

FINAL BUDGET OUTCOME 2005-06

CIRCULATED BY
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FOREWORD

The *Final Budget Outcome 2005-06* 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 2005-06 financial year and is based on external reporting standards.

- **Part 1** provides the general government sector budget aggregates for 2005-06 together with an analysis of the 2005-06 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 2005-06 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 2005-06 Australian Government general government sector financial statements in accordance with Australian Accounting Standards (AAS).
- **Part 4** provides details for 2005-06 on Federal Financial Relations, updated from that contained in the 2006-07 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 2005-06, the Australian Government general government sector recorded an underlying cash surplus of \$15.8 billion, or 1.6 per cent of gross domestic product (GDP). The fiscal balance was in surplus by \$14.8 billion (1.5 per cent of GDP).

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

	2004-05 Outcome	2005-06 Estimate at 2006-07 Budget	2005-06 Outcome
Revenue (\$b)	206.6	222.9	221.9
Per cent of GDP	23.1	23.3	23.1
Expenses (\$b)	195.7	206.0	206.1
Per cent of GDP	21.9	21.6	21.4
Net operating balance (\$b)	10.9	16.8	15.8
Net capital investment (\$b)	0.1	0.9	1.1
Fiscal balance (\$b)	10.8	16.0	14.8
Per cent of GDP	1.2	1.7	1.5
Underlying cash balance (\$b)(b)	13.6	14.8	15.8
Per cent of GDP	1.6	1.5	1.6
<i>Memorandum item:</i>			
Headline cash balance (\$b)	12.5	13.5	14.2

(a) All figures 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.

(b) Excludes Future Fund earnings.

Australian Government general government sector net worth improved by \$7.2 billion in 2005-06 to around -\$23.1 billion, largely reflecting the strong budget surplus. Net debt was eliminated in 2005-06, falling by \$17.7 billion over the financial year.

In cash terms the outcome was \$1.0 billion higher than estimated at the time of the 2006-07 Budget, with cash payments \$1.5 billion lower than expected, partially offset by cash receipts \$566 million lower than expected. The cash payments outcome was largely due to lower than expected payments for assistance to those affected by Cyclone Larry, lower than anticipated payments to childcare providers as a result of a change in the expected timing of payments during 2005-06 and a range of small underspends across other Government programmes. The cash receipts outcome was largely due to lower than expected company tax receipts.

REVENUE

Total accrual revenue in 2005-06 of \$221.9 billion was \$946 million below the estimate in the 2006-07 Budget, reflecting lower than expected company taxation revenue, partly offset by stronger than expected non-taxation revenue.

Company taxation revenue rose by a solid 13.6 per cent in 2005-06 but was \$1.5 billion (3 per cent) lower than forecast at the 2006-07 Budget. Strong growth in mining sector profits continues to underpin growth in company tax. But weaker than expected growth was observed in the wash-up payments of a number of small June balancing companies in the manufacturing, construction, retail and wholesale services sectors.

The variation in company taxation revenue was partly offset by higher than expected non-taxation revenue of \$307 million including:

- \$97 million for the Department of Health and Ageing mainly reflecting the earlier than anticipated payment of the competitive neutrality charge on medical indemnity insurers benefiting from the Government's incurred but not reported indemnity scheme;
- \$69 million for the Defence Housing Authority due in part to greater than anticipated revenue from property sales; and
- \$46 million for the Australian Office of Financial Management primarily due to higher than anticipated term deposit interest revenue.

Table 2: Australian Government general government sector revenue

	2005-06 Estimate at 2006-07 Budget \$m	Outcome 2005-06 \$m
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	103,830	103,811
Gross other individuals	26,410	25,859
less: Refunds	15,350	15,239
Total individuals and other withholding taxation	114,890	114,431
Fringe benefits tax	3,660	4,084
Superannuation funds		
Contributions and earnings	5,390	5,416
Superannuation surcharge	1,030	1,289
Total superannuation taxation	6,420	6,705
Company tax	50,480	48,987
Petroleum resource rent tax	1,970	1,991
Income taxation revenue	177,420	176,198
<i>Excise and customs</i>		
Excise duty		
Petrol	7,280	7,254
Diesel	6,240	6,242
Other fuel products	220	215
Crude oil	330	362
Beer	1,730	1,747
Potable spirits	810	811
Tobacco	5,290	5,296
Total excise duty revenue	21,900	21,927
Customs duty		
Textiles, clothing and footwear	830	832
Passenger motor vehicles	1,258	1,129
Excise-like goods	1,810	1,767
Other imports	1,603	1,620
less: Refunds and drawbacks	330	360
Total customs duty revenue	5,171	4,988
Excise and customs revenue	27,071	26,914
<i>Other taxation</i>		
Wine equalisation tax	660	657
Luxury car tax	320	331
Agricultural levies	607	610
Other taxes	2,007	2,122
Other taxation revenue	3,594	3,720
Taxation revenue	208,085	206,832
<i>Non-taxation</i>		
Sales of goods and services	4,898	4,604
Dividends	4,321	4,387
Interest received	2,386	2,437
Other non-taxation revenue	3,173	3,658
Non-taxation revenue	14,779	15,086
Total revenue	222,864	221,918

(a) Includes Medicare levy revenue of \$6,525 million in 2005-06.

EXPENSES

Total accrual expenses were \$206.1 billion in 2005-06. This is \$78 million higher than the estimate provided in the 2006-07 Budget. Expenses that were higher than estimated include:

- \$500 million for the grant to the Murray-Darling Basin Commission due to the determination by the Australian National Audit Office that the grant was required to be expensed in 2005-06 rather than over five years beginning in 2006-07;
- \$388 million due to the expensing of the acquisition of certain specialist military equipment in accordance with the Government Finance Statistics framework rather than the previous classification as an asset; and
- \$169 million for the Superannuation Co-contribution programme due mainly to the adoption of an improved methodology for estimating the impact on accrued expenses for people who have not yet lodged their claims.

These were partially offset by lower than anticipated expenses including:

- \$249 million due to estimates of assistance for those affected by Cyclone Larry exceeding actual take-up;
- \$216 million for the Family Tax Benefit largely due to lower than estimated entitlements, as a result of an increase in the estimate of the average income of recipients (which determines the size of the benefit);
- \$92 million for Youth Allowance largely due to the lower than expected uptake of the allowance by new apprentices and a decline in the number of students applying for assistance; and
- \$84 million for the Medical Indemnity programme as law reform and improved industry stability has, in the short term, reduced the level of industry demand for Government assistance.

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

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
General public services		
Legislative and executive affairs	737	768
Financial and fiscal affairs	4,048	3,958
Foreign affairs and economic aid	2,929	2,955
General research	2,324	2,346
General services	524	560
Government superannuation benefits	2,472	2,203
Defence	15,802	16,194
Public order and safety	2,804	2,558
Education	15,622	15,883
Health	37,620	37,549
Social security and welfare	86,372	86,219
Housing and community amenities	2,321	2,248
Recreation and culture	2,699	2,585
Fuel and energy	4,013	4,046
Agriculture, forestry and fishing	2,412	2,780
Mining, manufacturing and construction	1,847	1,905
Transport and communication	3,104	3,075
Other economic affairs		
Tourism and area promotion	212	209
Total labour and employment affairs	3,980	3,825
Other economic affairs nec	908	840
Other purposes		
Public debt interest	3,629	3,628
Nominal superannuation interest	5,583	5,582
General purpose inter-governmental transactions	3,655	3,936
Natural disaster relief	359	211
Contingency reserve(a)	42	36
Total expenses	206,018	206,096

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

NET CAPITAL INVESTMENT

Total net capital investment for 2005-06 was \$1.1 billion, which is \$171 million higher than estimated in the 2006-07 Budget. This primarily reflects additional expenditure on a number of major capital facility projects for the Defence portfolio including the redevelopment of the Williamstown and Holsworthy facilities. These were partially offset by a reduction in net purchases of other non-financial assets included in the

portfolios of Transport and Regional Services; Attorney-General's; Education, Science and Training; and Finance and Administration.

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

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
General public services	371	251
Defence	-211	198
Public order and safety	135	90
Education	2	11
Health	98	72
Social security and welfare	73	86
Housing and community amenities	72	98
Recreation and culture	76	68
Fuel and energy	1	1
Agriculture, forestry and fishing	19	19
Mining, manufacturing and construction	27	24
Transport and communications	57	-1
Other economic affairs	138	118
Other purposes	22	16
Total net capital investment	881	1,052

CASH FLOWS

The 2005-06 underlying cash surplus was \$15.8 billion, \$1.0 billion higher than estimated at the 2006-07 Budget. The higher than anticipated outcome was the result of lower cash payments of \$1.5 billion, partially offset by lower cash receipts of \$0.6 billion.

Total Australian Government general government sector receipts of \$221.8 billion were \$566 million lower than estimated at the 2006-07 Budget. The cash receipts outcome largely reflects lower than expected company tax receipts of \$840 million.

Table 5: Australian Government general government sector receipts

	2005-06 Estimate at 2006-07 Budget \$m	Outcome 2005-06 \$m
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	103,230	103,120
Gross other individuals	24,930	24,895
less: Refunds	15,350	15,244
Total individuals and other withholding taxation	112,810	112,770
Fringe benefits tax	3,830	4,049
Superannuation funds		
Contributions and earnings	5,350	5,416
Superannuation surcharge	920	951
Total superannuation taxation	6,270	6,368
Company tax	49,800	48,960
Petroleum resource rent tax	1,970	1,917
Income taxation receipts	174,680	174,063
<i>Excise and customs</i>		
Excise duty		
Petrol	7,280	7,224
Diesel	6,240	6,217
Other fuel products	220	214
Crude oil	330	337
Beer	1,730	1,740
Potable spirits	810	808
Tobacco	5,290	5,274
Total excise duty receipts	21,900	21,814
Customs duty		
Textiles, clothing and footwear	830	832
Passenger motor vehicles	650	665
Excise-like goods	1,810	1,767
Other imports	1,590	1,584
less: Refunds and drawbacks	330	360
Total customs duty receipts	4,550	4,488
Excise and customs receipts	26,450	26,302
<i>Other taxation</i>		
Wine equalisation tax	660	656
Luxury car tax	320	322
Agricultural levies	607	610
Other taxes	1,752	1,964
Other taxation receipts	3,339	3,553
Taxation receipts	204,469	203,918
<i>Non-taxation</i>		
Sales of goods and services	5,189	5,566
Dividends	4,341	4,360
Interest received	2,275	2,325
Other non-taxation receipts	6,125	5,665
Non-taxation receipts	17,930	17,916
Total receipts	222,400	221,834

(a) Includes Medicare levy receipts of \$6,525 million in 2005-06.

Part 1: Australian Government Budget Outcome

Total Australian Government general government sector cash payments were \$206.0 billion in 2005-06, \$1.5 billion lower than estimated at the 2006-07 Budget.

The difference between the lower cash payments of \$1.5 billion and the \$249 million increase in accrual expenses and net capital investment primarily reflects the impact of increases in expenses discussed earlier in this part that do not affect cash payments, including:

- \$500 million for the grant to the Murray-Darling Basin Commission due to the determination by the Australian National Audit Office that the grant was required to be expensed in 2005-06 rather than over five years beginning in 2006-07;
- \$388 million due to the expensing of the acquisition of certain specialist military equipment in accordance with the Government Finance Statistics framework rather than the previous classification as an asset; and
- \$169 million for the Superannuation Co-contribution programme due mainly to the adoption of an improved methodology for estimating the impact on accrued expenses for people who have not yet lodged their claims.

Table 6: Summary of Australian Government general government sector cash flows^(a)

	2005-06 Estimate at 2006-07 Budget \$b	2005-06 Outcome \$b
Cash receipts		
Operating cash receipts	222.2	221.7
Capital cash receipts(b)	0.2	0.2
Total cash receipts	222.4	221.8
Cash payments		
Operating cash payments	204.6	203.0
Capital cash payments(c)	2.9	3.0
Total cash payments	207.5	206.0
Finance leases and similar arrangements(d)	0.0	0.0
GFS cash surplus(+)/deficit(-)	14.9	15.8
Per cent of GDP	1.6	1.6
<i>less</i> Future Fund earnings	0.1	0.1
Underlying cash balance(e)	14.8	15.8
Per cent of GDP	1.5	1.6
<i>Memorandum items:</i>		
Net cash flows from investments in financial assets for policy purposes(f)	-1.4	-1.6
<i>plus</i> Future Fund earnings	0.1	0.1
Headline cash balance	13.5	14.2

(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) Excludes Future Fund earnings.

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

NET DEBT AND NET WORTH

The Australian Government eliminated net debt in 2006. Over 2005-06, the level of Australian Government net debt continued to fall from a peak of 18.5 per cent of GDP in 1995-96 to -0.6 per cent of GDP as at 30 June 2006. Since 1996-97, net debt has fallen by around \$102 billion. The fall in net debt was \$1.3 billion greater than estimated in the 2006-07 Budget, largely reflecting the higher than anticipated underlying cash surplus outcome.

Net interest payments in 2005-06 were \$270 million lower than anticipated at the 2006-07 Budget. Having peaked at \$8.4 billion in 1996-97, net interest payments declined to \$2.3 billion in 2005-06, representing annual savings in interest payments of \$6.2 billion.

Part 1: Australian Government Budget Outcome

Australian Government general government sector net worth improved from -\$30.3 billion in 2004-05 to -\$23.1 billion at the end of 2005-06. The \$7.2 billion improvement largely reflects a strong net operating surplus of \$15.8 billion and a fall in the market valuation of debt due to movements in interest rates (\$1.0 billion). These improvements are partially offset by:

- a decrease in the value of the Government's shareholding in Telstra due to a fall in the share price over the year to 30 June 2006;
- actuarial revaluations of \$3.6 billion relating mainly to the unfunded superannuation liability; and
- a net write-down of assets of \$2.2 billion, largely due to provisioning for bad and doubtful debts by the Australian Taxation Office.

