

# **FINAL BUDGET OUTCOME 2007-08**

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## FOREWORD

The *Final Budget Outcome 2007-08* 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 2007-08 financial year and is based on external reporting standards.

- **Part 1** provides the general government sector budget aggregates for 2007-08 together with an analysis of the 2007-08 final budget outcome. This includes summary analysis of revenue, expenses, net capital investment, cash flows and the balance sheet (net financial worth, net worth and net debt).
- **Part 2** presents the Australian Government financial statements for 2007-08 with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) as the basis for accounting policy, except for where the Government has decided to depart because Australian Accounting Standards provide a better conceptual treatment for presenting information of relevance to users of public sector financial reports. This data covers the general government sector as well as the Australian Government public corporations sectors.
- **Part 3** provides details for 2007-08 on Australia's Federal Relations, updated from that contained in the 2008-09 Budget Paper No. 3, *Australia's Federal Relations*.
- **Appendix A** contains expenses data on a functional and sub-functional basis. Historical fiscal data are presented in **Appendix B**.



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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 2007-08, the Australian Government general government sector recorded an underlying cash surplus of \$19.7 billion, or 1.7 per cent of gross domestic product (GDP). The fiscal balance was in surplus by \$21.0 billion (1.9 per cent of GDP).

**Table 1: Australian Government general government sector budget aggregates**

	2006-07 Outcome	2007-08 Estimate at 2008-09 Budget	2007-08 Outcome
<b>Revenue (\$b)</b>	<b>278.3</b>	<b>303.8</b>	<b>303.7</b>
Per cent of GDP	26.6	26.9	26.9
<b>Expenses (\$b)</b>	<b>259.1</b>	<b>280.6</b>	<b>280.1</b>
Per cent of GDP	24.8	24.9	24.8
Net operating balance (\$b)	19.2	23.3	23.6
Net capital investment (\$b)	2.3	2.8	2.6
<b>Fiscal balance (\$b)</b>	<b>16.8</b>	<b>20.4</b>	<b>21.0</b>
Per cent of GDP	1.6	1.8	1.9
<b>Underlying cash balance (\$b)(a)</b>	<b>17.2</b>	<b>16.8</b>	<b>19.7</b>
Per cent of GDP	1.6	1.5	1.7
<i>Memorandum item:</i>			
Headline cash balance (\$b)	26.7	25.4	28.2

(a) Excludes Future Fund earnings.

In cash terms the outcome was \$2.9 billion higher than estimated at the time of the 2008-09 Budget, with total cash payments \$3.2 billion lower than expected and total cash receipts (excluding Future Fund earnings) \$0.4 billion lower than expected.

Australian Government general government sector net financial worth increased from -\$39.7 billion in 2006-07 to -\$17.8 billion at the end of 2007-08. Net worth increased from \$46.7 billion in 2006-07 to \$71.2 billion at the end of 2007-08. Over 2007-08, the level of Australian Government net debt improved to -\$42.9 billion by 30 June 2008.

## REVENUE

Total accrual revenue was \$303.7 billion in 2007-08, which is \$0.1 billion lower than the estimate in the 2008-09 Budget. This reflects lower taxation revenue of \$153 million and higher non-taxation revenue of \$34 million.

*Part 1: Australian Government Budget Outcome*

The lower taxation revenue reflected weaker than expected company taxation revenue partly offset by higher than expected tax revenue from individuals and superannuation funds.

Company taxation revenue was \$1.7 billion (2.5 per cent) below the estimate in the 2008-09 Budget. This reflects lower than expected company earnings relating to the 2007 calendar year (primarily by mining companies), which reduced tax balancing payments in the June quarter of 2008.

Tax revenue from individuals was \$1.0 billion (0.8 per cent) higher than estimated in the 2008-09 Budget. This mainly reflected stronger than expected growth in capital gains, business, and investment income from the 2006-07 income year, which was collected on assessment in 2007-08. Tax revenue from superannuation funds was \$278 million (2.4 per cent) above the 2008-09 Budget estimate reflecting both greater than expected taxable contributions earned by funds during the March quarter and higher balancing payments from the 2006-07 income year. The capital gain income and associated tax revenue from superannuation funds in 2007-08 appear to have held up better than expected at Budget despite the financial turbulence that started in late 2007.

The \$34 million increase in non-taxation revenue largely reflects a change in accounting treatment for concessional loans of \$235 million following the review foreshadowed in the 2008-09 Budget (further details can be found in Part 2). This is largely offset by lower than expected non-taxation revenue across a range of agencies.

