Cash flows from investments in non-financial assets		
Sales of non-financial assets	593	665
Purchases of non-financial assets	-6,996	-5,957
Net cash flows from investments in non-financial assets	-6,402	-5,292
Net cash flows from investments in financial assets for policy purposes	-1,317	-1,152
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-7,233	-11,414
Net cash flows from investments in financial assets for liquidity purposes	-7,233	-11,414
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	59	683
Deposits received (net)	0	39
Distributions paid (net)(c)	-1,685	-1,241
Other financing (net)	-2,664	-1,995
Net cash flows from financing activities	-4,290	-2,514
Net increase/decrease in cash held	-638	1,341
Net cash from operating activities and investments in non-financial assets	12,201	16,420
Finance leases and similar arrangements(d)	-7	-13
Distributions paid	-1,685	-1,241
Equals surplus(+)/deficit(-)	10,509	15,167

(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 public non-financial corporations dividends to non-general government 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

	2004-05 Outcome \$m
GFS revenue	
Current grants and subsidies	149
Sales of goods and services	2,787
Interest income	2,663
Other	32
Total GFS revenue	5,632
GFS expenses	
Gross operating expenses	
Depreciation	31
Salaries, wages and other entitlements	2,847
Other operating expenses	0
<i>Total gross operating expenses</i>	<i>2,878</i>
Interest expenses	1,397
Other property expenses	707
Current transfers	
Tax expenses	0
Other current transfers	0
<i>Total current transfers</i>	<i>-1</i>
Capital transfers	0
Total GFS expenses	4,981
Net operating balance	650
Net acquisition of non-financial assets	
Purchases of non-financial assets	57
<i>less</i> Sales of non-financial assets	<i>1</i>
<i>less</i> Depreciation	<i>31</i>
<i>plus</i> Change in inventories	<i>-8</i>
<i>plus</i> Other movements in non-financial assets	<i>-10</i>
Total net acquisition of non-financial assets	7
Net lending/fiscal balance(a)	643

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

Table 24: Australian Government public financial corporations sector balance sheet

	2004-05 Outcome \$m
GFS assets	
Financial assets	
Cash and deposits	2,005
Advances paid	0
Investments, loans and placements	86,773
Other non-equity assets	398
Equity	545
<i>Total financial assets</i>	<i>89,722</i>
Non-financial assets	
Land and fixed assets	409
Other non-financial assets(a)	5
<i>Total non-financial assets</i>	<i>414</i>
Total GFS assets	90,136
GFS liabilities	
Deposits held	64,718
Advances received	0
Borrowing	11,713
Unfunded superannuation liability and other employee entitlements	577
Provisions (other than depreciation and bad and doubtful debts)(a)	1,061
Other non-equity liabilities	82
Total GFS liabilities	78,150
Shares and other contributed capital	11,986
Net worth(b)	0
Net financial worth(c)	-414
Net debt(d)	-12,347

(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)

	2004-05 Outcome \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	2,816
Grants and subsidies received	149
GST input credit receipts	27
Other receipts	2,686
Total receipts	5,678
Cash payments for operating activities	
Payment for goods and services	-2,484
Interest paid	-1,395
Salaries, wages and other entitlements	-260
GST payments to taxation authority	-9
Other payments for operating activities	-1
Total payments	-4,149
Net cash flows from operating activities	1,530
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1
Purchases of non-financial assets	-68
Net cash flows from investments in non-financial assets	-66
Net cash flows from investments in financial assets for policy purposes	-169
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-13,252
Net cash flows from investments in financial assets for liquidity purposes	-13,252
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-158
Deposits received (net)	10,995
Distributions paid (net)	-1,353
Other financing (net)	2,623
Net cash flows from financing activities	12,106
Net increase/decrease in cash held	148
Net cash from operating activities and investments in non-financial assets	1,463
Finance leases and similar arrangements(b)	0
Distributions paid	-1,353
Equals surplus(+)/deficit(-)	110

(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

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
General public services	831	602
Defence	615	685
Public order and safety	224	141
Education	16	16
Health	103	105
Social security and welfare	219	144
Housing and community amenities	8	42
Recreation and culture	263	185
Fuel and energy	3	2
Agriculture, forestry and fishing	27	23
Mining, manufacturing and construction	30	23
Transport and communications	-65	52
Other economic affairs	210	181
Other purposes	5	6
General government purchases of non-financial assets	2,487	2,207

Attachment A

AUSTRALIAN LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector GFS cash surplus/deficit (made up from the general government and public non-financial corporations (PNFC) sector balances);
- net cash flows from investments 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 infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table 27, the Australian Government's 2004-05 LCA final budget outcome is a \$12,924 million surplus. This compares with the Australian Government's LCA 2004-05 Budget estimate of a \$2,277 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 estimate 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

	2004-05 Budget Estimate \$m	2004-05 Outcome \$m
General government sector cash deficit(+)/surplus(-)	-2,391	-13,616
PNFC sector cash deficit(+)/surplus(-)	-2,212	-1,550
Non-financial public sector cash deficit(+)/surplus(-)	-4,603	-15,167
<i>minus</i> Net cash flows from investments		
in financial assets for policy purposes(a)	-1,374	-1,152
<i>plus</i> Memorandum items(b)	951	1,091
Loan Council Allocation	-2,277	-12,924

(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), over-funding of superannuation and an adjustment to exclude the net financing requirements of Telstra from the Loan Council Allocation.

PART 3: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This part presents financial statements prepared in accordance with applicable Australian Accounting Standards (AAS), including AAS No. 31 *Financial Reporting by Governments*, except where departures from the standard are identified in Note 1. This part also provides notes showing disaggregated information and month of June figures.

A reconciliation between the Australian Government's general government AAS 31 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	2004-05 Estimate at 2005-06 Budget \$m	Month of June 2005(a) \$m	2004-05 Outcome \$m
Revenues				
Taxation				
Income taxation	4	156,380	13,634	159,499
Indirect taxation	5	28,904	2,341	28,692
Fringe benefits tax		3,050	61	3,089
Other taxes		1,636	165	1,725
Total taxation revenue		189,970	16,201	193,005
Non-taxation				
Sales of goods and services		4,900	538	4,880
Interest and dividends	6	6,873	712	6,942
Net foreign exchange gains		0	20	20
Proceeds from the sale of assets		823	199	1,243
Other sources of non-taxation revenue	7	3,845	1,450	4,941
Total non-taxation revenue		16,442	2,920	18,027
Total revenue		206,411	19,121	211,032
Expenses				
Goods and services				
Employees	8	22,911	2,327	22,687
Suppliers	9	16,848	2,783	16,656
Depreciation and amortisation	10	4,409	562	4,290
Net writedown of assets		3,434	2,997	7,704
Net foreign exchange losses		384	-57	444
Value of assets sold		770	204	1,117
Other goods and services expenses	11	7,078	869	7,215
Total goods and services		55,834	9,685	60,112
Subsidies benefits and grants				
Personal benefits		91,137	8,229	91,153
Subsidies		11,212	1,782	11,654
Grants	12	39,474	3,490	38,824
Total subsidies benefits and grants		141,823	13,500	141,630
Borrowing costs				
Interest		6,186	508	6,172
Other borrowing costs		15	4	19
Total interest and other borrowing costs		6,200	513	6,190
Total expenses		203,858	23,698	207,932
Operating result		2,554	-4,577	3,100

(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

	Note	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Assets			
Financial assets			
Cash		927	1,808
Receivables	13	29,829	30,314
Investments		47,263	50,740
Equity accounted investments		402	399
Accrued revenue		490	695
Other financial assets		18	12
Total financial assets		78,929	83,969
Non-financial assets			
Land and buildings	14	18,757	20,335
Infrastructure		39,398	39,274
Heritage and cultural assets		6,698	7,275
Intangibles		1,693	1,842
Inventories		5,299	4,524
Other non-financial assets		1,832	1,565
Total non-financial assets		73,678	74,815
Total assets		152,607	158,783
Liabilities			
Debt			
Government securities		55,705	55,726
Loans		4,537	4,664
Leases		201	149
Deposits		365	403
Other debt		1,076	1,070
Total debt		61,885	62,011
Provisions and payables			
Employees and superannuation	15	98,676	99,350
Suppliers		2,145	2,619
Personal benefits payable		8,347	8,545
Subsidies payable		912	1,463
Grants payable	16	9,842	9,862
Other provisions and payables		10,596	11,294
Total provisions and payables		130,519	133,134
Total liabilities		192,403	195,145
Net assets	17	-39,797	-36,362
Equity			
Accumulated results		-75,157	-74,466
Reserves		35,361	38,104
Capital		0	0
Total equity		-39,797	-36,362

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

	Note	2004-05 Estimate at 2005-06 Budget \$m	Month of June 2005(a) \$m	2004-05 Outcome \$m
Operating activities				
Cash received				
Taxation	18	186,133	16,501	187,191
Sales of goods and services		5,087	467	4,865
Interest		3,537	462	3,471
Dividends		3,808	38	3,838
GST input credit receipts		2,908	895	2,883
Other		2,931	-182	2,851
Total operating cash received		204,405	18,183	205,098
Cash used				
Payments to employees		19,496	1,894	18,556
Payments to suppliers		20,255	3,490	19,640
Subsidies paid		10,127	1,028	9,935
Personal benefits		88,867	7,907	88,594
Grant payments		38,352	2,815	37,367
Interest and other financing costs		5,995	357	5,998
GST payments to taxation authority		120	1	60
Other		6,859	170	6,710
Total operating cash used		190,072	17,663	186,862
Net cash from operating activities		14,333	520	18,237
Investing activities				
Cash received				
Proceeds from asset sales program		0	0	0
Proceeds from sales of property, plant and equipment and intangibles		422	165	547
Net loans, advances and HECS		0	0	0
Other net investing cash received		401	75	694
Total investing cash received		823	241	1,242
Cash used				
Purchase of property, plant and equipment and intangibles		5,652	890	5,369
Net loans, advances and HECS		1,135	916	957
Other net investing cash paid		7,854	-1,789	11,714
Total investing cash used		14,640	17	18,040
Net cash from investing activities		-13,818	224	-16,799
Financing activities				
Cash received				
Other		0	-87	39
Total financing cash received		0	-87	39
Cash used				
Net repayments of borrowings		-188	-65	-136
Other		1,366	124	1,395
Total financing cash used		1,178	59	1,259
Net cash from financing activities		-1,178	-146	-1,220
Net increase/decrease in cash held	3	-663	597	218

(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* (AAS 31).