Table 7: Australian Government general government sector net worth, net debt and net interest payments

	2005-06 Estimate at 2006-07 Budget \$b	2005-06 Outcome \$b
Financial assets	133.6	136.7
Non-financial assets	43.9	45.6
Total assets	177.5	182.3
Total liabilities	201.5	205.4
Net worth	-24.0	-23.1
Net debt(a)	-4.8	-6.1
Per cent of GDP	-0.5	-0.6
Net interest payments(b)	2.5	2.3
Per cent of GDP	0.3	0.2

(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.

Attachment A

REPORTING STANDARDS

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

The major external standards used for final budget outcome reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual 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), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*.

Final Budget Outcome tables, with the exception of tables in Part 2, do not include goods and services tax (GST) collections and associated payments to the States and Territories (the States). 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 the IMF treats them this way in some of its other documentation. As the statistical standard underpinning the GFS manual (the System of National Accounts 1993) is currently being updated and includes a proposal to treat SDRs as a liability, the current approach will remain in place at least until this update is finalised.

The GFS financial statements also 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

Part 1: Australian Government Budget Outcome

repurchased by the Australian Government. However, in ABS GFS, coins on issue are treated as a liability and no revenue is recognised. The treatment of coins on issue is listed for clarification as part of the update of the statistical standard referred to above and the current treatment will remain in place at least until the update is finalised.

Similarly, the GFS financial statements currently record education grants on the same basis as in the AAS statements. Under this treatment the Australian Government's obligation to the States is recognised upon the annual Ministerial determination, usually occurring at the beginning of each funding year. However, in accordance with the latest guidance issued by the ABS, ABS GFS now recognises the obligation later in each year as monies are transferred to each State and Territory.

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

Attachment B

BUDGET FINANCIAL STATEMENTS

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

Table 8: Australian Government general government sector operating statement

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Revenue		
Taxation revenue	208,085	206,832
Current grants and subsidies	0	0
Sales of goods and services	4,898	4,604
Interest income	2,386	2,437
Dividend income	4,321	4,387
Other	3,173	3,658
Total revenue	222,864	221,918
Expenses		
Gross operating expenses		
Depreciation	2,041	2,190
Superannuation	2,472	2,203
Salaries and wages	12,627	12,230
Payment for supply of goods and services	49,126	48,283
Other operating expenses	2,106	3,155
<i>Total gross operating expenses</i>	<i>68,372</i>	<i>68,060</i>
Nominal superannuation interest expense	5,583	5,582
Other interest expenses	4,084	4,047
Other property expenses	0	0
Current transfers		
Grant expenses	40,264	40,564
Subsidy expenses	6,343	6,450
Personal benefit payments in cash	77,332	77,111
Other current transfers	0	0
<i>Total current transfers</i>	<i>123,938</i>	<i>124,124</i>
Capital transfers	4,040	4,283
Total expenses	206,018	206,096
Net operating balance	16,847	15,822
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,860	3,086
<i>less</i> Sales of non-financial assets	203	179
<i>less</i> Depreciation	2,041	2,190
<i>plus</i> Change in inventories	148	305
<i>plus</i> Other movements in non-financial assets	117	31
Total net acquisition of non-financial assets	881	1,052
Net lending/fiscal balance(a)	15,966	14,770

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

Table 9: Australian Government general government sector balance sheet

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Assets		
Financial assets		
Cash and deposits	1,785	2,190
Advances paid	21,471	21,269
Investments, loans and placements	47,042	47,328
Other non-equity assets	19,758	21,275
Equity(a)	43,535	44,626
<i>Total financial assets</i>	<i>133,591</i>	<i>136,689</i>
Non-financial assets		
Land	6,089	6,095
Buildings	13,469	15,077
Plant, equipment and infrastructure	8,595	9,064
Inventories	4,625	5,046
Heritage and cultural assets	7,723	7,675
Other non-financial assets	3,361	2,652
<i>Total non-financial assets</i>	<i>43,861</i>	<i>45,609</i>
Total assets	177,452	182,298
Liabilities		
Deposits held	405	318
Advances received	0	0
Government securities	59,547	58,894
Loans	5,264	5,212
Other borrowing	297	238
Superannuation liability	95,947	97,876
Other employee entitlements and provisions	8,001	8,123
Other non-equity liabilities	32,016	34,759
Total liabilities	201,478	205,420
Net worth(b)	-24,026	-23,122
Net debt(c)	-4,784	-6,125

(a) The 2005-06 equity and net worth outcomes include the Telstra shareholding valued at the closing share price on 30 June 2006.

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

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Cash receipts from operating activities		
Taxes received	204,469	203,918
Receipts from sales of goods and services	5,189	5,566
Grants and subsidies received	0	0
Interest receipts	2,275	2,325
Dividends	4,341	4,360
GST input credits received by general government	2,973	2,528
Other receipts	2,928	2,958
Total operating receipts	222,176	221,655
Cash payments for operating activities		
Payments for goods and services	-51,849	-51,049
Grants and subsidies paid	-51,535	-51,264
Interest paid	-4,810	-4,590
Personal benefit payments	-76,343	-76,291
Salaries, wages and other entitlements	-17,606	-16,956
GST payments by general government to taxation authority	-86	-55
Other payments for operating activities	-2,332	-2,775
Total operating payments	-204,561	-202,980
Net cash flows from operating activities	17,614	18,675
Cash flows from investments in non-financial assets		
Sales of non-financial assets	224	179
Purchases of non-financial assets	-2,939	-2,987
Net cash flows from investments in non-financial assets	-2,715	-2,808
Net cash flows from investments in financial assets for policy purposes	-1,390	-1,647
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-12,346	-12,686
Net cash flows from investments in financial assets for liquidity purposes	-12,346	-12,686
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1,754	-1,314
Deposits received (net)	0	-85
Other financing (net)	577	296
Net cash flows from financing activities	-1,177	-1,103
Net increase/decrease in cash held	-15	432

Table 10: Australian Government general government sector cash flow statement^(a) (continued)

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Net cash from operating activities and investments in non-financial assets	14,899	15,867
Finance leases and similar arrangements(b)	-12	-24
GFS cash surplus(+)/deficit(-)	14,888	15,843
<i>less</i> Future Fund earnings	83	51
Equals underlying cash balance(c)	14,805	15,792
<i>plus</i> net cash flows from investments in financial assets for policy purposes	-1,390	-1,647
<i>plus</i> Future Fund earnings	83	51
Equals headline cash balance	13,497	14,196

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

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Opening net worth	-31,979	-31,979
Opening net worth adjustments(a)	-129	1,701
Adjusted opening net worth	-32,108	-30,279
Change in net worth from operating transactions	16,847	15,822
Change in net worth from other economic flows		
Revaluation of equity(b)	-6,561	-5,357
Net writedowns of assets (including bad and doubtful debts)	-1,858	-2,183
Assets recognised for the first time	8	7
Liabilities recognised for the first time	0	0
Actuarial revaluations	-1,716	-3,619
Net foreign exchange gains	85	139
Net swap interest received	138	136
Market valuation of debt	696	950
Other economic revaluations(c)	443	1,261
Total other economic flows	-8,765	-8,667
Closing net worth	-24,026	-23,122

(a) Adjustment to net worth arising from a change in 2004-05 outcomes mainly due to the move to new Australian Accounting Standards and changes in accounting policy.

(b) Includes a change in the valuation of the Telstra shareholding between the closing share price on 30 June 2005 and 30 June 2006.

(c) Largely reflects revaluation of assets and liabilities.

PART 2: GOVERNMENT FINANCE STATISTICS STATEMENTS

Financial tables presented in this part are prepared in accordance with the Australian Bureau of Statistics' (ABS) 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 cash flows presented in this statement include GST (except in respect to GST flows internal to the general government sector) whereas the cash flows presented elsewhere in this document do not. 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

Part 2: Government Finance Statistics Statements

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

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

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

Table 12: Australian Government general government sector operating statement

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
GFS revenue		
Taxation revenue	245,945	245,716
Current grants and subsidies	0	0
Sales of goods and services	4,898	4,604
Interest income	2,386	2,437
Dividend income	4,321	4,387
Other	3,173	3,658
Total GFS revenue	260,724	260,802
GFS expenses		
Gross operating expenses		
Depreciation	2,041	2,190
Superannuation	2,472	2,203
Salaries and wages	12,627	12,230
Payment for supply of goods and services	49,126	48,283
Other operating expenses	2,106	3,155
<i>Total gross operating expenses</i>	<i>68,372</i>	<i>68,060</i>
Nominal superannuation interest expense	5,583	5,582
Other interest expenses	4,084	4,047
Other property expenses	0	0
Current transfers		
Grant expenses	77,364	78,006
Subsidy expenses	6,343	6,450
Personal benefit payments in cash	77,332	77,111
Other current transfers	0	0
<i>Total current transfers</i>	<i>161,038</i>	<i>161,566</i>
Capital transfers	4,250	4,436
Total GFS expenses	243,328	243,691
Net operating balance(a)	17,397	17,111
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,860	3,086
<i>less</i> Sales of non-financial assets	203	179
<i>less</i> Depreciation	2,041	2,190
<i>plus</i> Change in inventories	148	305
<i>plus</i> Other movements in non-financial assets	117	31
Total net acquisition of non-financial assets	881	1,052
Net lending/fiscal balance(a)(b)	16,516	16,059

(a) The fiscal balance and net operating balance 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 13: Australian Government general government sector balance sheet

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	1,785	2,190
Advances paid	21,471	21,269
Investments, loans and placements	47,042	47,328
Other non-equity assets	22,470	29,636
Equity(a)	43,535	44,626
<i>Total financial assets</i>	<i>136,303</i>	<i>145,050</i>
Non-financial assets		
Land	6,089	6,095
Buildings	13,469	15,077
Plant, equipment and infrastructure	8,595	9,064
Inventories	4,625	5,046
Heritage and cultural assets	7,723	7,675
Other non-financial assets	3,361	2,652
<i>Total non-financial assets</i>	<i>43,861</i>	<i>45,609</i>
Total GFS assets	180,164	190,659
GFS liabilities		
Deposits held	405	318
Advances received	0	0
Government securities	59,547	58,894
Loans	5,264	5,212
Other borrowing	297	238
Superannuation liability	95,947	97,876
Other employee entitlements and provisions	8,001	8,123
Other non-equity liabilities	32,470	35,242
Total GFS liabilities	201,932	205,904
Net worth(b)(c)	-21,768	-15,245
Net financial worth(d)	-65,629	-60,854
Net debt(e)	-4,784	-6,125

(a) Equity includes the valuation of the Telstra shareholding, which is valued at the closing share price on 30 June 2006.

(b) The net worth outcome in this table differs from those presented elsewhere in the Final Budget Outcome reflecting the treatment of 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 14: Australian Government general government sector cash flow statement^(a)

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Cash receipts from operating activities		
Taxes received(b)	241,499	241,215
Receipts from sales of goods and services(c)	5,010	4,855
Grants and subsidies received	0	0
Interest receipts	2,275	2,325
Dividends	4,341	4,360
GST input credits received by general government(c)	0	0
Other receipts	2,928	2,958
Total operating receipts	256,053	255,713
Cash payments for operating activities		
Payments for goods and services(c)	-48,712	-47,721
Grants and subsidies paid(d)	-88,635	-88,706
Interest paid	-4,810	-4,590
Personal benefit payments	-76,343	-76,291
Salaries, wages and other entitlements	-17,606	-16,956
GST payments by general government to taxation authority(c)	0	0
Other payments for operating activities	-2,332	-2,775
Total operating payments	-238,438	-237,038
Net cash flows from operating activities	17,614	18,675
Cash flows from investments in non-financial assets		
Sales of non-financial assets	224	179
Purchases of non-financial assets	-2,939	-2,987
Net cash flows from investments in non-financial assets	-2,715	-2,808
Net cash flows from investments in financial assets for policy purposes	-1,390	-1,647
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-12,346	-12,686
Net cash flows from investments in financial assets for liquidity purposes	-12,346	-12,686
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1,754	-1,314
Deposits received (net)	0	-85
Other financing (net)	577	296
Net cash flows from financing activities	-1,177	-1,103
Net increase/decrease in cash held	-15	432

Table 14: Australian Government general government sector cash flow statement^(a) (continued)

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Net cash from operating activities and investments in non-financial assets	14,899	15,867
Finance leases and similar arrangements(e)	-12	-24
Equals surplus(+)/deficit(-)	14,888	15,843

(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 \$145 million lower in 2005-06 than GST cash receipts measured by the Australian Government on a State tax basis (as shown in Part 3, Note 16).

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

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Opening net worth	-30,397	-30,397
Opening net worth adjustments(a)	-129	6,651
Adjusted opening net worth	-30,526	-23,746
Change in net worth from operating transactions	17,397	17,111
Change in net worth from other economic flows		
Revaluation of equity(b)	-6,561	-5,357
Net writedowns of assets (including bad and doubtful debts)	-1,731	-2,126
Assets recognised for the first time	8	7
Liabilities recognised for the first time	0	0
Actuarial revaluations	-1,716	-3,619
Net foreign exchange gains	85	139
Net swap interest received	138	136
Market valuation of debt	696	950
Other economic revaluations(c)	443	1,261
Total other economic flows	-8,639	-8,610
Closing net worth	-21,768	-15,245

(a) Adjustment to net worth arising from a change in 2004-05 outcomes mainly due to the move to new Australian Accounting Standards and changes in accounting policy (including the valuation of GST when the underlying economic activity occurs).

(b) Includes a change in the valuation of the Telstra shareholding between the closing share price on 30 June 2005 and 30 June 2006.

(c) Largely reflects revaluation of assets and liabilities.

