

# **FINAL BUDGET OUTCOME 2006-07**

CIRCULATED BY  
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SEPTEMBER 2007

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## FOREWORD

The *Final Budget Outcome 2006-07* 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 2006-07 financial year and is based on external reporting standards.

- **Part 1** provides the general government sector budget aggregates for 2006-07 together with an analysis of the 2006-07 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 2006-07 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 2006-07 Australian Government general government sector financial statements in accordance with Australian Accounting Standards (AAS).
- **Part 4** provides details for 2006-07 on Federal Financial Relations, updated from that contained in the 2007-08 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 2006-07, the Australian Government general government sector recorded an underlying cash surplus of \$17.2 billion, or 1.6 per cent of gross domestic product (GDP). The fiscal balance was in surplus by \$15.4 billion (1.5 per cent of GDP).

**Table 1: Australian Government general government sector budget aggregates<sup>(a)</sup>**

	2005-06 Outcome	2006-07 Estimate at 2007-08 Budget	2006-07 Outcome
<b>Revenue (\$b)</b>	<b>221.9</b>	<b>235.5</b>	<b>237.0</b>
Per cent of GDP	23.0	22.8	22.7
<b>Expenses (\$b)</b>	<b>206.1</b>	<b>221.6</b>	<b>219.4</b>
Per cent of GDP	21.3	21.5	21.0
Net operating balance (\$b)	15.8	13.9	17.6
Net capital investment (\$b)	1.1	2.0	2.2
<b>Fiscal balance (\$b)</b>	<b>14.8</b>	<b>11.9</b>	<b>15.4</b>
Per cent of GDP	1.5	1.2	1.5
<b>Underlying cash balance (\$b)(b)</b>	<b>15.8</b>	<b>13.6</b>	<b>17.2</b>
Per cent of GDP	1.6	1.3	1.6
<i>Memorandum item:</i>			
Headline cash balance (\$b)	14.2	23.4	26.7

(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 \$16.8 billion in 2006-07 to around -\$6.1 billion, largely reflecting the strong budget surplus. Net debt, which reached zero in 2005-06, improved by \$25.4 billion over the financial year to -\$30.8 billion.

In cash terms the outcome was \$3.6 billion higher than estimated at the time of the 2007-08 Budget, with cash payments \$1.5 billion lower than expected and cash receipts \$2.1 billion higher than expected. The cash payments outcome resulted from lower than expected spending across a number of programmes including delays in some defence acquisition projects and stronger economic conditions reducing Family Tax Benefit and Age Pension payments. The higher cash receipts outcome was largely due to higher than expected receipts from company tax, superannuation funds tax and non-taxation sources of income.

## **REVENUE**

Total accrual revenue in 2006-07 of \$237.0 billion was \$1.5 billion above the estimate in the 2007-08 Budget, reflecting higher than expected taxation revenue of \$1.0 billion and higher non-taxation revenue of \$431 million.

Taxation revenue from superannuation funds' contributions and earnings rose by 40 per cent in 2006-07 to be \$387 million (5.4 per cent) higher than the estimate in the 2007-08 Budget, reflecting greater than expected strength in the contributions made to, and the realised capital gains earned by, superannuation funds. Company taxation revenue was \$268 million (0.5 per cent) higher than the estimate in the 2007-08 Budget, mainly reflecting stronger than expected company profits and higher than anticipated payments relating to the Australian Taxation Office's compliance programme.

The variation in non-taxation revenue of \$431 million is largely a result of:

- an increase of \$151 million in dividend income of the Future Fund largely due to franking credits being recognised as an entitlement when dividends accrue; and
- higher than expected revenue of \$72 million received by the Defence Materiel Organisation for services provided to foreign governments.

**Table 2: Australian Government general government sector revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	107,710	107,809
Gross other individuals	26,820	26,952
less: Refunds	17,140	17,147
Total individuals and other withholding taxation	117,390	117,614
Fringe benefits tax	3,850	3,754
Superannuation funds		
Contributions and earnings	7,190	7,577
Superannuation surcharge	270	302
Total superannuation taxation	7,460	7,879
Company tax	58,270	58,538
Petroleum resource rent tax	1,560	1,594
<b>Income taxation revenue</b>	<b>188,530</b>	<b>189,378</b>
<i>Excise and customs</i>		
Excise duty		
Petrol	7,130	7,128
Diesel	6,210	6,197
Other fuel products	810	803
Crude oil	530	525
Beer	1,810	1,826
Potable spirits	870	873
Tobacco	5,370	5,382
Total excise duty revenue	22,730	22,734
Customs duty		
Textiles, clothing and footwear	920	932
Passenger motor vehicles	1,250	1,253
Excise-like goods	2,160	2,204
Other imports	1,500	1,485
less: Refunds and drawbacks	230	230
Total customs duty revenue	5,600	5,644
<b>Excise and customs revenue</b>	<b>28,330</b>	<b>28,379</b>
<i>Other taxation</i>		
Wine equalisation tax	670	651
Luxury car tax	350	365
Agricultural levies	598	608
Other taxes	1,989	2,124
<b>Other taxation revenue</b>	<b>3,606</b>	<b>3,748</b>
<b>Taxation revenue</b>	<b>220,466</b>	<b>221,505</b>
<i>Non-taxation</i>		
Sales of goods and services	5,008	5,064
Dividends	2,774	2,999
Interest received	3,841	3,921
Other non-taxation revenue	3,449	3,520
<b>Non-taxation revenue</b>	<b>15,072</b>	<b>15,504</b>
<b>Total revenue</b>	<b>235,539</b>	<b>237,008</b>

(a) Includes Medicare levy revenue of \$7,235 million.

## **EXPENSES**

Total accrual expenses were \$219.4 billion in 2006-07, \$2.3 billion lower than the estimate provided in the 2007-08 Budget. The \$2.3 billion decrease in expenses is mainly due to:

- an accounting reclassification of the purchase of C-17 Heavy Airlift aircraft from expenses to net capital investment as these aircraft can be used for non-military purposes, of \$826 million. This was partly offset by a reclassification of defence weapon inventories from net capital investment to expenses of \$367 million, reflecting an improvement in identifying the military versus non-military components of inventory holdings. These changes in the classification of defence expenditures between expenses and net capital investment have no overall impact on the fiscal balance;
- lower Family Tax Benefit expenses of \$416 million due to higher than estimated incomes of recipients and a revision in the level of payments recognised as overpayments;
- a decrease in expenses of \$318 million due to delays in some defence acquisition projects; and
- a decrease of \$242 million in Age Pension expenses reflecting lower than expected bonus payments under the pension bonus scheme due to Age Pension recipients retiring earlier than anticipated and lower than projected customer numbers and average payment rates.

These reductions were partly offset by a number of smaller increases in expenses, the most significant of which is due to extensions to drought-declared areas, new areas being drought-declared and an increase in the number of eligible farmers taking up Exceptional Circumstances drought assistance, increasing expenses by \$87 million.

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**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>General public services</b>		
Legislative and executive affairs	881	870
Financial and fiscal affairs	4,991	4,641
Foreign affairs and economic aid	3,183	3,282
General research	2,457	2,476
General services	655	667
Government superannuation benefits	2,371	2,679
<b>Defence(a)</b>	<b>17,358</b>	<b>16,854</b>
<b>Public order and safety</b>	<b>3,314</b>	<b>3,318</b>
<b>Education</b>	<b>16,549</b>	<b>16,898</b>
<b>Health</b>	<b>40,102</b>	<b>39,948</b>
<b>Social security and welfare</b>	<b>93,215</b>	<b>92,075</b>
<b>Housing and community amenities</b>	<b>3,072</b>	<b>2,909</b>
<b>Recreation and culture</b>	<b>2,673</b>	<b>2,561</b>
<b>Fuel and energy</b>	<b>4,711</b>	<b>4,635</b>
<b>Agriculture, forestry and fishing</b>	<b>2,873</b>	<b>2,831</b>
<b>Mining, manufacturing and construction</b>	<b>1,884</b>	<b>1,920</b>
<b>Transport and communication</b>	<b>3,400</b>	<b>3,296</b>
<b>Other economic affairs</b>		
Tourism and area promotion	193	196
Total labour and employment affairs	4,139	4,035
Other economic affairs nec	990	934
<b>Other purposes</b>		
Public debt interest	3,596	3,592
Nominal superannuation interest	5,730	5,470
General purpose inter-governmental transactions	2,597	2,573
Natural disaster relief	113	115
Contingency reserve	578	589
<b>Total expenses</b>	<b>221,625</b>	<b>219,362</b>

(a) The Defence function includes a change in accounting treatment for C-17 Heavy Airlift aircraft as they can be used for non-military purposes, which results in a reclassification from expenses to net capital investment. This is partly offset by a reclassification of defence weapon inventories from net capital investment to expenses.

## NET CAPITAL INVESTMENT

Total net capital investment for 2006-07 was \$2.2 billion, which is \$183 million higher than estimated in the 2007-08 Budget. This reflects an increase of \$826 million due to an accounting reclassification of the purchase of C-17 Heavy Airlift aircraft from expenses to net capital investment as these aircraft can be used for non-military purposes. This was partly offset by a reclassification of defence weapon inventories from net capital

investment to expenses of \$367 million, reflecting an improvement in identifying the military versus non-military components of inventory holdings.

This increase in net capital investment was partly offset by delays in a number of capital projects including \$79 million for the relocation and refurbishment of various overseas missions for the Department of Foreign Affairs and Trade.

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

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
General public services	519	332
Defence(a)	490	944
Public order and safety	80	166
Education	4	10
Health	110	104
Social security and welfare	333	217
Housing and community amenities	41	40
Recreation and culture	87	83
Fuel and energy	2	3
Agriculture, forestry and fishing	15	17
Mining, manufacturing and construction	32	19
Transport and communications	1	1
Other economic affairs	240	236
Other purposes	69	35
<b>Total net capital investment</b>	<b>2,025</b>	<b>2,208</b>

(a) The Defence function includes a change in accounting treatment for C-17 Heavy Airlift aircraft as they can be used for non-military purposes, which results in a reclassification from expenses to net capital investment. This is partly offset by a reclassification of defence weapon inventories from net capital investment to expenses.

## CASH FLOWS

The 2006-07 underlying cash surplus was \$17.2 billion, \$3.6 billion higher than estimated at the 2007-08 Budget. The higher than anticipated outcome was the result of lower cash payments of \$1.5 billion and higher cash receipts of \$2.1 billion.

Total cash receipts, excluding Future Fund earnings, of \$234.6 billion were \$2.1 billion higher than estimated at the 2007-08 Budget. This largely reflects higher than expected receipts from company tax of \$1.0 billion, superannuation funds tax of \$381 million and non-taxation sources of income (excluding Future Fund earnings) of \$606 million.

The additional company tax cash receipts were significantly above the additional accrual revenue mainly because of changes in the amount of disputed tax debt and associated provisions (which had a negative impact on accrual revenue but no impact on 2006-07 cash receipts).

**Table 5: Australian Government general government sector receipts**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	107,000	107,119
Gross other individuals	25,740	25,797
less: Refunds	17,140	17,145
Total individuals and other withholding taxation	115,600	115,770
Fringe benefits tax	3,880	3,761
Superannuation funds		
Contributions and earnings	7,150	7,513
Superannuation surcharge	680	699
Total superannuation taxation	7,830	8,211
Company tax	56,076	57,100
Petroleum resource rent tax	1,520	1,510
<b>Income taxation receipts</b>	<b>184,906</b>	<b>186,353</b>
<i>Excise and customs</i>		
Excise duty		
Petrol	7,120	7,139
Diesel	6,210	6,207
Other fuel products	810	792
Crude oil	530	525
Beer	1,810	1,829
Potable spirits	870	874
Tobacco	5,370	5,382
Total excise duty receipts	22,720	22,749
Customs duty		
Textiles, clothing and footwear	920	928
Passenger motor vehicles	810	819
Excise-like goods	2,160	2,204
Other imports	1,490	1,482
less: Refunds and drawbacks	370	370
Total customs duty receipts	5,010	5,063
<b>Excise and customs receipts</b>	<b>27,730</b>	<b>27,812</b>
<i>Other taxation</i>		
Wine equalisation tax	660	650
Luxury car tax	340	364
Agricultural levies	598	608
Other taxes	2,165	2,080
<b>Other taxation receipts</b>	<b>3,763</b>	<b>3,701</b>
<b>Taxation receipts</b>	<b>216,400</b>	<b>217,866</b>
<i>Non-taxation</i>		
Sales of goods and services	5,221	5,025
Dividends	3,120	3,197
Interest received	3,736	3,731
Other non-taxation receipts	6,144	6,879
<b>Non-taxation receipts</b>	<b>18,220</b>	<b>18,831</b>
<b>Total receipts</b>	<b>234,619</b>	<b>236,697</b>

(a) Includes Medicare levy receipts of \$7,235 million.

*Part 1: Australian Government Budget Outcome*

Total cash payments were \$217.3 billion in 2006-07, \$1.5 billion lower than estimated at the 2007-08 Budget.

The difference between the lower cash payments of \$1.5 billion and the \$2.1 billion decrease in accrual expenses and net capital investment reflects the impact of:

- the decrease in accrual expenses discussed earlier in this part that does not affect cash payments relating to Family Tax Benefit expenses of \$291 million due to a revision in the level of payments recognised as overpayments; and
- an increase in cash payments without a corresponding increase in accrual expenses (due to cash payments being made earlier than anticipated) for the Pharmaceutical Benefits Scheme by \$109 million.

**Table 6: Summary of Australian Government general government sector cash flows<sup>(a)</sup>**

	2006-07 Estimate at 2007-08 Budget \$b	2006-07 Outcome \$b
Cash receipts		
Operating cash receipts excluding Future Fund earnings	232.3	234.4
Future Fund earnings	2.1	2.1
<i>Total operating receipts</i>	234.4	236.5
Capital cash receipts(b)	0.2	0.2
Total cash receipts	234.6	236.7
Cash payments		
Operating cash payments	215.2	212.7
Capital cash payments(c)	3.6	4.6
Total cash payments	218.8	217.3
Finance leases and similar arrangements(d)	0.0	-0.1
<b>GFS cash surplus(+)/deficit(-)</b>	<b>15.8</b>	<b>19.3</b>
Per cent of GDP	1.5	1.8
<i>less</i> Future Fund earnings	2.1	2.1
<b>Underlying cash balance(e)</b>	<b>13.6</b>	<b>17.2</b>
Per cent of GDP	1.3	1.6
<i>Memorandum items:</i>		
Net cash flows from investments in financial assets for policy purposes(f)	7.6	7.4
<i>plus</i> Future Fund earnings	2.1	2.1
<b>Headline cash balance</b>	<b>23.4</b>	<b>26.7</b>

(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 2005-06. Over 2006-07 the level of Australian Government net debt continued to improve, reaching -\$30.8 billion by 30 June 2007. The improvement in net debt during 2006-07 was \$2.3 billion greater than estimated at the 2007-08 Budget, largely reflecting the higher than anticipated underlying cash surplus outcome.

Net interest payments in 2006-07 were \$23 million higher than anticipated at the 2007-08 Budget. Having peaked at \$8.4 billion in 1996-97, net interest payments declined to \$198 million in 2006-07, representing annual savings in interest payments of \$8.3 billion.

*Part 1: Australian Government Budget Outcome*

Net worth improved from -\$22.8 billion in 2005-06 to -\$6.1 billion at the end of 2006-07. The \$16.8 billion improvement, which was greater than estimated at the 2007-08 Budget, largely reflects the strong net operating surplus of \$17.6 billion.

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

	2006-07 Estimate at 2007-08 Budget \$b	2006-07 Outcome \$b
Financial assets	151.1	156.0
Non-financial assets	47.8	47.9
<b>Total assets</b>	<b>198.9</b>	<b>203.8</b>
<b>Total liabilities</b>	<b>209.8</b>	<b>209.9</b>
<b>Net worth</b>	<b>-10.9</b>	<b>-6.1</b>
<b>Net debt(a)</b>	<b>-28.4</b>	<b>-30.8</b>
Per cent of GDP	-2.8	-2.9
<b>Net interest payments(b)</b>	<b>0.2</b>	<b>0.2</b>
Per cent of GDP	0.0	0.0

(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 equivalent 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. 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 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 repurchased by the Australian Government. However, in ABS GFS, coins on issue are

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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.

ABS GFS also requires defence weapons be treated as expenses. The update of the statistical standard is expected to change the treatment of defence weapons to assets.

The GFS and AAS financial statements continue to record the Australian Government's obligation for education grants, primarily to the States, when the annual Ministerial determination is made, usually at the beginning of each funding year. This is a departure from the ABS GFS standard which records these expenses when grants are due and payable. The Australian National Audit Office recently changed its interpretation of AAS to be in line with ABS GFS. The accounting treatment of education grants has not been changed in the FBO to maintain consistency with the treatment applied at the 2006-07 and 2007-08 Budgets.

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 departures discussed in Attachment A.