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 for the year ended 30 June 2005.

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 (the States), and appropriated to the States. Therefore, accrued GST revenues and associated payments to the States are not recorded in the financial statements.

Note 2: Adoption of Australian Equivalents to International Financial Reporting Standards to apply from the first reporting period beginning on or after 1 January 2005

Under the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*, each wholly-owned entity is responsible for ensuring their financial reports comply with Finance Minister's Orders (FMOs), which also require compliance with Australian Accounting Standards. To this end, each entity has undertaken steps to prepare for the adoption of Australian Equivalents to International Financial Reporting Standards (AEIFRS) as applicable to that entity. The transition plan adopted by each entity was disclosed in their 2003-04 and 2004-05 financial reports.

At a whole of government level, the Australian Government (through the Department of Finance and Administration) has provided resources to assess the impacts of AEIFRS, and provided advice to Australian Government entities and the Australian Government on transitional planning issues, the impacts of AEIFRS and policy guidance. This has included:

- the release of a number of *FinanceBriefs* relating to the adoption of international financial reporting standards to assist controlled entities in the implementation of AEIFRS;
- Finance providing regular updates to keep Chief Financial Officers (CFOs) of Australian Government entities informed on progress and issues relating to international adoption. Finance also set up a consultative group of a cross-section of CFOs to discuss practical implementation issues and areas of concern regarding interpretation between the entities and auditors; and
- the preparation of revised accounting policies to take effect from 1 July 2005, with retrospective restatement of comparative information, included as guidance in the 2004-05 FMOs. The accounting policies of controlled entities of the Australian Government have been reviewed, taking into account AEIFRSs and relevant *FinanceBriefs* issued by Finance.

Expected key differences in accounting policies

The Australian Government is required to prepare the first financial report under AEIFRS at 30 June 2006, on the basis that the Australian Government will be a first time adopter under AASB 1, *First time Adoption of Australian Equivalents to International Financial Reporting Standards*.

Changes in accounting policies under AEIFRS are applied retrospectively as if the new policy had always applied, except in relation to the exemptions available and prohibitions under AASB 1. This means that an AEIFRS compliant balance sheet will be prepared as at 1 July 2004. This will enable the 2005-06 financial statements to report

comparatives under AEIFRS. Final decisions on the accounting policies to be applied will be made by the Minister for Finance in the preparation of the FMOs for 2005-06.

The quantitative impacts of AEIFRS represent Australian Government entities' best estimates of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- continuing review of the impacts of AEIFRS on Australian Government entities' operations;
- ongoing amendments to the AEIFRS and AEIFRS Interpretations;
- the issuing of new Standards and Interpretations; and
- emerging interpretation as to the accepted practice in the application of AEIFRS and the AEIFRS Interpretations.

The anticipated impacts are largely the result of applying AASB 5 *Assets Held for Sale and Discontinued Operations*, AASB 102 *Inventories*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 116 *Property, Plant and Equipment*, AASB 119 *Employee Benefits*, AASB 138 *Intangible Assets*, AASB 139 *Financial Instruments: Recognition and Measurement*, and AASB 140 *Investment Properties*.

The following represents the material estimated impacts and movements in these financial statements as if prepared under AEIFRS. It should not be taken as an exhaustive list of all the differences between current AAS and the AEIFRS, but it does represent the major expected changes.¹

Property, plant and equipment

The expected impact of applying AASB 116 *Property, Plant and Equipment* is an increase in the operating result of \$6 million. The expected impact on land and buildings, infrastructure, plant and equipment is \$49 million, and provisions is \$43 million.

The expected impact of applying the AASB 116 requirement for property, plant and equipment assets to be measured at fair value at 1 July 2004 is an increase in the asset revaluation reserve of \$14 million and an increase in land and buildings, infrastructure, plant and equipment of \$14 million.

Employee benefits

The expected impacts of applying AASB 119 *Employee Benefits* to superannuation cannot be reliably determined at this point in time due to differences in interpretation in respect to the methodology used to calculate the discount rate.

1 These impacts do not include those relating to the Department of Defence, as reliable estimates were not available for the preparation of the Final Budget Outcome for 2004-05.

The expected impact on employee provisions of applying AASB 119 to non-current annual leave is a decrease of \$14 million. The expected impact on the operating result is immaterial.

Inventory

The expected impact of adopting AASB 102 *Inventories* is a reduction in inventories of \$5 million.

Change in accounting policy

The impact of applying AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is an increase in the operating result of \$1,792 million.

Intangible assets

The expected impact of applying AASB 138 *Intangible Assets* is an increase in the operating result of \$15 million, and a reduction in intangible assets of \$60 million and a reduction in the asset revaluation reserve of \$20 million.

Financial instruments

AEIFRS include an option for entities not to restate comparative information in respect of financial instruments in the first AEIFRS report. It is expected that the Australian Government will use this option. Therefore the amounts for financial instruments presented in the 2004-05 *Final Budget Outcome* are not expected to change as a result of the adoption of AASB 139 *Financial Instruments: Recognition and Measurement*.

Investment property

The expected impact of applying AASB 140 *Investment Property* is an increase in the operating result of \$2 million. The impact on assets is to reduce land and buildings by \$21 million and recognise investment properties of \$21 million. The asset revaluation reserve is expected to decrease by \$2 million.

Assets held for sale

The expected impact of applying AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* is to reduce land and buildings, infrastructure, plant and equipment by \$82 million and recognise assets held for sale of \$82 million.

The following table provides a reconciliation between the current Australian Accounting Standards and the expected impact of adopting AEIFRS.

	30 June 2004 \$m	30 June 2005 \$m
Reconciliation of equity		
Total equity under AGAAP	-42,686	-36,353
Adjustments to accumulated results	-1,799	16
Adjustments to reserves	-47	-49
Total equity under AEIFRS	-44,532	-36,386
Reconciliation of accumulated results		
Total accumulated results under AGAAP	-77,949	-74,457
Adjustments:		
Investment properties	11	21
Assets held for sale	161	82
Land and buildings, infrastructure, plant and equipment and intangible assets	-205	-114
Inventories	-5	-5
Employee provisions	14	14
Other provisions	-42	-43
Change in accounting policy	-1,792	0
Revaluation	0	2
Total reserves	59	59
Total accumulated Results under AEIFRS	-79,748	-74,441
Reconciliation of reserves		
Total reserves under AGAAP	35,263	38,104
Adjustments:		
Asset revaluation reserve	-47	-49
Total reserves under AEIFRS	35,216	38,055
Reconciliation of contributed equity		
Total contributed equity under AGAAP	0	0
Adjustments:		
Total contributed equity under AEIFRS	0	0
Reconciliation of net result from ordinary activities for year ending 30 June 2005		
Net result from ordinary activities under AGAAP		3,108
Adjustments:		
Fair value gains		2
Employees		963
Suppliers		15
Personal benefits		1,792
Depreciation and amortisation		10
Value of assets sold		-1
Borrowing costs		-2
Net result from ordinary activities under AEIFRS		5,887

Note 3: Reconciliation of cash

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Operating result (revenues less expenses)	2,554	3,100
less Revenues not providing cash		
Foreign exchange gains	0	20
Gains from asset sales programme	0	0
Gains from sale of assets	53	1,243
Other	1,005	2,424
Total revenues not providing cash	1,058	3,687
plus Expenses not requiring cash		
Increase/(decrease) in employee entitlements	3,536	4,197
Depreciation/amortisation expense	4,409	4,290
Provision for bad and doubtful debts	384	-659
Provision for diminution in value of assets	837	1,690
Losses from asset sales programme	0	0
Losses from sale of assets	0	1,097
Foreign exchange losses	384	444
Other	3	652
Total expenses not requiring cash	9,553	11,710
plus Cash provided by working capital items		
Decrease in inventories	0	834
Decrease in receivables	0	3
Decrease in other financial assets	0	0
Decrease in other non-financial assets	329	358
Increase in benefits subsidies and grants payable	3,921	4,924
Increase in suppliers' liabilities	0	375
Increase in other provisions and payables	289	855
Total cash provided by working capital items	4,539	7,349
less Cash used by working capital items		
Increase in inventories	373	0
Increase in receivables	670	0
Increase in other financial assets	51	235
Decrease in benefits subsidies and grants payable	0	0
Decrease in other provisions and payables	0	0
Decrease in suppliers' liabilities	162	0
Total cash used by working capital items	1,255	235
equals <i>Net cash from/(to) operating activities</i>	14,333	18,237
<i>Net cash from/(to) investing activities</i>	-13,818	-16,799
Net cash from operating activities and investment	515	1,438
<i>Net cash from/(to) financing activities</i>	-1,178	-1,220
equals Net (decrease)/increase in cash	-663	218

Note 3(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.