Table 16: Australian Government public non-financial corporations sector operating statement

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
GFS revenue		
Current grants and subsidies	302	481
Sales of goods and services	27,469	27,441
Interest income	136	159
Other	62	61
Total GFS revenue	27,969	28,143
GFS expenses		
Gross operating expenses		
Depreciation	3,940	3,866
Salaries, wages and other entitlements	6,512	6,646
Other operating expenses	13,829	10,699
<i>Total gross operating expenses</i>	<i>24,282</i>	<i>21,211</i>
Interest expenses	430	875
Other property expenses	2,426	5,365
Current transfers		
Tax expenses	1,761	2,081
Other current transfers	0	0
<i>Total current transfers</i>	<i>1,761</i>	<i>2,081</i>
Capital transfers	0	0
Total GFS expenses	28,899	29,531
Net operating balance	-930	-1,387
Net acquisition of non-financial assets		
Purchases of non-financial assets	5,568	4,478
<i>less</i> Sales of non-financial assets	<i>29</i>	<i>81</i>
<i>less</i> Depreciation	<i>3,940</i>	<i>3,866</i>
<i>plus</i> Change in inventories	<i>35</i>	<i>-10</i>
<i>plus</i> Other movements in non-financial assets	<i>535</i>	<i>535</i>
Total net acquisition of non-financial assets	2,169	1,055
Net lending/fiscal balance(a)	-3,100	-2,442

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

Table 17: Australian Government public non-financial corporations sector balance sheet

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	2,243	2,040
Advances paid	0	0
Investments, loans and placements	12	3,058
Other non-equity assets	5,033	5,102
Equity	466	324
<i>Total financial assets</i>	<i>7,755</i>	<i>10,524</i>
Non-financial assets		
Land and fixed assets	27,951	26,578
Other non-financial assets(a)	3,746	2,347
<i>Total non-financial assets</i>	<i>31,696</i>	<i>28,925</i>
Total GFS assets	39,451	39,449
GFS liabilities		
Deposits held	0	0
Advances received	0	0
Borrowing	16,130	13,775
Unfunded superannuation liability and other employee entitlements	2,119	2,258
Provisions (other than depreciation and bad and doubtful debts)(a)	3,675	5,131
Other non-equity liabilities	1,210	1,676
Total GFS liabilities	23,134	22,839
Shares and other contributed capital	51,984	50,317
Net worth(b)	-35,667	-33,708
Net financial worth(c)	-67,363	-62,633
Net debt(d)	13,875	8,678

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

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	29,662	30,164
Grants and subsidies received	207	338
GST input credit receipts	61	225
Other receipts	128	42
Total operating receipts	30,058	30,769
Cash payments for operating activities		
Payment for goods and services	-10,176	-10,777
Interest paid	-428	-504
Salaries, wages and other entitlements	-6,579	-6,849
GST payments to taxation authority	-1,295	-1,572
Other payments for operating activities(b)	-5,372	-2,329
Total operating payments	-23,851	-22,030
Net cash flows from operating activities	6,207	8,739
Cash flows from investments in non-financial assets		
Sales of non-financial assets	58	106
Purchases of non-financial assets	-5,573	-4,505
Net cash flows from investments in non-financial assets	-5,516	-4,399
Net cash flows from investments in financial assets for policy purposes	0	-17
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	74	-47
Net cash flows from investments in financial assets for liquidity purposes	74	-47
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1	931
Deposits received (net)	0	0
Distributions paid (net)	-2,443	-5,339
Other financing (net)	853	-484
Net cash flows from financing activities	-1,592	-4,893
Net increase/decrease in cash held	-827	-617
Net cash from operating activities and investments in non-financial assets	691	4,340
Finance leases and similar arrangements(c)	0	0
Distributions paid	-2,443	-5,339
Equals surplus(+)/deficit(-)	-1,753	-999

(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 19: Australian Government total non-financial public sector operating statement

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
GFS revenue		
Taxation revenue	244,089	243,356
Current grants and subsidies	0	0
Sales of goods and services	31,743	31,267
Interest income	2,523	2,596
Dividend income	1,397	1,414
Other	3,235	3,528
Total GFS revenue	282,987	282,161
GFS expenses		
Gross operating expenses		
Depreciation	5,981	6,056
Superannuation	2,589	2,369
Salaries and wages	19,140	18,876
Payment for supply of goods and services	58,943	57,271
Other operating expenses	2,359	3,449
<i>Total gross operating expenses</i>	<i>89,011</i>	<i>88,021</i>
Nominal superannuation interest expense	5,583	5,582
Other interest expenses	4,514	4,922
Other property expenses	2,426	2,392
Current transfers		
Grant expenses	77,364	78,006
Subsidy expenses	6,041	5,969
Personal benefit payments in cash	77,332	77,111
Other current transfers	0	0
<i>Total current transfers</i>	<i>160,736</i>	<i>161,085</i>
Capital transfers	4,250	4,436
Total GFS expenses	266,521	266,437
Net operating balance(a)	16,466	15,724
Net acquisition of non-financial assets		
Purchases of non-financial assets	8,428	7,563
<i>less</i> Sales of non-financial assets	<i>232</i>	<i>261</i>
<i>less</i> Depreciation	<i>5,981</i>	<i>6,056</i>
<i>plus</i> Change in inventories	<i>183</i>	<i>295</i>
<i>plus</i> Other movements in non-financial assets	<i>652</i>	<i>566</i>
Total net acquisition of non-financial assets	3,050	2,107
Net lending/fiscal balance(a)(b)	13,416	13,617

(a) The fiscal balance and net operating balance 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 20: Australian Government total non-financial public sector balance sheet

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	4,028	4,230
Advances paid	21,471	21,269
Investments, loans and placements	47,131	50,386
Other non-equity assets	27,265	34,640
Equity	15,003	16,701
<i>Total financial assets</i>	<i>114,898</i>	<i>127,226</i>
Non-financial assets		
Land and fixed assets	68,451	69,535
Other non-financial assets	7,107	4,999
<i>Total non-financial assets</i>	<i>75,558</i>	<i>74,534</i>
Total GFS assets	190,455	201,761
GFS liabilities		
Deposits held	405	318
Advances received	0	0
Government securities	59,547	58,894
Loans	5,341	5,212
Other borrowing	16,428	14,013
Unfunded superannuation liability and other employee entitlements	106,068	108,257
Other provisions	8,448	11,552
Other non-equity liabilities	28,668	30,398
Total GFS liabilities	224,904	228,645
Shares and other contributed capital	22,986	22,068
Net worth(a)	-57,434	-48,953
Net financial worth(b)	-132,992	-123,487
Net debt(c)	9,090	2,553

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

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Cash receipts from operating activities		
Taxes received	239,750	239,074
Receipts from sales of goods and services(b)	32,753	32,137
Grants and subsidies received	0	0
Interest receipts	2,408	2,347
Dividends	1,449	1,409
GST input credit receipts(b)	0	0
Other receipts	2,891	2,949
Total operating receipts	279,251	277,917
Cash payments for operating activities		
Payments for goods and services(b)	-58,217	-57,020
Grants and subsidies paid	-88,428	-88,383
Interest paid	-5,238	-5,093
Personal benefit payments	-76,343	-76,174
Salaries, wages and other entitlements	-24,184	-23,799
GST payments to taxation authority(b)	0	0
Other payments for operating activities	-3,019	-3,008
Total operating payments	-255,430	-253,477
Net cash flows from operating activities	23,821	24,441
Cash flows from investments in non-financial assets		
Sales of non-financial assets	282	286
Purchases of non-financial assets	-8,512	-7,492
Net cash flows from investments in non-financial assets	-8,231	-7,206
Net cash flows from investments in financial assets for policy purposes	-1,390	-1,664
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-12,272	-12,733
Net cash flows from investments in financial assets for liquidity purposes	-12,272	-12,733
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1,755	-383
Deposits received (net)	0	-85
Distributions paid (net)(c)	-2,443	-2,366
Other financing (net)	1,430	-188
Net cash flows from financing activities	-2,769	-3,022
Net increase/decrease in cash held	-841	-185
Net cash from operating activities and investments in non-financial assets	15,590	17,234
Finance leases and similar arrangements(d)	-12	-24
Distributions paid(c)	-2,443	-2,366
Equals surplus(+)/deficit(-)	13,135	14,845

(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 22: Australian Government public financial corporations sector operating statement

	2005-06 Outcome \$m
GFS revenue	
Current grants and subsidies	149
Sales of goods and services	3,020
Interest income	3,836
Other	49
Total GFS revenue	7,053
GFS expenses	
Gross operating expenses	
Depreciation	36
Salaries, wages and other entitlements	3,129
Other operating expenses	0
<i>Total gross operating expenses</i>	<i>3,166</i>
Interest expenses	2,317
Other property expenses	1,378
Current transfers	
Tax expenses	0
Other current transfers	0
<i>Total current transfers</i>	<i>-1</i>
Capital transfers	0
Total GFS expenses	6,861
Net operating balance	192
Net acquisition of non-financial assets	
Purchases of non-financial assets	62
<i>less</i> Sales of non-financial assets	<i>0</i>
<i>less</i> Depreciation	<i>36</i>
<i>plus</i> Change in inventories	<i>4</i>
<i>plus</i> Other movements in non-financial assets	<i>-8</i>
Total net acquisition of non-financial assets	21
Net lending/fiscal balance(a)	171

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

Table 23: Australian Government public financial corporations sector balance sheet

	2005-06 Outcome \$m
GFS assets	
Financial assets	
Cash and deposits	1,579
Advances paid	0
Investments, loans and placements	108,502
Other non-equity assets	251
Equity	324
<i>Total financial assets</i>	<i>110,656</i>
Non-financial assets	
Land and fixed assets	431
Other non-financial assets(a)	1
<i>Total non-financial assets</i>	<i>432</i>
Total GFS assets	111,088
GFS liabilities	
Deposits held	81,127
Advances received	0
Borrowing	14,349
Unfunded superannuation liability and other employee entitlements	624
Provisions (other than depreciation and bad and doubtful debts)(a)	1,098
Other non-equity liabilities	62
Total GFS liabilities	97,261
Shares and other contributed capital	13,826
Net worth(b)	0
Net financial worth(c)	-432
Net debt(d)	-14,605

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

	2005-06 Outcome \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	2,995
Grants and subsidies received	149
GST input credit receipts	31
Other receipts	3,188
Total receipts	6,363
Cash payments for operating activities	
Payment for goods and services	-2,591
Interest paid	-2,049
Salaries, wages and other entitlements	-300
GST payments to taxation authority	-9
Other payments for operating activities	-21
Total payments	-4,970
Net cash flows from operating activities	1,393
Cash flows from investments in non-financial assets	
Sales of non-financial assets	0
Purchases of non-financial assets	-70
Net cash flows from investments in non-financial assets	-69
Net cash flows from investments in financial assets for policy purposes	-406
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-17,048
Net cash flows from investments in financial assets for liquidity purposes	-17,048
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-286
Deposits received (net)	13,968
Distributions paid (net)	-1,400
Other financing (net)	2,739
Net cash flows from financing activities	15,020
Net increase/decrease in cash held	-1,110
Net cash from operating activities and investments in non-financial assets	1,324
Finance leases and similar arrangements(b)	0
Distributions paid	-1,400
Equals surplus(+)/deficit(-)	-77

(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 25: Australian Government general government sector purchases of non-financial assets by function

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
General public services	794	767
Defence	608	958
Public order and safety	239	183
Education	14	22
Health	110	110
Social security and welfare	223	245
Housing and community amenities	95	94
Recreation and culture	279	275
Fuel and energy	5	5
Agriculture, forestry and fishing	39	39
Mining, manufacturing and construction	48	43
Transport and communications	104	53
Other economic affairs	284	269
Other purposes	19	23
General government purchases of non-financial assets	2,860	3,085

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. 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 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.

Loan Council Allocation 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 26, the Australian Government's 2005-06 Loan Council Allocation final budget outcome is a \$13,425 million surplus. This compares with the Australian Government's Loan Council Allocation 2005-06 Budget estimate of a \$8,432 million surplus.

Table 26: Australian Government Loan Council Allocation

	2005-06 Budget Estimate \$m	2005-06 Outcome \$m
General government sector cash deficit(+)/surplus(-)	-9,383	-15,843
Public non-financial corporations sector cash deficit(+)/surplus(-)	-433	999
Non-financial public sector cash deficit(+)/surplus(-)	-9,815	-14,845
<i>minus</i> Net cash flows from investments		
in financial assets for policy purposes(a)	-1,518	-1,664
<i>plus</i> Memorandum items(b)	-135	-244
Loan Council Allocation	-8,432	-13,425

(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), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 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 and Government Finance Statistics (GFS) revenue, expenses and operating result is provided in Appendix A.

Table 27: Australian Government general government sector income statement

		2005-06 Estimate at 2006-07 Budget	Month of June 2006(a)	2005-06 Outcome
	Note	\$m	\$m	\$m
Revenues				
Taxation				
Income tax	3	173,760	13,669	172,114
Indirect tax	4	28,231	2,506	28,116
Fringe benefits tax		3,300	667	4,084
Other taxes		2,242	170	2,287
Total taxation revenue		207,533	17,012	206,600
Non-taxation				
Sales of goods and services		4,898	268	4,604
Interest and dividends	5	8,691	863	8,805
Other sources of non-tax revenue	6	3,502	650	4,156
Total non-tax revenue		17,092	1,781	17,565
Total revenue		224,625	18,793	224,165
Gains				
Net foreign exchange gains		85	61	139
Net gains from sale of assets		99	-21	0
Other gains		977	1	1,208
Total gains		1,161	41	1,347
Income		225,786	18,833	225,513
Expenses				
Goods and services				
Employees	7	22,789	2,443	23,555
Suppliers	8	18,487	2,027	17,701
Depreciation and amortisation	9	4,554	738	4,617
Net write-down and impairment of assets and fair value losses		3,085	1,021	3,465
Net losses from sale of assets		0	2	2
Other goods and services expenses	10	7,649	702	7,345
Total goods and services		56,564	6,933	56,684
Subsidies benefits and grants				
Personal benefits		93,371	8,001	92,981
Subsidies		11,004	1,204	11,099
Grants	11	42,501	3,125	43,122
Total subsidies benefits and grants		146,876	12,330	147,202
Borrowing costs				
Interest		5,932	471	5,843
Other borrowing costs		17	31	68
Total interest and other borrowing costs		5,949	502	5,911
Total expenses		209,388	19,765	209,797
Operating result		16,397	-932	15,715

(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, and this can result in negative movements.