**Table 8: Australian Government general government sector operating statement**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Revenue</b>		
Taxation revenue	220,466	221,505
Current grants and subsidies	0	0
Sales of goods and services	5,008	5,064
Interest income	3,841	3,921
Dividend income	2,774	2,999
Other	3,449	3,520
<b>Total revenue</b>	<b>235,539</b>	<b>237,008</b>
<b>Expenses</b>		
Gross operating expenses		
Depreciation	2,216	2,374
Superannuation	2,371	3,058
Salaries and wages	13,854	13,253
Payment for supply of goods and services(a)	50,931	51,209
Other operating expenses	3,151	3,821
<i>Total gross operating expenses</i>	<i>72,523</i>	<i>73,715</i>
Nominal superannuation interest expense	5,730	5,470
Other interest expenses	3,957	4,482
Other property expenses	0	0
Current transfers		
Grant expenses	41,702	41,387
Subsidy expenses	6,890	6,771
Personal benefit payments in cash(a)	85,036	81,908
Other current transfers	0	0
<i>Total current transfers</i>	<i>133,628</i>	<i>130,066</i>
Capital transfers	5,786	5,628
<b>Total expenses</b>	<b>221,625</b>	<b>219,362</b>
<b>Net operating balance</b>	<b>13,914</b>	<b>17,646</b>
<b>Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	3,675	4,393
<i>less</i> Sales of non-financial assets	184	193
<i>less</i> Depreciation	2,216	2,374
<i>plus</i> Change in inventories	624	329
<i>plus</i> Other movements in non-financial assets	126	53
<b>Total net acquisition of non-financial assets</b>	<b>2,025</b>	<b>2,208</b>
<b>Net lending/fiscal balance(b)</b>	<b>11,888</b>	<b>15,438</b>

(a) Includes a reclassification for outcomes of non-cash personal benefits from personal benefit payments in cash to payment for supply of goods and services.

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

**Table 9: Australian Government general government sector balance sheet**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Assets</b>		
Financial assets		
Cash and deposits	2,008	1,154
Advances paid	22,468	22,395
Investments, loans and placements	67,820	70,770
Other non-equity assets	27,543	27,495
Equity(a)	31,260	34,163
<i>Total financial assets</i>	<i>151,099</i>	<i>155,978</i>
Non-financial assets		
Land	6,181	6,842
Buildings	15,193	16,589
Plant, equipment and infrastructure	9,481	10,247
Inventories(b)	5,532	3,266
Heritage and cultural assets	8,074	8,212
Other non-financial assets	3,382	2,714
<i>Total non-financial assets</i>	<i>47,844</i>	<i>47,871</i>
<b>Total assets</b>	<b>198,942</b>	<b>203,848</b>
<b>Liabilities</b>		
Deposits held	300	261
Advances received	0	0
Government securities	57,275	56,526
Loans	5,846	6,358
Other borrowing	431	407
Superannuation liability	102,744	102,930
Other employee entitlements and provisions	8,215	8,214
Other non-equity liabilities	34,982	35,221
<b>Total liabilities</b>	<b>209,795</b>	<b>209,916</b>
<b>Net worth(c)</b>	<b>-10,852</b>	<b>-6,068</b>
Net debt(d)	-28,444	-30,768

(a) Equity includes share holdings of the Future Fund.

(b) Defence weapon inventories have been separately identified and expensed at the time of acquisition.

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

(d) Net debt equals the sum of deposits held, advances received, government securities, loans and other 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<sup>(a)</sup>**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Cash receipts from operating activities</b>		
Taxes received	216,400	217,866
Receipts from sales of goods and services	5,221	5,025
Grants and subsidies received	0	0
Interest receipts	3,736	3,731
Dividends	3,120	3,197
GST input credits received by general government	3,027	3,413
Other receipts	2,932	3,273
<b>Total operating receipts</b>	<b>234,435</b>	<b>236,504</b>
<b>Cash payments for operating activities</b>		
Payments for goods and services	-55,675	-54,523
Grants and subsidies paid	-52,340	-51,775
Interest paid	-3,911	-3,929
Personal benefit payments	-81,929	-81,531
Salaries, wages and other entitlements	-18,558	-17,806
GST payments by general government to taxation authority	-79	-64
Other payments for operating activities	-2,734	-3,089
<b>Total operating payments</b>	<b>-215,225</b>	<b>-212,716</b>
<b>Net cash flows from operating activities</b>	<b>19,210</b>	<b>23,788</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	184	193
Purchases of non-financial assets	-3,599	-4,580
<b>Net cash flows from investments in non-financial assets</b>	<b>-3,415</b>	<b>-4,387</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>7,649</b>	<b>7,403</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	-22,476	-26,919
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-22,476</b>	<b>-26,919</b>
<b>Cash flows from financing activities</b>		
Advances received (net)	0	0
Borrowing (net)	-1,312	-889
Deposits received (net)	-20	-57
Other financing (net)	426	272
<b>Net cash flows from financing activities</b>	<b>-905</b>	<b>-674</b>
<b>Net increase/decrease in cash held</b>	<b>63</b>	<b>-789</b>

**Table 10: Australian Government general government sector cash flow statement<sup>(a)</sup> (continued)**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>15,795</b>	<b>19,402</b>
Finance leases and similar arrangements(b)	-34	-59
<b>GFS cash surplus(+)/deficit(-)</b>	<b>15,761</b>	<b>19,343</b>
<i>less</i> Future Fund earnings	2,130	2,135
<b>Equals underlying cash balance(c)</b>	<b>13,631</b>	<b>17,208</b>
<i>plus</i> net cash flows from investments in financial assets for policy purposes	7,649	7,403
<i>plus</i> Future Fund earnings	2,130	2,135
<b>Equals headline cash balance</b>	<b>23,410</b>	<b>26,745</b>

(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)**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Opening net worth</b>	<b>-23,122</b>	<b>-23,122</b>
<b>Opening net worth adjustments(a)</b>	287	287
<b>Adjusted opening net worth</b>	<b>-22,835</b>	<b>-22,835</b>
<b>Change in net worth from operating transactions</b>	<b>13,914</b>	<b>17,646</b>
<b>Change in net worth from other economic flows</b>		
Revaluation of equity(b)	964	283
Net writedowns of assets (including bad and doubtful debts)	-2,050	-2,255
Assets recognised for the first time	161	366
Liabilities recognised for the first time	0	0
Actuarial revaluations	-1,245	-1,195
Net foreign exchange gains	-52	-170
Net swap interest received	8	9
Market valuation of debt	564	1,015
Other economic revaluations(c)	-281	1,066
<b>Total other economic flows</b>	<b>-1,931</b>	<b>-879</b>
<b>Closing net worth</b>	<b>-10,852</b>	<b>-6,068</b>

(a) Change in net worth arising from a change in 2005-06 outcomes.

(b) Revaluations of equity reflects changes in the market valuation of investments. This line also reflects any equity revaluations at the point of disposal or sale.

(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)<sup>1</sup>. 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 and public non-financial corporations sectors are included in the relevant tables, but removed

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1 Table A3 of Appendix A shows the difference in the net operating and fiscal balance outcomes resulting from the two treatments. The change in expenses when moving between the two GFS presentations of the balances is less than the change in revenue.

*Part 2: Government Finance Statistics Statements*

from the total non-financial public sector tables as they are transactions internal to that sector.

Computer software and other intangibles are recorded at historic costs, as an active market is not observable for such assets. This affects the public non-financial corporations sector balance sheet, but does not affect the general government sector balance sheet.

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**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>GFS revenue</b>		
Taxation revenue	261,186	262,511
Current grants and subsidies	0	0
Sales of goods and services	5,008	5,064
Interest income	3,841	3,921
Dividend income	2,774	2,999
Other	3,449	3,520
<b>Total GFS revenue</b>	<b>276,259</b>	<b>278,015</b>
<b>GFS expenses</b>		
Gross operating expenses		
Depreciation	2,216	2,374
Superannuation	2,371	3,058
Salaries and wages	13,854	13,253
Payment for supply of goods and services(a)	50,931	51,209
Other operating expenses	3,151	3,821
<i>Total gross operating expenses</i>	<i>72,523</i>	<i>73,715</i>
Nominal superannuation interest expense	5,730	5,470
Other interest expenses	3,957	4,482
Other property expenses	0	0
Current transfers		
Grant expenses	81,282	80,948
Subsidy expenses	6,890	6,771
Personal benefit payments in cash(a)	85,036	81,908
Other current transfers	0	0
<i>Total current transfers</i>	<i>173,208</i>	<i>169,628</i>
Capital transfers	5,986	5,818
<b>Total GFS expenses</b>	<b>261,405</b>	<b>259,113</b>
<b>Net operating balance(b)</b>	<b>14,854</b>	<b>18,902</b>
<b>Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	3,675	4,393
<i>less</i> Sales of non-financial assets	184	193
<i>less</i> Depreciation	2,216	2,374
<i>plus</i> Change in inventories	624	329
<i>plus</i> Other movements in non-financial assets	126	53
<b>Total net acquisition of non-financial assets</b>	<b>2,025</b>	<b>2,208</b>
<b>Net lending/fiscal balance(b)(c)</b>	<b>12,828</b>	<b>16,694</b>

(a) Includes a reclassification for outcomes of non cash personal benefits from personal benefit payments in cash to payment for supply of goods and services.

(b) 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.

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

**Table 13: Australian Government general government sector balance sheet**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>GFS assets</b>		
Financial assets		
Cash and deposits	2,008	1,154
Advances paid	22,468	22,395
Investments, loans and placements	67,820	70,770
Other non-equity assets	36,754	36,707
Equity(a)	31,260	34,163
<i>Total financial assets</i>	<i>160,310</i>	<i>165,190</i>
Non-financial assets		
Land	6,181	6,842
Buildings	15,193	16,589
Plant, equipment and infrastructure	9,481	10,247
Inventories(b)	5,532	3,266
Heritage and cultural assets	8,074	8,212
Other non-financial assets	3,382	2,714
<i>Total non-financial assets</i>	<i>47,844</i>	<i>47,871</i>
<b>Total GFS assets</b>	<b>208,154</b>	<b>213,061</b>
<b>GFS liabilities</b>		
Deposits held	300	261
Advances received	0	0
Government securities	57,275	56,526
Loans	5,846	6,358
Other borrowing	431	407
Superannuation liability	102,744	102,930
Other employee entitlements and provisions	8,215	8,214
Other non-equity liabilities	35,466	35,676
<b>Total GFS liabilities</b>	<b>210,278</b>	<b>210,372</b>
<b>Net worth(c)(d)</b>	<b>-2,124</b>	<b>2,689</b>
Net financial worth(e)	-49,968	-45,182
Net debt(f)	-28,444	-30,768

(a) Equity includes share holdings of the Future Fund.

(b) Defence weapon inventories have been separately identified and expensed at the time of acquisition.

(c) The net worth estimates in this table differ from those presented elsewhere in the final budget outcome reflecting the treatment of GST as an Australian Government tax.

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

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

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

**Table 14: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Cash receipts from operating activities</b>		
Taxes received(b)	255,989	257,392
Receipts from sales of goods and services(c)	5,044	4,802
Grants and subsidies received	0	0
Interest receipts	3,736	3,731
Dividends	3,120	3,197
GST input credits received by general government(c)	0	0
Other receipts	2,932	3,273
<b>Total operating receipts</b>	<b>270,821</b>	<b>272,395</b>
<b>Cash payments for operating activities</b>		
Payments for goods and services(c)	-52,560	-50,916
Grants and subsidies paid(d)	-91,920	-91,336
Interest paid	-3,911	-3,929
Personal benefit payments	-81,929	-81,531
Salaries, wages and other entitlements	-18,558	-17,806
GST payments by general government to taxation authority(c)	0	0
Other payments for operating activities	-2,734	-3,089
<b>Total operating payments</b>	<b>-251,611</b>	<b>-248,607</b>
<b>Net cash flows from operating activities</b>	<b>19,210</b>	<b>23,788</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	184	193
Purchases of non-financial assets	-3,599	-4,580
<b>Net cash flows from investments in non-financial assets</b>	<b>-3,415</b>	<b>-4,387</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>7,649</b>	<b>7,403</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	-22,476	-26,919
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-22,476</b>	<b>-26,919</b>
<b>Cash flows from financing activities</b>		
Advances received (net)	0	0
Borrowing (net)	-1,312	-889
Deposits received (net)	-20	-57
Other financing (net)	426	272
<b>Net cash flows from financing activities</b>	<b>-905</b>	<b>-674</b>
<b>Net increase/decrease in cash held</b>	<b>63</b>	<b>-789</b>

**Table 14: Australian Government general government sector cash flow statement<sup>(a)</sup> (continued)**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>15,795</b>	<b>19,402</b>
Finance leases and similar arrangements(e)	-34	-59
<b>Equals surplus(+)/deficit(-)</b>	<b>15,761</b>	<b>19,343</b>

(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 is \$35 million greater in 2006-07 than GST cash receipts measured 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)**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Opening net worth</b>	<b>-15,245</b>	<b>-15,245</b>
<b>Opening net worth adjustments(a)</b>	<b>287</b>	<b>287</b>
<b>Adjusted opening net worth</b>	<b>-14,958</b>	<b>-14,958</b>
<b>Change in net worth from operating transactions</b>	14,854	18,902
<b>Change in net worth from other economic flows</b>		
Revaluation of equity(b)	964	283
Net writedowns of assets (including bad and doubtful debts)	-2,139	-2,631
Assets recognised for the first time	161	366
Liabilities recognised for the first time	0	0
Actuarial revaluations	-1,245	-1,195
Net foreign exchange gains	-52	-170
Net swap interest received	8	9
Market valuation of debt	564	1,015
Other economic revaluations(c)	-281	1,066
<b>Total other economic flows</b>	<b>-2,020</b>	<b>-1,255</b>
<b>Closing net worth</b>	<b>-2,124</b>	<b>2,689</b>

(a) Change in net worth arising from a change in 2005-06 outcomes.

(b) Revaluations of equity reflects changes in the market valuation of investments. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Largely reflects revaluation of assets and liabilities.

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

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>GFS revenue</b>		
Current grants and subsidies	113	115
Sales of goods and services	15,263	15,169
Interest income	115	125
Other	32	34
<b>Total GFS revenue</b>	<b>15,523</b>	<b>15,443</b>
<b>GFS expenses</b>		
Gross operating expenses		
Depreciation	1,732	1,737
Salaries, wages and other entitlements	4,252	4,223
Other operating expenses	6,568	6,302
<i>Total gross operating expenses</i>	<i>12,552</i>	<i>12,262</i>
Interest expenses	252	624
Other property expenses	2,143	2,150
Current transfers		
Tax expenses	1,171	1,324
Other current transfers	0	0
<i>Total current transfers</i>	<i>1,171</i>	<i>1,324</i>
Capital transfers	0	0
<b>Total GFS expenses</b>	<b>16,119</b>	<b>16,360</b>
<b>Net operating balance</b>	<b>-596</b>	<b>-917</b>
<b>Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	2,890	2,841
<i>less</i> Sales of non-financial assets	40	45
<i>less</i> Depreciation	1,732	1,737
<i>plus</i> Change in inventories	-214	-217
<i>plus</i> Other movements in non-financial assets	-212	3
<b>Total net acquisition of non-financial assets</b>	<b>693</b>	<b>846</b>
<b>Net lending/fiscal balance(a)</b>	<b>-1,289</b>	<b>-1,763</b>

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

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

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>GFS assets</b>		
Financial assets		
Cash and deposits	1,057	1,256
Advances paid	1	9
Investments, loans and placements	1,426	1,987
Other non-equity assets	1,393	1,219
Equity	454	313
<i>Total financial assets</i>	<i>4,331</i>	<i>4,783</i>
Non-financial assets		
Land and fixed assets	3,337	3,976
Other non-financial assets(a)	119	0
<i>Total non-financial assets</i>	<i>3,456</i>	<i>3,976</i>
<b>Total GFS assets</b>	<b>7,786</b>	<b>8,759</b>
<b>GFS liabilities</b>		
Deposits held	0	0
Advances received	0	0
Borrowing	682	686
Unfunded superannuation liability and other employee entitlements	1,011	982
Provisions (other than depreciation and bad and doubtful debts)(a)	435	487
Other non-equity liabilities	651	642
<b>Total GFS liabilities</b>	<b>2,780</b>	<b>2,796</b>
<b>Shares and other contributed capital</b>	<b>5,007</b>	<b>5,964</b>
<b>Net worth(b)</b>	<b>0</b>	<b>0</b>
Net financial worth(c)	-3,456	-3,976
Net debt(d)	-1,802	-2,566

(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 zero net worth is recorded as shares and contributed capital for the non-financial corporations controlled by the Government are valued at net assets (a proxy for market value for unlisted companies).