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

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m	Change on 2008-09 Budget \$m
Individuals and other withholding taxes(a)			
Gross income tax withholding	114,610	114,700	90
Gross other individuals	30,130	31,036	906
less: Refunds	19,640	19,601	-39
Total individuals and other withholding taxation	125,100	126,135	1,035
Fringe benefits tax	3,900	3,796	-104
Superannuation funds	11,710	11,988	278
Company tax	66,480	64,790	-1,690
Petroleum resource rent tax	1,840	1,871	31
<b>Income taxation revenue</b>	<b>209,030</b>	<b>208,579</b>	<b>-451</b>
Sales taxes			
Goods and services tax	44,370	44,381	11
Wine equalisation tax	670	661	-9
Luxury car tax	440	464	24
Other sales taxes	-20	-19	1
Total sales taxes	45,460	45,486	26
Excise duty			
Petrol	6,700	6,959	259
Diesel	6,700	6,674	-26
Other fuel products	1,060	1,105	45
Crude oil and condensate	470	346	-124
Beer	1,880	1,862	-18
Potable spirits	200	205	5
Other excisable beverages(b)	850	744	-106
Tobacco	5,530	5,631	101
Total excise duty revenue	23,390	23,526	136
Customs duty			
Textiles, clothing and footwear	950	960	10
Passenger motor vehicles	1,360	1,400	40
Excise-like goods	2,410	2,451	41
Other imports	1,500	1,497	-3
less: Refunds and drawbacks	230	237	7
Total customs duty revenue	5,990	6,070	80
Other indirect taxation			
Agricultural levies	577	611	33
Other taxes	1,935	1,957	22
Total other indirect taxation revenue	2,512	2,567	55
<b>Indirect taxation revenue</b>	<b>77,352</b>	<b>77,650</b>	<b>298</b>
<b>Taxation revenue</b>	<b>286,382</b>	<b>286,229</b>	<b>-153</b>
Sales of goods and services	5,369	5,263	-106
Dividends	2,904	2,848	-56
Interest received	5,195	5,558	363
Other non-taxation revenue	3,982	3,814	-167
<b>Non-taxation revenue(c)</b>	<b>17,449</b>	<b>17,484</b>	<b>34</b>
<b>Total revenue(c)</b>	<b>303,831</b>	<b>303,713</b>	<b>-119</b>

(a) The outcome includes Medicare levy revenue of \$8,049 million.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

## EXPENSES

Total accrual expenses were \$280.1 billion in 2007-08, \$0.4 billion lower than the estimate provided in the 2008-09 Budget. The major downward variations from the 2008-09 Budget estimates for 2007-08 include:

- an overstatement at budget of the Department of Education, Employment and Workplace Relations' expenses of \$987 million following the transfer of some programs in 2007-08 from the former Departments of Education, Science and Training, and Employment and Workplace Relations;
- lower than expected expenses of \$300 million in relation to the provision of GST revenue to the States and Territories due to a weaker than expected GST receipts outcome;
- lower than estimated civilian superannuation expenses of \$268 million primarily driven by the difference in planned asset earnings, discount rate and accrual estimates used to calculate the superannuation expenses and liabilities for outcomes and revised budget estimates;
- lower than anticipated expenses of \$271 million across a range of health programs, including medical indemnity, pharmaceutical and drug related programs;
- a decrease of \$209 million in expenses for the AusLink program mainly owing to an auditing adjustment requiring certain prepayments relating to progress in 2006-07 to be expensed in that financial year, rather than in 2007-08 as previously expected;
- lower than anticipated subsidy expenses of \$99 million to providers of residential care due to lower than expected take-up of aged care places, and delays in achieving building and development milestones under the capital grants program; and
- lower than estimated expenses of \$88 million in Exceptional Circumstances drought relief payments due to lower than anticipated take-up of this demand-driven program.

The lower than expected expenses in 2007-08 are partly offset by the regular provision for underspends included in the contingency reserve at the *Mid-Year Economic and Fiscal Outlook 2007-08*.