Table 28: Australian Government general government sector balance sheet

		2005-06 Estimate at 2006-07 Budget	2005-06 Outcome
	Note	\$m	\$m
Assets			
Financial assets			
Cash		1,785	2,190
Receivables	12	32,069	31,010
Investments		89,829	90,698
Equity accounted investments		399	573
Accrued revenue		563	2,695
Other financial assets		17	27
Total financial assets		124,663	127,193
Non-financial assets			
Land and buildings	13	19,558	21,172
Infrastructure		40,031	41,190
Heritage and cultural assets		7,723	7,675
Intangibles		1,916	1,896
Investment property		851	152
Biological assets		0	0
Assets held for sale		65	383
Inventories		4,625	5,046
Other non-financial assets		4,596	3,898
Total non-financial assets		79,364	81,412
Total assets		204,027	208,605
Liabilities			
Debt			
Government securities		59,547	58,894
Loans		4,224	4,208
Leases		233	153
Deposits		405	318
Overdrafts		0	0
Other debt		1,099	1,198
Total debt		65,508	64,771
Provisions and payables			
Employees	14	103,948	105,999
Suppliers		2,680	3,150
Personal benefits payable		6,290	5,380
Subsidies payable		1,313	1,642
Grants payable	15	10,209	10,042
Other provisions and payables		11,529	14,437
Total provisions and payables		135,970	140,649
Liabilities associated with assets held for sale			
Total liabilities		201,478	205,420
Net assets		2,549	3,185
Equity			
Accumulated results		-55,956	-34,564
Reserves		58,505	37,749
Capital		0	0
Total equity		2,549	3,185

Table 29: Australian Government general government sector statement of changes in equity

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Opening balance										
Balance carried forward from previous period(a)	-74,934	-72,841	16,939	16,695	21,505	21,484	0	0	-36,490	-34,661
Adjustment for errors / entity adjustments	-1,014	61	-222	3	-9	452	16	0	-1,230	516
Adjustment for changes in accounting policy(b)	23,127	25,548	na	na	na	na	na	na	23,127	25,548
Adjusted opening balance	-52,822	-47,231	16,717	16,699	21,496	21,936	16	0	-14,593	-8,597
Income and expense										
Revenues and expenses recognised directly in equity										
Currency translation gain (loss)	na	na	na	na	0	0	na	na	0	0
Financial asset revaluations	na	na	-15	-12	na	na	na	na	-15	-12
Non-financial asset revaluations	na	na	68	1,218	na	na	na	na	68	1,218
Total revenues and expenses recognised directly in equity	0	0	53	1,207	0	0	0	0	53	1,207
Net operating result	16,397	15,715	na	na	na	na	na	na	16,397	15,715
Total income and expenses										
Transfers between reserves	-19,978	51	224	-29	19,754	-21	na	na	0	0
Dividends	0	0	0	0	0	0	na	na	0	0
Other movements(c)	446	-3,098	-253	0	514	-2,042	-16	0	692	-5,140
Closing balance	-55,956	-34,564	16,741	17,877	41,764	19,873	0	0	2,549	3,185

(a) Balance carried forward from previous period differs from the 2004-05 outcomes due to the move to new Australian accounting standards.

(b) Includes change in the valuation of financial assets and liabilities with the adoption of the new accounting standards.

(c) Includes actuarial adjustments on defined benefit superannuation plans.

Table 30: Australian Government general government sector cash flow statement

		2005-06 Estimate at 2006-07 Budget	Month of June 2006(a)	2005-06 Outcome
	Note	\$m	\$m	\$m
Operating activities				
Cash received				
Taxation	16	204,012	18,723	203,830
Sales of goods and services		5,204	1,001	5,566
Interest		4,308	577	4,355
Dividends		4,341	22	4,360
GST input credit receipts		2,973	-91	2,528
Other		3,026	-169	3,046
Total operating cash received		223,849	20,079	223,684
Cash used				
Payments to employees		19,953	2,634	20,036
Payments to suppliers		21,643	2,953	21,006
Subsidies paid		10,451	946	10,318
Personal benefits		92,382	8,658	92,150
Grant payments		44,559	5,283	44,413
Interest and other financing costs		6,744	355	6,548
GST payments to taxation authority		86	-39	55
Other		7,144	408	6,966
Total operating cash used		202,948	21,216	201,491
Net cash from operating activities		20,901	-1,137	22,193
Investing activities				
Cash received				
Proceeds from asset sales program		0	0	0
Proceeds from sales of property, plant and equipment and intangibles		224	-39	181
Net loans, advances and HECS		0	0	0
Other net investing cash received		380	-69	346
Total investing cash received		604	-108	527
Cash used				
Purchase of property, plant and equipment and intangibles		6,188	1,051	6,499
Net loans, advances and HECS		1,238	1,375	1,494
Other net investing cash paid		12,798	-4,997	13,101
Total investing cash used		20,224	-2,571	21,095
Net cash from investing activities		-19,620	2,464	-20,567
Financing activities				
Cash received				
Net cash received from currency issues		0	0	0
Other		459	575	301
Total financing cash received		459	575	301
Cash used				
Net repayments of borrowings		1,754	1,961	1,314
Other		1	-1,378	181
Total financing cash used		1,755	584	1,495
Net cash from financing activities		-1,296	-8	-1,194
Net increase/decrease in cash held	2	-15	1,319	432

- (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, and this can result in negative movements.

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), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments* (AAS 31).

AAS requires governments to prepare accrual-based general purpose financial reports. This means that assets, liabilities, income 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, an income statement, a balance sheet, a statement of changes in equity and a cash flow statement have been prepared for the year ended 30 June 2006.

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.

Where measurement is reliable, the budget and related documents from 2005-06 onwards recognise tax revenue when the economic event giving rise to the taxpayer's liability occurs, known as the Economic Transactions Method (ETM). ETM is the preferred method for measuring revenue since it recognises the event when economic benefit accrues to the Australian Government. However, certain categories of revenue cannot yet be reliably measured according to ETM, including revenue from individuals, company and superannuation. For these items, 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, known as the Tax Liability Method (TLM). This means that for these items 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 occur for some elements of company and superannuation funds taxation. TLM is permitted under AAS where taxation revenues can not be reliably measured at the time the underlying transaction or event occurs. The financial effect of this change is recognised in the Statement of Changes in Equity.

The new AEIFRS standard relating to superannuation is AASB 119 *Employee Benefits*. The standard requires the government bond rate to be referenced when valuing the superannuation liability, with the relevant bond yield to match the term of the liability. However, the longest maturing government bond available is only 10 years, significantly shorter than the term of the superannuation liability. Rather than the 10 year government bond rate at 30 June 2006 (of 5.9 per cent), a longer term rate (of 6 per cent) as determined by actuaries has been adopted to discount the liability. Guidance from the Australian Accounting Standards Board is being sought to clarify differing interpretations in applying AASB 119.

Consistent with the market basis of valuation of assets adopted elsewhere in this document, the basis of valuation of the Government's investment in Telstra Corporation Limited and other Commonwealth entities under AAS, has changed from cost to fair value. The financial effect of this change is recognised in the Statement of Changes in Equity.

On 25 August 2006 the Australian Government announced the further sale of Telstra shares. The timing of the sale is expected to be in the 2006-07 financial year. As at 30 June 2006, there is no financial effect of this announcement on the Government's investment in Telstra and any subsequent financial effect can not, at this time, be reliably measured.

Note 2: Reconciliation of cash

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Operating result (revenues less expenses)	16,397	15,715
less Revenues not providing cash		
Foreign exchange gains	85	139
Gains from asset sales programme	0	0
Gains from sale of assets	99	0
Other	1,469	2,566
Total revenues not providing cash	1,653	2,705
plus Expenses not requiring cash		
Increase/(decrease) in employee entitlements	2,872	3,522
Depreciation/amortisation expense	4,554	4,617
Provision for bad and doubtful debts	352	150
Provision for diminution in value of assets	539	726
Losses from asset sales programme	0	0
Losses from sale of assets	0	-3
Foreign exchange losses	0	0
Other	27	553
Total expenses not requiring cash	8,344	9,565
plus Cash provided by working capital items		
Decrease in inventories	0	0
Decrease in receivables	0	0
Decrease in other financial assets	99	0
Decrease in other non-financial assets	0	0
Increase in benefits subsidies and grants payable	1,284	1,722
Increase in suppliers' liabilities	333	702
Increase in other provisions and payables	0	134
Total cash provided by working capital items	1,716	2,558
less Cash used by working capital items		
Increase in inventories	230	210
Increase in receivables	474	281
Increase in other financial assets	0	308
Increase in other non-financial assets	2,674	2,139
Decrease in benefits subsidies and grants payable	150	0
Decrease in other provisions and payables	375	0
Decrease in suppliers' liabilities	0	0
Total cash used by working capital items	3,903	2,940
equals <i>Net cash from/(to) operating activities</i>	20,901	22,193
plus <i>Net cash from/(to) investing activities</i>	-19,620	-20,567
Net cash from operating activities and investment	1,282	1,626
plus <i>Net cash from/(to) financing activities</i>	-1,296	-1,194
equals Net (decrease)/increase in cash	-15	432

Note 2(a): Consolidated Revenue Fund

The cash balance reflected in the statement of financial position for the Australian Government general government sector (Table 28) 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.

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Total general government sector cash (Statement 10)	1,785	2,190
<i>less</i> CAC Agency cash balances	911	1,026
<i>plus</i> Special public monies	81	117
Balance of Consolidated Revenue Fund at 30 June	955	1,281

Note 3: Income taxation revenue

	2005-06 Estimate at 2006-07 Budget \$m	Outcome 2005-06 \$m
Individuals and other withholding taxes		
Gross income tax withholding	103,830	103,811
Gross other individuals	26,410	25,859
less: Refunds	15,350	15,239
Total individuals and other withholding taxation	114,890	114,431
Superannuation funds		
Contributions and earnings	5,390	5,416
Superannuation surcharge	1,030	1,289
Total superannuation taxation	6,420	6,705
Company tax	50,480	48,987
Petroleum resource rent tax	1,970	1,991
Income taxation revenue	173,760	172,114

Note 4: Indirect taxation revenue

	2005-06 Estimate at 2006-07 Budget \$m	Outcome 2005-06 \$m
Excise duty		
Petroleum and other fuel products	13,740	13,711
Crude oil	330	362
Other excise	7,830	7,854
Customs duty	5,171	4,988
Other indirect taxation	1,160	1,202
GST	37,860	38,884
less transfers to States in relation to GST revenue	37,860	38,884
GST revenue	0	0
Mirror taxes	372	328
less transfers to States in relation to mirror tax revenue	372	328
Mirror tax revenue	0	0
Total indirect taxation revenue	28,231	28,116

Note 5: Interest and dividend revenue

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Interest		
Interest from other governments		
State and Territory debt	17	19
Housing agreements	170	174
Total interest from other governments	187	193
Interest from other sources		
Swap interest	1,984	1,981
Advances	19	23
Deposits	0	32
Bills receivable	6	10
Bank deposits	277	220
Indexation of HECS receivable and other student loans	378	382
Other	1,519	1,579
Total interest from other sources	4,183	4,225
Total interest	4,370	4,418
Dividends		
Dividends from controlled entities	4,312	4,366
Other dividends	9	21
Total dividends	4,321	4,387
Total interest and dividend revenue	8,691	8,805

Note 6: Other sources of non-taxation revenue

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Industry contributions	228	325
International Monetary Fund related revenue	23	23
Royalties	1,036	1,016
Seigniorage	125	118
Other	2,091	2,673
Total other sources of non-taxation revenue	3,502	4,156

Note 7: Employees expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Salaries and wages(a)	12,627	12,230
Leave and other entitlements	1,327	1,624
Separations and redundancies	42	80
Workers compensation premiums	0	0
Other (including superannuation)	8,792	9,622
Total employee expenses	22,789	23,555

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Supply of goods and services	16,308	15,313
Operating lease rental expenses	1,700	1,872
Other	479	516
Total suppliers expenses	18,487	17,701

Note 9: Depreciation and amortisation expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Depreciation		
Specialist military equipment	2,513	2,427
Buildings	586	725
Other infrastructure, plant and equipment	1,075	1,008
Heritage and cultural assets	43	43
Investment property	0	0
Total depreciation	4,217	4,204
Total amortisation	337	414
Total depreciation and amortisation expenses	4,554	4,617

Note 10: Other goods and services expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Health care payments	4,593	4,522
Development Cooperation Program	1,339	1,334
Other	1,717	1,488
Total other goods and services expenses	7,649	7,345

Note 11: Grants expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
State and Territory governments	27,264	27,525
Non-profit organisations	1,575	1,884
Overseas	434	457
Private sector	1,982	2,162
Local governments	411	376
Multi-jurisdictional sector	6,081	6,320
Other	4,754	4,397
Total grant expenses	42,501	43,122

Note 12: Receivables

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Taxes receivable	10,726	10,262
Advances and loans	16,571	16,005
Other receivables	4,772	4,743
Total receivables	32,069	31,010

Note 13: Total non-financial assets

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Land and buildings		
Land	6,089	6,095
Buildings	13,469	15,077
Total land and buildings	19,558	21,172
Infrastructure		
Specialist military equipment	31,437	32,126
Other	8,595	9,064
Total infrastructure	40,031	41,190
Intangibles		
Computer software	1,753	1,800
Other	162	96
Total intangibles	1,916	1,896
Heritage and cultural assets	7,723	7,675
Total heritage and cultural assets	7,723	7,675
Investment properties	851	152
Total investment properties	851	152
Biological assets	0	0
Total biological assets	0	0
Assets held for sale	65	383
Total assets held for sale	65	383
Inventories	4,625	5,046
Total inventories	4,625	5,046
Other non-financial assets		
Prepayments	4,066	3,677
Other	530	220
Total other non-financial assets	4,596	3,898
Total non-financial assets	79,364	81,412

Note 14: Employee and superannuation liabilities

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Superannuation	95,504	97,322
Leave and other entitlements	4,185	4,221
Accrued salaries and wages	162	185
Workers compensation claims	1,562	1,443
Separations and redundancies	33	41
Workers compensation premiums	1,579	1,805
Other	923	982
Total employee and superannuation liabilities	103,948	105,999

Note 15: Grants payable

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
State and Territory governments	4,313	4,369
Non-profit organisations	59	111
Private sector	657	609
Overseas	1,110	1,108
Local governments	2	12
Other	4,068	3,832
Total grants payable	10,209	10,042

Note 16: Taxation receipts — cash

	2005-06 Estimate at 2006-07 Budget \$m	Outcome 2005-06 \$m
Total taxation receipts	241,484	241,599
less payments to States and Territories in relation to GST receipts	37,100	37,442
less payments to States and Territories in relation to mirror tax receipts	372	328
Taxation receipts	204,012	203,830

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 in 2005-06. The information supplements material provided in Budget Paper No. 3, *Federal Financial Relations 2006-07*.