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Total general government sector cash	927	1,808
<i>less</i> CAC Agency cash balances	859	1,070
<i>plus</i> Special public monies	81	87
Balance of Consolidated Revenue Fund at 30 June	149	825

Note 4: Income taxation revenue

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Individuals and other withholding		
Gross income tax withholding	97,990	98,250
Gross other individuals	23,640	24,003
<i>less</i> Refunds	13,700	13,734
Total individuals and other withholding	107,930	108,519
Companies	40,610	43,106
Superannuation funds		
Contributions and earnings	5,090	5,083
Superannuation surcharge	1,290	1,326
Total superannuation funds	6,380	6,410
Petroleum resource rent tax	1,460	1,465
Total income taxation revenue	156,380	159,499

Note 5: Indirect taxation revenue

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Excise duty		
Petroleum and other fuel products	13,620	13,682
Crude oil	650	668
Other excise	7,740	7,631
Customs duty	5,714	5,548
Other indirect tax	1,180	1,164
GST	36,300	35,473
<i>less</i> transfers to states and territories in relation to GST revenue	36,300	35,473
GST revenue	0	0
Mirror taxes	347	307
<i>less</i> transfers to states and territories in relation to mirror tax revenue	347	307
Mirror tax revenue	0	0
Total indirect taxation revenue	28,904	28,692

Note 6: Interest and dividend revenue

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Interest		
Interest from other governments		
State and Territory debt	29	29
Housing agreements	174	174
Total interest from other governments	203	202
Interest from other sources		
Swap interest	2,165	2,146
Advances	17	0
Deposits	0	0
Bills receivable	6	7
Bank deposits	188	170
Indexation of HECS receivable and other student loans	319	297
Other	828	944
Total interest from other sources	3,524	3,564
Total interest	3,727	3,766
Dividends		
Dividends from associated entities	3,126	3,143
Other dividends	19	33
Total dividends	3,146	3,176
Total interest and dividends	6,873	6,942

Note 7: Other sources of non-taxation revenue

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Assets now recognised	623	1239
Gains on derivative financial instruments	0	0
Industry contributions	290	305
International Monetary Fund related revenue	38	37
Royalties	783	853
Seigniorage	106	107
Other	2,005	2,400
Total other sources of non-taxation revenue	3,845	4,941

Note 8: Employees expenses

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Salaries and wages(a)	11,922	11,361
Leave and other entitlements	1,404	1,431
Separations and redundancies	75	95
Workers compensation premiums	0	0
Other (including superannuation)	9,509	9,800
Total employee expenses	22,911	22,687

(a) Salaries and wages do not include superannuation.

Note 9: Suppliers expenses

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Supply of goods and services	14,738	14,698
Operating lease rental expenses	1,687	1,798
Other	423	160
Total suppliers	16,848	16,656

Note 10: Depreciation and amortisation expenses

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Depreciation		
Specialist military equipment	2,517	2,267
Buildings	532	690
Heritage and cultural assets	43	43
Other infrastructure, plant and equipment	986	914
Total depreciation	4,078	3,914
Total amortisation	331	376
Total depreciation and amortisation	4,409	4,290

Note 11: Other goods and services expenses

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Health care payments	4,238	4,204
Development Cooperation Program	1,312	1,291
Other	1,528	1,719
Total other goods and services expenses	7,078	7,215

Note 12: Grants expenses

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
State and territory governments	25,320	25,483
Non-profit organisations	1,541	1,413
Overseas	1,040	1,035
Private sector	1,423	1,138
Local governments	318	311
Multi-jurisdictional sector	5,347	5,461
Other	4,485	3,983
Total grants	39,474	38,824

Note 13: Receivables

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Taxes Receivable	11,519	10,219
Advances and Loans	11,879	15,358
Other Receivables	6,431	4,737
Total receivables	29,829	30,314

Note 14: Total non-financial assets

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Land and buildings		
Land	4,863	6,140
Buildings	13,894	14,195
Total land and buildings	18,757	20,335
Infrastructure		
Specialist military equipment	30,988	31,065
Other	8,411	8,209
Total infrastructure	39,398	39,274
Intangibles		
Computer software	1,585	1,672
Other	108	170
Total intangibles	1,693	1,842
Heritage and cultural assets	6,698	7,275
Total heritage and cultural assets	6,698	7,275
Inventories	5,299	4,524
Total inventories	5,299	4,524
Other non-financial assets		
Prepayments	1,440	1,375
Other	392	189
Total other non-financial assets	1,832	1,565
Total non-financial assets	73,678	74,815

Note 15: Employee and superannuation liabilities

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Superannuation	90,691	91,172
Leave and other entitlements	4,271	4,136
Accrued salaries and wages	117	134
Workers compensation claims	1,484	1,586
Separations and redundancies	34	50
Workers compensation premiums	1,702	1,812
Other	376	459
Total employee and superannuation liability	98,676	99,350

Note 16: Grants payable

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
State and Territory governments	4,000	3,911
Non-profit organisations	72	84
Private sector	671	812
Overseas	1,311	1,313
Local governments	5	9
Other	3,782	3,734
Total grants payable	9,842	9,862

Note 17: Net asset movements

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Opening net assets	-42,207	-42,686
Operating result	2,554	3,100
Asset revaluation reserve	187	3,099
Other movements	-330	125
Closing net assets	-39,797	-36,362

Note 18: Taxation receipts — cash

	2004-05 Estimate at 2005-06 Budget \$m	2004-05 Outcome \$m
Total taxation receipts	222,030	222,560
<i>less</i> payments to states and territories in relation to GST revenue	35,550	35,063
<i>less</i> payments to states and territories in relation to mirror tax revenue	347	307
Taxation receipts	186,133	187,191

PART 4: FEDERAL FINANCIAL RELATIONS

This part provides information concerning goods and services tax (GST) revenue, general revenue assistance, general purpose assistance to local government and Specific Purpose Payments to the States and Territories (the States) in 2004-05. The information supplements material provided in Budget Paper No. 3, *Federal Financial Relations 2005-06*.

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 paid to the States. This provides the States with access to a secure, growing and broad-based revenue source. Subject to the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), the 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 accommodation (bed) taxes, which were abolished on 1 July 2000, financial institutions duty and stamp duty on quoted marketable securities, which were abolished on 1 July 2001, and bank account debits tax, which ceased to be levied in any State on 1 July 2005.

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 (BBA) 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. For the first time, in 2004-05, each State received more revenue from the GST than the amount of revenue it would have received under the previous system of financial arrangements. Hence, the payment of BBA was not required.

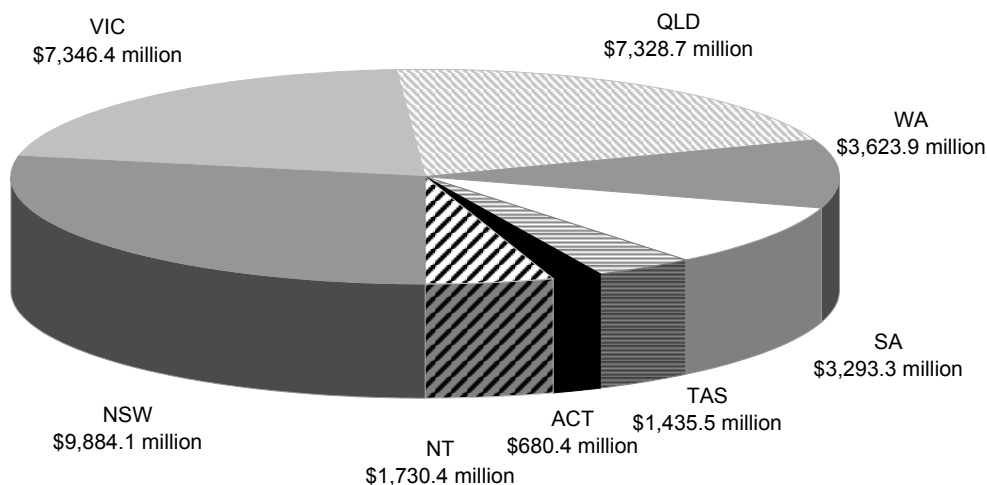
GST REVENUE PROVISION

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 2005-06*, provides more detail 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 15 June 2005, a total of \$35,322.7 million in GST revenue was provided to the States in 2004-05. This reflects a GST revenue estimate for 2004-05 of \$35,350 million less a \$27.3 million adjustment for the difference between the Commissioner's determination of 2003-04 GST collections and the 2003-04 GST outcome. The Commissioner's estimate of GST for 2004-05 was broadly consistent with both the estimate at Budget and the final GST revenue outcome as reported in Appendix A and in Note 18 in Part 3.

The final provision of GST revenue to the States in 2004-05 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 2005-06*, reflecting final determinations made under the Act.