(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<sup>(a)</sup>**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Cash receipts from operating activities</b>		
Receipts from sales of goods and services	16,936	16,417
Grants and subsidies received	63	76
GST input credit receipts	0	266
Other receipts	112	79
<b>Total operating receipts</b>	<b>17,110</b>	<b>16,837</b>
<b>Cash payments for operating activities</b>		
Payment for goods and services	-7,657	-6,790
Interest paid	-141	-316
Salaries, wages and other entitlements	-4,209	-4,238
GST payments to taxation authority	-600	-812
Other payments for operating activities	-1,215	-1,470
<b>Total operating payments</b>	<b>-13,822</b>	<b>-13,626</b>
<b>Net cash flows from operating activities</b>	<b>3,288</b>	<b>3,210</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	44	45
Purchases of non-financial assets	-2,678	-2,841
<b>Net cash flows from investments in non-financial assets</b>	<b>-2,634</b>	<b>-2,796</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	-234	-346
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-234</b>	<b>-346</b>
<b>Cash flows from financing activities</b>		
Advances received (net)	0	0
Borrowing (net)	51	844
Deposits received (net)	0	0
Distributions paid (net)	-2,170	-2,173
Other financing (net)	992	-421
<b>Net cash flows from financing activities</b>	<b>-1,127</b>	<b>-1,750</b>
<b>Net increase/decrease in cash held</b>	<b>-708</b>	<b>-1,682</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>654</b>	<b>414</b>
Finance leases and similar arrangements(b)	0	0
Distributions paid	-2,170	-2,173
<b>Equals surplus(+)/deficit(-)</b>	<b>-1,517</b>	<b>-1,759</b>

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

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>GFS revenue</b>		
Taxation revenue	259,965	261,147
Current grants and subsidies	0	0
Sales of goods and services	19,592	19,235
Interest income	3,956	4,047
Dividend income	1,470	1,688
Other	3,481	3,554
<b>Total GFS revenue</b>	<b>288,464</b>	<b>289,670</b>
<b>GFS expenses</b>		
Gross operating expenses		
Depreciation	3,948	4,111
Superannuation	2,471	3,194
Salaries and wages	18,106	17,476
Payment for supply of goods and services	56,610	56,268
Other operating expenses	3,211	3,892
<i>Total gross operating expenses</i>	<i>84,346</i>	<i>84,940</i>
Nominal superannuation interest expense	5,730	5,470
Other interest expenses	4,209	5,106
Other property expenses	839	839
Current transfers		
Grant expenses	81,282	80,948
Subsidy expenses	6,777	6,656
Personal benefit payments in cash	85,036	81,908
Other current transfers	0	0
<i>Total current transfers</i>	<i>173,095</i>	<i>169,512</i>
Capital transfers	5,986	5,818
<b>Total GFS expenses</b>	<b>274,206</b>	<b>271,685</b>
<b>Net operating balance</b>	<b>14,258</b>	<b>17,985</b>
<b>Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	6,566	7,234
<i>less</i> Sales of non-financial assets	<i>224</i>	<i>238</i>
<i>less</i> Depreciation	<i>3,948</i>	<i>4,111</i>
<i>plus</i> Change in inventories	<i>411</i>	<i>112</i>
<i>plus</i> Other movements in non-financial assets	<i>-87</i>	<i>57</i>
<b>Total net acquisition of non-financial assets</b>	<b>2,718</b>	<b>3,054</b>
<b>Net lending/fiscal balance(a)</b>	<b>11,540</b>	<b>14,931</b>

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

**Table 20: Australian Government total non-financial public sector balance sheet**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>GFS assets</b>		
Financial assets		
Cash and deposits	3,064	2,409
Advances paid	22,469	22,404
Investments, loans and placements	69,247	72,757
Other non-equity assets	38,047	37,809
Equity	26,707	28,513
<i>Total financial assets</i>	<i>159,534</i>	<i>163,892</i>
Non-financial assets		
Land and fixed assets	47,798	49,133
Other non-financial assets	3,501	2,714
<i>Total non-financial assets</i>	<i>51,299</i>	<i>51,847</i>
<b>Total GFS assets</b>	<b>210,833</b>	<b>215,739</b>
<b>GFS liabilities</b>		
Deposits held	300	261
Advances received	0	0
Government securities	57,275	56,526
Loans	5,846	6,358
Other borrowing	1,113	1,093
Unfunded superannuation liability and other employee entitlements	111,971	112,125
Other provisions	7,676	7,598
Other non-equity liabilities	28,776	29,090
<b>Total GFS liabilities</b>	<b>212,957</b>	<b>213,050</b>
<b>Shares and other contributed capital</b>	<b>0</b>	<b>0</b>
<b>Net worth(a)</b>	<b>-2,124</b>	<b>2,689</b>
Net financial worth(b)	-53,423	-49,158
Net debt(c)	-30,245	-33,333

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

(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<sup>(a)</sup>**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Cash receipts from operating activities</b>		
Taxes received	254,817	256,068
Receipts from sales of goods and services(b)	20,841	20,011
Grants and subsidies received	0	0
Interest receipts	3,727	3,778
Dividends	1,846	1,909
GST input credit receipts(b)	0	0
Other receipts	3,023	3,281
<b>Total operating receipts</b>	<b>284,254</b>	<b>285,048</b>
<b>Cash payments for operating activities</b>		
Payments for goods and services(b)	-59,679	-57,045
Grants and subsidies paid	-91,856	-91,260
Interest paid	-4,052	-4,245
Personal benefit payments	-81,929	-81,531
Salaries, wages and other entitlements	-22,767	-22,045
GST payments to taxation authority(b)	0	0
Other payments for operating activities	-2,778	-3,235
<b>Total operating payments</b>	<b>-263,061</b>	<b>-259,361</b>
<b>Net cash flows from operating activities</b>	<b>21,194</b>	<b>25,688</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	228	238
Purchases of non-financial assets	-6,278	-7,421
<b>Net cash flows from investments in non-financial assets</b>	<b>-6,049</b>	<b>-7,183</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>7,649</b>	<b>7,403</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	-22,711	-27,265
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-22,711</b>	<b>-27,265</b>
<b>Cash flows from financing activities</b>		
Advances received (net)	0	0
Borrowing (net)	-1,261	-45
Deposits received (net)	-20	-57
Distributions paid (net)(c)	-866	-862
Other financing (net)	1,419	-148
<b>Net cash flows from financing activities</b>	<b>-728</b>	<b>-1,114</b>
<b>Net increase/decrease in cash held</b>	<b>-645</b>	<b>-2,471</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>15,144</b>	<b>18,505</b>
Finance leases and similar arrangements(d)	-34	-59
Distributions paid(c)	-866	-862
<b>Equals surplus(+)/deficit(-)</b>	<b>14,244</b>	<b>17,584</b>

(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**

	2006-07 Outcome \$m
<b>GFS revenue</b>	
Current grants and subsidies	135
Sales of goods and services	3,268
Interest income	5,759
Other	82
<b>Total GFS revenue</b>	<b>9,245</b>
<b>GFS expenses</b>	
Gross operating expenses	
Depreciation	35
Salaries, wages and other entitlements	3,336
Other operating expenses	0
<i>Total gross operating expenses</i>	<i>3,371</i>
Interest expenses	4,023
Other property expenses	1,285
Current transfers	
Tax expenses	4
Other current transfers	0
<i>Total current transfers</i>	<i>4</i>
Capital transfers	0
<b>Total GFS expenses</b>	<b>8,682</b>
<b>Net operating balance</b>	<b>562</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	88
<i>less</i> Sales of non-financial assets	<i>6</i>
<i>less</i> Depreciation	<i>35</i>
<i>plus</i> Change in inventories	<i>0</i>
<i>plus</i> Other movements in non-financial assets	<i>0</i>
<b>Total net acquisition of non-financial assets</b>	<b>47</b>
<b>Net lending/fiscal balance(a)</b>	<b>516</b>

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

**Table 23: Australian Government public financial corporations sector balance sheet**

	2006-07 Outcome \$m
<b>GFS assets</b>	
Financial assets	
Cash and deposits	1,529
Advances paid	0
Investments, loans and placements	135,693
Other non-equity assets	290
Equity	328
<i>Total financial assets</i>	<i>137,840</i>
Non-financial assets	
Land and fixed assets	551
Other non-financial assets(a)	0
<i>Total non-financial assets</i>	<i>552</i>
<b>Total GFS assets</b>	<b>138,392</b>
<b>GFS liabilities</b>	
Deposits held	105,921
Advances received	0
Borrowing	19,193
Unfunded superannuation liability and other employee entitlements	659
Provisions (other than depreciation and bad and doubtful debts)(a)	903
Other non-equity liabilities	91
<b>Total GFS liabilities</b>	<b>126,767</b>
<b>Shares and other contributed capital</b>	<b>11,625</b>
<b>Net worth(b)</b>	<b>0</b>
Net financial worth(c)	-552
Net debt(d)	-12,108

(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<sup>(a)</sup>**

	2006-07 Outcome \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	3,248
Grants and subsidies received	135
GST input credit receipts	35
Other receipts	4,571
<b>Total receipts</b>	<b>7,990</b>
<b>Cash payments for operating activities</b>	
Payment for goods and services	-2,770
Interest paid	-3,568
Salaries, wages and other entitlements	-344
GST payments to taxation authority	-8
Other payments for operating activities	5
<b>Total payments</b>	<b>-6,685</b>
<b>Net cash flows from operating activities</b>	<b>1,305</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	6
Purchases of non-financial assets	-82
<b>Net cash flows from investments in non-financial assets</b>	<b>-76</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>198</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-24,259
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-24,259</b>
<b>Cash flows from financing activities</b>	
Advances received (net)	0
Borrowing (net)	-264
Deposits received (net)	22,571
Distributions paid (net)	-1,492
Other financing (net)	1,988
<b>Net cash flows from financing activities</b>	<b>22,803</b>
<b>Net increase/decrease in cash held</b>	<b>-29</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>1,229</b>
Finance leases and similar arrangements(b)	-6
Distributions paid	-1,492
<b>Equals surplus(+)/deficit(-)</b>	<b>-269</b>

(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**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
General public services	929	783
Defence(a)	884	1,772
Public order and safety	245	300
Education	18	21
Health	111	129
Social security and welfare	489	382
Housing and community amenities	79	147
Recreation and culture	314	252
Fuel and energy	6	7
Agriculture, forestry and fishing	42	40
Mining, manufacturing and construction	64	51
Transport and communications	38	51
Other economic affairs	439	413
Other purposes	17	46
<b>General government purchases of non-financial assets</b>	<b>3,675</b>	<b>4,393</b>

(a) The Defence function includes a change in accounting treatment for C-17 Heavy Airlift aircraft as they can be used for non-military purposes, which results in a reclassification from expenses to net capital investment.

## Attachment A

### AUSTRALIAN LOAN COUNCIL ALLOCATION

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

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

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

As set out in Table 26, the Australian Government's 2006-07 LCA final budget outcome is a \$25,360 million surplus. This compares with the Australian Government's 2006-07 LCA Budget estimate of a \$37,944 million surplus.

A tolerance limit of 2 per cent of non-financial public sector receipts applies between the LCA Budget estimate and the outcome. Tolerance limits recognise that LCAs are nominated at an early stage of the Budget process and may change as a result of policy and parameter changes. The Australian Government's 2006-07 LCA outcome exceeds the 2 per cent tolerance limit. This change mainly reflects the Australian Government's decision in August 2006 to sell a portion of its holding of Telstra shares and to allow investors to pay for their shares in two instalments, with the final instalment due in 2007-08. The Australian Government's 2006-07 LCA Budget estimate assumed that the Government's entire shareholding in Telstra would be sold in 2006-07.

**Table 26: Australian Government Loan Council Allocation**

	2006-07 Budget Estimate \$m	2006-07 Outcome \$m
General government sector cash deficit(+)/surplus(-)	-12,594	-19,343
PNFC sector cash deficit(+)/surplus(-)	1,105	1,759
Non-financial public sector cash deficit(+)/surplus(-)	-11,489	-17,584
<i>less</i> Net cash flows from investments		
in financial assets for policy purposes(a)	24,869	7,403
<i>plus</i> Memorandum items(b)	-1,586	-374
<b>Loan Council Allocation</b>	<b>-37,944</b>	<b>-25,360</b>

(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**

		2006-07 Estimate at 2007-08 Budget \$m	Month of June 2007(a) \$m	2006-07 Outcome \$m
	Note			
<b>Revenues</b>				
Taxation				
Income taxation	3	188,530	13,837	189,378
Indirect taxation	4	29,510	2,379	29,656
Other taxes		2,227	341	2,273
<b>Total taxation revenue</b>		<b>220,267</b>	<b>16,557</b>	<b>221,308</b>
Non-taxation				
Sales of goods and services		5,070	393	5,064
Interest and dividends	5	8,428	894	8,583
Other sources of non-taxation revenue	6	3,586	195	3,796
<b>Total non-taxation revenue</b>		<b>17,084</b>	<b>1,482</b>	<b>17,443</b>
<b>Total revenue</b>		<b>237,351</b>	<b>18,039</b>	<b>238,750</b>
<b>Gains</b>				
Net foreign exchange gains		0	89	0
Net gains from sale of assets		0	0	0
Other gains		14,941	2,661	16,011
<b>Total gains</b>		<b>14,941</b>	<b>2,750</b>	<b>16,011</b>
<b>Income</b>		<b>252,293</b>	<b>20,789</b>	<b>254,761</b>
<b>Expenses</b>				
Goods and services				
Employee	7	25,105	2,127	25,602
Suppliers	8	19,614	2,484	19,905
Depreciation and amortisation	9	4,899	608	5,140
Net write-down and impairment of assets and fair value losses		3,812	876	4,110
Net foreign exchange losses		52	0	170
Net losses from sale of assets		1,040	239	958
Other goods and services expenses	10	7,947	654	7,600
<b>Total goods and services</b>		<b>62,469</b>	<b>6,988</b>	<b>63,484</b>
Subsidies, benefits and grants				
Personal benefits		99,959	10,177	98,894
Subsidies		11,904	812	11,850
Grants	11	44,492	1,411	44,065
<b>Total subsidies, benefits and grants</b>		<b>156,355</b>	<b>12,400</b>	<b>154,810</b>
<b>Borrowing costs</b>				
Interest		5,730	486	5,684
Other borrowing costs		31	533	602
<b>Total interest and other borrowing costs</b>		<b>5,761</b>	<b>1,019</b>	<b>6,286</b>
<b>Total expenses</b>		<b>224,584</b>	<b>20,408</b>	<b>224,579</b>
<b>Operating result</b>		<b>27,708</b>	<b>381</b>	<b>30,182</b>

(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, this can result in negative movements.

**Table 28: Australian Government general government sector balance sheet**

		2006-07 Estimate at 2007-08 Budget	2006-07 Outcome
	Note	\$m	\$m
<b>Assets</b>			
Financial assets			
Cash		2,008	1,154
Receivables	12	39,962	39,912
Investments		98,637	104,634
Equity accounted investments		616	185
Accrued revenue		2,908	2,391
Other financial assets		23	37
<b>Total financial assets</b>		<b>144,155</b>	<b>148,313</b>
Non-financial assets			
Land and buildings	13	21,374	23,432
Infrastructure		43,404	41,809
Heritage and cultural assets		8,074	8,212
Intangibles		2,148	2,102
Investment property		262	129
Biological assets		2	2
Assets held for sale		370	210
Inventories		5,532	5,880
Other non-financial assets		4,212	4,552
<b>Total non-financial assets</b>		<b>85,378</b>	<b>86,328</b>
<b>Total assets</b>		<b>229,533</b>	<b>234,642</b>
<b>Liabilities</b>			
Debt			
Government securities		57,275	56,526
Loans		4,743	4,839
Leases		344	320
Deposits		300	261
Overdrafts		0	0
Other debt		1,184	1,645
<b>Total debt</b>		<b>63,846</b>	<b>63,590</b>
Provisions and payables			
Employees	14	110,960	111,144
Suppliers		2,873	3,912
Personal benefits payable		8,108	7,270
Subsidies payable		1,383	1,373
Grants payable	15	9,562	9,509
Other provisions and payables		13,064	13,118
<b>Total provisions and payables</b>		<b>145,948</b>	<b>146,326</b>
Liabilities associated with assets held for sale			
		0	0
<b>Total liabilities</b>		<b>209,795</b>	<b>209,916</b>
<b>Net assets</b>		<b>19,738</b>	<b>24,725</b>
<b>Equity</b>			
Accumulated results		-37,173	-3,212
Reserves		56,911	27,937
Capital		0	0
<b>Total equity</b>		<b>19,738</b>	<b>24,725</b>

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

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Opening balance</b>										
Balance carried forward from previous period	-37,466	-33,258	17,883	17,870	19,870	19,870	0	0	286	4,483
Adjustment for errors/entity adjustments	-34,057	-174	4	-37	34,052	85	0	36	-1	-91
Adjustment for changes in accounting policy	4,880	745	0	0	0	0	0	0	4,880	745
<b>Adjusted opening balance</b>	<b>-66,643</b>	<b>-32,687</b>	<b>17,886</b>	<b>17,833</b>	<b>53,922</b>	<b>19,955</b>	<b>0</b>	<b>36</b>	<b>5,164</b>	<b>5,137</b>
<b>Income and expense</b>										
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	1,364	25	129	na	na	na	1,493	25
Non-financial asset revaluations	na	na	462	1,956	na	na	na	na	462	1,956
Total revenues and expenses recognised directly in equity	0	0	1,825	1,981	129	0	0	0	1,954	1,981
Net operating result	<b>27,708</b>	<b>30,182</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>27,708</b>	<b>30,182</b>
<b>Total income and expenses</b>										
Transfers between reserves	-8	59	-8	-41	17	-18	0	na	0	0
Dividends	0	0	0	0	0	0	0	na	0	0
Other movements(a)	1,770	-766	7	-448	-16,867	-11,325	0	-36	-15,089	-12,575
<b>Closing balance</b>	<b>-37,173</b>	<b>-3,212</b>	<b>19,711</b>	<b>19,325</b>	<b>37,201</b>	<b>8,612</b>	<b>0</b>	<b>0</b>	<b>19,738</b>	<b>24,725</b>

(a) Other reserves includes the removal of Telstra following its sale. Under AEIFRS, fair value gains (and losses) are recorded in equity until the investment is sold at which point all accumulated fair value gains/losses are transferred into the income statement.