The New Tax System, which came into effect on 1 July 2000, substantially reformed Commonwealth-State financial relations. 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 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 Australian Government has now reached agreement with all States on a schedule for the abolition of all but one of the taxes listed for review in the Intergovernmental Agreement. Inefficient state taxes such as stamp duty on mortgages, leases, and credit and rental arrangements will be abolished, as was originally intended under the Intergovernmental Agreement. The abolition of these taxes is expected to save taxpayers approximately \$4.4 billion over the four years from 1 July 2006.

The Australian Government will extend the transitional period from 30 June 2006 to 30 June 2009. This is a guarantee by the Australian Government that each individual State will be no worse off than had the reforms not been implemented. Given current estimates, this is a sufficient timeframe to ensure the States will no longer require transitional assistance even after the abolition of these Intergovernmental Agreement taxes.

To meet this guarantee, the Australian Government will pay to the States Budget Balancing Assistance to cover any shortfall of GST revenue below the Guaranteed Minimum Amount, 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 2005-06, 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 Budget Balancing Assistance was not required.

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

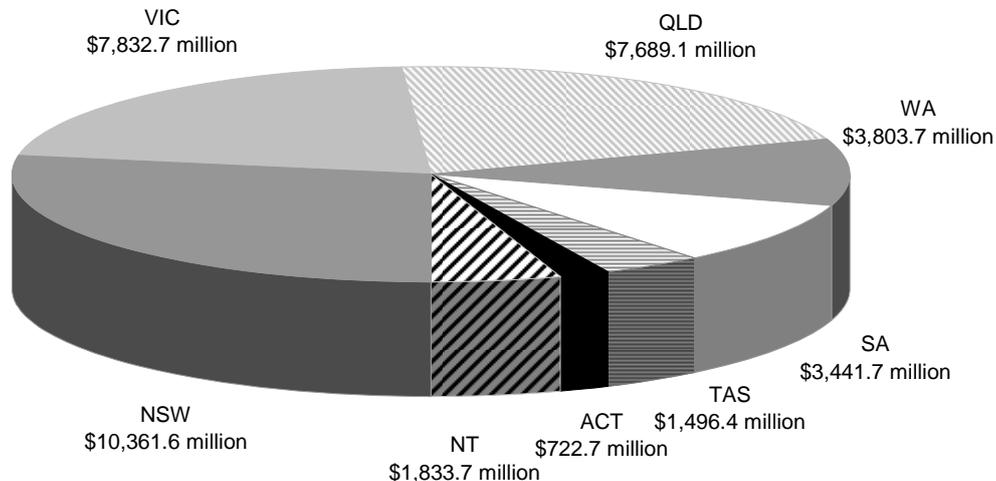
GST REVENUE PROVISION

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, which applies the principles of Horizontal Fiscal Equalisation to help determine State revenue shares. Budget Paper No. 3, *Federal Financial Relations 2006-07*, 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 20 June 2006, a total of \$37,181.6 million was provided to the States in 2005-06. This reflects a GST revenue estimate for 2005-06 of \$37,470 million less a \$288.4 million adjustment for the difference between the Commissioner's determination of 2004-05 GST collections and the 2004-05 GST outcome. The Commissioner's estimate of GST for 2005-06 was broadly consistent with 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 2005-06 is illustrated in Chart 1.

Chart 1: GST revenue provision to the States and Territories — 2005-06



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 2006-07*, reflecting final determinations made under the Act.

The 2005-06 GST revenue was distributed, in accordance with the Act, using GST relativities recommended by the Commonwealth Grants Commission.

Table 31 shows the per capita relativities applied to the States' populations (as at 31 December 2005) 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, less the unquarantined Health Care Grants it receives.

Table 31: GST revenue provision to the States and Territories^(a)

	Population as at 31 December 2005	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	6,803,003	0.86846	5,908,136	28.9	13,015.8	2,654.2	10,361.6
VIC	5,052,377	0.87552	4,423,457	21.6	9,745.0	1,912.3	7,832.7
QLD	4,001,023	1.04389	4,176,628	20.4	9,201.2	1,512.1	7,689.1
WA	2,028,668	1.02500	2,079,385	10.2	4,580.9	777.3	3,803.7
SA	1,546,274	1.20325	1,860,554	9.1	4,098.9	657.2	3,441.7
TAS	487,185	1.55299	756,593	3.7	1,666.8	170.4	1,496.4
ACT	326,671	1.14300	373,385	1.8	822.6	99.9	722.7
NT	204,453	4.26682	872,364	4.3	1,921.8	88.1	1,833.7
Total	20,449,654	na	20,450,502	100.0	45,053.1	7,871.5	37,181.6

(a) Consistent with the Act, \$219.4 million in compensation paid to the States in 2004-05 as an advance from their 2005-06 GST entitlement was deducted from GST payments to the States in 2005-06. This amount was repaid to the States in 2005-06 in addition to the \$127 million it is estimated the States required to compensate for lower GST revenue in 2005-06 as a result of allowing certain taxpayers to pay GST annually.

GENERAL REVENUE ASSISTANCE

Budget Balancing Assistance

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.

No State required Budget Balancing Assistance in 2005-06 as each State's share of GST revenue has exceeded its Guaranteed Minimum Amount. In 2005-06, total GST revenue payments to the States exceeded their combined Guaranteed Minimum Amounts by \$1,520.2 million.

Consistent with the terms of the Intergovernmental Agreement, the Australian Government provided a \$74.6 million advance of Budget Balancing Assistance to New South Wales during 2005-06, based on estimates at the time. However, the Commissioner's subsequently higher GST determination resulted in no Budget Balancing Assistance entitlement for New South Wales.

Under the Act, this \$74.6 million advance of Budget Balancing Assistance to New South Wales in 2005-06 will be deducted from payments made in 2006-07.

The calculation of State Guaranteed Minimum Amounts and Budget Balancing Assistance entitlements for 2005-06 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	5,368.4	4,357.1	4,841.8	2,189.1	2,295.5	1,079.6	463.5	1,500.7	22,095.6
Revenue Replacement Payments	2,708.0	1,811.7	1,639.9	1,124.3	703.3	238.5	120.5	152.3	8,498.7
Financial Institutions Duty	772.0	422.6	na	161.0	107.4	25.4	21.0	19.8	1,529.2
Debits Tax	323.6	257.8	330.2	114.0	57.7	21.7	17.7	7.7	1,130.3
Marketable Securities Duty	513.0	265.8	29.0	32.9	17.5	0.8	26.0	1.2	886.2
Marketable Securities Duty Needs	-28.2	14.3	13.9	2.6	3.1	2.9	-9.4	0.9	0.0
Accommodation taxes	96.0	na	na	na	na	na	na	10.0	106.0
plus Reduced revenues									
Gambling taxes	645.1	434.0	284.8	74.8	104.4	27.2	23.5	22.5	1,616.3
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	288.5	293.9	181.1	128.3	66.8	18.3	16.0	10.3	1,003.4
GST administration costs	200.8	149.1	118.1	59.9	45.6	14.4	9.6	6.0	603.5
plus Other items									
WST 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	143.4	60.2	143.5	183.8	38.1	2.3	0.0	4.1	575.5
Savings from tax reform	203.9	140.5	115.6	68.9	50.2	16.9	11.3	16.6	624.0
Low alcohol beer subsidies	26.6	18.4	5.2	8.4	5.0	1.8	1.1	1.3	67.8
minus Growth dividend									
Remaining State taxes	149.1	96.2	50.4	30.0	24.2	6.1	4.7	3.3	364.0
minus Compensation payments									
Compensation for GST deferred	36.6	27.5	25.9	12.9	11.6	4.7	2.3	5.5	127.0
plus Adjustments									
2004-05 GMA adjustment	-22.0	-3.7	-13.4	-2.8	-5.1	-2.7	-0.3	0.6	-49.5
Total Guaranteed Minimum Amount (1)	10,305.6	7,659.7	7,084.7	3,580.1	3,267.2	1,394.2	668.8	1,701.0	35,661.4
GST revenue provision (2)	10,361.6	7,832.7	7,689.1	3,803.7	3,441.7	1,496.4	722.7	1,833.7	37,181.6
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 Guaranteed Minimum Amount and GST revenue is less than zero, the amount is zero.

Residual adjustments

The Australian Government introduced residual adjustments in 2004 to ensure that all States receive their appropriate payments under the Act as they move off or onto Budget Balancing Assistance. The Act stipulates the Australian Government and the States must agree on the methodology for calculation of the adjustments before payments can be made. This was agreed; consequently residual adjustments totalling \$95.2 million were provided to the States in 2005-06. Residual adjustment amounts paid to the States are set out in Table 33.

Table 33: Residual adjustment amounts, from 2002-03 to 2005-06

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2002-03	0.0	0.0	38.8	0.0	0.0	0.0	0.0	11.0	49.8
2003-04	0.0	11.1	0.0	-0.5	1.4	2.9	0.7	0.0	15.5
2004-05	29.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29.9
2005-06	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total paid in 2005-06	29.9	11.1	38.8	-0.5	1.4	2.9	0.7	11.0	95.2

In Budget Paper No. 3, *Federal Financial Relations 2006-07*, New South Wales was estimated to require a negative 2005-06 residual adjustment amount of \$48.3 million to enable the 2004-05 GST overpayment to be recovered.

However, final GST and BBA amounts for 2005-06 resulted in the overpayment being effectively recovered using other mechanisms under the Act and a negative residual adjustment was not required.

National Competition Policy Payments

National Competition Policy Payments are distributed between the States on an equal per capita basis. Payment is subject to each State satisfactorily meeting conditions specified in the *Agreement to Implement the National Competition Policy and Related Reforms*.

Previously, prior to the scheduled payment of National Competition Policy Payments in each year, the National Competition Council assessed whether each State had met the specified conditions and provided recommendations for consideration by the Australian Government.

However, in 2005-06, for the first time, the Australian Government also considered recommendations from the National Water Commission in relation to States' progress on water reform.

Out of a maximum level of payments in 2005-06 of \$799.9 million, the Australian Government, on the basis of recommendations from the National Competition Council and National Water Commission, applied permanent deductions of \$40.7 million,

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suspensions of \$43.2 million and reimbursements of \$100.5 million. The payments made to the States in 2005-06, are set out in Table 34.

Table 34: National Competition Policy Payments

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2005-06	291.8	187.7	178.8	66.9	51.3	19.1	12.8	8.0	816.5

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, \$127 million has been paid to the States in 2005-06.

Table 35: Compensation for GST deferral

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2005-06	36.6	27.5	25.9	12.9	11.6	4.7	2.3	5.5	127.0

Consistent with the Act, the \$219.4 million in compensation paid to the States in 2004-05 as an advance from their 2005-06 GST entitlement was deducted from GST payments to the States in 2005-06. This amount was repaid to the States in 2005-06 in addition to the \$127 million paid to compensate the States for the estimated 2005-06 impact of the decision.

FINANCIAL ASSISTANCE GRANTS TO LOCAL GOVERNMENT

Table 36 provides details of the Australian Government payments to local government authorities in 2005-06 for each of the six States and the Northern Territory, and an analogous payment made to the Australian Capital Territory.

In 2005-06, 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 2005-06 and shown in Budget Paper No. 3, *Federal Financial Relations 2006-07*, were based on an estimated escalation factor determined in June 2005 of 1.0397 and take into account an underpayment of \$7.5 million in 2004-05.

On 15 June 2006, the Treasurer determined the final 2005-06 escalation factor to be 1.0408 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 2005-06 has resulted in an underpayment of \$1.7 million in 2005-06 for which there will be an adjustment in 2006-07, as provided for under the *Local Government (Financial Assistance) Act 1995*.

Table 36: Financial Assistance Grants to local government

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
General Purpose Assistance	375.9	278.0	218.3	111.1	85.5	26.9	18.1	11.2	1,125.1
Untied local road funding	144.8	102.9	93.5	76.3	27.4	26.5	16.0	11.7	499.2
Total Financial Assistance Grants(a)	520.7	381.0	311.9	187.4	113.0	53.4	34.1	22.9	1,624.3

(a) Total Financial Assistance Grants are the actual cash payment that the State receives on behalf of local government. They are 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 37, which is prepared on an accrual basis.

SPECIFIC PURPOSE PAYMENTS (SPPs)

Tables 37 and 38 provide information on Australian Government SPPs to and through the States, and direct to local government, respectively.

Table 37 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 37. The majority of these advances were funded from borrowing made on behalf of the States under previous Australian Loan Council arrangements.

Table 38 presents information on Australian Government SPPs paid direct to local government authorities for both current and capital purposes.

Tables 37 and 38 provide information prepared on an accrual basis.