The downward variations were partly offset by higher than expected expenses across a number of programs, including:

- a change in accounting treatment for concessional loans of \$638 million following the review foreshadowed in the 2008-09 Budget (further details can be found in

Part 2). This is offset in part by a variation of \$235 million in non-taxation revenue resulting from this change, leaving a net impact of \$403 million;

- higher than expected claims received of \$471 million under the Superannuation Co-contribution scheme owing to a larger than estimated amount of prior year claims processed late in 2007-08;
- greater than expected expenses for Fuel Tax Credits of \$250 million relating to prior years' claims and growth in fuel consumption for eligible activities;
- an increase in expenses of \$160 million in Family Tax Benefits claimed through the Australian Taxation Office, owing to higher than expected entitlement amounts and take-up rates;
- greater than expected write-offs of tax penalties of \$146 million by the Australian Taxation Office;
- higher than expected demand for a range of medical services of \$139 million, including general practitioner, enhanced primary care, operations, diagnostic imaging and pathology services;
- higher than expected growth in claims for the Research and Development Tax Offset of \$111 million; and
- higher than expected participation in private health insurance, increasing rebate payments by \$91 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**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>General public services</b>		
Legislative and executive affairs	987	961
Financial and fiscal affairs	5,849	6,102
Foreign affairs and economic aid	3,791	3,881
General research	2,522	2,146
General services	706	925
Government superannuation benefits	2,777	2,600
<b>Defence(a)</b>	17,366	17,670
<b>Public order and safety</b>	3,788	3,506
<b>Education</b>	18,620	18,433
<b>Health</b>	44,455	44,397
<b>Social security and welfare</b>	97,230	97,842
<b>Housing and community amenities</b>	3,083	2,910
<b>Recreation and culture</b>	2,826	3,207
<b>Fuel and energy</b>	5,103	5,361
<b>Agriculture, forestry and fishing</b>	4,085	3,834
<b>Mining, manufacturing and construction</b>	1,846	1,410
<b>Transport and communication</b>	4,486	4,129
<b>Other economic affairs</b>		
Tourism and area promotion	193	207
Total labour and employment affairs	4,958	4,506
Other economic affairs nec	1,315	1,213
<b>Other purposes</b>		
Public debt interest	3,538	3,544
Nominal superannuation interest	6,210	6,011
General purpose inter-governmental transactions	45,493	45,277
Natural disaster relief	99	28
Contingency reserve	-776	8
<b>Total expenses</b>	<b>280,551</b>	<b>280,109</b>

(a) From the 2008-09 Budget purchases of specialist military equipment are treated as net capital investment rather than as expenses.

## NET CAPITAL INVESTMENT

Total net capital investment for 2007-08 was \$2.6 billion, which is \$244 million lower than estimated in the 2008-09 Budget. This primarily reflects reduction in inventories of \$46 million largely owing to delays in the replacement of the National Medical Stockpile inventory, and delays in purchases of non-financial assets of \$96 million that occurred across a range of agencies.

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

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
General public services	194	372
Defence(a)	1,407	1,478
Public order and safety	152	139
Education	3	4
Health	143	46
Social security and welfare	297	175
Housing and community amenities	170	159
Recreation and culture	177	53
Fuel and energy	9	2
Agriculture, forestry and fishing	40	49
Mining, manufacturing and construction	31	9
Transport and communications	14	5
Other economic affairs	200	99
Other purposes	0	2
<b>Total net capital investment</b>	<b>2,837</b>	<b>2,593</b>

(a) From the 2008-09 Budget purchases of specialist military equipment are treated as net capital investment rather than as expenses.

## CASH FLOWS

The 2007-08 underlying cash surplus was \$19.7 billion, \$2.9 billion higher than estimated at the 2008-09 Budget. The higher than anticipated outcome was the result of lower total cash payments<sup>1</sup> of \$3.2 billion and lower total cash receipts (excluding Future Fund earnings) of \$0.4 billion.

Total cash receipts (including Future Fund earnings) were \$294.9 billion in 2007-08, around \$0.7 billion lower than the estimate in the 2008-09 Budget. This reflected a \$0.2 billion decrease in taxation receipts and a \$0.5 billion decrease in non-taxation receipts. The decrease in non-taxation receipts includes a lower than anticipated outcome for Future Fund earnings of \$0.3 billion, which are not included in the underlying cash balance.

Total tax receipts were \$160 million below the estimate in the 2008-09 Budget primarily reflecting lower than expected receipts from company tax of \$1.1 billion and GST of \$364 million, largely offset by higher than expected receipts from individuals tax of \$956 million and superannuation funds tax of \$314 million.

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1 Payments are equal to payments for operating activities, purchase of non-financial assets and net acquisition of assets under finance leases.

*Part 1: Australian Government Budget Outcome*

GST collections were lower than the estimate in the 2008-09 Budget reflecting weaker growth in taxable consumption and dwelling investment. The fall in GST receipts was not reflected in accrual revenue because of the recognition of additional accrued revenue in respect of 2007-08 and earlier income periods.

The smaller decline in company tax receipts relative to its accrual revenue equivalent was mainly due to higher provisions for refunds to taxpayers.