The 2004-05 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 2004) 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						
	Population as at 31 December 2004	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	6,760,031	0.86750	5,864,327	29.0	12,418.4	2,534.3	9,884.1
VIC	5,002,258	0.86534	4,328,654	21.4	9,166.4	1,820.1	7,346.4
QLD	3,919,467	1.05504	4,135,194	20.5	8,756.8	1,428.1	7,328.7
WA	1,998,417	1.03054	2,059,449	10.2	4,361.1	737.2	3,623.9
SA	1,537,928	1.20407	1,851,773	9.2	3,921.3	628.0	3,293.3
TAS	483,952	1.55939	754,670	3.7	1,598.1	162.6	1,435.5
ACT	324,266	1.12930	366,194	1.8	775.5	95.0	680.4
NT	200,794	4.26538	856,463	4.2	1,813.7	83.3	1,730.4
Total	20,227,113	na	20,216,723	100.0	42,811.3	7,488.6	35,322.7

GENERAL REVENUE ASSISTANCE

In 2004-05, general revenue assistance to the States comprised National Competition Policy Payments, Compensation for GST Deferral 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 Budget Balancing Assistance (BBA).

In June 2005, it was determined that no State required BBA in 2004-05 as each State's share of GST revenue exceeded its Guaranteed Minimum Amount (GMA). Total GST revenue payments to the States exceeded their combined GMAs by \$2,001.2 million. This is consistent with the Budget estimate, which also showed that no State would require BBA in 2004-05.

The calculation of State GMAs and BBA entitlements for 2004-05 is shown in Table 32.

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	5,183.7	4,112.6	4,702.9	2,124.1	2,221.2	1,039.9	441.8	1,407.9	21,234.0
Revenue Replacement Payments	2,650.5	1,773.4	1,607.1	1,106.6	688.5	233.5	117.9	149.3	8,326.9
Financial Institutions Duty	737.0	410.2	na	155.8	103.7	24.8	20.5	18.2	1,470.2
Marketable Securities Duty	483.0	250.7	28.0	31.1	16.5	0.8	25.4	1.1	836.6
Marketable Securities Duty Needs	-29.1	12.4	13.8	3.9	2.4	2.8	-7.5	1.1	0.0
Accommodation taxes	88.0	na	na	na	na	na	na	9.5	97.5
plus Reduced revenues									
Gambling taxes	621.7	408.2	270.0	68.7	102.1	28.9	23.5	19.8	1,542.8
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	271.0	256.6	165.2	124.7	65.1	18.1	13.7	9.2	923.6
GST administration costs	196.6	145.5	114.0	58.1	44.7	14.1	9.4	5.8	588.3
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	145.1	60.7	143.2	184.4	38.6	2.3	0.0	4.1	578.7
Savings from tax reform	191.2	131.5	108.4	64.6	47.1	15.9	10.7	15.7	585.0
Low alcohol beer subsidies	25.9	17.9	5.0	8.2	4.8	1.8	1.0	1.3	66.0
minus Growth dividend									
Remaining State taxes	122.9	79.3	41.5	24.7	19.9	5.1	3.9	2.7	300.0
minus Compensation payments									
Compensation for GST deferral	63.7	47.0	44.9	22.3	20.1	8.2	4.0	9.2	219.4
plus Adjustments									
2003-04 GMA adjustment	22.0	17.1	1.8	5.4	4.4	-0.2	-0.3	0.6	50.7
Total Guaranteed Minimum Amount (1)	9,675.6	7,050.4	6,559.7	3,374.0	3,118.1	1,329.4	624.8	1,589.5	33,321.5
GST revenue provision (2)	9,884.1	7,346.4	7,328.7	3,623.9	3,293.3	1,435.5	680.4	1,730.4	35,322.7
Budget Balancing Assistance (1)-(2)(a)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(a) Where the difference between the GMA and GST revenue is less than zero, the amount is zero.

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 2004-05 of \$777.9 million, the National Competition Council (NCC) recommended permanent deductions of \$26.3 million and suspensions of \$114.1 million. The payments made to the States in 2004-05, as set out in Table 33, reflect that the permanent deductions and suspensions recommended by the NCC were agreed to by the Australian Government and applied accordingly. Actual payments to the States of \$724.4 million also included adjustments finalising 2003-04 competition payments.

Table 33: National Competition Policy Payments

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2004-05	233.5	201.9	143.2	53.6	50.4	19.8	13.6	8.5	724.4

Compensation payments for GST revenue deferred

The Australian Government is compensating the States for the deferral of GST revenue as a result of the Australian Government's decision to allow certain small businesses and non-profit organisations to pay GST annually. As part of these arrangements, \$219.4 million has been paid to the States in 2004-05 as an advance from their 2005-06 GST entitlements.

Consistent with the requirements of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*, the Australian Government will deduct this advance from GST payments to the States in 2005-06. However, the Australian Government will pay a grant in 2005-06 to compensate for the estimated impact of the measure on GST revenue collections in 2004-05 and 2005-06, ensuring that the full financial impact of the measure is felt by the Australian Government and that the measure will have no impact on State budgets.

Table 34: Compensation for GST deferral

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2004-05	63.7	47.0	44.9	22.3	20.1	8.2	4.0	9.2	219.4

Special Revenue Assistance

In 2004-05, in accordance with the recommendations of the CGC, Special Revenue Assistance of \$14.2 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 2004-05 for each of the six States and the Northern Territory, and an analogous payment made to the Australian Capital Territory.

In 2004-05, 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 2004-05 and shown in Budget Paper No. 3, *Federal Financial Relations 2005-06*, were based on an estimated escalation factor of 1.0310, estimated in June 2004, and take into account an overpayment of \$7.4 million in 2003-04.

On 29 June 2005, the Treasurer determined the final 2004-05 escalation factor to be 1.0360 on the basis of the Australian Statistician's determination of population and the All Groups Consumer Price Index number. The difference between the estimate and the final escalation factor for 2004-05 has resulted in an underpayment of \$7.5 million in 2004-05 for which there will be an adjustment in 2005-06, 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	358.2	263.3	205.3	105.0	81.7	25.6	17.2	10.6	1,066.8
Untied local road funding	137.3	97.6	88.7	72.4	26.0	25.1	15.2	11.1	473.4
Total Financial Assistance Grants(a)	495.5	360.9	293.9	177.3	107.7	50.7	32.4	21.7	1,540.2

(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, respectively.

Table 36 presents SPPs on a functional basis, and includes SPPs for current and capital purposes. Payments are aggregated according to like 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 other bodies. Payments through the States are indicated in the table with an asterisk 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 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, 2004-05 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Public Order and Safety									
Legal aid	1,074	0	0	13,412	12,750	4,612	3,828	3,814	39,490
Film and literature classifications	92	91	92	91	92	90	90	87	725
Gun Buyback Scheme	3,697	1,124	2,141	0	514	267	201	445	8,389
Public Order and Safety - total	4,863	1,215	2,233	13,503	13,356	4,969	4,119	4,346	48,604
Education									
Government schools	554,235	405,763	346,877	166,716	121,409	46,598	26,950	21,326	1,689,874
*Non-government schools	1,520,880	1,195,545	867,601	449,710	364,688	94,621	88,939	38,435	4,620,419
Vocational Education and Training Funding Act	382,230	277,084	193,365	111,880	94,945	29,930	25,536	14,127	1,129,097
Targeted programmes - government schools and joint	145,428	89,395	63,278	33,789	34,161	11,019	4,215	8,549	389,834
*Targeted Programmes - non-government schools	76,776	54,681	30,659	16,966	16,982	3,551	3,156	3,441	206,212
Indigenous Education Strategic Initiatives									
Programme - government	1,373	666	21,847	704	4,883	2,592	667	9,230	41,962
Australian Technical Colleges	7,435	896	2,012	2,325	285	271	82	1,393	14,699
Education - total	2,688,357	2,024,030	1,525,639	782,090	637,353	188,582	149,545	96,501	8,092,097
Health									
Hepatitis C Settlement Fund	1,547	0	0	-30	273	-15	2	127	1,904
Health Programme Grants	0	2,199	0	0	0	0	0	600	2,799
Health Care Grants	2,663,381	1,926,373	1,522,082	795,671	665,522	178,762	104,556	98,313	7,954,660
Highly specialised drugs	178,859	118,356	78,410	37,751	27,913	10,020	6,190	4,746	462,245
Youth health services	810	600	421	217	198	60	55	57	2,418
National public health	67,110	52,385	35,066	16,313	16,605	6,650	4,805	5,279	204,213
Essential vaccines	105,432	48,848	52,477	30,980	20,640	6,861	4,234	3,273	272,745
Repatriation general hospitals	0	18	0	0	1,108	105	0	0	1,231
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	4,000	0	0	0	0	0	0	0	4,000
Strengthening Cancer Care - Royal Children's Hospital in Melbourne	0	10,000	0	0	0	0	0	0	10,000
Royal Darwin Hospital - Equipped, Prepared and Ready	0	0	0	0	0	0	0	1,700	1,700
Assistance to Tsunami Victims	782	422	673	189	730	0	20	1	2,817
Health - total	3,021,921	2,159,201	1,689,129	881,091	732,989	202,443	119,862	114,096	8,920,732