**Table 30: Australian Government general government sector cash flow statement**

		2006-07 Estimate at 2007-08 Budget \$m	Month of June 2007(a) \$m	2006-07 Outcome \$m
	Note			
<b>Operating activities</b>				
Cash received				
Taxation	16	216,321	19,701	217,764
Sales of goods and services		5,221	151	5,025
Interest		5,528	377	5,523
Dividends		3,120	80	3,197
GST input credit receipts		3,027	367	3,413
Other		3,011	-228	3,374
<b>Total operating cash received</b>		<b>236,227</b>	<b>20,448</b>	<b>238,297</b>
Cash used				
Payments to employees		21,285	2,505	21,336
Payments to suppliers		23,192	2,882	24,004
Subsidies paid		11,486	953	11,429
Personal benefits		98,732	9,833	98,405
Grant payments		44,397	2,514	44,096
Interest and other financing costs		5,587	148	5,606
GST payments to taxation authority		79	-25	64
Other		7,441	-628	6,968
<b>Total operating cash used</b>		<b>212,200</b>	<b>18,184</b>	<b>211,908</b>
<b>Net cash from operating activities</b>		<b>24,027</b>	<b>2,265</b>	<b>26,389</b>
<b>Investing activities</b>				
Cash received				
Proceeds from asset sales program		8,801	86	8,908
Proceeds from sales of property, plant and equipment and intangibles		184	62	213
Net loans, advances and HELP		0	0	0
Other net investing cash received		289	5,141	5,156
<b>Total investing cash received</b>		<b>9,274</b>	<b>5,290</b>	<b>14,277</b>
Cash used				
Purchase of property, plant and equipment and intangibles		8,085	968	7,084
Net loans, advances and HELP		1,152	1,880	1,316
Other net investing cash paid		22,982	4,471	32,265
<b>Total investing cash used</b>		<b>32,218</b>	<b>7,320</b>	<b>40,665</b>
<b>Net cash from investing activities</b>		<b>-22,944</b>	<b>-2,030</b>	<b>-26,388</b>
<b>Financing activities</b>				
Cash received				
Net cash received from currency issues		0	0	0
Other		339	-683	190
<b>Total financing cash received</b>		<b>339</b>	<b>-683</b>	<b>190</b>
Cash used				
Net repayments of borrowings		1,312	-214	889
Other		48	90	90
<b>Total financing cash used</b>		<b>1,359</b>	<b>-124</b>	<b>980</b>
<b>Net cash from financing activities</b>		<b>-1,020</b>	<b>-559</b>	<b>-790</b>
<b>Net increase/decrease in cash held</b>	2	<b>63</b>	<b>-325</b>	<b>-789</b>

(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, 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 2007.

The accounting policies in this part are generally consistent with the accounting policies in 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, GST cash flows and any accrued GST revenues and associated payments to the States are not recorded in the financial statements.

The new AEIFRS standard relating to superannuation is AASB 119 *Employee Benefits*. The standard requires the government bond rate at balance date 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 is only 10 years, significantly shorter than the term of the superannuation liability. Therefore, in applying this standard for budgets and outcomes, a longer term rate of 6 per cent as determined by actuaries has been adopted to discount the liability rather than the 10 year government bond rate (6.4 per cent at 30 June 2007). Guidance has been sought from the Australian Accounting Standards Board to clarify the differing interpretations in applying AASB 119 for outcomes.

**Note 2: Reconciliation of cash**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Operating result (revenues less expenses)</b>	<b>27,708</b>	<b>30,182</b>
less <b>Revenues not providing cash</b>		
Foreign exchange gains	0	0
Gains from asset sales programme	0	0
Gains from sale of assets	6	0
Other	15,310	16,978
<b>Total revenues not providing cash</b>	<b>15,316</b>	<b>16,978</b>
plus <b>Expenses not requiring cash</b>		
Increase/(decrease) in employee entitlements	3,856	4,179
Depreciation/amortisation expense	4,899	5,140
Provision for bad and doubtful debts	450	11
Provision for diminution in value of assets	291	670
Losses from asset sales programme	1,040	949
Losses from sale of assets	0	-12
Foreign exchange losses	52	170
Other	7	1,644
<b>Total expenses not requiring cash</b>	<b>10,596</b>	<b>12,751</b>
plus <b>Cash provided by working capital items</b>		
Decrease in inventories	0	0
Decrease in receivables	347	598
Decrease in other financial assets	0	213
Decrease in other non-financial assets	0	0
Increase in benefits, subsidies and grants payable	1,049	616
Increase in suppliers' liabilities	0	981
Increase in other provisions and payables	469	0
<b>Total cash provided by working capital items</b>	<b>1,865</b>	<b>2,407</b>
less <b>Cash used by working capital items</b>		
Increase in inventories	214	661
Increase in receivables	0	0
Increase in other financial assets	283	0
Increase in other non-financial assets	42	320
Decrease in benefits, subsidies and grants payable	260	361
Decrease in other provisions and payables	0	631
Decrease in suppliers' liabilities	28	0
<b>Total cash used by working capital items</b>	<b>826</b>	<b>1,973</b>
equals <i>Net cash from/(to) operating activities</i>	24,027	26,389
<i>plus Net cash from/(to) investing activities</i>	-22,944	-26,388
<b>Net cash from operating activities and investment</b>	<b>1,083</b>	<b>1</b>
<i>plus Net cash from/(to) financing activities</i>	-1,020	-790
<b>equals Net (decrease)/increase in cash</b>	<b>63</b>	<b>-789</b>

**Note 2(a): Consolidated Revenue Fund**

The cash balance reflected in the balance sheet 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.

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Total general government sector</b>		
<b>cash (Statement 10)</b>	2,008	1,154
<i>less</i> CAC Agency cash balances	978	1,000
<i>plus</i> Special public monies	105	127
<b>Balance of Consolidated Revenue Fund</b>		
<b>at 30 June</b>	<b>1,135</b>	<b>281</b>

**Note 3: Income taxation revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome    \$m
Individuals and other withholding taxation		
Gross income tax withholding	107,710	107,809
Gross other individuals	26,820	26,952
less: Refunds	17,140	17,147
Total individuals and other withholding taxation	117,390	117,614
Fringe benefits tax	3,850	3,754
Superannuation funds		
Contributions and earnings	7,190	7,577
Surcharge	270	302
Total superannuation taxation	7,460	7,879
Company tax	58,270	58,538
Petroleum resource rent tax	1,560	1,594
<b>Total income taxation revenue</b>	<b>188,530</b>	<b>189,378</b>

**Note 4: Indirect taxation revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome    \$m
Excise duty		
Petroleum and other fuel products	14,150	14,128
Crude oil	530	525
Other excise	8,050	8,082
Customs duty	5,600	5,644
Other indirect taxation	1,180	1,278
GST	40,720	41,006
less transfers to States in relation to GST revenue	40,720	41,006
GST revenue	0	0
Mirror taxes	353	355
less transfers to States in relation to mirror tax revenue	353	355
Mirror tax revenue	0	0
<b>Total indirect taxation revenue</b>	<b>29,510</b>	<b>29,656</b>

**Note 5: Interest and dividend revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Interest</b>		
Interest from other governments		
State and Territory debt	15	14
Housing agreements	192	192
<b>Total interest from other governments</b>	<b>207</b>	<b>206</b>
Interest from other sources		
Swap interest	1,813	1,813
Advances	59	27
Deposits	0	0
Bills receivable	10	11
Bank deposits	249	323
Indexation of HELP receivable and other student loans(a)	357	0
Other	2,959	3,204
<b>Total interest from other sources</b>	<b>5,447</b>	<b>5,378</b>
<b>Total interest</b>	<b>5,654</b>	<b>5,584</b>
<b>Dividends</b>		
Dividends from controlled entities	2,171	2,549
Other dividends	604	450
<b>Total dividends</b>	<b>2,774</b>	<b>2,999</b>
<b>Total interest and dividend revenue</b>	<b>8,428</b>	<b>8,583</b>

(a) Under AEIFRS HELP and other student loans are now reported at fair value. Any changes in fair value are reported under other gains.

**Note 6: Other sources of non-taxation revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Industry contributions	224	245
International Monetary Fund related revenue	10	10
Royalties	1,180	1,157
Seigniorage	101	61
Other	2,071	2,323
<b>Total other sources of non-taxation revenue</b>	<b>3,586</b>	<b>3,796</b>

**Note 7: Employees expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Salaries and wages(a)	13,854	13,253
Leave and other entitlements	1,442	1,869
Separations and redundancies	57	58
Workers compensation premiums	2	0
Other (including superannuation)	9,750	10,422
<b>Total employee expenses</b>	<b>25,105</b>	<b>25,602</b>

(a) Salaries and wages do not include superannuation.

**Note 8: Suppliers expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Supply of goods and services	17,356	17,213
Operating lease rental expenses	1,795	2,044
Other	463	649
<b>Total suppliers expenses</b>	<b>19,614</b>	<b>19,905</b>

**Note 9: Depreciation and amortisation expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Depreciation</b>		
Specialist military equipment	2,683	2,766
Buildings	685	797
Other infrastructure, plant and equipment	1,091	1,081
Heritage and cultural assets	45	40
Investment property	0	0
<b>Total depreciation</b>	<b>4,504</b>	<b>4,684</b>
<b>Total amortisation</b>	<b>395</b>	<b>456</b>
<b>Total depreciation and amortisation expenses</b>	<b>4,899</b>	<b>5,140</b>

**Note 10: Other goods and services expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Health care payments	4,458	4,391
Development Cooperation Program	1,470	1,429
Other	2,020	1,780
<b>Total other goods and services expenses</b>	<b>7,947</b>	<b>7,600</b>

**Note 11: Grants expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
State and Territory governments	27,876	28,166
Non-profit organisations	1,616	4,460
Overseas	601	651
Private sector	1,698	1,780
Local governments	374	381
Multi-jurisdictional sector	5,935	5,950
Other	6,391	2,677
<b>Total grant expenses</b>	<b>44,492</b>	<b>44,065</b>

**Note 12: Receivables**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Taxes receivable	10,566	10,356
Advances and loans	19,126	18,988
Other receivables	10,271	10,568
<b>Total receivables</b>	<b>39,962</b>	<b>39,912</b>

**Note 13: Total non-financial assets**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Land and buildings		
Land	6,181	6,842
Buildings	15,193	16,589
<b>Total land and buildings</b>	<b>21,374</b>	<b>23,432</b>
Infrastructure		
Specialist military equipment	33,922	32,388
Other	9,481	9,421
<b>Total infrastructure</b>	<b>43,404</b>	<b>41,809</b>
Intangibles		
Computer software	2,016	2,002
Other	132	101
<b>Total intangibles</b>	<b>2,148</b>	<b>2,102</b>
<b>Total heritage and cultural assets</b>	<b>8,074</b>	<b>8,212</b>
<b>Total investment properties</b>	<b>262</b>	<b>129</b>
<b>Total biological assets</b>	<b>2</b>	<b>2</b>
<b>Total assets held for sale</b>	<b>370</b>	<b>210</b>
<b>Total inventories</b>	<b>5,532</b>	<b>5,880</b>
Other non-financial assets		
Prepayments	3,607	4,280
Other	605	272
<b>Total other non-financial assets</b>	<b>4,212</b>	<b>4,552</b>
<b>Total non-financial assets</b>	<b>85,378</b>	<b>86,328</b>

**Note 14: Employee and superannuation liabilities**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Superannuation	102,166	102,379
Leave and other entitlements	4,411	4,554
Accrued salaries and wages	209	207
Workers compensation claims	1,483	1,486
Separations and redundancies	43	34
Workers compensation premiums	1,618	1,542
Other	1,029	942
<b>Total employee and superannuation liabilities</b>	<b>110,960</b>	<b>111,144</b>

**Note 15: Grants payable**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
State and Territory governments	4,581	4,483
Non-profit organisations	111	115
Private sector	433	444
Overseas	309	331
Local governments	11	4
Other	4,117	4,132
<b>Total grants payable</b>	<b>9,562</b>	<b>9,509</b>

**Note 16: Taxation receipts — cash**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Total taxation receipts	256,254	257,680
less payments to States and Territories in relation to GST receipts	39,580	39,560
less payments to States and Territories in relation to mirror tax receipts	353	355
<b>Taxation receipts</b>	<b>216,321</b>	<b>217,764</b>

## PART 4: FEDERAL FINANCIAL RELATIONS

This part provides information concerning goods and services tax (GST) revenue provided to the States and Territories (the States), as well as specific purpose payments to the States and local governments. More detailed information about payment arrangements is provided in Budget Paper No. 3, *Federal Financial Relations 2007-08*.

In total, the Australian Government paid \$68.1 billion to the States in 2006-07 (Table 31), an increase of \$3.0 billion (4.6 per cent) over the amount paid in 2005-06. An overview of historical payments to the States is provided in Attachment A.

**Table 31: GST and Australian Government payments to the States**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2006-07</b>									
(1) GST revenue to the States	10,938	8,588	8,092	3,968	3,605	1,568	778	2,015	39,552
(2) General revenue assistance	-	-	-	-	-	-	-	-	-
(3) Specific purpose payments	9,188	6,605	5,513	3,456	2,219	689	449	432	28,549
Payments to the States	6,735	4,711	4,037	2,669	1,626	506	302	347	20,932
Payments through the States	1,796	1,415	1,072	540	450	114	110	51	5,548
Grants for local governments	538	396	327	195	117	55	36	24	1,689
Payments direct to local government	118	83	77	52	26	13	1	10	381
(4) Australian Government payments to the States and local govt (2) + (3)	9,188	6,605	5,513	3,456	2,219	689	449	432	28,549
(5) GST and total payments (1) + (4)	<b>20,125</b>	<b>15,193</b>	<b>13,605</b>	<b>7,424</b>	<b>5,824</b>	<b>2,256</b>	<b>1,227</b>	<b>2,448</b>	<b>68,101</b>

The *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* (the Act) provides for the distribution of all GST revenue to the States. The GST provides the States with a robust, secure and growing source of revenue to spend according to their own budget priorities.

GST revenue has grown significantly since its introduction. The States received GST revenue of \$39.6 billion in 2006-07. This was \$2.1 billion more in revenue from the GST than they would have received had the previous financial arrangements continued.

In return for receiving all of the GST revenue, the States agreed to abolish a range of inefficient indirect taxes that were impeding economic activity. The States themselves nominated the taxes to be abolished. The commitment to abolish these taxes was included in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*. Timetables are now in place for the abolition of all but one of the state taxes listed for abolition in the *Intergovernmental Agreement*. The revenue foregone from taxes already abolished represented a saving to taxpayers of an estimated \$5.1 billion in 2006-07.

The Australian Government also provided the States with specific purpose payments of \$26.5 billion in 2006-07. In addition, local governments received \$2.1 billion in Australian Government funding in 2006-07.

## GST REVENUE TO THE STATES

In 2006-07, \$39.6 billion in GST revenue was provided to the States, up by \$2.4 billion (6.4 per cent) from 2005-06.

Under the Act, the amount of GST paid to the States is determined by the Commissioner of Taxation by 20 June each year, based on estimated GST receipts for that year and including any balancing adjustment for the previous year. For 2006-07, the Commissioner's GST determination was \$39,552 million. This reflects the Commissioner's estimate of GST receipts for 2006-07 of \$39,580 million, less a \$28 million adjustment for the overpayment in respect of 2005-06. The 2006-07 outcome for GST receipts was \$39,560 million, resulting in a \$20 million overpayment of GST revenue to the States. An adjustment will be made to GST revenue to the States in 2007-08 to ensure that they receive every dollar of GST collected.

The calculation of the amount of GST paid to the States in 2006-07 is shown in Table 32.