Table 37: Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Public Order and Safety									
Legal aid	0	0	0	13,596	13,104	4,904	3,812	3,362	38,778
Film and literature classifications	94	93	95	95	94	93	93	90	747
Public Order and Safety - total	94	93	95	13,691	13,198	4,997	3,905	3,452	39,525
Education									
Government schools	553,892	403,253	347,456	167,340	121,736	46,168	26,189	21,707	1,687,741
*Non-government schools	1,530,348	1,232,503	925,308	472,970	370,782	100,048	95,004	40,174	4,767,137
Skilling Australia's Workforce(a)	469,168	314,750	226,681	123,843	102,414	35,343	23,890	15,971	1,312,060
Targeted programmes - government schools and joint	153,759	93,977	65,383	35,893	33,013	11,242	5,662	8,500	407,429
*Targeted programmes - non-government schools	76,292	67,270	31,631	17,322	17,133	3,298	3,046	2,415	218,407
Indigenous Education Strategic Initiatives									
Programme - government	54,576	10,577	44,211	43,581	10,155	3,678	1,119	23,371	191,268
Australian Technical Colleges	0	2,022	0	0	0	0	0	0	2,022
Education - total	2,838,035	2,124,352	1,640,670	860,949	655,233	199,777	154,910	112,138	8,586,064
Health									
Hepatitis C Settlement Fund	756	0	0	23	0	27	67	-29	844
Health Programme Grants	0	1,141	0	0	0	0	0	300	1,441
Health Care Grants	2,795,801	2,002,706	1,614,987	817,100	697,802	185,309	107,206	103,753	8,324,664
Highly specialised drugs	185,774	138,941	86,453	48,401	40,343	11,017	9,829	6,874	527,632
Youth health services	827	612	430	223	203	62	57	57	2,471
National public health	71,438	53,816	39,210	21,104	17,247	7,571	5,231	4,568	220,185
Essential vaccines	70,139	49,901	33,100	19,365	12,736	5,230	2,542	1,903	194,916
Repatriation general hospitals	659	0	0	0	850	57	0	0	1,566
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,000	0	0	0	0	0	0	0	1,000
Royal Darwin Hospital - Equipped, Prepared and Ready	0	0	0	0	0	0	0	20,994	20,994
Organ Transplantation Services	132	0	0	0	389	0	0	0	521
Health - total	3,126,526	2,247,117	1,774,180	906,216	769,570	209,273	124,932	138,420	9,296,234

Table 37: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000)(continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Social Security and Welfare</i>									
Aged care assessment	19,361	13,266	9,307	5,470	5,232	1,475	525	825	55,461
Home and community care	265,707	215,469	179,737	85,594	73,111	22,142	10,131	5,944	857,835
Disabilities services	196,375	136,323	115,946	48,575	67,390	20,398	8,503	6,258	599,768
Children's services	615	988	494	401	8,101	228	0	660	11,487
Supported accommodation assistance	57,508	38,223	29,594	17,624	16,927	7,579	6,038	5,037	178,530
Unaccompanied humanitarian minors	429	278	287	1	537	0	0	0	1,532
Extension of fringe benefits	68,700	49,113	34,293	17,268	19,538	6,275	1,394	957	197,538
Assistance to Solomon Island Evacuees	0	0	34	0	0	0	0	0	34
<i>Social Security and Welfare - total</i>	608,695	453,660	369,692	174,933	190,836	58,097	26,591	19,681	1,902,185
<i>Housing and Community Amenities</i>									
Assistance for water and sewerage	0	0	0	0	0	0	9,250	0	9,250
Natural Heritage Trust of Australia - Bushcare	11,418	10,574	10,462	6,863	10,076	618	384	3,882	54,277
Natural Heritage Trust of Australia - Coastcare	3,211	2,295	4,617	6,720	1,176	313	0	885	19,217
Natural Heritage Trust of Australia - Landcare	9,089	7,275	9,020	5,815	3,734	988	372	1,815	38,108
Natural Heritage Trust of Australia - Rivercare	9,615	2,897	1,762	5,131	622	1,966	219	769	22,981
National Water Initiative - Living Murray	0	2,484	0	0	0	0	0	0	2,484
<i>Housing and Community Amenities - total</i>	33,333	25,525	25,861	24,529	15,608	3,885	10,225	7,351	146,317
<i>Recreation and Culture</i>									
Melbourne 2006 Commonwealth Games	0	72,900	0	0	0	0	0	0	72,900
Strengthening Tasmania	0	0	0	0	0	1,265	0	0	1,265
<i>Recreation and Culture - total</i>	0	72,900	0	0	0	1,265	0	0	74,165
<i>Fuel and Energy</i>									
Snowy Hydro Ltd - company tax compensation	52,220	26,110	0	0	0	0	0	0	78,330
<i>Fuel and Energy - total</i>	52,220	26,110	0	0	0	0	0	0	78,330

Table 37: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000)(continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Agriculture, Forestry and Fishing</i>									
Exotic Disease Preparedness	180	82	31	22	3	0	0	0	318
Exceptional circumstances assistance	144,841	28,775	58,188	5,873	2,295	0	0	0	239,972
National Landcare Programme	6,799	5,526	6,362	3,592	3,688	1,542	184	1,328	29,021
Skilling Farmers for the Future	0	1,050	1,068	706	1,764	346	0	338	5,272
Eradication of Red Imported Fire Ant	0	0	12,283	0	0	0	0	0	12,283
National Action Plan for Salinity and Water Quality	42,048	36,715	23,228	43,913	13,457	777	0	500	160,638
Plant Disease and Eradication	0	0	9,457	0	1,066	0	0	86	10,609
Tasmanian Forests package	0	0	0	0	0	23,500	0	0	23,500
<i>Agriculture, Forestry and Fishing - total</i>	193,868	72,148	110,617	54,106	22,273	26,165	184	2,252	481,613
<i>Transport and Communication</i>									
Interstate road transport	22,110	12,865	4,555	1,904	5,822	240	240	240	47,976
*Supplementary funding to SA councils for local roads	0	0	0	0	9,000	0	0	0	9,000
Petroleum Products Freight Subsidy Scheme	359	0	1,851	0	268	0	0	1,004	3,482
<i>Transport and Communication - total</i>	22,469	12,865	6,406	1,904	15,090	240	240	1,244	60,458
<i>Other Purposes</i>									
Debt Redemption Assistance	74,004	34,931	24,675	23,601	29,849	22,359	0	10,574	219,993
*Financial Assistance Grants for local government									
<i>General Purpose Assistance</i>	374,444	276,988	217,822	110,644	85,234	26,841	17,988	11,143	1,121,104
<i>Untied Local Roads Grants</i>	144,328	102,557	93,205	76,062	27,339	26,361	15,951	11,653	497,456
Compensation - companies regulation	54,412	47,567	26,788	16,489	12,264	3,799	0	2,423	163,742
Natural Disaster Relief	14,801	60	52,525	469	0	21	148	1,087	69,111

Table 37: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000)(continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Other Purposes (continued)</i>									
Royalties	0	0	0	628,876	0	0	0	3,326	632,202
ACT National Capital influences	0	0	0	0	0	0	23,004	0	23,004
The Prime Minister's and Premier's Cyclone Larry Relief Appeal	0	0	1,000	0	0	0	0	0	1,000
<i>Other Purposes - total</i>	661,989	462,103	416,015	856,141	154,686	79,381	57,091	40,206	2,727,612
TOTAL CURRENT	7,537,229	5,496,873	4,343,536	2,892,469	1,836,494	583,080	378,078	324,744	23,392,503
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Education</i>									
Government schools	205,330	106,417	119,218	65,276	31,017	18,506	11,814	10,494	568,072
*Non-government schools	86,972	68,530	46,864	25,347	19,786	5,299	5,825	7,043	265,666
<i>Education - total</i>	292,302	174,947	166,082	90,623	50,803	23,805	17,639	17,537	833,738
<i>Health</i>									
Organ Transplantation Services	1,257	0	0	0	49	0	0	0	1,306
<i>Health - total</i>	1,257	0	0	0	49	0	0	0	1,306
<i>Social Security and Welfare</i>									
Crisis accommodation assistance	13,593	10,059	7,881	4,019	3,093	973	652	404	40,674
<i>Social Security and Welfare - total</i>	13,593	10,059	7,881	4,019	3,093	973	652	404	40,674
<i>Housing and Community Amenities</i>									
Housing assistance for indigenous people	18,235	3,731	25,885	16,271	8,557	696	0	19,965	93,340
Community housing	21,936	16,232	12,718	6,485	4,990	1,570	1,052	652	65,635
CSHA Block Assistance/Base Funding	243,466	180,159	141,161	71,974	55,389	21,603	16,885	13,235	743,872
Social Housing Subsidy Programme	1,926	0	0	0	0	0	0	0	1,926
*Disaster Mitigation Package	4,039	1,802	8,001	1,868	8,666	1,217	185	225	26,003
*Additional First Home Owners Scheme	1,163	0	0	0	0	154	0	0	1,317
*Bushfire Mitigation Package	1,666	974	805	728	459	165	148	0	4,945
<i>Housing and Community Amenities - total</i>	292,431	202,898	188,570	97,326	78,061	25,405	18,270	34,077	937,038
<i>Fuel and Energy</i>									
*Photovoltaic Rebate Programme	1,462	1,034	521	76	1,294	47	0	14	4,448
Renewable Remote Power Generation	0	0	9,393	9,556	60	866	0	6,735	26,610
<i>Fuel and Energy - total</i>	1,462	1,034	9,914	9,632	1,354	913	0	6,749	31,058

Table 37: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000)(continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Agriculture, Forestry and Fishing</i>									
Tasmanian Water Infrastructure	0	0	0	0	0	2,100	0	0	2,100
Great Artesian Basin Sustainability Initiative	1,520	0	4,042	0	100	0	0	0	5,662
<i>Agriculture, Forestry and Fishing - total</i>	1,520	0	4,042	0	100	2,100	0	0	7,762
<i>Transport and Communication</i>									
Auslink	482,250	286,658	251,783	110,492	83,441	27,678	9,997	31,247	1,283,546
<i>Transport and Communication - total</i>	482,250	286,658	251,783	110,492	83,441	27,678	9,997	31,247	1,283,546
<i>Other Purposes</i>									
Sinking Fund on State Debt	271	5	0	0	84	20	0	0	380
<i>Other Purposes - total</i>	271	5	0	0	84	20	0	0	380
TOTAL CAPITAL	1,085,086	675,601	628,272	312,092	216,985	80,894	46,558	90,014	3,135,502
REPAYMENTS									
Supplementary Contributions	87,728	0	0	0	28,327	7,097	0	0	123,152
Payments to Debt Sinking Funds	1,094	19	0	0	338	81	0	0	1,532
Total	88,822	19	0	0	28,665	7,178	0	0	124,684
<i>Repayments of Australian Government Loans</i>									
Loan Council - Housing Nominations	5,774	0	2,125	3,681	3,457	1,549	0	1,921	18,507
<i>Repayments of Australian Government Loans - total</i>	5,774	0	2,125	3,681	3,457	1,549	0	1,921	18,507
<i>Defence</i>									
Housing for servicemen	850	0	520	164	21	0	11,036	0	12,591
<i>Defence - total</i>	850	0	520	164	21	0	11,036	0	12,591
<i>Housing and Community Amenities</i>									
CSHA loans	32,700	0	8,782	8,485	10,445	3,964	0	533	64,909
Other housing	0	0	0	0	0	0	0	1,733	1,733
Urban water supply and treatment	0	0	0	0	486	0	0	0	486

Table 37: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000)(continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
	REPAYMENTS								
<i>Housing and Community Amenities (continued)</i>									
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Growth centres	94	0	0	0	0	0	0	0	94
Captains Flat (Abatement of Pollution) Agreement	10	0	0	0	0	0	0	0	10
Sewerage	3,278	0	916	88	0	0	0	0	4,282
<i>Housing and Community Amenities - total</i>	36,082	0	9,698	8,573	10,931	3,964	0	2,402	71,650
<i>Agriculture, Forestry and Fishing</i>									
Rural Adjustment Scheme	207	0	0	0	0	0	0	0	207
War Service Land Settlement Scheme	478	510	0	0	0	6	0	0	994
<i>Agriculture, Forestry and Fishing - total</i>	685	510	0	0	0	6	0	0	1,201
<i>Transport and Communication</i>									
Railway projects	96	96	0	380	0	0	0	0	572
<i>Transport and Communication - total</i>	96	96	0	380	0	0	0	0	572
<i>Other Purposes</i>									
Natural Disaster Relief	1,309	0	1,770	0	0	0	0	329	3,408
<i>Other Purposes - total</i>	1,309	0	1,770	0	0	0	0	329	3,408
TOTAL REPAYMENTS	133,618	625	14,113	12,798	43,074	12,697	11,036	4,652	232,613
	ADVANCES								
<i>Other Purposes</i>									
Natural Disaster Relief	167	0	0	0	0	0	0	0	167
<i>Other Purposes - total</i>	167	0	0	0	0	0	0	0	167
TOTAL ADVANCES	167	0	0	0	0	0	0	0	167
	INTEREST								
Interest on Loan Council and NT Government Borrowings	496	53	0	0	87	22	0	0	658
Total	496	53	0	0	87	22	0	0	658
<i>Interest on Australian Government Loans</i>									
ACT Government Debt	0	0	0	0	0	0	3,605	0	3,605
Housing nominations	20,938	0	7,542	12,906	12,663	5,558	0	7,280	66,887
<i>Interest on Australian Government Loans - total</i>	20,938	0	7,542	12,906	12,663	5,558	3,605	7,280	70,492
<i>Defence</i>									
Housing for servicemen	2,390	0	1,356	279	101	0	13,990	0	18,116
<i>Defence - total</i>	2,390	0	1,356	279	101	0	13,990	0	18,116

Table 37: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000)(continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
INTEREST									
<i>Housing and Community Amenities</i>									
CSHA loans	41,550	0	11,558	11,062	17,579	5,656	0	1,450	88,855
Other housing	0	0	0	0	0	0	0	3,888	3,888
Urban water supply and treatment	0	0	0	0	1,005	0	0	0	1,005
NT - water and sewerage assistance	0	0	0	0	0	0	0	616	616
Growth centres	9	0	0	0	0	0	0	0	9
Sewerage	6,086	0	2,168	7	0	0	0	0	8,261
Captains Flat (Abatement of Pollution) Agreement	4	0	0	0	0	0	0	0	4
<i>Housing and Community Amenities - total</i>	47,649	0	13,726	11,069	18,584	5,656	0	5,954	102,638
<i>Agriculture, Forestry and Fishing</i>									
Rural Adjustment Scheme	4	0	0	0	0	0	0	0	4
War Service Land Settlement Scheme	114	119	0	0	0	5	0	0	238
<i>Agriculture, Forestry and Fishing - total</i>	118	119	0	0	0	5	0	0	242
<i>Transport and Communication</i>									
Railway projects	29	29	0	270	0	0	0	0	328
<i>Transport and Communication - total</i>	29	29	0	270	0	0	0	0	328
<i>Other Purposes</i>									
Natural Disaster Relief	268	0	271	0	0	0	0	33	572
<i>Other Purposes - total</i>	268	0	271	0	0	0	0	33	572
TOTAL INTEREST	71,888	201	22,895	24,524	31,435	11,241	17,595	13,267	193,046

Table 37: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000)(continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	8,622,315	6,172,474	4,971,808	3,204,561	2,053,479	663,974	424,636	414,758	26,528,005
Total To	6,401,601	4,420,816	3,647,651	2,499,544	1,513,786	500,544	286,489	342,091	19,612,522
Total Through	2,220,714	1,751,658	1,324,157	705,017	539,693	163,430	138,147	72,667	6,915,483

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

(a) The arrangements for the allocation of funds to the States each year were previously set out and reported under the Vocational Education and Training Funding Act. This Act has since been repealed and funding and reporting arrangements are now set out in the *Skilling Australia's Workforce Act 2005* and subsequent agreements with the States.