Tax receipts from fringe benefits tax were higher than the accrual revenue equivalent because of a delay in the payment of some refunds into 2008-09.

Total cash payments were \$271.8 billion in 2007-08, \$3.2 billion lower than estimated at the 2008-09 Budget.<sup>2</sup>

The difference between the lower than expected cash payments of \$3.2 billion and the lower than expected outcome for accrual expenses and net capital investment of \$0.7 billion primarily reflects the impact of increases in expenses that do not impact on cash payments, including:

- a change in accounting treatment for concessional loans of \$638 million following the review foreshadowed in the 2008-09 Budget (further details can be found in Part 2). This is offset in part by a variation of \$235 million in non-taxation revenue resulting from this change, leaving a net impact of \$403 million;
- higher than expected claims received of \$471 million under the Superannuation Co-contribution scheme owing to a larger than estimated amount of prior year claims being processed late in 2007-08;
- greater than expected expenses for Fuel Tax Credits of \$250 million relating to prior years' claims and growth in fuel consumption for eligible activities; and
- an increase in expenses of \$160 million in Family Tax Benefits claimed through the Australian Taxation Office, owing to higher than expected entitlement amounts and take-up rates.

These increases were partly offset by decreases in expenses that did not impact on cash payments, including:

- lower than estimated civilian superannuation expenses of \$268 million primarily driven by the difference in planned asset earnings, discount rate and accrual estimates used to calculate the superannuation expenses and liabilities for outcomes and revised budget estimates; and
- a decrease of \$209 million in expenses for the AusLink program mainly owing to an auditing adjustment requiring certain prepayments relating to progress in 2006-07 to be expensed in that financial year, rather than in 2007-08 as previously expected.

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<sup>2</sup> Payments are equal to payments for operating activities, purchase of non-financial assets and net acquisition of assets under finance leases.

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

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m	Change on 2008-09 Budget \$m
Individuals and other withholding taxes(a)			
Gross income tax withholding	113,790	113,982	192
Gross other individuals	28,800	29,525	725
/less: Refunds	19,640	19,601	-39
Total individuals and other withholding taxation	122,950	123,906	956
Fringe benefits tax	3,860	3,856	-4
Superannuation funds	11,740	12,054	314
Company tax	62,800	61,700	-1,101
Petroleum resource rent tax	1,710	1,686	-24
<b>Income taxation receipts</b>	<b>203,060</b>	<b>203,202</b>	<b>142</b>
Sales taxes			
Goods and services tax	42,788	42,424	-364
Wine equalisation tax	660	665	5
Luxury car tax	440	452	12
Other sales taxes	0	0	0
Total sales taxes	43,888	43,541	-347
Excise duty			
Petrol	7,020	7,038	18
Diesel	6,700	6,750	50
Other fuel products	1,060	1,118	58
Crude oil	400	346	-54
Beer	1,880	1,883	3
Potable spirits	200	207	7
Other excisable beverages(b)	850	752	-98
Tobacco	5,530	5,632	102
Total excise duty receipts	23,640	23,727	87
Customs duty			
Textiles, clothing and footwear	950	956	6
Passenger motor vehicles	960	1,016	56
Excise-like goods	2,410	2,451	41
Other imports	1,490	1,495	5
/less: Refunds and drawbacks	370	356	-14
Total customs duty receipts	5,440	5,561	121
Other indirect taxation			
Agricultural levies	577	611	33
Other taxes	1,930	1,734	-196
Total other indirect taxation receipts	2,508	2,345	-163
<b>Indirect taxation receipts</b>	<b>75,476</b>	<b>75,174</b>	<b>-302</b>
<b>Taxation receipts</b>	<b>278,536</b>	<b>278,376</b>	<b>-160</b>
Sales of goods and services	5,340	5,051	-289
Dividends	2,904	2,622	-282
Interest received	5,102	4,769	-333
Other non-taxation receipts	3,740	4,099	358
<b>Non-taxation receipts(c)</b>	<b>17,086</b>	<b>16,540</b>	<b>-545</b>
<b>Total receipts(c)</b>	<b>295,622</b>	<b>294,917</b>	<b>-705</b>

(a) The outcome includes Medicare levy receipts of \$8,049 million.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