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000)(continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Payment title</i>									
<i>Social Security and Welfare</i>									
Aged care assessment	18,432	12,560	8,958	5,173	5,086	1,385	482	807	52,883
Home and community care	247,836	201,241	161,275	78,775	67,619	20,307	9,329	5,476	791,858
Disabilities services	188,210	129,555	107,991	45,743	62,669	19,697	7,830	5,927	567,622
Children's services	1,007	936	484	547	8,002	227	0	412	11,615
Supported accommodation assistance	56,270	37,400	28,957	17,245	16,563	7,416	5,908	4,929	174,688
Unaccompanied humanitarian minors	215	170	245	11	574	0	0	0	1,215
Extension of fringe benefits	66,318	47,410	33,105	16,670	18,862	6,058	1,347	923	190,693
<i>Social Security and Welfare - total</i>	578,288	429,272	341,015	164,164	179,375	55,090	24,896	18,474	1,790,574
<i>Housing and Community Amenities</i>									
Assistance for water and sewerage	0	0	0	0	0	0	9,051	0	9,051
Natural Heritage Trust of Australia - Bushcare	11,799	11,700	9,968	9,636	7,824	4,029	827	3,203	58,986
Natural Heritage Trust of Australia - Coastcare	2,623	4,445	12,412	5,756	1,492	2,756	0	2,749	32,233
Natural Heritage Trust of Australia - Landcare	11,560	7,033	6,566	3,587	4,415	2,525	473	2,209	38,368
Natural Heritage Trust of Australia - Rivercare	9,943	3,526	4,831	1,567	1,165	8,177	238	1,200	30,647
<i>Housing and Community Amenities - total</i>	35,925	26,704	33,777	20,546	14,896	17,487	10,589	9,361	169,285
<i>Recreation and Culture</i>									
Natural Heritage Trust of Australia - Bushcare	857	30	6,369	436	100	6,574	20	0	14,386
Natural Heritage Trust of Australia - Coastcare	65	0	1,410	160	152	128	0	0	1,915
2004 Olympic/Paralympic Welcome Home Parade	261	0	0	0	0	0	0	0	261
<i>Recreation and Culture - total</i>	1,183	30	7,779	596	252	6,702	20	0	16,562
<i>Fuel and Energy</i>									
Snowy Hydro Ltd - company tax compensation	30,360	15,180	0	0	0	0	0	0	45,540
<i>Fuel and Energy - total</i>	30,360	15,180	0	0	0	0	0	0	45,540
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - Bushcare	762	384	378	524	391	266	49	86	2,840
Natural Heritage Trust of Australia - Coastcare	599	278	216	177	229	115	49	108	1,771
Natural Heritage Trust of Australia - Landcare	977	1,568	1,161	647	320	171	49	76	4,969
Natural Heritage Trust of Australia - Rivercare	223	224	359	313	185	157	0	76	1,537
Exotic Disease Preparedness	117	70	13	60	0	0	40	0	300
Exceptional circumstances assistance	57,760	9,863	33,890	4,279	760	0	0	0	106,552
National Landcare Programme (NLP)	6,572	4,845	6,541	3,968	3,737	1,658	160	1,593	29,074

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000)(continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Agriculture, Forestry and Fishing (continued)									
Regional Assistance	3,395	0	370	20	0	0	0	0	3,785
Forest Industry Structural Adjustment Package	12,318	0	0	0	0	24,000	0	0	36,318
Skilling Farmers for the Future	0	648	63	986	-14	111	0	126	1,920
Eradication of Red Imported Fire Ant	0	0	15,531	0	0	0	0	0	15,531
National Action Plan for Salinity and Water Quality	25,010	24,851	16,327	10,532	9,656	500	28	500	87,404
Agricultural Development Partnerships	0	0	0	183	1,033	0	0	0	1,216
Plant Disease and Eradication	0	0	4,063	0	1,040	0	0	250	5,353
Agriculture, Forestry and Fishing - total	107,733	42,731	78,912	21,689	17,337	26,978	375	2,815	298,570
Transport and Communication									
Interstate road transport	21,271	12,377	4,382	1,831	5,602	231	231	231	46,156
*Supplementary funding to SA councils for local roads	0	0	0	0	4,250	0	0	0	4,250
Petroleum Products Freight Subsidy Scheme	512	18	1,318	0	247	0	0	1,436	3,531
Gold Coast light rail	0	0	147	0	0	0	0	0	147
Upgrade to Eyre Peninsula Rail System	0	0	0	0	15,000	0	0	0	15,000
Transport and Communication - total	21,783	12,395	5,847	1,831	25,099	231	231	1,667	69,084
Other Purposes									
Debt Redemption Assistance	9,611	4,995	6,316	3,072	3,743	2,824	0	1,352	31,913
*Financial Assistance Grants for local government									
<i>General Purpose Assistance</i>	359,779	264,347	206,599	105,386	82,075	25,775	17,317	10,715	1,071,993
<i>United Local Roads Grants</i>	138,008	98,067	89,124	72,731	26,142	25,207	15,253	11,143	475,675
Compensation - companies regulation	53,084	46,407	26,135	16,087	11,965	3,706	0	2,364	159,748
Natural Disaster Relief	37,561	661	15,068	11,377	0	0	2,655	352	67,674
Royalties	0	0	0	506,160	0	0	0	2,757	508,917
ACT National Capital influences	0	0	0	0	0	0	22,508	0	22,508
Special Revenue Assistance to the ACT	0	0	0	0	0	0	14,200	0	14,200
Other Purposes - total	598,043	414,477	343,242	714,813	123,925	57,512	71,933	28,683	2,352,628
TOTAL CURRENT	7,088,456	5,125,235	4,027,573	2,600,323	1,744,582	559,994	381,570	275,943	21,803,676
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Education									
Government schools	85,488	61,016	50,708	26,262	19,139	6,972	4,174	3,245	257,004
*Non-government schools	33,672	26,775	17,900	9,798	7,602	2,134	2,264	4,838	104,983
Education - total	119,160	87,791	68,608	36,060	26,741	9,106	6,438	8,083	361,987

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000)(continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Social Security and Welfare									
Crisis accommodation assistance	13,469	9,923	7,701	3,949	3,071	963	647	399	40,122
Social Security and Welfare - total	13,469	9,923	7,701	3,949	3,071	963	647	399	40,122
Housing and Community Amenities									
Housing assistance for indigenous people	17,987	3,680	27,900	18,364	9,025	696	0	24,631	102,283
Community housing	21,735	16,013	12,428	6,372	4,956	1,553	1,044	643	64,744
CSHA Block Assistance/Base Funding	241,180	177,681	137,897	70,708	54,991	21,401	16,777	13,138	733,773
Social Housing Subsidy Programme	1,926	0	0	0	0	0	118	0	2,044
*Federal flood mitigation	4,630	485	3,632	1,534	341	156	0	475	11,253
*Disaster Mitigation Package	2,877	863	2,304	2,092	811	247	1,043	263	10,500
*Additional First Home Owners Scheme	0	0	0	0	35	0	0	0	35
*Bushfire Mitigation Package	1,582	1,115	636	650	502	275	240	0	5,000
Housing and Community Amenities - total	291,917	199,837	184,797	99,720	70,661	24,328	19,222	39,150	929,632
Fuel and Energy									
*Photovoltaic Rebate Programme (PVRP)	1,160	974	302	58	2,099	69	0	4	4,666
Renewable Remote Power Generation	0	0	524	0	77	0	0	268	869
Fuel and Energy - total	1,160	974	826	58	2,176	69	0	272	5,535
Agriculture, Forestry and Fishing									
Natural Heritage Trust of Australia - Landcare	0	0	0	0	0	0	49	0	49
Great Artesian Basin Sustainability Initiative	3,000	0	4,000	600	100	0	0	0	7,700
Agriculture, Forestry and Fishing - total	3,000	0	4,000	600	100	0	49	0	7,749
Transport and Communication									
Alice Springs Darwin Railway	0	0	0	0	0	0	0	12,500	12,500
Auslink(a)	533,097	241,578	258,595	116,651	86,130	31,885	1,419	37,096	1,306,451
Federation Fund Projects - QLD	0	0	9,886	0	0	0	0	0	9,886
Federation Fund Projects - NSW/VIC	20,462	0	0	0	0	0	0	0	20,462
Transport and Communication - total	553,559	241,578	268,481	116,651	86,130	31,885	1,419	49,596	1,349,299
Other Purposes									
Sinking Fund on State Debt	274	5	189	0	85	41	0	0	594
Other Purposes - total	274	5	189	0	85	41	0	0	594
TOTAL CAPITAL	982,539	540,108	534,602	257,038	188,964	66,392	27,775	97,500	2,694,918

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000)(continued)