Table 38: Specific Purpose Payments direct to local government authorities, 2005-06 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Disability services	441	0	143	0	0	0	0	0	584
Children's services(a)	18,131	21,016	6,515	3,582	1,150	2,368	0	5,407	58,169
Regulation Reduction Incentive Fund	3,620	3,310	9,901	839	1,801	22	1,303	269	21,065
Strengthening Tasmania	0	0	0	0	0	2,450	0	0	2,450
TOTAL CURRENT	22,192	24,326	16,559	4,421	2,951	4,840	1,303	5,676	82,268
DIRECT PAYMENTS - CAPITAL									
Auslink	82,639	65,439	67,025	39,757	22,681	11,060	0	5,249	293,850
TOTAL CAPITAL	82,639	65,439	67,025	39,757	22,681	11,060	0	5,249	293,850
TOTAL DIRECT PAYMENTS	104,831	89,765	83,584	44,178	25,632	15,900	1,303	10,925	376,118

(a) The Children Services payment to local governments includes both current and capital expenses. Prior to 2005-06 capital expenses were identified separately as a capital grant.

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) 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), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*. The major fiscal aggregates (including the fiscal and underlying cash balances) are based on the accrual GFS framework.

The Charter also requires that departures from applicable external reporting standards be identified. These are disclosed in Attachment A to Part 1, Part 2 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 2006-07, 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).

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).

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

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

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

Operating statement

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

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

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

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

Fiscal balance

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

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

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

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

Balance sheet

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

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowings) 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

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 Loan Programme (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

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- 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.

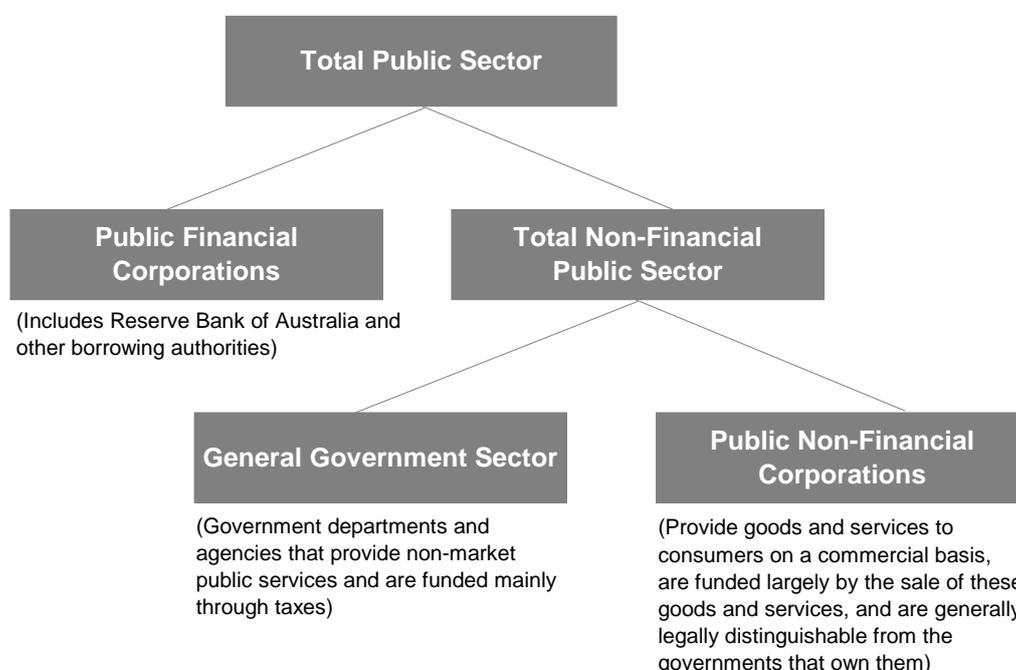
Statement of other economic flows (reconciliation of net worth)

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

The AAS reporting framework, being the AEIFRS and AAS 31, requires the preparation of accrual-based general purpose financial reports showing government assets, liabilities, income, expenses and cash flows. Reporting under this framework is intended to provide a consolidated overview of the financial performance and financial position of the Government.

There are four main general purpose statements that must be prepared in accordance with the AAS framework. These are:

- an income statement, which includes an operating result;
- a balance sheet, which shows net assets;
- a statement of changes in equity, which shows movements in equity; and
- a cash flow statement, which includes net increase/decrease in cash held.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

A full set of AAS financial statements and accompanying notes prepared for the general government sector can be found in Part 3. These statements are derived from audit cleared financial statements for the material agencies within the general government sector, with the exception of the Department of Defence, Defence Materiel Organisation, the Department of Education Science and Training 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, Defence Materiel Organisation, the Department of Education Science and Training and Indigenous Business Australia as at the time of publication. Final 2005-06 audit opinions for these four agencies will be included in their respective annual reports and in the Australian Government Consolidated Financial Statements for the year ended 30 June 2006 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 income 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 income 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 income/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 income 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 has finalised a standard for financial reporting by the general government sector of governments, harmonising GFS and AAS. This standard (AASB 1049) becomes applicable by the 2008-09 financial year.

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

Table A2: Reconciliation of GFS and AAS revenue and expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
GFS revenue (Part 2)	260,724	260,802
<i>less GST revenue for States and Territories</i>	37,860	38,884
GFS revenue (Part 1)	222,864	221,918
<i>plus asset revenue recognised for the first time</i>	258	256
<i>plus foreign exchange gains</i>	85	139
<i>plus other economic revaluations</i>	473	1,217
<i>plus proceeds from the sale of assets</i>	122	1
<i>plus swap interest revenue</i>	1,984	1,981
AAS income (Part 3)	225,786	225,513
GFS expenses (Part 2)	243,328	243,691
<i>less GST grants to States and Territories</i>	37,100	37,442
<i>less GST mutually agreed writedowns</i>	210	154
GFS expenses (Part 1)	206,018	206,096
<i>plus actuarial revaluations</i>	321	763
<i>plus net writedown of assets/bad and doubtful debts</i>	2,372	2,542
<i>plus foreign exchange losses</i>	0	0
<i>plus other economic adjustments</i>	-360	0
<i>plus value of assets sold</i>	0	-3
<i>plus swap interest expense</i>	1,846	1,845
<i>plus defence weapons platforms depreciation</i>	2,513	2,427
<i>less defence weapons platforms investment</i>	3,321	3,873
<i>plus AusAid IDA/ADF expenses</i>	0	0
<i>plus ETM adjustment for expenses</i>	0	0
AAS expenses (Part 3)	209,388	209,797

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 income 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

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
AAS operating result before extraordinary items (Part 3)	16,397	15,715
Net differences from revenue and expense definitions	999	1,396
GFS net operating balance (Part 2)	17,397	17,111
<i>less</i> purchase of property, plant and equipment and intangibles	6,169	6,937
<i>less</i> assets acquired under finance leases	12	24
<i>less</i> other non-financial assets	138	31
<i>less</i> increase in inventories	148	305
<i>plus</i> defence weapons platforms investment	3,321	3,873
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	224	181
<i>plus</i> depreciation and amortisation	4,554	4,617
<i>less</i> weapons depreciation	2,513	2,427
Fiscal balance (GFS net lending) (Part 2)(a)	16,516	16,059
<i>Impact of GST</i>	-550	-1289
Fiscal balance (GFS net lending) (Part 1)(a)	15,966	14,770

(a) The fiscal balance estimates in Part 2 are higher than those presented in Part 1, as explained in the introduction to Part 2.

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 \$1,289 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 \$7.9 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 2005-06. 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

	2004-05 Outcome	2005-06 Estimate at 2006-07 Budget	2005-06 Outcome
	\$m	\$m	\$m
General public services			
Legislative and executive affairs	733	737	768
Financial and fiscal affairs	5,201	4,048	3,958
Foreign affairs and economic aid	2,863	2,929	2,955
General research	2,162	2,324	2,346
General services	638	524	560
Government superannuation benefits	2,386	2,472	2,203
Total general public services	13,983	13,033	12,790
Defence	14,635	15,802	16,194
Public order and safety			
Courts and legal services	660	741	612
Other public order and safety	1,689	2,063	1,945
Total public order and safety	2,349	2,804	2,558
Education			
Higher education	4,910	5,199	5,362
Vocational and other education	1,446	1,543	1,617
Non-government schools	4,990	5,393	5,414
Government schools	2,404	2,898	2,910
<i>Schools</i>	<i>7,394</i>	<i>8,290</i>	<i>8,324</i>
Student assistance	509	475	467
General administration	0	1	0
School education - specific funding	107	114	112
Total education	14,365	15,622	15,883
Health			
Medical services and benefits	14,891	16,329	16,398
Hospital services	1,386	1,588	1,540
Health care agreements	7,989	8,385	8,369
<i>Hospital services and health care agreements</i>	<i>9,375</i>	<i>9,974</i>	<i>9,909</i>
Pharmaceutical services and benefits	7,073	7,108	7,130
Aboriginal and Torres Strait Islander health	286	347	323
Health services	1,402	1,481	1,436
Other health services	1,713	1,572	1,526
<i>Other health services</i>	<i>3,116</i>	<i>3,054</i>	<i>2,962</i>
General administration	566	586	599
Health assistance to the aged	257	224	227
Total health	35,564	37,620	37,549
Social security and welfare			
Assistance to the aged	28,094	29,776	29,839
Assistance to veterans and dependants	5,982	5,625	5,588
Assistance to people with disabilities	11,453	12,365	12,316
Assistance to families with children	25,182	26,407	26,219

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

	2004-05 Outcome	2005-06 Estimate at 2006-07 Budget	2005-06 Outcome
	\$m	\$m	\$m
Social security and welfare (continued)			
Assistance to the unemployed	5,128	4,857	4,844
Assistance to the sick	91	86	85
<i>Assistance to the unemployed and the sick</i>	<i>5,219</i>	<i>4,942</i>	<i>4,929</i>
Common youth allowance	2,213	2,190	2,102
Other welfare programmes	1,141	1,525	1,629
Aboriginal advancement nec	1,336	1,389	1,403
General administration	2,346	2,153	2,193
Total social security and welfare	82,966	86,372	86,219
Housing and community amenities			
Housing	1,432	1,629	1,634
Urban and regional development	192	202	175
Environment protection	388	491	439
Total housing and community amenities	2,012	2,321	2,248
Recreation and culture			
Broadcasting	1,163	1,251	1,245
Arts and cultural heritage	692	857	812
Sport and recreation	196	355	314
National estate and parks	214	236	213
Total recreation and culture	2,264	2,699	2,585
Fuel and energy	4,369	4,013	4,046
Agriculture, forestry and fishing			
Wool industry	56	49	49
Grains industry	124	153	130
Dairy industry	98	111	105
Cattle, sheep and pig industry	130	135	145
Fishing, horticulture and other agriculture	188	285	300
General assistance not allocated to specific industries	412	414	399
Rural assistance	321	674	570
Natural resources development	312	395	886
General administration	174	196	194
Total agriculture, forestry and fishing	1,816	2,412	2,780
Mining, manufacturing & construction	1,707	1,847	1,905
Transport and communication			
Communication	510	622	636
Rail transport	174	301	305
Air transport	141	175	155
Road transport	1,629	1,619	1,616
Sea transport	194	217	198
Other transport and communication	124	170	165
Total transport and communication	2,773	3,104	3,075

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

	2004-05 Outcome	2005-06 Estimate at 2006-07 Budget	2005-06 Outcome
	\$m	\$m	\$m
Other economic affairs			
Tourism and area promotion	218	212	209
Vocational and industry training	610	650	648
Labour market assistance to job seekers and industry	2,168	2,058	1,919
Industrial relations	388	368	355
Immigration	757	905	903
<i>Total labour and employment affairs</i>	3,922	3,980	3,825
Other economic affairs nec	759	908	840
Total other economic affairs	4,899	5,101	4,874
Other purposes			
Interest on Australian Government's behalf	3,869	3,629	3,627
Interest on behalf of States and Territories	11	1	1
Interest received on Australian Government stock	0	0	0
<i>Public debt interest</i>	3,880	3,629	3,628
Nominal superannuation interest	5,005	5,583	5,582
General revenue assistance - States and Territories	739	975	1,258
General capital assistance - states and territories	0	0	0
Debt assistance	0	220	220
Local government assistance	1,554	1,629	1,630
Revenue assistance to the States and Territories	160	164	164
Assistance to other governments	551	668	664
<i>General purpose inter-government transactions</i>	3,003	3,655	3,936
Natural disaster relief	77	359	211
Contingency reserve(a)	12	42	36
Total other purposes	11,977	13,269	13,393
Total expenses	195,680	206,018	206,096