**Table 32: GST revenue paid to the States**

\$million	2006-07
GST revenue	41,006
less change in GST receivables	1,446
GST receipts	39,560
plus variation from the estimate of receipts in the Commissioner's determination(a)	20
plus prior year balancing adjustment(b)	-28
GST revenue to the States	39,552

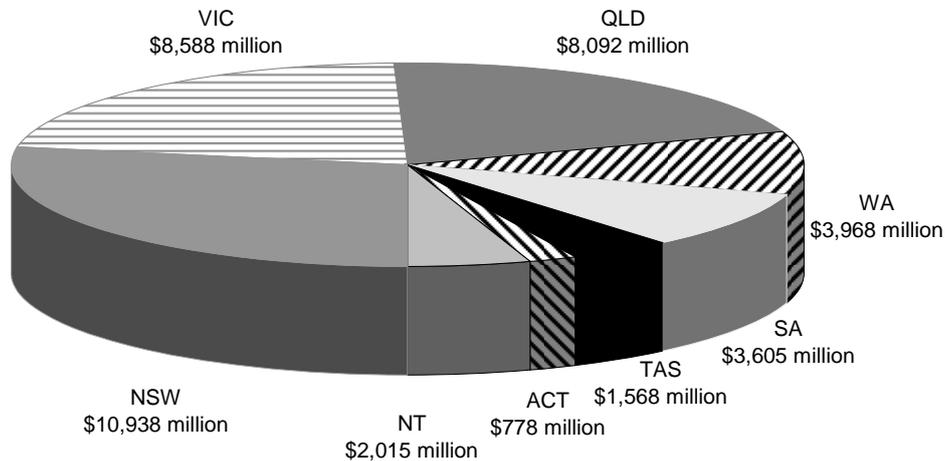
(a) The Commissioner's estimate of receipts for 2006-07 was \$20 million higher than the 2006-07 outcome.

(b) The Commissioner's estimate of receipts for 2005-06 was \$28 million higher than the 2005-06 outcome.

As agreed by all States in the *Intergovernmental Agreement*, GST revenue is distributed among the States in accordance with the principle of horizontal fiscal equalisation and having regard to the recommendations of the Commonwealth Grants Commission. Budget Paper No. 3, *Federal Financial Relations 2007-08*, provides more detail.

The distribution of GST revenue between the States in 2006-07 is illustrated in Chart 1.

**Chart 1: State shares of GST revenue, 2006-07**



In 2006-07, GST revenue was distributed in accordance with the Act, using the GST relativities in Table 33, as endorsed by the Ministerial Council for Commonwealth-State Financial Relations. The GST relativities are applied to the Australian Statistician’s determination of state populations in order to determine a weighted population for each State. Each State is then allocated its population-weighted share of the combined pool of GST revenue and unquarantined health care grants.

The *Intergovernmental Agreement* defines the GST pool for a financial year to consist of GST revenue plus unquarantined health care grants provided by the Australian Government under Australian Health Care Agreements. The Minister for Health and Ageing determines the amount of health care grants.

The final distribution of GST revenue is determined by deducting the unquarantined health care grants, which are separately provided to the States, from each State’s share of the GST pool.

**Table 33: Distribution of 2006-07 GST revenue among the States<sup>(a)</sup>**

	Determined population 31 December	GST relativities	Weighted population(a) (1) x (2)	Share of weighted population %	Share of GST pool \$m	Unquarantined Health Care Grants \$m	GST revenue (5) - (6) \$m
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,854,848	0.87332	5,986,476	28.7	13,724.6	2,787.1	10,937.5
VIC	5,165,404	0.89559	4,626,084	22.2	10,605.8	2,017.8	8,588.0
QLD	4,132,015	1.02387	4,230,646	20.3	9,699.2	1,607.0	8,092.2
WA	2,080,966	1.00480	2,090,955	10.0	4,793.7	825.7	3,968.1
SA	1,575,714	1.18862	1,872,925	9.0	4,293.9	689.0	3,604.9
TAS	491,666	1.54931	761,743	3.6	1,746.4	178.8	1,567.6
ACT	336,444	1.14575	385,481	1.8	883.8	105.5	778.3
NT	212,551	4.32755	919,825	4.4	2,108.8	93.5	2,015.3
Total	20,849,608	n/a	20,874,135	100.0	47,856.2	8,304.2	39,551.9

(a) The total of the weighted populations in column 3 differ from the total of the populations in column 1. This is a consequence of the population estimates in column 1 being revised subsequent to the Commonwealth Grants Commission calculating the GST relativities.

### **GST administration costs**

Because the GST has a national tax base, but all GST revenue is provided to the States, the *Intergovernmental Agreement* provides for the Australian Taxation Office to administer the GST on behalf of the States. Consequently, the States compensate the Australian Government for the agreed costs incurred by the Australian Taxation Office in administering the GST.

In March 2006, the Ministerial Council for Commonwealth-State Financial Relations agreed to a GST administration budget of \$619.1 million for 2006-07, including additional funding for GST compliance activities of \$10.6 million. This was subsequently revised to \$618.5 million due to a lower revised estimate of the costs.

Once the outcome for GST administration in 2006-07 is audited, any required adjustment will be incorporated into the States' administration costs for 2007-08.

### **GENERAL REVENUE ASSISTANCE**

General revenue assistance is a broad category of payments that are provided to the States to spend according to their own budget priorities. They include budget balancing assistance, compensation payments in respect of GST policy decisions and National Competition Policy payments.

#### **Budget balancing assistance**

The Australian Government has guaranteed that, in each of the transitional years following the introduction of The New Tax System, each State's budget position will be no worse than had the federal financial reforms not been implemented. The

guaranteed minimum amount is an estimate of the revenue that each State would have received under the previous system of financial assistance grants and if their own inefficient state taxes had not been abolished as part of the reforms. This is given effect by the payment of transitional assistance in the form of budget balancing assistance.

The Australian Government will pay budget balancing assistance to a State during the transitional period (which will expire on 30 June 2009) if that State's share of GST revenue in a financial year is less than its guaranteed minimum amount for that year.

No State required budget balancing assistance in 2006-07, as each State's share of GST revenue exceeded its guaranteed minimum amount. In 2006-07, total GST revenue payments to the States exceeded their combined guaranteed minimum amounts by \$2.1 billion. Detailed calculations of each State's guaranteed minimum amount and budget balancing assistance entitlements for 2006-07 are shown in Table 34.

**Table 34: Guaranteed minimum amount components, GST revenue provision and budget balancing assistance**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>State revenues foregone</b>									
Financial assistance grants	5,568.7	4,785.6	4,970.4	2,211.2	2,360.2	1,122.7	491.9	1,661.2	23,171.7
Revenue replacement payments	2,838.0	1,898.6	1,718.7	1,178.8	736.5	249.6	126.3	159.5	8,906.0
Financial institutions duty	808.7	435.4	na	166.4	111.2	26.0	21.5	21.5	1,590.7
Debits tax	357.0	283.9	385.0	126.5	63.6	24.2	19.8	8.6	1,268.7
Marketable securities duty	544.9	281.8	30.1	34.8	18.6	0.8	26.6	1.2	938.8
Marketable securities duty needs	-24.8	12.6	13.3	2.4	1.0	2.9	-8.3	0.8	0.0
Accommodation taxes	104.7	na	na	na	na	na	na	10.5	115.3
Cheque duty	na	na	na	5.5	3.2	na	na	2.8	11.4
<b>plus Reduced revenues</b>									
Gambling taxes	655.9	424.6	274.0	80.7	109.0	28.1	23.2	33.0	1,628.5
<b>plus Interest costs</b>									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus Additional expenditures</b>									
First home owners scheme	318.7	275.4	215.0	94.7	72.2	20.2	19.0	8.8	1,024.0
GST administration costs	203.3	153.2	122.6	61.7	46.7	14.6	10.0	6.3	618.5
<b>plus Other items</b>									
WST payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>minus Reduced expenditures</b>									
Off-road diesel subsidies	148.9	63.5	152.8	194.4	40.1	2.4	0.0	4.4	606.5
Savings from tax reform	218.0	154.2	123.0	72.1	53.3	18.2	10.9	15.9	665.6
Low alcohol beer subsidies	27.5	19.1	5.4	8.7	5.1	1.9	1.1	1.3	70.2
<b>minus Growth dividend</b>									
Remaining state taxes	174.0	112.3	58.8	35.0	28.2	7.2	5.5	3.9	424.8
<b>minus Compensation payments</b>									
Compensation for GST deferral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus Adjustments</b>									
2005-06 guaranteed minimum amount adjustment	3.6	-58.6	4.0	-5.9	2.3	0.7	0.8	3.5	-49.5
<b>Total guaranteed minimum amount (1)</b>	<b>10,810.4</b>	<b>8,143.4</b>	<b>7,393.1</b>	<b>3,646.6</b>	<b>3,397.8</b>	<b>1,460.1</b>	<b>713.4</b>	<b>1,892.1</b>	<b>37,457.1</b>
<b>GST revenue provision (2)</b>	<b>10,937.5</b>	<b>8,588.0</b>	<b>8,092.2</b>	<b>3,968.1</b>	<b>3,604.9</b>	<b>1,567.6</b>	<b>778.3</b>	<b>2,015.3</b>	<b>39,551.9</b>
<b>Budget balancing assistance (1)-(2)(a)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

### **Compensation payments for GST policy decisions**

The Australian Government provides compensation to the States for the deferral of GST revenue resulting from its decision that small businesses and non-profit organisations, which voluntarily registered for the GST, could pay and report GST on an annual, rather than monthly or quarterly, basis.

Due to an overpayment of this compensation to the States, the Australian Government agreed with the States to suspend the payments for 2006-07.

### **National Competition Policy payments**

Between 1997-98 and 2005-06, the Australian Government provided National Competition Policy payments to the States for implementing National Competition Policy and related reforms. Each State's payments were conditional on that State achieving satisfactory progress with the implementation of the reforms, including a commitment to review legislation that restricts competition, applying competitive neutrality principles to government business activities and introducing specific reforms in the electricity, gas, water and road transport sectors.

The Australian Government suspended \$43.2 million in 2005-06 National Competition Policy payments, following recommendations provided by the National Water Commission. This included water reform suspensions for outstanding obligations relating to interstate trading in the southern Murray-Darling Basin, and for lack of progress and outstanding reforms with respect to water planning.

On 13 September 2007, the Government lifted the suspensions following a recommendation by the National Water Commission that there has now been satisfactory progress by the States in implementing their water reform commitments.

Consequently, no National Competition Policy payments were provided in 2006-07, but suspended payments of \$43.2 million will be paid in 2007-08.

### **SPECIFIC PURPOSE PAYMENTS**

The Australian Government provides specific purpose payments to pursue important national policy objectives in areas that may be administered by the States. Typically the States need to fulfil specified conditions in order to receive these payments, which cover most functional areas of state and local government activity, including education, health, social security, housing and transport.

In 2006-07, specific purpose payments totalled \$28.5 billion, an increase of \$1.6 billion (6.1 per cent) over 2005-06.

Detailed tables of specific purpose payments for 2006-07, including state shares of each payment, are provided in Attachment B.

The Australian Government provided a commitment in the *Intergovernmental Agreement* that it would maintain specific purpose payments in aggregate. The commitment was consistent with the objective of the States being financially better off under the new arrangements. The Australian Government's commitment to maintain specific purpose payments in aggregate is being met. In nominal terms, total specific purpose payments have increased by 59.4 per cent since 1999-2000.

## PAYMENTS TO LOCAL GOVERNMENTS

While local government is the responsibility of the States, in 2006-07 the Australian Government provided \$2.1 billion in financial assistance to local governments to enhance their capacity to provide services to local communities. This funding was provided in the form of financial assistance grants (which are specific purpose payments through the States) and specific purpose payments direct to local governments.

### Financial assistance grants to local governments

The Australian Government provided \$1.7 billion in financial assistance grants to local governments in 2006-07, an increase of \$62 million (3.8 per cent) from 2005-06. Table 35 provides details of these grants for each of the six States and the Northern Territory. These grants are provided to the States to be distributed to local governments in each State. An analogous payment is made to the Australian Capital Territory.

Financial assistance grants are increased annually on the basis of an escalation factor determined each year by the Treasurer. The 2006-07 grants were based on an estimated escalation factor determined in June 2006 of 1.0406 and incorporated an underpayment of \$1.7 million in respect of 2005-06.

**Table 35: Financial assistance grants to local government (cash)**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
General purpose assistance	388.1	288.2	228.2	115.7	88.2	27.8	18.6	11.7	1,166.6
Untied local road funding	150.2	106.7	97.0	79.1	28.4	27.4	16.6	12.1	517.7
plus 2005-06 underpayment(a)	0.3	0.1	0.9	0.1	..	0.1	0.1	0.0	1.7
<b>Total(b)</b>	<b>538.6</b>	<b>395.1</b>	<b>326.2</b>	<b>194.9</b>	<b>116.8</b>	<b>55.3</b>	<b>35.3</b>	<b>23.8</b>	<b>1,686.0</b>

(a) There was an underpayment in 2005-06 because the estimated escalation factor of 1.0397 was less than the final factor of 1.0408. A balancing adjustment of \$1.7 million was paid in 2006-07.

(b) 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 difference between the estimated entitlement and the final entitlement for the current year will be adjusted in the following year. The information presented in this table differs from that in Table 37, which is prepared on an accrual basis.

On 25 June 2007, the Treasurer determined the final 2006-07 escalation factor to be 1.0421 on the basis of the Australian Statistician's determination of population and the

All Groups Consumer Price Index. The difference between the estimated and the final escalation factor for 2006-07 has resulted in an underpayment of \$2.4 million in 2006-07 for which there will be an adjustment in 2007-08, as provided for under the *Local Government (Financial Assistance) Act 1995*.

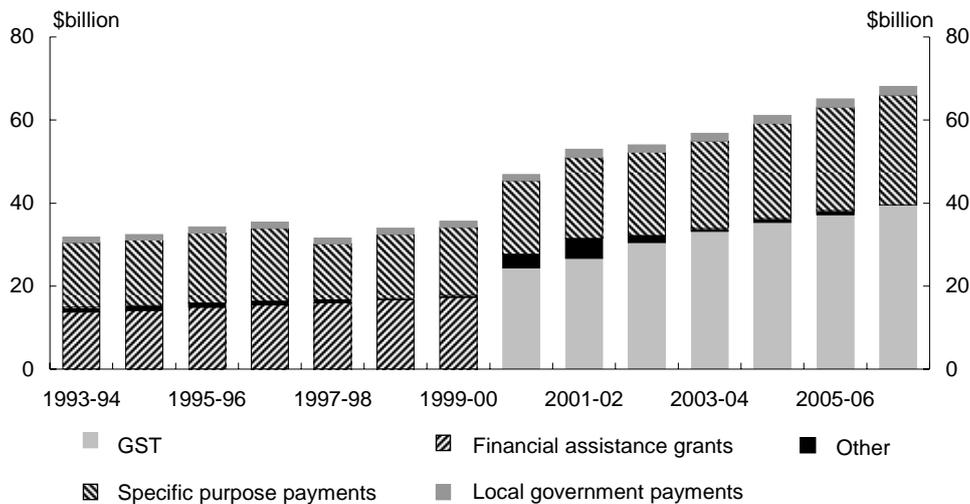
### **Specific purpose payments direct to local governments**

The Australian Government provides specific purpose payments direct to local governments to help fund local roads and infrastructure, child care, and disability and other services administered by local governments. These payments totalled \$381 million in 2006-07. They mainly comprised AusLink Roads to Recovery funding, which assists local councils with upgrading and maintenance works on local roads.

## HISTORICAL PAYMENTS TO THE STATES AND TERRITORIES<sup>1</sup>

Total payments to the States have grown steadily since the introduction of The New Tax System in 2000-01 (Chart 2). The average annual increase in total payments over this seven year period has been 6.5 per cent.

Chart 2: Total payments to the States since 1993-94<sup>(a)</sup>



(a) There is a break in the series between 1998-99 and 1999-00. Data prior to 1999-00 are on a cash basis and data from 1999-00 are on an accrual basis.

Payments to the States for the seven years since the introduction of The New Tax System have averaged 6.8 per cent of GDP, compared with the average of 6.7 per cent for the past 14 years. In 2006-07, total payments were 6.5 per cent of GDP (Table 36), slightly lower than the average, as a result of:

- no general revenue assistance being paid, principally due to the cessation of National Competition Policy payments (refer page 59) and no budget balancing assistance being payable; and
- strong growth in nominal GDP.

If federal financial relations had not been reformed as part of The New Tax System, payments to the States in 2006-07 would have been 6.3 per cent of GDP.

<sup>1</sup> Comparisons of payments to the States over time are difficult because of the numerous changes in payment arrangements and classifications which can occur between years. For example, in 1997-98 higher education payments were reclassified from being specific purpose payments through the States to being payments to a multi-jurisdictional sector.