Function Payment title	REPAYMENTS										Total
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT			
Supplementary Contributions	0	0	66,962	0	0	7,216	0	0	0	0	74,178
Payments to Debt Sinking Funds	1,106	19	763	0	343	165	0	343	0	0	2,396
Total	1,106	19	67,725	0	343	7,381	0	0	0	0	76,574
Repayments of Australian Government Loans											
ACT Debt Repayments	0	0	0	0	0	0	4,646	0	0	0	4,646
Loan Council - Housing Nominations	5,525	0	2,033	3,524	3,309	1,482	0	1,839	0	0	17,712
Repayments of Australian Government Loans - total	5,525	0	2,033	3,524	3,309	1,482	4,646	1,839	0	0	22,358
Defence											
Housing for servicemen	794	0	485	156	19	0	0	0	0	0	1,454
Defence - total	794	0	485	156	19	0	0	0	0	0	1,454
Housing and Community Amenities											
CSHA loans	32,058	0	8,776	8,393	10,006	3,802	0	510	0	0	63,545
Other housing	0	0	0	0	0	0	6,231	2,218	0	0	8,449
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	0	0	136
Growth centres	247	0	0	0	0	0	0	0	0	0	247
Captains Flat (Abatement of Pollution) Agreement	8	0	0	0	0	0	0	0	0	0	8
Sewerage	2,981	0	744	5	437	0	0	0	0	0	4,167
Community facilities Townsville	0	0	43	0	0	0	0	0	0	0	43
Housing and Community Amenities - total	35,294	0	9,563	8,398	10,443	3,802	6,231	2,864	0	0	76,595
Agriculture, Forestry and Fishing											
Rural Adjustment Scheme	841	0	0	0	0	0	0	28	0	0	869
War Service Land Settlement Scheme	461	491	0	0	0	9	0	0	0	0	961
Agriculture, Forestry and Fishing - total	1,302	491	0	0	0	9	0	28	0	0	1,830
Transport and Communication											
Railway projects	96	96	0	381	0	0	0	0	0	0	573
Transport and Communication - total	96	96	0	381	0	0	0	0	0	0	573
Other Purposes											
Natural Disaster Relief	1,266	0	1,764	0	0	0	0	329	0	0	3,359
Other Purposes - total	1,266	0	1,764	0	0	0	0	329	0	0	3,359
TOTAL REPAYMENTS	45,383	606	81,570	12,459	14,114	12,674	10,877	5,060	0	0	182,743

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000)(continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	ADVANCES								
Other Purposes									
Natural Disaster Relief	651	0	11	0	0	0	0	0	662
Other Purposes - total	651	0	11	0	0	0	0	0	662
TOTAL ADVANCES	651	0	11	0	0	0	0	0	662
INTEREST									
Interest on Loan Council and NT Government									
Borrowings	5,981	54	2,662	0	1,757	670	0	0	11,124
Total	5,981	54	2,662	0	1,757	670	0	0	11,124
Interest on Australian Government Loans									
ACT Government Debt	0	0	0	0	0	0	4,140	0	4,140
Housing nominations	21,187	0	7,634	13,065	12,811	5,625	0	7,363	67,685
Interest on Australian Government Loans - total	21,187	0	7,634	13,065	12,811	5,625	4,140	7,363	71,825
Defence									
Housing for servicemen	2,424	0	1,378	286	102	0	0	0	4,190
Defence - total	2,424	0	1,378	286	102	0	0	0	4,190
Housing and Community Amenities									
CSHA loans	42,875	0	11,918	11,408	18,020	5,818	0	1,473	91,512
Other housing	0	0	0	0	0	0	10,139	3,922	14,061
NT - water and sewerage assistance	0	0	0	0	0	0	0	623	623
Growth centres	28	0	0	0	0	0	0	0	28
Sewerage	5,407	0	1,111	9	0	5	0	0	6,532
Community facilities - Townsville	0	0	3	0	0	0	0	0	3
Captains Flat (Abatement of Pollution) Agreement	5	0	0	0	0	0	0	0	5
Housing and Community Amenities - total	48,315	0	13,032	11,417	18,020	5,823	10,139	6,018	112,764
Agriculture, Forestry and Fishing									
Rural Adjustment Scheme	74	0	0	0	0	0	0	1	75
War Service Land Settlement Scheme	132	138	0	0	0	0	0	0	270
Bovine Brucellosis and Tuberculosis	0	0	0	0	1,097	0	0	0	1,097
Agriculture, Forestry and Fishing - total	206	138	0	0	1,097	0	0	1	1,442

Table 36: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000)(continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Transport and Communication									
Railway projects	34	34	0	292	0	0	0	0	360
Transport and Communication - total	34	34	0	292	0	0	0	0	360
Other Purposes									
Natural Disaster Relief	277	0	285	0	0	0	0	32	594
Other Purposes - total	277	0	285	0	0	0	0	32	594
TOTAL INTEREST	78,424	226	24,991	25,060	33,787	12,118	14,279	13,414	202,299
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	8,070,995	5,665,343	4,562,175	2,857,361	1,933,546	626,386	409,345	373,443	24,498,594
Total 'To'	5,931,631	4,022,491	3,343,418	2,198,436	1,428,019	474,351	281,133	304,129	17,983,608
Total 'Through'	2,139,364	1,642,852	1,218,757	658,925	505,527	152,035	128,212	69,314	6,514,986

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

(a) Roads to Recovery funding for unincorporated areas beyond 2004-05 will be sourced from the AusLink Strategic Roads to Recovery programme. Under this programme \$150 million over 5 years will be allocated for local land transport infrastructure of strategic regional importance, including \$30 million for roads in unincorporated areas.

Table 37: Specific Purpose Payments direct to local government authorities, 2004-05 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Disability services	391	0	278	0	0	0	0	0	669
Children's services	18,808	19,224	8,984	3,028	1,861	2,419	0	5,368	59,692
Roads to Recovery Programme	70,889	58,481	44,898	40,213	19,912	7,441	6,170	1,918	249,922
Strengthening Tasmania	0	0	0	0	0	555	0	0	555
TOTAL CURRENT	90,088	77,705	54,160	43,241	21,773	10,415	6,170	7,286	310,838
DIRECT PAYMENTS - CAPITAL									
Children's Services	140	143	67	22	14	18	0	40	444
TOTAL CAPITAL	140	143	67	22	14	18	0	40	444
TOTAL DIRECT PAYMENTS	90,228	77,848	54,227	43,263	21,787	10,433	6,170	7,326	311,282

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

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 No. 31 *Financial Reporting by Governments* (AAS 31). 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 2005-06, 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 conceptual 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 is recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows).

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

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, 2005* (Cat. No. 5514.0).

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 because 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 plus Future Fund earnings (GFS surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This 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>
GFS surplus/deficit
<i>less</i>
Future Fund earnings
<i>equals</i>
Underlying cash balance

For the 2004-05 final budget outcome, the underlying cash balance is equivalent to the GFS surplus/deficit as Future Fund earnings are expected to commence from 2005-06.

Headline cash balance

The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings 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.

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.

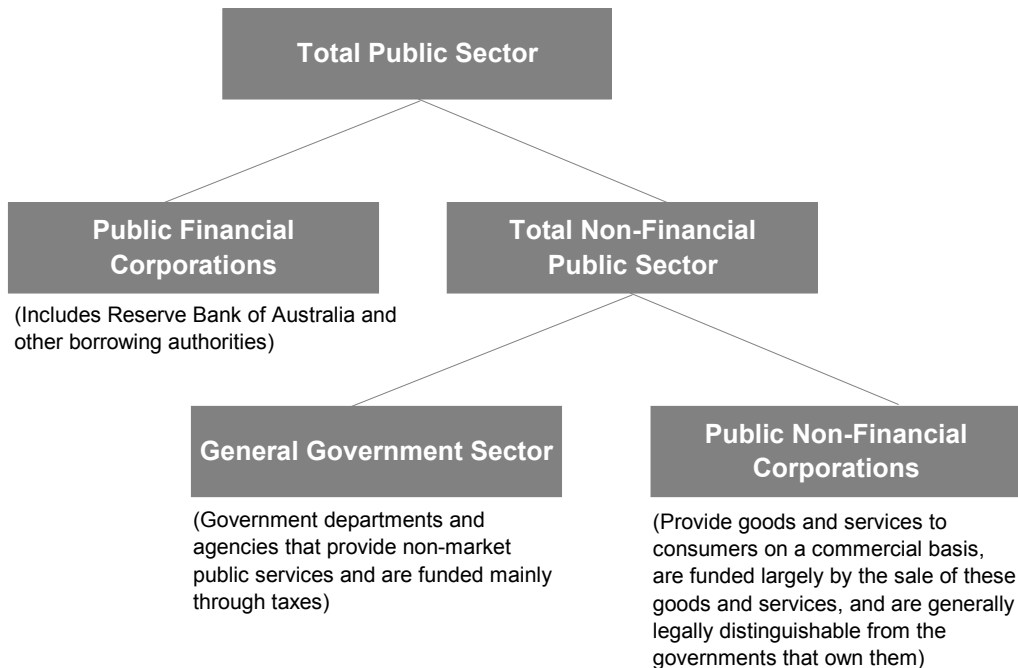
Statement of other economic flows (reconciliation of net worth)

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.

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 accrual-based general purpose financial reports showing assets, liabilities, revenues, expenses and cash flows, for each government. Reporting under this framework is intended to provide a consolidated overview of the financial performance and financial position of the Government.

There are three main general purpose statements required by 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 financial statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by Australian Accounting Standards.

A full set of AAS financial statements and accompanying notes prepared for the general government sector can be found in Part 3, including a note to disclose the anticipated impacts of the Australian Equivalents to International Financial Reporting Standards for the Australian Government from 2005-06. These statements are derived from audit cleared financial statements for the material agencies within the general government sector, with the exception of the Department of Defence and Indigenous Business Australia, for which audit opinions are pending. The statements also include audit cleared financial statements from the majority of the 100 or so small general government sector agencies. Nevertheless, the financial statements in this report include the financial results for the Department of Defence and Indigenous Business Australia as at the time of publication. Final 2004-05 audit opinions for these two agencies will be included in their respective annual reports and in the Australian Government Consolidated Financial Statements for the year ended 30 June 2005 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 disaggregation 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 frameworks 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 frameworks is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (Cat. No. 5514.0).