**Table 6: Summary of Australian Government general government sector cash flows**

	2007-08 Estimate at 2008-09 Budget \$b	2007-08 Outcome \$b
Cash receipts		
Operating cash receipts excluding Future Fund earnings	291.7	291.3
Future Fund earnings	3.7	3.4
<i>Total operating receipts</i>	295.4	294.7
Capital cash receipts(a)	0.3	0.2
Total cash receipts	295.6	294.9
Cash payments		
Operating cash payments	267.5	264.5
Capital cash payments(b)	7.5	7.2
Total cash payments	275.1	271.7
Finance leases and similar arrangements(c)	0.0	-0.1
<b>GFS cash surplus(+)/deficit(-)</b>	<b>20.5</b>	<b>23.1</b>
Per cent of GDP	1.8	2.0
<i>less</i> Future Fund earnings	3.7	3.4
<b>Underlying cash balance(d)</b>	<b>16.8</b>	<b>19.7</b>
Per cent of GDP	1.5	1.7
<i>Memorandum items:</i>		
Net cash flows from investments in financial assets for policy purposes	4.8	5.1
<i>plus</i> Future Fund earnings	3.7	3.4
<b>Headline cash balance</b>	<b>25.4</b>	<b>28.2</b>

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

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

(c) 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.

(d) Excludes Future Fund earnings.

## NET FINANCIAL WORTH, NET WORTH AND NET DEBT

Net financial worth increased from -\$39.7 billion in 2006-07 to -\$17.8 billion at the end of 2007-08. This increase was \$8.1 billion greater than estimated at the 2008-09 Budget. This change since the budget largely reflects a reduction in the superannuation liability owing to a difference in the estimated and actual discount rate at 30 June and a higher than anticipated underlying cash surplus outcome; which was partially offset by the concessional loans variation mentioned previously (further details can be found in Part 2).

Net worth increased from \$46.7 billion in 2006-07 to \$71.2 billion at the end of 2007-08. This increase was \$10.3 billion greater than estimated at the 2008-09 Budget. In addition to the changes in net financial worth since Budget, outlined above, the change

in net worth since Budget largely reflects an increase in value of the Government's land and buildings.

Over 2007-08, the level of Australian Government net debt improved to reach -\$42.9 billion by 30 June 2008. The improvement in net debt during 2007-08 was \$0.3 billion greater than estimated at the 2008-09 Budget, largely reflecting the higher than anticipated underlying cash surplus outcome, partially offset by the concessional loans variation mentioned previously.

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

	2007-08 Estimate at 2008-09 Budget \$b	2007-08 Outcome \$b
Financial assets	183.9	187.7
Non-financial assets	86.7	88.9
<b>Total assets</b>	<b>270.6</b>	<b>276.7</b>
<b>Total liabilities</b>	<b>209.8</b>	<b>205.5</b>
<b>Net worth</b>	<b>60.8</b>	<b>71.2</b>
<b>Net financial worth(a)</b>	<b>-25.8</b>	<b>-17.8</b>
Per cent of GDP	-2.3	-1.6
<b>Net debt(b)(c)</b>	<b>-42.6</b>	<b>-42.9</b>
Per cent of GDP	-3.8	-3.8
<b>Net interest payments</b>	<b>-1.3</b>	<b>-1.0</b>
Per cent of GDP	-0.1	-0.1

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

(b) 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.

(c) Net debt includes the impact of the Future Fund rebalancing its portfolio allocation by increasing its holding of equities, which are not included in the calculation of net debt.



## PART 2: AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

The final budget outcome financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non-financial corporations sector (PNFC), the total non-financial public sector (NFPS) and the public financial corporations sector (PFC). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires the final budget outcome be based on external reporting standards and for departures from these standards to be disclosed. Final budget outcomes in previous years contained three sets of financial statements prepared according to both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS). In October 2007, the Australian Accounting Standards Board released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049), which provides for the harmonisation of ABS GFS and AAS in a single set of financial statements.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Final Budget Outcome 2007-08* have been prepared on a basis consistent with the 2008-09 Budget. This enables comparison of the 2007-08 revised estimates published at the 2008-09 Budget and the outcome. The statements reflect the Government's new accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports. The 2007-08 Budget has not been restated on this basis.