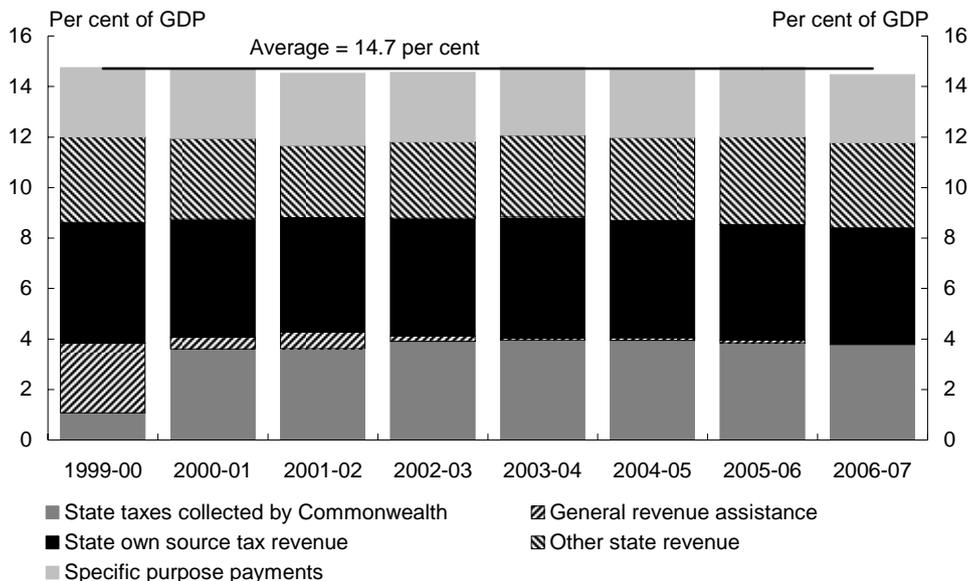
**Table 36: Australian Government payments to the States and Territories<sup>(a)</sup>**

\$million	General revenue assistance	Specific purpose payments	State taxes collected by the Commonwealth		C'wealth deficit reduction programme	Total	Growth	Per cent of GDP
			Revenue replacement payments	Goods and services tax				
1993-94	14,898	16,929	-	-	-	31,783	-	6.9
1994-95	15,290	17,166	-	-	-	32,456	2.1	6.7
1995-96(b)	15,917	18,344	-	-	-	34,261	5.6	6.6
1996-97	16,349	19,073	-	-	-619	34,804	1.6	6.4
1997-98	16,671	14,891	5,218	-	-627	36,153	3.9	6.3
1998-99	17,021	16,914	6,752	-	-313	40,373	11.7	6.6
1999-00	17,752	17,916	6,929	-	-	42,597	5.5	6.6
2000-01	3,280	19,207	435	24,355	-	47,276	11.0	6.9
2001-02	4,841	21,458	-	26,632	-	52,931	12.0	7.2
2002-03	1,734	21,781	-	30,479	-	53,994	2.0	6.9
2003-04	647	22,940	-	33,219	-	56,806	5.2	6.8
2004-05	944	24,795	-	35,323	-	61,062	7.5	6.8
2005-06	1,039	26,904	-	37,182	-	65,124	6.7	6.7
2006-07	-	28,549	-	39,552	-	68,101	4.6	6.5

(a) There is a break in the series between 1998-99 and 1999-00. Data prior to 1999-00 are on a cash basis and data from 1999-00 are on an accrual basis.

(b) There was no Final Budget Outcome published for 1995-96. Estimates are from the 1995-96 and 1996-97 Budgets.

The Australian Government's tax reforms have changed the composition of the States' revenue. However, total state revenue has remained relatively constant at an average of 14.7 per cent of GDP since before the introduction of The New Tax System (Chart 3).

**Chart 3: Changing composition of state revenue as a proportion of GDP**

Source: ABS cat. no. 5506.0; data for 2006-07 are estimates from State 2007-08 Budgets or Treasury estimates.

## Attachment B

### **SPECIFIC PURPOSE PAYMENTS**

This attachment provides accrual outcomes of Australian Government specific purpose payments to and through the States and direct to local government. This includes payments for current and capital purposes, and Australian Government advances (loans) to the States, including new advances, interest on advances and repayments by the States.

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

Table 37 presents specific purpose payments on a functional basis, and includes specific purpose payments 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.

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 specific purpose payments paid direct to local government authorities for both current and capital purposes.

**Table 37: Specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<b>Public Order and Safety</b>									
Legal aid	0	0	0	13,862	13,360	5,000	3,887	3,428	39,537
Film and literature classifications	97	96	98	99	97	96	96	94	773
Improving policing in very remote areas	371	0	743	742	743	0	0	1,868	4,467
CrimTrac Police Reference System	300	800	0	325	0	614	0	0	2,039
<b>Public Order and Safety - total (a)(b)</b>	<b>768</b>	<b>896</b>	<b>841</b>	<b>15,028</b>	<b>14,200</b>	<b>5,710</b>	<b>3,983</b>	<b>5,390</b>	<b>46,816</b>
<b>Education</b>									
Government schools	586,310	426,447	369,044	181,917	129,190	47,230	28,039	22,099	1,790,276
*Non-government schools	1,637,312	1,295,127	995,345	499,724	400,575	105,035	101,681	40,755	5,075,554
Skilling Australia's Workforce	417,729	305,119	214,451	115,690	104,853	32,850	22,934	15,737	1,229,363
Targeted programmes - government schools and joint	158,002	100,239	71,585	35,788	38,677	10,478	4,456	8,145	427,370
*Targeted programmes - non-government schools	82,404	63,430	32,613	18,305	17,773	3,949	3,213	2,684	224,371
Indigenous Education Strategic Initiatives									
Programme - government	47,751	6,456	40,630	26,528	9,718	4,170	1,350	27,214	163,817
*Indigenous Education Strategic Initiatives									
Programme - non-government	6	0	0	0	0	0	0	0	6
Australian Technical Colleges	0	12,191	0	0	0	0	0	0	12,191
<b>Education - total</b>	<b>2,929,514</b>	<b>2,209,009</b>	<b>1,723,668</b>	<b>877,952</b>	<b>700,786</b>	<b>203,712</b>	<b>161,673</b>	<b>116,634</b>	<b>8,922,948</b>
<b>Health</b>									
Hepatitis C Settlement Fund	873	0	0	115	69	0	31	79	1,167
Health programme grants	0	833	0	0	0	0	0	0	833
Health care grants(c)	2,939,609	2,135,231	1,707,196	873,520	741,874	195,513	116,050	110,482	8,819,475
Highly specialised drugs	203,418	143,371	83,509	50,488	41,639	24,057	11,909	25,191	583,582
Youth health services	818	621	439	226	205	63	58	58	2,488
National public health(d)	73,238	53,055	46,060	21,315	17,271	8,590	4,924	5,986	230,439
Essential vaccines	91,123	77,234	58,013	29,323	24,641	6,654	5,336	4,669	296,993
Repatriation general hospitals	1,209	0	0	0	720	59	0	0	1,988
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,100	0	0	0	0	0	0	0	1,100
Royal Darwin Hospital - Equipped, Prepared and Ready	0	0	0	0	0	0	0	13,184	13,184
Organ transplantation services	1,302	0	0	0	409	0	0	0	1,711
Organ and tissue donation(e)	0	0	0	0	0	0	0	0	0
<b>Health - total</b>	<b>3,312,690</b>	<b>2,410,345</b>	<b>1,895,217</b>	<b>974,987</b>	<b>826,828</b>	<b>234,936</b>	<b>138,308</b>	<b>159,649</b>	<b>9,952,960</b>

**Table 37: Specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<b><i>Social Security and Welfare</i></b>									
Aged care assessment	22,464	15,598	10,949	6,449	6,031	1,739	667	934	64,831
Home and community care	284,522	230,422	200,069	92,889	78,952	24,114	10,989	6,444	928,401
Disabilities services	209,225	139,612	117,588	50,017	68,442	20,755	8,686	6,470	620,795
Children's services	340	999	500	266	5,171	2	0	0	7,278
Supported accommodation assistance(f)	58,773	35,721	28,914	17,330	17,288	7,594	6,046	4,917	176,583
Unaccompanied humanitarian minors	150	802	173	2	808	0	0	0	1,935
Extension of fringe benefits	70,194	50,181	35,039	17,644	19,963	6,411	1,425	977	201,834
National action plan to build on social cohesion, harmony and security	170	75	15	100	50	0	18	20	448
Young people with disabilities	1,332	988	782	397	302	95	64	39	3,999
<b><i>Social Security and Welfare - total</i></b>	<b>647,170</b>	<b>474,398</b>	<b>394,029</b>	<b>185,094</b>	<b>197,007</b>	<b>60,710</b>	<b>27,895</b>	<b>19,801</b>	<b>2,006,104</b>
<b><i>Housing and Community Amenities</i></b>									
Assistance for water and sewerage	0	0	0	0	0	0	9,435	0	9,435
National Water Initiative - Living Murray	0	12,678	0	0	0	0	0	0	12,678
<b><i>Housing and Community Amenities - total</i></b>	<b>0</b>	<b>12,678</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,435</b>	<b>0</b>	<b>22,113</b>
<b><i>Recreation and Culture</i></b>									
Strengthening Tasmania	0	0	0	0	0	50	0	0	50
<b><i>Recreation and Culture - total</i></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>50</b>
<b><i>Fuel and Energy</i></b>									
Snowy Hydro Ltd - company tax compensation	11,166	5,265	0	0	0	0	0	0	16,431
<b><i>Fuel and Energy - total</i></b>	<b>11,166</b>	<b>5,265</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,431</b>

**Table 37: Specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000)  
(continued)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<b><i>Agriculture, Forestry and Fishing</i></b>									
Exotic Disease Preparedness Programme	243	48	73	15	0	0	0	0	379
Exceptional circumstances assistance	232,794	109,913	87,416	2,593	8,542	0	0	0	441,258
Great Artesian Basin Sustainability Initiative	4,709	0	4,750	757	0	0	0	0	10,216
National Landcare Programme	6,163	4,333	4,909	3,586	3,518	1,591	190	972	25,262
Agriculture - Advancing Australia - FarmBis	0	1,191	1,652	1,044	2,240	624	0	370	7,121
Eradication of red imported fire ant	0	0	5,137	0	0	0	0	0	5,137
National action plan for salinity and water quality	45,047	15,494	7,801	44,143	13,366	1,166	1,268	510	128,795
Natural Heritage Trust of Australia - Bushcare	8,734	10,310	9,098	8,178	10,152	3,606	734	2,566	53,378
Natural Heritage Trust of Australia - Coastcare	2,429	2,349	4,588	4,588	1,766	1,258	0	1,285	18,263
Natural Heritage Trust of Australia - Landcare	6,370	7,713	11,057	4,029	1,553	2,697	464	1,845	35,728
Natural Heritage Trust of Australia - Rivercare	8,207	2,857	2,411	2,989	680	2,271	282	899	20,596
Plant disease and eradication	0	0	1,542	1,512	1,154	0	0	0	4,208
Regional assistance	358	0	0	0	0	0	0	0	358
Tasmanian forests package	0	0	0	0	0	18,000	0	0	18,000
<b><i>Agriculture, Forestry and Fishing - total</i></b>	<b>315,054</b>	<b>154,208</b>	<b>140,434</b>	<b>73,434</b>	<b>42,971</b>	<b>31,213</b>	<b>2,938</b>	<b>8,447</b>	<b>768,699</b>
<b><i>Transport and Communication</i></b>									
Interstate road transport	23,388	13,609	4,819	2,014	6,142	254	254	254	50,734
*Supplementary funding to SA councils for local roads	0	0	0	0	13,000	0	0	0	13,000
Petroleum Products Freight Subsidy Scheme	26	0	187	0	18	0	0	70	301
<b><i>Transport and Communication - total</i></b>	<b>23,414</b>	<b>13,609</b>	<b>5,006</b>	<b>2,014</b>	<b>19,160</b>	<b>254</b>	<b>254</b>	<b>324</b>	<b>64,035</b>
<b><i>Other Purposes</i></b>									
*Financial assistance grants for local government									
<i>General purpose assistance</i>	388,092	289,188	230,151	115,813	88,634	27,793	18,897	11,866	1,170,434
<i>Untied local roads grants</i>	150,403	106,876	97,129	79,264	28,489	27,472	16,623	12,143	518,399
Compensation - companies regulation	56,588	49,470	27,860	17,148	12,755	3,951	0	2,520	170,292
Natural disaster relief	0	175	101,365	0	0	0	0	2,146	103,686

Table 37: Specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<b><i>Other Purposes (continued)</i></b>									
Royalties	0	0	0	669,209	0	0	0	4,386	673,595
Australian Capital Territory national capital influences	0	0	0	0	0	0	23,463	0	23,463
<b><i>Other Purposes - total</i></b>	<b>595,083</b>	<b>445,709</b>	<b>456,505</b>	<b>881,434</b>	<b>129,878</b>	<b>59,216</b>	<b>58,983</b>	<b>33,061</b>	<b>2,659,869</b>
<b>TOTAL CURRENT</b>	<b>7,834,859</b>	<b>5,726,117</b>	<b>4,615,700</b>	<b>3,009,943</b>	<b>1,930,830</b>	<b>595,801</b>	<b>403,469</b>	<b>343,306</b>	<b>24,460,025</b>
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>									
<b><i>Education</i></b>									
Government schools	192,086	198,431	125,978	63,280	63,270	15,807	8,223	6,748	673,823
*Non-government schools	66,470	52,248	36,661	19,684	15,410	4,090	4,461	6,546	205,570
<b><i>Education - total</i></b>	<b>258,556</b>	<b>250,679</b>	<b>162,639</b>	<b>82,964</b>	<b>78,680</b>	<b>19,897</b>	<b>12,684</b>	<b>13,294</b>	<b>879,393</b>
<b><i>Health</i></b>									
Organ transplantation services	137	0	0	0	51	0	0	0	188
<b><i>Health - total</i></b>	<b>137</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>188</b>
<b><i>Social Security and Welfare</i></b>									
Crisis accommodation assistance	13,691	10,168	8,052	4,083	3,112	980	657	412	41,155
<b><i>Social Security and Welfare - total</i></b>	<b>13,691</b>	<b>10,168</b>	<b>8,052</b>	<b>4,083</b>	<b>3,112</b>	<b>980</b>	<b>657</b>	<b>412</b>	<b>41,155</b>
<b><i>Housing and Community Amenities</i></b>									
Housing assistance for indigenous people	18,451	3,774	26,194	16,464	8,659	696	0	20,202	94,440
Community housing	22,092	16,407	12,993	6,588	5,022	1,582	1,061	664	66,409
CSHA Block Assistance/Base Funding	245,255	182,145	144,240	73,137	55,746	21,753	16,991	13,366	752,633
Social Housing Subsidy Programme	1,926	0	0	0	0	0	0	0	1,926
*Disaster Mitigation Package	7,249	1,541	5,556	1,915	671	434	182	1,355	18,903
*Additional First Home Owners Scheme	0	0	0	0	0	0	0	0	0
*Bushfire Mitigation Package	1,384	915	965	678	505	390	102	116	5,055
<b><i>Housing and Community Amenities - total</i></b>	<b>296,357</b>	<b>204,782</b>	<b>189,948</b>	<b>98,782</b>	<b>70,603</b>	<b>24,855</b>	<b>18,336</b>	<b>35,703</b>	<b>939,366</b>
<b><i>Fuel and Energy</i></b>									
*Photovoltaic Rebate Programme	1,316	2,011	642	154	1,775	58	0	10	5,966
Renewable remote power generation	0	0	116	8,898	81	518	0	4,175	13,788
<b><i>Fuel and Energy - total</i></b>	<b>1,316</b>	<b>2,011</b>	<b>758</b>	<b>9,052</b>	<b>1,856</b>	<b>576</b>	<b>0</b>	<b>4,185</b>	<b>19,754</b>

**Table 37: Specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000)  
(continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>									
<b>Transport and Communication</b>									
AusLink	664,440	328,230	458,563	199,389	107,260	33,489	12,440	25,112	1,828,923
<b>Transport and Communication - total</b>	<b>664,440</b>	<b>328,230</b>	<b>458,563</b>	<b>199,389</b>	<b>107,260</b>	<b>33,489</b>	<b>12,440</b>	<b>25,112</b>	<b>1,828,923</b>
<b>Other Purposes</b>									
Sinking Fund on State Debt	22	5	0	0	4	0	0	0	31
<b>Other Purposes - total</b>	<b>22</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31</b>
<b>TOTAL CAPITAL</b>	<b>1,234,519</b>	<b>795,875</b>	<b>819,960</b>	<b>394,270</b>	<b>261,566</b>	<b>79,797</b>	<b>44,117</b>	<b>78,706</b>	<b>3,708,810</b>
<b>REPAYMENTS</b>									
Payments to Debt Sinking Funds	131	3	0	0	4	0	0	0	138
<b>Total</b>	<b>131</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>138</b>
<b>Repayments of Australian Government Loans</b>									
Australian Capital Territory debt repayments	0	0	0	0	0	0	7,040	0	7,040
Loan Council - housing nominations	6,034	0	2,220	3,849	3,613	1,618	0	2,009	19,343
<b>Repayments of Australian Government Loans - total</b>	<b>6,034</b>	<b>0</b>	<b>2,220</b>	<b>3,849</b>	<b>3,613</b>	<b>1,618</b>	<b>7,040</b>	<b>2,009</b>	<b>26,383</b>
<b>Defence</b>									
Housing for servicemen	910	0	552	174	24	0	0	0	1,660
<b>Defence - total</b>	<b>910</b>	<b>0</b>	<b>552</b>	<b>174</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,660</b>
<b>Housing and Community Amenities</b>									
CSHA loans	33,090	0	8,856	8,621	10,904	4,134	0	557	66,162
Other housing	0	0	0	0	0	0	0	1,820	1,820
Urban water supply and treatment	0	0	0	0	542	0	0	0	542