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 and 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. The Australian Accounting Standards Board has released an exposure draft (ED 142 *Financial Reporting of general government sectors by governments*) for comment.

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

Table A2: Reconciliation of GFS and AAS revenue and expenses

	2004-05 Outcome \$m
GFS revenue (Part 2)	241,691
<i>less</i> GST revenue for States and Territories	35,473
GFS revenue (Part 1)	206,218
<i>plus</i> asset revenue recognised first time	1,239
<i>plus</i> foreign exchange gains	20
<i>plus</i> other economic revaluations	166
<i>plus</i> proceeds from the sale of assets	1,243
<i>plus</i> swap interest revenue	2,146
AAS revenue (Part 3)	211,032
GFS expenses (Part 2)	230,483
<i>less</i> GST grants to States and Territories	35,063
<i>less</i> GST interest on overpayments	9
<i>less</i> GST mutually agreed writedowns	119
GFS expenses (Part 1)	195,293
<i>plus</i> actuarial revaluations	1,167
<i>plus</i> net writedown of assets/bad and doubtful debts	6,275
<i>plus</i> foreign exchange losses	444
<i>plus</i> other economic adjustments	283
<i>plus</i> value of assets sold	1,097
<i>plus</i> swap interest expense	1,964
<i>plus</i> defence weapons platforms depreciation	2,267
<i>less</i> defence weapons platforms investment	3,154
<i>plus</i> AusAid IDA/ADF expenses	506
<i>plus</i> ETM adjustment for expenses	1,792
AAS expenses (Part 3)	207,932

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

	2004-05 Outcome \$m
AAS operating result (Part 3)	3,100
Net differences from revenue and expense definitions	8,108
GFS net operating balance (Part 2)	11,207
<i>less</i> purchase of property, plant and equipment and intangibles	5,350
<i>less</i> assets acquired under finance leases	13
<i>less</i> other non-financial assets	-1
<i>less</i> increase in inventories	508
<i>plus</i> defence weapons platforms investment	3,154
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	545
<i>plus</i> depreciation and amortisation	4,290
<i>less</i> weapons depreciation	2,267
Fiscal balance (GFS net lending) (Part 2)(a)	11,061
<i>Impact of GST</i>	-283
Fiscal balance (GFS net lending) (Part 1)(a)	10,778

(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 \$283 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 2004-05. This table has been prepared in accordance with the Government Finance Statistics accounting framework.

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

	2003-04 Outcome	2004-05 Estimate at 2005-06 Budget	2004-05 Outcome
	\$m	\$m	\$m
General public services			
Legislative and executive affairs	732	850	728
Financial and fiscal affairs	3,522	3,730	5,189
Foreign affairs and economic aid	2,162	2,936	2,844
General research	1,910	2,206	2,157
General services	453	539	631
Government superannuation benefits	2,069	2,487	2,386
Total general public services	10,848	12,748	13,935
Defence	12,937	14,190	14,346
Public order and safety			
Courts and legal services	549	663	656
Other public order and safety	1,837	1,828	1,689
Total public order and safety	2,386	2,490	2,345
Education			
Higher education	4,549	4,735	4,910
Vocational and other education	1,332	1,425	1,444
Non-government schools	4,452	5,091	4,990
Government schools	2,284	2,595	2,404
<i>Schools</i>	<i>6,735</i>	<i>7,686</i>	<i>7,393</i>
Student assistance	650	569	509
General administration	0	1	0
School education - specific funding	130	118	106
Total education	13,398	14,533	14,362
Health			
Medical services and benefits	12,897	14,672	14,890
Hospital services	1,599	1,663	1,386
Health care agreements	7,512	8,008	7,989
<i>Hospital services and health care agreements</i>	<i>9,110</i>	<i>9,671</i>	<i>9,375</i>
Pharmaceutical services and benefits	6,752	7,214	7,073
Aboriginal and Torres Strait Islander health	255	312	286
Health services	963	1,218	1,401
Other health services	1,149	1,566	1,713
<i>Other health services</i>	<i>2,111</i>	<i>2,784</i>	<i>3,114</i>
General administration	506	633	566
Health assistance to the aged	139	254	257
Total health	31,771	35,541	35,561
Social security and welfare			
Assistance to the aged	27,164	28,220	28,092
Assistance to veterans and dependents	5,737	6,017	5,982
Assistance to people with disabilities	10,694	11,658	11,453
Assistance to families with children	24,600	25,458	25,181

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

	2003-04 Outcome	2004-05 Estimate at 2005-06 Budget	2004-05 Outcome
	\$m	\$m	\$m
Social security and welfare (continued)			
Assistance to the unemployed	5,443	5,181	5,128
Assistance to the sick	86	87	91
<i>Assistance to the unemployed and the sick</i>	5,529	5,269	5,219
Common youth allowance	2,248	2,219	2,213
Other welfare programmes	303	1,273	1,141
Aboriginal advancement nec	1,429	1,367	1,336
General administration	2,398	2,333	2,346
Total social security and welfare(a)	80,103	83,814	82,962
Housing and community amenities			
Housing	1,247	1,457	1,432
Urban and regional development	138	155	192
Environment protection	250	274	388
Total housing and community amenities	1,634	1,887	2,012
Recreation and culture			
Broadcasting	1,097	1,191	1,153
Arts and cultural heritage	679	825	686
Sport and recreation	207	217	194
National estate and parks	185	240	212
Total recreation and culture	2,168	2,473	2,246
Fuel and energy	3,494	3,871	4,369
Agriculture, forestry and fishing			
Wool industry	57	54	56
Grains industry	129	125	124
Dairy industry(b)	114	326	98
Cattle, sheep and pig industry	130	121	130
Fishing, horticulture and other agriculture	168	229	188
General assistance not allocated to specific industries	384	370	411
Rural assistance	452	457	321
Natural resources development	423	404	312
General administration	181	177	173
Total agriculture, forestry and fishing	2,038	2,263	1,813
Mining, manufacturing & construction	1,589	1,754	1,702
Transport and communication			
Communication	529	525	508
Rail transport	450	15	174

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

	2003-04 Outcome	2004-05 Estimate at 2005-06 Budget	2004-05 Outcome
	\$m	\$m	\$m
Transport and communication (continued)			
Air transport	176	156	139
Road transport	1,356	1,682	1,629
Sea transport	204	213	194
Other transport and communication	101	131	124
Total Transport and Communication	2,816	2,723	2,769
Other economic affairs			
Tourism and area promotion	135	216	216
Vocational and industry training	624	617	610
Labour market assistance to job seekers and industry	1,750	1,940	2,168
Industrial relations	277	381	388
Immigration	753	808	757
<i>Total labour and employment affairs</i>	<i>3,403</i>	<i>3,746</i>	<i>3,922</i>
Other economic affairs nec	748	820	757
Total other economic affairs(a)	4,286	4,782	4,895
Other purposes			
Interest on Australian Government's behalf	3,982	3,896	3,869
Interest on behalf of States and Territories	19	11	11
Interest received on Australian Government stock	0	0	0
<i>Public debt interest</i>	<i>4,001</i>	<i>3,907</i>	<i>3,880</i>
Nominal superannuation interest	4,898	4,882	5,005
General revenue assistance - States and Territories	647	794	739
General capital assistance - States and Territories	0	0	0
Debt assistance	37	33	0
Local government assistance	1,511	1,556	1,554
Revenue assistance to the States and Territories	171	160	160
Assistance to other governments	409	493	551
<i>General purpose inter-government transactions</i>	<i>2,775</i>	<i>3,034</i>	<i>3,003</i>
Natural disaster relief	62	84	77
Contingency reserve(c)	35	36	11
Total other purposes	11,771	11,943	11,975
Total expenses	181,238	195,012	195,293

(a) There has been some reclassification of expenditure that was misclassified in Budget 2005-06 under the Social Security and Welfare function, that is now being reported in the Other Economic Affairs function.

(b) Expenses in the Dairy Industry sub-function were overstated at Budget due to a change in accounting policy, which has now been amended.

(c) Asset Sale related expenses are 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 back-casting 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 sector in respect of accumulated public non-financial corporations' superannuation liabilities;
- transfers of taxing powers between the Australian Government and the States;
- 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.

Occasionally classification changes are made that require revisions to the historic series. Where appropriate, the changes are back-cast to 1999-2000 to ensure that data is consistent across the accrual period. For example, the back-casting to account for the market valuation of net debt as discussed on page 2-12 of the Budget Paper No. 1, *Budget Strategy and Outlook 2003-04*.