The Australian, State and Territory governments have an agreed framework – the Accrual Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with AASB 1049. The final budget outcome financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

## AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

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

		2007-08 Estimate at 2008-09 Budget	Month of June 2008(e)	2007-08 Outcome
	Note	\$m	\$m	\$m
<b>Revenue</b>				
Taxation revenue	3	286,382	19,060	286,229
Sales of goods and services	4	5,369	261	5,263
Interest income	5	5,195	712	5,558
Dividend income	5	2,904	-15	2,848
Other	6	3,982	292	3,814
<b>Total revenue</b>		<b>303,831</b>	<b>20,310</b>	<b>303,713</b>
<b>Expenses</b>				
Gross operating expenses				
Wages and salaries(a)	7	14,958	980	14,402
Superannuation	7	2,765	396	2,763
Depreciation and amortisation	8	5,320	653	5,261
Payment for supply of goods and services	9	52,586	4,822	52,336
Other operating expenses(a)	7	3,895	714	4,284
<i>Total gross operating expenses</i>		<i>79,524</i>	<i>7,565</i>	<i>79,045</i>
Superannuation interest expense	7	6,210	506	6,011
Interest expenses	10	4,118	979	4,775
Current transfers				
Current grants	11	90,040	6,077	88,864
Subsidy expenses		7,222	886	7,519
Personal benefits	12	86,170	10,365	86,795
<i>Total current transfers</i>		<i>183,432</i>	<i>17,327</i>	<i>183,178</i>
Capital transfers	11			
Mutually agreed write-downs		1,793	243	1,939
Other capital grants		5,475	485	5,161
<i>Total capital transfers</i>		<i>7,267</i>	<i>728</i>	<i>7,100</i>
<b>Total expenses</b>		<b>280,551</b>	<b>27,104</b>	<b>280,109</b>
<b>Net operating balance</b>		<b>23,280</b>	<b>-6,795</b>	<b>23,604</b>
<b>Other economic flows</b>				
Revaluation of equity(b)		-1,850	-2,412	-1,448
Net write-downs of assets (including bad and doubtful debts)		-3,117	3,088	-2,250
Assets recognised for the first time		235	-261	181
Actuarial revaluations		-1,423	1,315	1,315
Net foreign exchange gains		202	740	785
Net swap interest received		-178	-27	-180
Market valuation of debt		-662	-177	-118
Other economic revaluations(c)		-740	4,201	2,615
<b>Total other economic flows</b>		<b>-7,533</b>	<b>6,466</b>	<b>902</b>
<b>Comprehensive result - Total change in net worth</b>	13	<b>15,747</b>	<b>-329</b>	<b>24,506</b>
<b>Net operating balance</b>		<b>23,280</b>	<b>-6,795</b>	<b>23,604</b>
<b>less Net acquisition of non-financial assets</b>				
Purchases of non-financial assets		7,214	1,717	7,428
less Sales of non-financial assets		253	81	258
less Depreciation		5,320	653	5,261
plus Change in inventories		807	172	762
plus Other movements in non-financial assets		388	-189	-78
<b>Total net acquisition of non-financial assets</b>		<b>2,837</b>	<b>967</b>	<b>2,593</b>
<b>non-financial assets</b>				
<b>Fiscal balance (Net lending/borrowing)(d)</b>		<b>20,443</b>	<b>-7,762</b>	<b>21,011</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equals wages and salaries plus other operating expenses.

(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 other revaluation of assets and liabilities.

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

(e) 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 9: Australian Government general government sector balance sheet**

	Note	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Assets</b>			
Financial assets			
Cash and deposits	20(a)	1,928	1,816
Advances paid	14	24,811	21,280
Investments, loans and placements(a)	15	82,251	87,067
Other receivables	14	29,838	31,694
Equity investments			
Investments in other public sector entities		19,323	22,936
Equity accounted investments		185	223
Investments - shares		25,601	22,713
<b>Total financial assets</b>		<b>183,937</b>	<b>187,728</b>
Non-financial assets			
Land	16	6,946	7,814
Buildings		17,014	17,755
Plant, equipment and infrastructure		42,098	42,122
Inventories		6,355	6,222
Intangibles		2,290	2,300
Investment property		148	192
Biological assets		5	26
Heritage and cultural assets		8,249	8,266
Assets held for sale		156	658
Other non-financial assets		3,405	3,574
<b>Total non-financial assets</b>		<b>86,666</b>	<b>88,930</b>
<b>Total assets</b>		<b>270,603</b>	<b>276,658</b>
<b>Liabilities</b>			
Interest bearing liabilities			
Deposits held		263	343
Government securities		59,195	58,400
Loans(a)	17	6,538	8,026
Other borrowing		356	476
<b>Total interest bearing liabilities</b>		<b>66,352</b>	<b>67,244</b>
Provisions and payables			
Superannuation liability	18	108,114	100,305
Other employee liabilities	18	8,545	8,712
Suppliers payable	19	3,259	3,629
Personal benefits payable	19	10,841	11,736
Subsidies payable	19	988	1,499
Grants payable	19	4,819	4,481
Other provisions and payables	19	6,857	7,888
<b>Total provisions and payables</b>		<b>143,424</b>	<b>138,250</b>
<b>Total liabilities</b>		<b>209,776</b>	<b>205,493</b>
<b>Net worth(b)</b>		<b>60,827</b>	<b>71,165</b>
<i>Net financial worth(c)</i>		<i>-25,838</i>	<i>-17,765</i>
<i>Net financial liabilities(d)</i>		<i>45,161</i>	<i>40,701</i>
<i>Net debt(e)(f)</i>		<i>-42,639</i>	<i>-42,918</i>

(a) The movement in loans largely reflects a reclassification since Budget of swap principle payable between investments, loans and placements and loans.