Table 37: Specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>REPAYMENTS</b>									
<i>Housing and Community Amenities (continued)</i>									
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Sewerage	3,604	0	900	0	0	0	0	0	4,504
<b>Housing and Community Amenities - total</b>	<b>36,694</b>	<b>0</b>	<b>9,756</b>	<b>8,621</b>	<b>11,446</b>	<b>4,134</b>	<b>0</b>	<b>2,513</b>	<b>73,164</b>
<i>Agriculture, Forestry and Fishing</i>									
War Service Land Settlement Scheme	497	529	0	0	0	0	0	0	1,026
<b>Agriculture, Forestry and Fishing - total</b>	<b>497</b>	<b>529</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,026</b>
<i>Transport and Communication</i>									
Railway projects	96	96	0	383	0	0	0	0	575
<b>Transport and Communication - total</b>	<b>96</b>	<b>96</b>	<b>0</b>	<b>383</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>575</b>
<i>Other Purposes</i>									
Natural disaster relief	1,390	0	1,766	0	0	0	0	329	3,485
<b>Other Purposes - total</b>	<b>1,390</b>	<b>0</b>	<b>1,766</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>329</b>	<b>3,485</b>
<b>TOTAL REPAYMENTS</b>	<b>45,752</b>	<b>628</b>	<b>14,294</b>	<b>13,027</b>	<b>15,087</b>	<b>5,752</b>	<b>7,040</b>	<b>4,851</b>	<b>106,431</b>
<b>ADVANCES</b>									
<i>Other Purposes</i>									
Natural disaster relief	0	0	47,113	0	0	0	0	72	47,185
<b>Other Purposes - total</b>	<b>0</b>	<b>0</b>	<b>47,113</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>72</b>	<b>47,185</b>
<b>TOTAL ADVANCES</b>	<b>0</b>	<b>0</b>	<b>47,113</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>72</b>	<b>47,185</b>
<b>INTEREST</b>									
Interest on Loan Council and Northern Territory Government Borrowings	242	53	0	0	40	0	0	0	335
<b>Total</b>	<b>242</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>335</b>
<i>Interest on Australian Government Loans</i>									
Australian Capital Territory Government debt	0	0	0	0	0	0	3,071	0	3,071
Housing nominations	22,925	0	8,236	14,103	13,811	6,067	0	7,929	73,071
<b>Interest on Australian Government Loans - total</b>	<b>22,925</b>	<b>0</b>	<b>8,236</b>	<b>14,103</b>	<b>13,811</b>	<b>6,067</b>	<b>3,071</b>	<b>7,929</b>	<b>76,142</b>
<i>Defence</i>									
Housing for servicemen	2,353	0	1,334	272	100	0	13,739	0	17,798
<b>Defence - total</b>	<b>2,353</b>	<b>0</b>	<b>1,334</b>	<b>272</b>	<b>100</b>	<b>0</b>	<b>13,739</b>	<b>0</b>	<b>17,798</b>

**Table 37: Specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000)  
(continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>INTEREST</b>									
<b><i>Housing and Community Amenities</i></b>									
CSHA loans	47,252	0	13,164	12,490	19,840	6,461	0	1,602	100,809
Other housing	0	0	0	0	0	0	0	4,254	4,254
Urban water supply and treatment	0	0	0	0	899	0	0	0	899
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	640	640
Growth centres	-2	0	0	0	0	0	0	0	-2
Sewerage	3,416	0	539	-4	0	0	0	0	3,951
<b><i>Housing and Community Amenities - total</i></b>	<b>50,666</b>	<b>0</b>	<b>13,703</b>	<b>12,486</b>	<b>20,739</b>	<b>6,461</b>	<b>0</b>	<b>6,496</b>	<b>110,551</b>
<b><i>Agriculture, Forestry and Fishing</i></b>									
Rural Adjustment Scheme	-37	0	0	0	0	0	0	0	-37
War Service Land Settlement Scheme	141	148	0	0	0	-5	0	0	284
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	-8	-8
<b><i>Agriculture, Forestry and Fishing - total</i></b>	<b>104</b>	<b>148</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5</b>	<b>0</b>	<b>-8</b>	<b>239</b>
<b><i>Transport and Communication</i></b>									
Railway projects	24	24	0	246	0	0	0	0	294
<b><i>Transport and Communication - total</i></b>	<b>24</b>	<b>24</b>	<b>0</b>	<b>246</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>294</b>
<b><i>Other Purposes</i></b>									
Natural Disaster Relief	418	0	330	0	0	0	0	16	764
<b><i>Other Purposes - total</i></b>	<b>418</b>	<b>0</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>764</b>
<b>TOTAL INTEREST</b>	<b>76,732</b>	<b>225</b>	<b>23,603</b>	<b>27,107</b>	<b>34,690</b>	<b>12,523</b>	<b>16,810</b>	<b>14,433</b>	<b>206,123</b>

**Table 37: Specific purpose payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SUMMARY OF SPECIFIC PURPOSE PAYMENTS</b>									
<b>Total specific purpose payments</b>	<b>9,069,378</b>	<b>6,521,992</b>	<b>5,435,660</b>	<b>3,404,213</b>	<b>2,192,396</b>	<b>675,598</b>	<b>447,586</b>	<b>422,012</b>	<b>28,168,835</b>
<b>Total to the States</b>	<b>6,734,742</b>	<b>4,710,656</b>	<b>4,036,598</b>	<b>2,668,676</b>	<b>1,625,564</b>	<b>506,377</b>	<b>302,427</b>	<b>346,537</b>	<b>20,931,577</b>
<b>Total through the States</b>	<b>1,796,141</b>	<b>1,415,272</b>	<b>1,071,782</b>	<b>540,460</b>	<b>449,709</b>	<b>113,956</b>	<b>109,639</b>	<b>51,466</b>	<b>5,548,425</b>
<b>Financial assistance grants through the States to local government</b>	<b>538,495</b>	<b>396,064</b>	<b>327,280</b>	<b>195,077</b>	<b>117,123</b>	<b>55,265</b>	<b>35,520</b>	<b>24,009</b>	<b>1,688,833</b>

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

- (a) The proposed payment of \$600,000 to the Victorian Office of Public Prosecutions (OPP) to assist with the Cole Inquiry Task Force was not required by the OPP.
- (b) The proposed payment of \$256,000 to Western Australia for the Illegal Foreign Fishing — Indigenous Rangers Trial has been paid, but has been reported elsewhere.
- (c) The Australian Health Care Agreements expire on 30 June 2008. Health care grants include payments to the States and Territories of \$37.5 million in 2006-07 to improve care for older patients in public hospitals under the Council of Australian Governments Health Services package.
- (d) Includes payments of \$163.6 million to the States and Territories under the Public Health Outcome Funding Agreements.
- (e) There was no expenditure for the Organ and Tissue donation programme in 2006-07. The 2006-07 funding allocation of \$1.35 million for this programme will now be spent in 2008-09.
- (f) The Australian Government's funding to the States and Territories for the fifth Supported Accommodation Assistance Program Agreement over the period 2005-06 to 2009-10 includes funding for an Innovation and Investment Fund (IIF). The States and Territories also contribute to this Fund, a component of which is being administered as Commonwealth own-purpose expenditure until 2007-08 (\$0.5 million in 2006-07 and \$0.5 million in 2007-08). IIF payments to the States and Territories were \$6.7 million in 2006-07. This table excludes IIF payments as follows: \$615,000 to New South Wales, \$1,948,000 to Victoria, \$1,507,000 to Queensland, \$838,000 to Western Australia, \$216,000 to Tasmania and \$250,000 to the Northern Territory (total \$5,374,000).

**Table 38: Specific purpose payments direct to local government authorities, 2006-07 (\$'000)**

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>DIRECT PAYMENTS - CURRENT</b>									
Disability services	1,171	0	88	145	0	0	0	0	1,404
Children's services	13,376	10,903	4,327	1,692	40	1,536	0	4,763	36,637
Regulation Reduction Incentive Fund	3,612	2,750	9,163	608	1,692	0	1,493	127	19,445
<b>TOTAL CURRENT</b>	<b>18,159</b>	<b>13,653</b>	<b>13,578</b>	<b>2,445</b>	<b>1,732</b>	<b>1,536</b>	<b>1,493</b>	<b>4,890</b>	<b>57,486</b>
<b>DIRECT PAYMENTS - CAPITAL</b>									
AusLink	100,051	68,458	63,432	49,155	24,468	9,107	0	5,524	320,195
Local community sporting infrastructure	0	667	0	0	0	0	0	0	667
Development of sewerage schemes for Boat Harbour Beach and Sisters Beach	0	0	0	0	0	190	0	0	190
Strengthening Tasmania	0	0	0	0	0	2,120	0	0	2,120
<b>TOTAL CAPITAL</b>	<b>100,051</b>	<b>69,125</b>	<b>63,432</b>	<b>49,155</b>	<b>24,468</b>	<b>11,417</b>	<b>0</b>	<b>5,524</b>	<b>323,172</b>
<b>TOTAL DIRECT PAYMENTS</b>	<b>118,210</b>	<b>82,778</b>	<b>77,010</b>	<b>51,600</b>	<b>26,200</b>	<b>12,953</b>	<b>1,493</b>	<b>10,414</b>	<b>380,658</b>



## APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* requires that the final budget outcome be based on external reporting standards. Accordingly, the major external standards used in the final budget outcome are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS), 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.

### 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*).<sup>1</sup>

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

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

A transaction results from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or

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1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

decrease net worth (assets minus liabilities) are reported as revenues and expenses respectively in the operating statement.<sup>2</sup>

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

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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.<sup>3</sup>

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 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.

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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 <sup>4</sup>
<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.<sup>5</sup> 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.

### 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

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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.

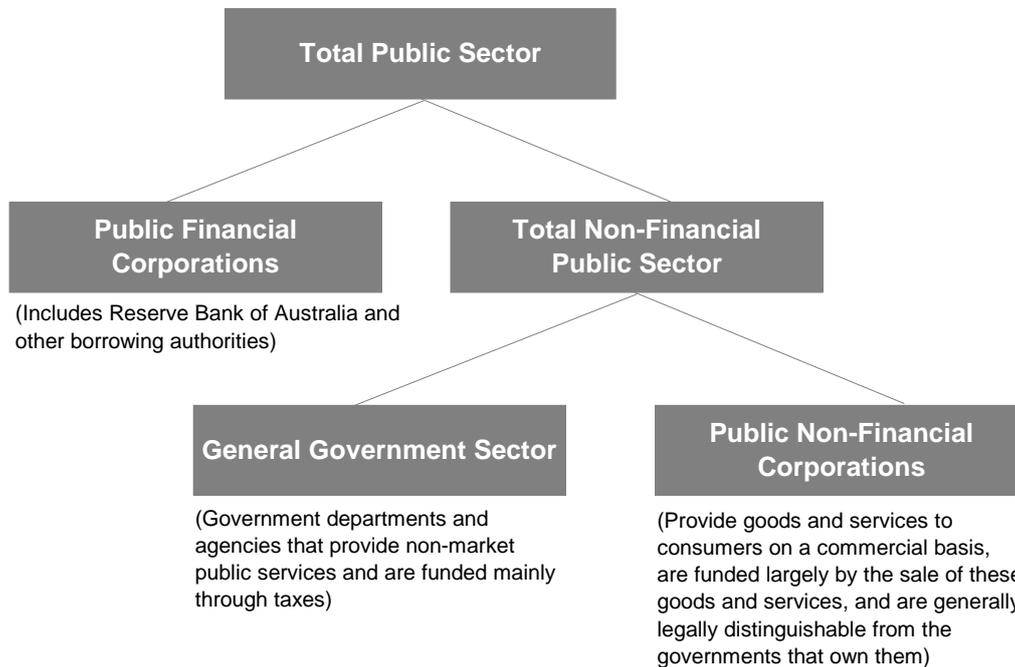
5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

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, Indigenous Business Australia, and the accounting for the Australian Government's investments in the International Development Association (IDA) and the Asian Development Fund (ADF), for which audit opinions are pending. Nevertheless, the financial statements in this report include the financial results for the Department of Defence and Indigenous Business Australia as at the time of publication. The investments in IDA and ADF are recorded at the value included in the 2007-08 Budget. Final 2006-07 audit opinions for these agencies will be included in their respective annual reports and in the Australian Government Consolidated Financial Statements for the year ended 30 June 2007 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 AAS; 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 may 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 write-downs	Treated as part of operating expenses.	Treated as revaluations (other economic flows), except for mutually agreed write-downs, and therefore not included in expenses.
Gains and losses on assets	Treated as part of operating income/expenses.	Treated as revaluations (other economic flows) and therefore not included in 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 new standard for financial reporting by the general government sector of governments. This standard (AASB 1049) will be applicable from the 2008-09 Budget.

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

**Table A2: Reconciliation of GFS and AAS revenue and expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>GFS revenue (Part 2)</b>	<b>276,259</b>	<b>278,015</b>
<i>less GST revenue for States and Territories</i>	40,720	41,006
<b>GFS revenue (Part 1)</b>	<b>235,539</b>	<b>237,008</b>
<i>plus asset revenue recognised for the first time</i>	478	709
<i>plus foreign exchange gains</i>	0	0
<i>plus other economic revaluations</i>	14,463	15,122
<i>plus proceeds from the sale of assets</i>	0	109
<i>plus swap interest revenue</i>	1,813	1,813
<b>AAS income (Part 3)</b>	<b>252,293</b>	<b>254,761</b>
<b>GFS expenses (Part 2)</b>	<b>261,405</b>	<b>259,113</b>
<i>less GST grants to States and Territories</i>	39,580	39,560
<i>less GST mutually agreed writedowns</i>	200	189
<b>GFS expenses (Part 1)</b>	<b>221,625</b>	<b>219,362</b>
<i>plus actuarial revaluations</i>	-197	-51
<i>plus net writedown of assets/bad and doubtful debts</i>	2,285	2,676
<i>plus foreign exchange losses</i>	52	170
<i>plus other economic adjustments</i>	0	0
<i>plus value of assets sold</i>	803	743
<i>plus swap interest expense</i>	1,804	1,803
<i>plus defence weapons platforms depreciation</i>	2,683	2,766
<i>less defence weapons platforms investment</i>	4,471	2,891
<i>plus AusAID IDA/ADF expenses(a)</i>	0	0
<b>AAS expenses (Part 3)</b>	<b>224,584</b>	<b>224,579</b>

(a) The treatment of IDA/ADF expenses under AAS has changed to reflect the capitalisation of core contributions, which is now consistent with the treatment under GFS.

Table A3 reconciles the AAS 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 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**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>AAS operating result (Part 3)</b>	<b>27,708</b>	<b>30,182</b>
Net differences from revenue and expense definitions	-12,855	-11,280
<b>GFS net operating balance (Part 2)</b>	<b>14,854</b>	<b>18,902</b>
<i>less</i> purchase of property, plant and equipment and intangibles	8,112	7,245
<i>less</i> assets acquired under finance leases	34	59
<i>less</i> other non-financial assets	126	53
<i>less</i> increase in inventories	624	329
<i>plus</i> defence weapons platforms investment	4,471	2,891
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	184	213
<i>plus</i> depreciation and amortisation	4,899	5,140
<i>less</i> weapons depreciation	2,683	2,766
<b>Fiscal balance (GFS net lending) (Part 2)(a)</b>	<b>12,828</b>	<b>16,694</b>
<i>Impact of GST</i>	-940	-1,256
<b>Fiscal balance (GFS net lending) (Part 1)(a)</b>	<b>11,888</b>	<b>15,438</b>

(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 REVENUE TO THE STATES

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST collections are provided to the States and Territories (the States) and thus are not available for expenditure by the Australian Government. As such, the GST is a state tax, with the Australian Taxation Office (the ATO) acting as the States' agent in the collection of the tax. Consequently, collections of GST from taxpayers and provision of GST revenue to the States are not recorded as revenues and expenses of the Australian Government in the financial statements in Part 1.

The Australian Government finalises payments to the States of annual GST collections in June, based on an estimate of GST expected to be collected for the full financial year. The final outcome for GST collections can therefore differ from the earlier payment. This difference is recorded in the financial statements in Part 1 as an expense variation, rather than a transaction where the Australian Government is acting as an agent. To ensure that the States receive the exact amount of GST collections for a financial year, a balancing adjustment is made in the following financial year.