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	
	Per cent			Per cent			\$m	Per cent of GDP
	\$m	real growth	Per cent of GDP	\$m	real growth	Per cent of GDP		
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	24.4	-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	5.1	26.9	75,392	0.6	27.7	-2,247	-0.8
1987-88	81,217	3.3	26.1	79,440	-2.0	25.6	1,777	0.6
1988-89	88,369	0.3	25.1	82,202	-4.6	23.4	6,167	1.8
1989-90	95,517	1.7	24.8	88,882	1.7	23.1	6,635	1.7
1990-91	97,705	-2.5	24.6	97,333	4.4	24.5	372	0.1
1991-92	92,966	-6.9	22.9	104,551	5.1	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	5.2	22.4	117,252	4.3	26.3	-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	7.7	24.2	131,182	4.2	26.2	-10,077	-2.0
1996-97	129,845	5.2	24.6	135,126	1.0	25.6	-5,281	-1.0
1997-98	135,779	3.1	24.3	134,608	-1.8	24.1	1,171	0.2
1998-99	146,496	7.4	24.8	142,159	5.2	24.1	4,337	0.7
1999-00	165,806	na	26.6	152,747	na	24.5	13,059	2.1
2000-01	160,829	-7.2	24.1	154,858	-3.0	23.2	5,970	0.9
2001-02	162,524	-1.2	22.8	163,507	3.3	22.9	-983	-0.1
2002-03	176,147	5.0	23.2	168,661	0.0	22.2	7,486	1.0
2003-04	186,971	2.4	23.0	178,935	2.4	22.0	8,036	1.0
2004-05	203,573	4.7	23.6	189,957	2.1	22.0	13,616	1.6

(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		
	\$m	Per cent		\$m	Per cent		\$m	Per cent	
		real growth	Per cent of GDP		real growth	Per cent of GDP		real growth	Per cent of GDP
1971-72	7,887	3.3	18.6	940	3.3	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	2.3	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	5.3	24.4	6,678	3.7	2.5	73,145	5.1	26.9
1987-88	75,076	5.1	24.2	6,141	-14.5	2.0	81,217	3.3	26.1
1988-89	83,452	2.4	23.7	4,917	-26.2	1.4	88,369	0.3	25.1
1989-90	90,773	2.3	23.6	4,744	-9.2	1.2	95,517	1.7	24.8
1990-91	92,739	-2.6	23.3	4,966	-0.2	1.2	97,705	-2.5	24.6
1991-92	87,364	-7.9	21.5	5,602	10.3	1.4	92,966	-6.9	22.9
1992-93	88,760	0.6	20.8	5,688	0.5	1.3	94,448	0.5	22.2
1993-94	93,362	4.3	20.9	6,780	18.2	1.5	100,142	5.2	22.4
1994-95	104,921	11.5	22.3	4,799	-29.7	1.0	109,720	8.7	23.3
1995-96	115,700	7.6	23.1	5,405	9.9	1.1	121,105	7.7	24.2
1996-97	124,559	5.6	23.6	5,286	-4.1	1.0	129,845	5.2	24.6
1997-98	130,984	3.7	23.4	4,795	-10.6	0.9	135,779	3.1	24.3
1998-99	141,105	7.3	23.9	5,391	11.9	0.9	146,496	7.4	24.8
1999-00	150,695	na	24.2	15,111	na	2.4	165,806	na	26.6
2000-01	146,056	-7.2	21.9	14,774	-6.4	2.2	160,829	-7.2	24.1
2001-02	147,544	-1.2	20.7	14,980	-0.8	2.1	162,524	-1.2	22.8
2002-03	160,661	5.5	21.2	15,487	0.2	2.0	176,147	5.0	23.2
2003-04	172,243	3.4	21.2	14,729	-8.2	1.8	186,971	2.4	23.0
2004-05	187,279	4.6	21.7	16,294	6.4	1.9	203,573	4.7	23.6

(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

	2003-04 \$m	2004-05 \$m
Taxation receipts		
<i>Income taxation</i>		
Individuals and other withholding(a)		
Gross income tax withholding	89,638	97,304
Gross other individuals	19,935	22,554
less Refunds	12,325	13,734
Total individuals and other withholding	97,247	106,123
Companies	36,101	40,404
Superannuation funds		
Contributions and earnings	4,502	5,014
Superannuation surcharge	1,050	1,233
Total superannuation funds	5,551	6,248
Petroleum resource rent tax	1,168	1,459
Total income taxation	140,067	154,234
<i>Indirect taxation</i>		
Excise duty		
Petroleum and other fuel products	13,231	13,608
Crude oil	309	668
Other excise	7,539	7,612
Total excise duty	21,079	21,888
Customs duty	5,038	5,012
Other indirect taxes	992	1,015
Total indirect taxation	27,108	27,915
<i>Other taxation</i>		
Fringe benefits tax(b)	3,226	3,316
Agricultural levies	603	584
Other taxes	1,239	1,229
Total taxation receipts	172,243	187,279
Non-taxation receipts	14,729	16,294
Total receipts	186,971	203,573

(a) Includes Medicare levy receipts (\$5,560 million in 2003-04 and \$6,105 million in 2004-05).

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$364 million in 2003-04 and \$387 million in 2004-05).

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

	Net debt		Net interest payments(b)	
	\$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	17.8	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
2004-05	11,534	1.3	2,463	0.3

(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) Excludes superannuation related interest flows.

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

	Revenue		Expenses(c)		Net capital investment		Fiscal balance(c)		Net worth(b)(c)	
	\$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	26.8	145,809	27.6	90	0.0	-4,211	-0.8	-74,354	-14.1
1997-98	146,820	26.3	148,646	26.6	147	0.0	-1,973	-0.4	-68,544	-12.3
1998-99	151,897	25.8	146,620	24.9	1,433	0.2	3,844	0.7	-76,150	-12.9
1999-00	166,875	26.8	156,209	25.1	-1,225	-0.2	11,892	1.9	-40,552	-6.5
2000-01	161,789	24.2	157,382	23.5	-1,168	-0.2	5,575	0.8	-43,299	-6.5
2001-02	162,599	22.8	166,401	23.3	-369	-0.1	-3,433	-0.5	-48,429	-6.8
2002-03	175,191	23.1	170,676	22.5	-219	0.0	4,734	0.6	-53,251	-7.0
2003-04	187,559	23.1	182,005	22.4	724	0.1	4,830	0.6	-39,595	-4.9
2004-05	206,218	23.9	195,293	22.6	147	0.0	10,778	1.2	-31,979	-3.7

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

(b) 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.

(c) The increases in expenses and decreases in fiscal balance and net worth arise from a change in recognition of family tax benefits and other expenses from a cash to an accrual basis.

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

	Taxation revenue			Non-taxation revenue			Total revenue		
	\$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	152,856	na	24.5	14,020	na	2.2	166,875	na	26.8
2000-01	151,437	-5.1	22.7	10,352	-29.3	1.5	161,789	-7.2	24.2
2001-02	150,077	-3.1	21.0	12,522	18.3	1.8	162,599	-1.7	22.8
2002-03	163,232	5.4	21.5	11,958	-7.5	1.6	175,191	4.4	23.1
2003-04	175,058	3.7	21.6	12,501	1.1	1.5	187,559	3.5	23.1
2004-05	193,252	6.2	22.4	12,965	-0.3	1.5	206,218	5.7	23.9

na Data not available.

Table C7: Australian Government general government sector revenue

	2003-04	2004-05
	\$m	\$m
Taxation revenue		
<i>Income taxation</i>		
Individuals and other withholding(a)		
Gross income tax withholding	90,095	98,250
Gross other individuals	21,010	24,003
less Refunds	12,325	13,734
Total individuals and other withholding	98,779	108,519
Companies	36,337	43,106
Superannuation funds		
Contributions and earnings	4,487	5,083
Superannuation surcharge	1,298	1,326
Total superannuation funds	5,785	6,410
Petroleum resource rent tax	1,165	1,465
Total income taxation	142,067	159,499
<i>Indirect taxation</i>		
Excise duty		
Petroleum and other fuel products	13,220	13,682
Crude oil	309	668
Other excise	7,539	7,631
Total excise duty	21,068	21,981
Customs duty	5,622	5,548
Other indirect taxes	1,002	1,164
Total indirect taxation	27,692	28,692
<i>Other taxation</i>		
Fringe benefits tax(b)	3,277	3,089
Agricultural levies	603	584
Other taxes	1,420	1,389
Total other taxation	5,299	5,061
Total taxation revenue	175,058	193,252
Non-taxation revenue	12,501	12,965
Total revenue	187,559	206,218

(a) Includes Medicare levy (\$5,560 million in 2003-04 and \$6,105 million in 2004-05).

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$365 million in 2003-04 and \$387 million in 2004-05).

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
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
2004-05	203,573	189,957	13,616	na	na	1,550	na	na	15,167

(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 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	Expenses(b)	Fiscal balance(b)	Revenue	Expenses	Fiscal balance	Revenue	Expenses(b)	Fiscal balance(b)
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	166,875	156,209	11,892	25,485	23,542	1,062	188,412	174,646	12,953
2000-01	161,789	157,382	5,575	25,869	24,762	-826	183,052	177,538	4,750
2001-02	162,599	166,401	-3,433	26,638	25,341	793	184,629	187,134	-2,640
2002-03	175,191	170,676	4,734	24,339	22,916	1,975	194,402	188,507	6,709
2003-04	187,559	182,005	4,830	25,449	23,444	2,143	207,263	199,705	6,973
2004-05	206,218	195,293	10,778	26,965	25,191	1,473	227,298	214,599	12,250

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

(b) The increases in expenses and decreases in fiscal balance and net worth arise from a change in recognition of family tax benefits and other expenses from a cash to an accrual basis.
na Data not available.