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

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

(d) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

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

(f) Net debt includes the impact of the Future Fund rebalancing its portfolio allocation by increasing its holding of equities, which are not included in the calculation of net debt.

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

	2007-08 Estimate at 2008-09 Budget \$m	Month of June 2008(d) \$m	2007-08 Outcome \$m
<b>Cash receipts from operating activities</b>			
Taxes received	278,536	22,562	278,376
Receipts from sales of goods and services	5,340	143	5,051
Interest receipts	5,102	241	4,769
Dividends and income tax equivalents	2,904	-48	2,622
Other receipts	3,486	626	3,879
<b>Total operating receipts</b>	<b>295,368</b>	<b>23,525</b>	<b>294,697</b>
<b>Cash payments for operating activities</b>			
Payments for employees	-20,140	-1,314	-19,337
Payments for goods and services	-52,691	-5,905	-52,685
Grants and subsidies paid	-101,480	-6,829	-99,959
Interest paid	-3,788	-157	-3,754
Personal benefit payments	-85,768	-7,997	-85,315
Other payments	-3,651	635	-3,481
<b>Total operating payments</b>	<b>-267,519</b>	<b>-21,568</b>	<b>-264,531</b>
<b>Net cash flows from operating activities</b>	<b>27,849</b>	<b>1,957</b>	<b>30,166</b>
<b>Cash flows from investments in non-financial assets</b>			
Sales of non-financial assets	254	41	220
Purchases of non-financial assets	-7,539	-1,039	-7,164
<b>Net cash flows from investments in non-financial assets</b>	<b>-7,285</b>	<b>-998</b>	<b>-6,944</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>4,848</b>	<b>-1,471</b>	<b>5,108</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>			
Increase in investments	-26,332	914	-29,303
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-26,332</b>	<b>914</b>	<b>-29,303</b>
<b>Cash receipts from financing activities</b>			
Borrowing (net)	1,807	875	1,786
Other financing	1,897	-273	1,886
<b>Total cash receipts from financing activities</b>	<b>3,704</b>	<b>601</b>	<b>3,672</b>
<b>Cash payments for financing activities</b>			
Other financing	-2,012	-56	-2,039
<b>Total cash payments for financing activities</b>	<b>-2,012</b>	<b>-56</b>	<b>-2,039</b>
<b>Net cash flows from financing activities</b>	<b>1,693</b>	<b>546</b>	<b>1,633</b>
<b>Net increase/(decrease) in cash held</b>	<b>772</b>	<b>948</b>	<b>660</b>

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

	2007-08 Estimate at 2008-09 Budget \$m	Month of June 2008(d) \$m	2007-08 Outcome \$m
<b>Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)</b>	<b>20,564</b>	<b>959</b>	<b>23,222</b>
Finance leases and similar arrangements(b)	-32	-49	-148
<b>GFS cash surplus(+)/deficit(-)</b>	<b>20,532</b>	<b>910</b>	<b>23,073</b>
<i>less</i> Future Fund earnings	3,717	-85	3,370
<b>Equals underlying cash balance(c)</b>	<b>16,815</b>	<b>995</b>	<b>19,704</b>
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	4,848	-1,471	5,108
<i>plus</i> Future Fund earnings	3,717	-85	3,370
<b>Equals headline cash balance</b>	<b>25,380</b>	<b>-561</b>	<b>28,181</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.