In Part 2, the financial statements are presented including GST as Australian Government revenue. As a result, the fiscal balance, net operating balance and net worth amounts in this part differ from those reported in Part 1. The fiscal and net operating balances are adjusted to include accrual GST revenue and a GST payable to the States (which is equivalent to actual cash GST receipts as GST obligations to the States are on a cash basis). An adjustment is also made to Australian Government expenses to record the write-off of GST debt outstanding (GST mutually agreed writedowns in Table A2). These adjustments result in the Part 2 fiscal and net operating balances differing from those in Part 1 by accrual GST revenue, less actual GST receipts and GST mutually agreed writedowns (these amounts are shown in Table A2). The total difference is shown in Table A3. The differing accounting approaches also flow through to differences in net worth as a result of the inclusion of GST receivables and payables in the balance sheet in Part 2.

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.

While the net impact on cash flows is the same, gross GST receipts on an Australian Government tax basis can differ to gross GST receipts measured on a state tax basis. This is due to recognising GST transactions between Australian Government entities and the ATO as external transactions when the ATO is acting as an agent of the States but, when GST is recorded as Australian Government revenue, these transactions are recognised as transactions within the total general government sector and their impact is eliminated.

Further information on accounting for GST to the States and Territories can be found on page 10 of the *Final Budget Outcome 2000-01*.



## **APPENDIX B: EXPENSES BY FUNCTION AND SUB-FUNCTION**

Table B1 sets out Australian Government general government sector expenses by function and sub-function for 2006-07. 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**

	2005-06 Outcome	2006-07 Estimate at 2007-08 Budget	2006-07 Outcome
	\$m	\$m	\$m
<b>General public services</b>			
Legislative and executive affairs	768	881	870
Financial and fiscal affairs	3,958	4,991	4,641
Foreign affairs and economic aid	2,955	3,183	3,282
General research	2,346	2,457	2,476
General services	560	655	667
Government superannuation benefits(a)	2,203	2,371	2,679
<b>Total general public services</b>	<b>12,790</b>	<b>14,539</b>	<b>14,615</b>
<b>Defence</b>	<b>16,194</b>	<b>17,358</b>	<b>16,854</b>
<b>Public order and safety</b>			
Courts and legal services	612	833	841
Other public order and safety	1,945	2,481	2,477
<b>Total public order and safety</b>	<b>2,558</b>	<b>3,314</b>	<b>3,318</b>
<b>Education</b>			
Higher education	5,362	5,372	5,839
Vocational and other education	1,617	1,617	1,592
Non-government schools	5,414	5,772	5,743
Government schools	2,910	3,103	3,127
<i>Schools</i>	<i>8,324</i>	<i>8,874</i>	<i>8,870</i>
Student assistance	467	486	456
General administration	0	2	0
School education - specific funding	112	199	140
<b>Total education</b>	<b>15,883</b>	<b>16,549</b>	<b>16,898</b>
<b>Health</b>			
Medical services and benefits	16,398	17,215	17,213
Hospital services	1,540	1,549	1,549
Health care agreements	8,369	8,865	8,867
<i>Hospital services and health care agreements</i>	<i>9,909</i>	<i>10,414</i>	<i>10,416</i>
Pharmaceutical services and benefits	7,130	7,669	7,634
Aboriginal and Torres Strait Islander health	323	352	397
Health services	1,436	1,493	1,320
Other health services	1,526	2,304	2,302
<i>Other health services</i>	<i>2,962</i>	<i>3,797</i>	<i>3,622</i>
General administration	599	594	576
Health assistance to the aged	227	61	89
<b>Total health</b>	<b>37,549</b>	<b>40,102</b>	<b>39,948</b>
<b>Social security and welfare</b>			
Assistance to the aged	29,839	32,722	32,437
Assistance to veterans and dependants	5,588	6,172	6,244
Assistance to people with disabilities	12,316	12,730	12,826
Assistance to families with children	26,219	28,522	27,810

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

	2005-06 Outcome	2006-07 Estimate at 2007-08 Budget	2006-07 Outcome
	\$m	\$m	\$m
<b>Social security and welfare (continued)</b>			
Assistance to the unemployed	4,844	4,773	4,713
Assistance to the sick	85	84	85
<i>Assistance to the unemployed and the sick</i>	4,929	4,857	4,799
Common youth allowance	2,102	2,128	2,074
Other welfare programmes	1,629	2,446	2,201
Aboriginal advancement nec	1,403	1,244	1,304
General administration	2,193	2,393	2,380
<b>Total social security and welfare</b>	<b>86,219</b>	<b>93,215</b>	<b>92,075</b>
<b>Housing and community amenities</b>			
Housing	1,634	1,731	1,679
Urban and regional development	175	181	151
Environment protection	439	1,160	1,079
<b>Total housing and community amenities</b>	<b>2,248</b>	<b>3,072</b>	<b>2,909</b>
<b>Recreation and culture</b>			
Broadcasting	1,245	1,310	1,226
Arts and cultural heritage	812	873	829
Sport and recreation	314	267	273
National estate and parks	213	223	232
<b>Total recreation and culture</b>	<b>2,585</b>	<b>2,673</b>	<b>2,561</b>
<b>Fuel and energy</b>	<b>4,046</b>	<b>4,711</b>	<b>4,635</b>
<b>Agriculture, forestry and fishing</b>			
Wool industry	49	67	58
Grains industry	130	116	110
Dairy industry	105	103	81
Cattle, sheep and pig industry	145	156	168
Fishing, horticulture and other agriculture	300	545	483
General assistance not allocated to specific industries	399	119	137
Rural assistance	570	760	856
Natural resources development	886	394	405
General administration	194	613	532
<b>Total agriculture, forestry and fishing</b>	<b>2,780</b>	<b>2,873</b>	<b>2,831</b>
<b>Mining, manufacturing &amp; construction</b>	<b>1,905</b>	<b>1,884</b>	<b>1,920</b>
<b>Transport and communication</b>			
Communication	636	671	546
Rail transport	305	32	51
Air transport	155	149	143
Road transport	1,616	2,151	2,173
Sea transport	198	236	226
Other transport and communication	165	161	157
<b>Total transport and communication</b>	<b>3,075</b>	<b>3,400</b>	<b>3,296</b>

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

	2005-06 Outcome	2006-07 Estimate at 2007-08 Budget	2006-07 Outcome
	\$m	\$m	\$m
<b>Other economic affairs</b>			
Tourism and area promotion	209	193	196
Vocational and industry training	648	698	704
Labour market assistance to job seekers and industry	1,919	1,889	1,924
Industrial relations	355	465	303
Immigration	903	1,088	1,105
<i>Total labour and employment affairs</i>	<i>3,825</i>	<i>4,139</i>	<i>4,035</i>
Other economic affairs nec	840	990	934
<b>Total other economic affairs</b>	<b>4,874</b>	<b>5,322</b>	<b>5,165</b>
<b>Other purposes</b>			
Interest on Australian Government's behalf	3,627	3,596	3,592
Interest on behalf of States and Territories	1	0	0
Interest received on Australian Government stock	0	0	0
<i>Public debt interest</i>	<i>3,628</i>	<i>3,596</i>	<i>3,592</i>
Nominal superannuation interest	5,582	5,730	5,470
General revenue assistance - States and Territories	1,258	0	0
General capital assistance - States and Territories	0	0	0
Debt assistance	220	0	0
Local government assistance	1,630	1,703	1,704
Revenue assistance to the States and Territories	164	169	170
Assistance to other governments	664	725	699
<i>General purpose inter-government     transactions</i>	<i>3,936</i>	<i>2,597</i>	<i>2,573</i>
Natural disaster relief	211	113	115
Contingency reserve(b)	36	578	589
<b>Total other purposes</b>	<b>13,393</b>	<b>12,613</b>	<b>12,338</b>
<b>Total expenses</b>	<b>206,096</b>	<b>221,625</b>	<b>219,362</b>

(a) Government superannuation benefits differs from superannuation expense disclosed in the operating statement for the 2006-07 outcome (Table 8 and Table 12) due to the revised treatment of the accumulated superannuation scheme whereby superannuation expenses are now allocated to the function of the agency concerned.

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

## APPENDIX C: HISTORICAL FISCAL DATA

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

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

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

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

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

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

*Appendix C: Historical Fiscal Data*

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

Cash data from 1998-99 onwards, net debt data from 1999-2000 onwards and accrual data are sourced from Australian Government Final Budget Outcomes and Treasury estimates. Cash data prior to 1998-99 are sourced from the Australian Bureau of Statistics (ABS) 1997-98 Government Finance Statistics (cat. no. 5512.0), net debt data from 1987-88 to 1998-99 are from ABS 1999-2000 Government Financial Estimates (cat. no. 5501.0) and ABS 1998 Public Sector Financial Assets and Liabilities (cat. no. 5513.0), and net debt data prior to 1987-88 are Treasury estimates.

Occasionally classification changes are made that require revisions to the historic series. Where appropriate, the changes are back-cast to 1999-2000 to ensure that data is consistent across the accrual period. For example, the back-casting to account for the market valuation of net debt as discussed on page 2-12 of 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<sup>(a)</sup>**

	Receipts			Payments			Future Fund earnings	Underlying cash balance(b)	
	Per cent			Per cent			\$m	\$m	Per cent of GDP
	\$m	real growth	Per cent of GDP	\$m	real growth	Per cent of GDP			
1974-75	15,325	5.7	22.0	15,275	15.7	21.9	-	50	0.1
1975-76	18,316	3.7	22.4	19,876	12.9	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	24.8	-	-1,998	-1.9
1978-79	25,666	3.3	22.1	27,753	2.9	23.8	-	-2,087	-1.8
1979-80	29,780	5.9	22.5	31,041	2.1	23.5	-	-1,261	-1.0
1980-81	35,148	6.7	23.5	35,260	2.7	23.6	-	-112	-0.1
1981-82	40,831	2.8	23.7	40,394	1.4	23.4	-	437	0.3
1982-83	44,675	-1.7	24.1	47,907	6.5	25.8	-	-3,232	-1.7
1983-84	49,102	3.0	23.4	55,966	9.5	26.7	-	-6,864	-3.3
1984-85	57,758	11.8	25.0	63,639	8.0	27.5	-	-5,881	-2.5
1985-86	64,845	5.7	25.4	69,838	3.3	27.4	-	-4,993	-2.0
1986-87	73,145	5.4	26.2	75,392	0.9	27.0	-	-2,247	-0.8
1987-88	81,217	3.0	25.4	79,440	-2.2	24.9	-	1,777	0.6
1988-89	88,369	-0.2	24.4	82,202	-5.1	22.7	-	6,167	1.7
1989-90	95,517	1.8	24.0	88,882	1.8	22.4	-	6,635	1.7
1990-91	97,705	-2.6	23.9	97,333	4.2	23.8	-	372	0.1
1991-92	92,966	-6.7	22.3	104,551	5.3	25.1	-	-11,585	-2.8
1992-93	94,448	0.3	21.6	111,484	5.3	25.4	-	-17,036	-3.9
1993-94	100,142	5.1	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	5.2	22.6	169,017	0.1	21.6	-	7,486	1.0
2003-04	187,336	2.1	22.3	179,300	2.1	21.3	-	8,036	1.0
2004-05	203,960	4.7	22.7	190,344	2.1	21.2	-	13,616	1.5
2005-06	221,834	3.6	23.0	205,991	3.1	21.3	51	15,792	1.6
<b>2006-07</b>	<b>236,697</b>	<b>1.7</b>	<b>22.6</b>	<b>217,355</b>	<b>0.6</b>	<b>20.8</b>	<b>2,135</b>	<b>17,208</b>	<b>1.6</b>

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000, 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<sup>(a)</sup>**

	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
1974-75	14,141	7.1	20.3	1,184	-8.2	1.7	15,325	5.7	22.0
1975-76	16,920	3.8	20.7	1,396	2.3	1.7	18,316	3.7	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	3.3	20.1	2,257	3.4	1.9	25,666	3.3	22.1
1979-80	27,473	7.2	20.8	2,307	-6.7	1.7	29,780	5.9	22.5
1980-81	32,641	7.4	21.8	2,507	-1.7	1.7	35,148	6.7	23.5
1981-82	37,880	2.7	22.0	2,951	4.2	1.7	40,831	2.8	23.7
1982-83	41,025	-2.7	22.1	3,650	11.1	2.0	44,675	-1.7	24.1
1983-84	44,849	2.4	21.4	4,253	9.2	2.0	49,102	3.0	23.4
1984-85	52,970	12.2	22.9	4,788	7.0	2.1	57,758	11.8	25.0
1985-86	58,841	4.6	23.1	6,004	18.0	2.4	64,845	5.7	25.4
1986-87	66,467	5.5	23.8	6,678	3.9	2.4	73,145	5.4	26.2
1987-88	75,076	4.8	23.5	6,141	-14.7	1.9	81,217	3.0	25.4
1988-89	83,452	1.9	23.0	4,917	-26.6	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	-2.8	22.7	4,966	-0.4	1.2	97,705	-2.6	23.9
1991-92	87,364	-7.7	20.9	5,602	10.6	1.3	92,966	-6.7	22.3
1992-93	88,760	0.3	20.3	5,688	0.3	1.3	94,448	0.3	21.6
1993-94	93,362	4.3	20.3	6,780	18.2	1.5	100,142	5.1	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	7.5	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	5.7	20.7	15,084	0.7	1.9	176,503	5.2	22.6
2003-04	173,023	3.1	20.6	14,313	-8.7	1.7	187,336	2.1	22.3
2004-05	188,176	4.6	21.0	15,784	6.1	1.8	203,960	4.7	22.7
2005-06	203,918	3.3	21.1	17,916	8.2	1.9	221,834	3.6	23.0
<b>2006-07</b>	<b>217,866</b>	<b>1.8</b>	<b>20.8</b>	<b>18,831</b>	<b>0.2</b>	<b>1.8</b>	<b>236,697</b>	<b>1.7</b>	<b>22.6</b>

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

	Net debt		Net interest payments <sup>(b)</sup>	
	\$m	Per cent of GDP	\$m	Per cent of GDP
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	9.5	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	54,538	8.5	6,014	0.9
2000-01	43,465	6.3	4,855	0.7
2001-02	38,642	5.3	4,238	0.6
2002-03	30,375	3.9	3,641	0.5
2003-04	23,948	2.8	2,994	0.4
2004-05	12,453	1.4	2,463	0.3
2005-06	-5,337	-0.6	2,265	0.2
<b>2006-07</b>	<b>-30,768</b>	<b>-2.9</b>	<b>198</b>	<b>0.0</b>

(a) There is a break in the net debt and net interest payments series between 1998-99 and 1999-2000 (the first year of accrual budgeting). Up to 1998-99, Australian Government general government debt instruments are valued at historic cost. From 1999-2000, 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<sup>(a)</sup>**

	Revenue		Expenses		Net capital investment		Fiscal balance		Net worth(b)	
		Per cent		Per cent		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP	\$m	of GDP	\$m	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	22.5	170,999	21.9	-219	0.0	4,734	0.6	-53,251	-6.8
2003-04	187,924	22.4	182,371	21.7	724	0.1	4,830	0.6	-39,595	-4.7
2004-05	206,605	23.0	195,680	21.8	147	0.0	10,778	1.2	-30,279	-3.4
2005-06	221,918	23.0	206,096	21.3	1,052	0.1	14,770	1.5	-22,835	-2.4
<b>2006-07</b>	<b>237,008</b>	<b>22.7</b>	<b>219,362</b>	<b>21.0</b>	<b>2,208</b>	<b>0.2</b>	<b>15,438</b>	<b>1.5</b>	<b>-6,068</b>	<b>-0.6</b>

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

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

**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	5.5	21.0	11,556	-7.1	1.5	175,513	4.6	22.5
2003-04	175,838	3.2	20.9	12,085	0.6	1.4	187,924	3.0	22.4
2004-05	194,150	6.2	21.7	12,455	-0.9	1.4	206,605	5.8	23.0
2005-06	206,832	1.5	21.4	15,086	15.4	1.6	221,918	2.4	23.0
<b>2006-07</b>	<b>221,505</b>	<b>2.1</b>	<b>21.2</b>	<b>15,504</b>	<b>-2.1</b>	<b>1.5</b>	<b>237,008</b>	<b>1.8</b>	<b>22.7</b>

na Data not available.

**Table C6: Australian Government cash receipts, payments and cash surplus by institutional sector<sup>(a)</sup>**

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts	Payments	Underlying cash balance(b)	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus(b)
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	207,797	196,614	9,611
2004-05	203,960	190,344	13,616	29,621	28,071	1,550	225,922	209,514	15,167
2005-06	221,834	205,991	15,792	30,875	31,874	-999	244,145	229,300	14,794
<b>2006-07</b>	<b>236,697</b>	<b>217,355</b>	<b>17,208</b>	<b>16,882</b>	<b>18,641</b>	<b>-1,759</b>	<b>249,396</b>	<b>231,812</b>	<b>15,449</b>

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000, 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 from 2005-06 onwards. 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<sup>(a)</sup>**

	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
<b>2006-07</b>	<b>237,008</b>	<b>219,362</b>	<b>15,438</b>	<b>15,443</b>	<b>16,360</b>	<b>-1,763</b>	<b>248,664</b>	<b>231,935</b>	<b>13,676</b>

(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.