(a) 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 1999-00 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 1999-00 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 underlying cash balance^(a)

	Receipts			Payments			Future Fund earnings	Underlying cash balance(b)	
	\$m	Per cent		\$m	Per cent		\$m	\$m	Per cent of GDP
		real growth	Per cent of GDP		real growth	Per cent of GDP			
1973-74	11,890	10.4	20.1	10,829	3.8	18.3	-	1,061	1.8
1974-75	15,325	5.8	21.9	15,275	15.8	21.9	-	50	0.1
1975-76	18,316	3.6	22.4	19,876	12.8	24.3	-	-1,560	-1.9
1976-77	21,418	4.1	22.7	22,657	1.5	24.0	-	-1,239	-1.3
1977-78	23,491	0.8	22.8	25,489	3.4	24.7	-	-1,998	-1.9
1978-79	25,666	3.2	22.0	27,753	2.8	23.8	-	-2,087	-1.8
1979-80	29,780	6.0	22.5	31,041	2.1	23.4	-	-1,261	-1.0
1980-81	35,148	6.8	23.4	35,260	2.8	23.5	-	-112	-0.1
1981-82	40,831	2.8	23.6	40,394	1.4	23.4	-	437	0.3
1982-83	44,675	-1.7	24.0	47,907	6.6	25.8	-	-3,232	-1.7
1983-84	49,102	2.9	23.4	55,966	9.4	26.7	-	-6,864	-3.3
1984-85	57,758	11.8	24.9	63,639	8.0	27.4	-	-5,881	-2.5
1985-86	64,845	5.7	25.3	69,838	3.3	27.3	-	-4,993	-2.0
1986-87	73,145	5.2	26.1	75,392	0.7	26.9	-	-2,247	-0.8
1987-88	81,217	3.4	25.4	79,440	-1.9	24.8	-	1,777	0.6
1988-89	88,369	0.2	24.4	82,202	-4.7	22.7	-	6,167	1.7
1989-90	95,517	1.8	24.0	88,882	1.9	22.4	-	6,635	1.7
1990-91	97,705	-2.6	23.9	97,333	4.3	23.8	-	372	0.1
1991-92	92,966	-6.6	22.3	104,551	5.4	25.1	-	-11,585	-2.8
1992-93	94,448	0.4	21.6	111,484	5.3	25.5	-	-17,036	-3.9
1993-94	100,142	5.2	21.8	117,252	4.3	25.5	-	-17,110	-3.7
1994-95	109,720	8.6	22.5	122,901	3.9	25.3	-	-13,181	-2.7
1995-96	121,105	7.7	23.4	131,182	4.1	25.3	-	-10,077	-1.9
1996-97	129,845	5.5	23.8	135,126	1.4	24.8	-	-5,281	-1.0
1997-98	135,779	3.2	23.5	134,608	-1.7	23.3	-	1,171	0.2
1998-99	146,496	7.6	24.1	142,159	5.3	23.4	-	4,337	0.7
1999-00	166,089	na	25.7	153,030	na	23.7	-	13,059	2.0
2000-01	161,114	-7.1	23.4	155,143	-2.9	22.5	-	5,970	0.9
2001-02	162,884	-1.2	22.1	163,867	3.2	22.3	-	-983	-0.1
2002-03	176,503	5.1	22.5	169,017	0.1	21.6	-	7,486	1.0
2003-04	187,336	2.5	22.3	179,300	2.5	21.4	-	8,036	1.0
2004-05	203,960	4.7	22.8	190,344	2.1	21.3	-	13,616	1.5
2005-06	221,834	3.6	23.1	205,991	3.1	21.4	51	15,792	1.6

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00, 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.

(b) Underlying cash balance is equal to receipts less payments less expected Future Fund earnings. For the purposes of consistent comparison with years prior to 2005-06, Future Fund earnings should be added back to the underlying cash balance.

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
1973-74	10,832	12.6	18.3	1,058	-7.8	1.8	11,890	10.4	20.1
1974-75	14,141	7.1	20.2	1,184	-8.2	1.7	15,325	5.8	21.9
1975-76	16,920	3.7	20.7	1,396	2.2	1.7	18,316	3.6	22.4
1976-77	19,714	3.8	20.9	1,704	8.7	1.8	21,418	4.1	22.7
1977-78	21,428	-0.1	20.8	2,063	11.3	2.0	23,491	0.8	22.8
1978-79	23,409	3.1	20.1	2,257	3.3	1.9	25,666	3.2	22.0
1979-80	27,473	7.2	20.7	2,307	-6.7	1.7	29,780	6.0	22.5
1980-81	32,641	7.5	21.8	2,507	-1.7	1.7	35,148	6.8	23.4
1981-82	37,880	2.7	21.9	2,951	4.2	1.7	40,831	2.8	23.6
1982-83	41,025	-2.7	22.1	3,650	11.2	2.0	44,675	-1.7	24.0
1983-84	44,849	2.4	21.4	4,253	9.1	2.0	49,102	2.9	23.4
1984-85	52,970	12.2	22.8	4,788	7.0	2.1	57,758	11.8	24.9
1985-86	58,841	4.6	23.0	6,004	18.1	2.3	64,845	5.7	25.3
1986-87	66,467	5.3	23.7	6,678	3.7	2.4	73,145	5.2	26.1
1987-88	75,076	5.2	23.5	6,141	-14.4	1.9	81,217	3.4	25.4
1988-89	83,452	2.4	23.0	4,917	-26.2	1.4	88,369	0.2	24.4
1989-90	90,773	2.5	22.8	4,744	-9.1	1.2	95,517	1.8	24.0
1990-91	92,739	-2.7	22.7	4,966	-0.3	1.2	97,705	-2.6	23.9
1991-92	87,364	-7.6	21.0	5,602	10.7	1.3	92,966	-6.6	22.3
1992-93	88,760	0.4	20.3	5,688	0.3	1.3	94,448	0.4	21.6
1993-94	93,362	4.4	20.3	6,780	18.3	1.5	100,142	5.2	21.8
1994-95	104,921	11.4	21.6	4,799	-29.8	1.0	109,720	8.6	22.5
1995-96	115,700	7.6	22.3	5,405	9.9	1.0	121,105	7.7	23.4
1996-97	124,559	5.9	22.8	5,286	-3.8	1.0	129,845	5.5	23.8
1997-98	130,984	3.8	22.7	4,795	-10.5	0.8	135,779	3.2	23.5
1998-99	141,105	7.4	23.2	5,391	12.1	0.9	146,496	7.6	24.1
1999-00	151,313	na	23.5	14,777	na	2.3	166,089	na	25.7
2000-01	146,698	-7.2	21.3	14,416	-6.6	2.1	161,114	-7.1	23.4
2001-02	148,343	-1.2	20.2	14,541	-1.5	2.0	162,884	-1.2	22.1
2002-03	161,418	5.6	20.6	15,084	0.7	1.9	176,503	5.1	22.5
2003-04	173,023	3.5	20.6	14,313	-8.3	1.7	187,336	2.5	22.3
2004-05	188,176	4.6	21.0	15,784	6.0	1.8	203,960	4.7	22.8
2005-06	203,918	3.3	21.2	17,916	8.2	1.9	221,834	3.6	23.1

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 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-sourcing changes, time series data that encompass measures derived under both cash and accrual accounting should be treated with caution.

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

Table C3: 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
1973-74	-1,851	-3.1	-306	-0.5
1974-75	-1,901	-2.7	-267	-0.4
1975-76	-341	-0.4	-389	-0.5
1976-77	898	1.0	-161	-0.2
1977-78	2,896	2.8	-106	-0.1
1978-79	4,983	4.3	126	0.1
1979-80	6,244	4.7	290	0.2
1980-81	6,356	4.2	444	0.3
1981-82	5,919	3.4	475	0.3
1982-83	9,151	4.9	654	0.4
1983-84	16,015	7.6	1,327	0.6
1984-85	21,896	9.4	2,462	1.1
1985-86	26,889	10.5	3,626	1.4
1986-87	29,136	10.4	4,387	1.6
1987-88	27,359	8.6	4,019	1.3
1988-89	21,982	6.1	3,722	1.0
1989-90	16,121	4.1	3,848	1.0
1990-91	16,936	4.1	2,834	0.7
1991-92	31,132	7.5	2,739	0.7
1992-93	55,218	12.6	2,912	0.7
1993-94	70,223	15.3	4,549	1.0
1994-95	83,492	17.2	6,310	1.3
1995-96	95,831	18.5	7,812	1.5
1996-97	96,281	17.6	8,449	1.5
1997-98	82,935	14.4	7,381	1.3
1998-99	70,402	11.6	6,901	1.1
1999-00	53,768	8.3	6,014	0.9
2000-01	42,651	6.2	4,855	0.7
2001-02	38,024	5.2	4,238	0.6
2002-03	29,665	3.8	3,641	0.5
2003-04	23,421	2.8	2,994	0.4
2004-05	11,534	1.3	2,463	0.3
2005-06	-6,125	-0.6	2,265	0.2

(a) There is a break in the net debt and net interest payments series between 1998-99 and 1999-00 (the first year of accrual budgeting). Up to 1998-99, Australian Government general government debt instruments are valued at historic cost. From 1999-00, Australian Government general government debt instruments are valued at market prices, consistent with accrual GFS standards.

(b) Excludes superannuation related interest flows.

Table C4: Australian Government general government sector revenue, expenses, net capital investment, fiscal balance and net worth^(a)

	Revenue		Expenses		Net capital investment		Fiscal balance		Net worth(b)	
	\$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	26.0	145,809	26.7	90	0.0	-4,211	-0.8	-74,354	-13.6
1997-98	146,820	25.4	148,646	25.7	147	0.0	-1,973	-0.3	-68,544	-11.9
1998-99	151,897	25.0	146,620	24.1	1,433	0.2	3,844	0.6	-76,150	-12.5
1999-00	167,158	25.9	156,492	24.3	-1,225	-0.2	11,892	1.8	-40,552	-6.3
2000-01	162,074	23.5	157,667	22.9	-1,168	-0.2	5,575	0.8	-43,299	-6.3
2001-02	162,956	22.1	166,758	22.7	-369	-0.1	-3,433	-0.5	-48,429	-6.6
2002-03	175,513	22.4	170,999	21.8	-219	0.0	4,734	0.6	-53,251	-6.8
2003-04	187,924	22.4	182,371	21.8	724	0.1	4,830	0.6	-39,595	-4.7
2004-05	206,605	23.1	195,680	21.9	147	0.0	10,778	1.2	-30,279	-3.4
2005-06	221,918	23.1	206,096	21.4	1,052	0.1	14,770	1.5	-23,122	-2.4

(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 1999-00. Data up to 1998-99 are sourced from the Australian Government's Consolidated Financial Statements based on Australian accounting standards. Data beginning in 1999-00 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.

Table C5: 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	153,473	na	23.8	13,685	na	2.1	167,158	na	25.9
2000-01	152,080	-5.1	22.1	9,994	-30.1	1.4	162,074	-7.2	23.5
2001-02	150,873	-3.1	20.5	12,083	18.1	1.6	162,956	-1.8	22.1
2002-03	163,957	5.4	20.9	11,556	-7.2	1.5	175,513	4.5	22.4
2003-04	175,838	3.6	21.0	12,085	1.0	1.4	187,924	3.4	22.4
2004-05	194,150	6.2	21.7	12,455	-0.9	1.4	206,605	5.7	23.1
2005-06	206,832	1.5	21.5	15,086	15.4	1.6	221,918	2.4	23.1

na Data not available.

Table C6: Australian Government cash receipts, payments and cash surplus by institutional sector^(a)

	General government			Public non-financial corporations			Non-financial public sector		
			Underlying cash			Cash surplus			Cash surplus(b)
	Receipts	Payments	balance(b)	Receipts	Payments		Receipts	Payments	
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	166,089	153,030	13,059	na	na	-2,594	na	na	10,465
2000-01	161,114	155,143	5,970	na	na	391	na	na	6,362
2001-02	162,884	163,867	-983	na	na	1,210	na	na	227
2002-03	176,503	169,017	7,486	27,386	26,105	1,280	na	na	8,766
2003-04	187,336	179,300	8,036	27,718	26,142	1,575	238,184	227,001	9,611
2004-05	203,960	190,344	13,616	29,621	28,071	1,550	257,897	241,489	15,167
2005-06	221,834	205,991	15,792	30,875	31,874	-999	278,203	263,358	14,794

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to associated methodological and data source changes, time series data which encompass measures derived under both cash and accrual accounting should be used with caution.

(b) These items exclude Future Fund earnings in 2005-06. Future Fund earnings are shown in Table C1.

na Data not available.

Table C7: Australian Government accrual revenue, expenses and fiscal balance by institutional sector^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	141,688	145,809	-4,211	27,431	26,015	-331	na	na	-4,542
1997-98	146,820	148,646	-1,973	29,618	26,999	2,360	na	na	387
1998-99	151,897	146,620	3,844	27,687	26,088	-816	175,682	168,806	3,028
1999-00	167,158	156,492	11,892	25,485	23,542	1,062	188,695	174,929	12,953
2000-01	162,074	157,667	5,575	25,869	24,762	-826	183,337	177,823	4,750
2001-02	162,956	166,758	-3,433	26,638	25,341	793	184,986	187,491	-2,640
2002-03	175,513	170,999	4,734	24,339	22,916	1,975	194,725	188,829	6,709
2003-04	187,924	182,371	4,830	25,449	23,444	2,143	207,628	200,070	6,973
2004-05	206,605	195,680	10,778	26,965	25,191	1,473	227,685	214,986	12,250
2005-06	221,918	206,096	14,770	28,143	29,531	-2,442	243,276	228,841	12,328

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

na Data not available.