(d) 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 11: Australian Government public non-financial corporations sector operating statement**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Revenue</b>		
Current grants and subsidies	79	78
Sales of goods and services	6,697	6,672
Interest income	94	101
Other	1	3
<b>Total revenue</b>	<b>6,870</b>	<b>6,854</b>
<b>Expenses</b>		
Gross operating expenses		
Depreciation	288	287
Wages and salaries(a)	2,882	2,782
Superannuation	65	104
Other operating expenses(a)	2,731	2,756
<i>Total gross operating expenses</i>	<i>5,965</i>	<i>5,929</i>
Interest expenses	47	46
Other property expenses	425	436
Current transfers		
Tax expenses	233	263
Other current transfers	0	13
<i>Total current transfers</i>	<i>233</i>	<i>276</i>
<b>Total expenses</b>	<b>6,670</b>	<b>6,686</b>
<b>Net operating balance</b>	<b>200</b>	<b>168</b>
<b>Other economic flows</b>	<b>-319</b>	<b>376</b>
<b>Comprehensive result - total change in net worth</b>	<b>-119</b>	<b>545</b>
<b>Net operating balance</b>	<b>200</b>	<b>168</b>
<b>less Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	1,145	1,075
<i>less</i> Sales of non-financial assets	<i>35</i>	<i>40</i>
<i>less</i> Depreciation	<i>288</i>	<i>289</i>
<i>plus</i> Change in inventories	<i>-2</i>	<i>17</i>
<i>plus</i> Other movements in non-financial assets	<i>-143</i>	<i>-11</i>
<b>Total net acquisition of non-financial assets</b>	<b>677</b>	<b>752</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-477</b>	<b>-584</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equals wages and salaries plus other operating expenses.

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

**Table 12: Australian Government public non-financial corporations sector balance sheet**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Assets</b>		
Financial assets		
Cash and deposits	1,127	1,147
Investments, loans and placements	1,951	1,736
Other receivables	1,030	828
Equity investments	338	322
<i>Total financial assets</i>	<i>4,446</i>	<i>4,034</i>
Non-financial assets		
Land and fixed assets	4,176	5,465
Other non-financial assets(a)	164	0
<i>Total non-financial assets</i>	<i>4,340</i>	<i>5,465</i>
<b>Total assets</b>	<b>8,786</b>	<b>9,499</b>
<b>Liabilities</b>		
Interest bearing liabilities		
Borrowing	684	725
<i>Total interest bearing liabilities</i>	<i>684</i>	<i>725</i>
Provisions and payables		
Other employee entitlements	977	1,001
Other provisions(a)	471	603
Account payables	808	661
<i>Total provisions and payables</i>	<i>2,257</i>	<i>2,266</i>
<b>Total liabilities</b>	<b>2,941</b>	<b>2,991</b>
<b>Shares and other contributed capital</b>	<b>5,845</b>	<b>6,508</b>
<b>Net worth(b)</b>	<b>5,845</b>	<b>6,508</b>
<i>Net financial worth(c)</i>	<i>1,504</i>	<i>1,043</i>
<i>Net debt(d)</i>	<i>-2,393</i>	<i>-2,159</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

(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 13: Australian Government public non-financial corporations sector cash flow statement<sup>(a)</sup>**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Cash receipts from operating activities</b>		
Receipts from sales of goods and services	7,300	7,258
GST input credit receipts	292	291
Interest receipt	94	95
Other receipts	73	74
<b>Total operating receipts</b>	<b>7,760</b>	<b>7,718</b>
<b>Cash payments for operating activities</b>		
Payment for goods and services	-3,271	-3,097
Interest paid	-47	-48
Payments to employees	-2,672	-2,859
GST payments to taxation authority	-498	-492
Other payments for operating activities	-245	-240
<b>Total operating payments</b>	<b>-6,733</b>	<b>-6,736</b>
<b>Net cash flows from operating activities</b>	<b>1,026</b>	<b>982</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	35	40
Purchases of non-financial assets	-1,136	-1,057
<b>Net cash flows from investments in non-financial assets</b>	<b>-1,101</b>	<b>-1,017</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	-1	-17
Other investing cash received	352	346
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>351</b>	<b>329</b>
<b>Cash receipts from financing activities</b>		
Borrowing (net)	-1	36
Other financing	29	1
<b>Total cash receipts from financing activities</b>	<b>28</b>	<b>36</b>
<b>Cash payments for financing activities</b>		
Dividends paid	-429	-438
<b>Total cash payments for financing activities</b>	<b>-429</b>	<b>-438</b>
<b>Net cash flows from financing activities</b>	<b>-401</b>	<b>-402</b>
<b>Net increase/(decrease) in cash held</b>	<b>-124</b>	<b>-108</b>
<b>Cash at the beginning of the year(b)</b>	<b>1,251</b>	<b>1,256</b>
<b>Cash at the end of the year</b>	<b>1,127</b>	<b>1,147</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-75</b>	<b>-35</b>
Dividends paid	-429	-438
<b>Equals surplus(+)/deficit(-)</b>	<b>-504</b>	<b>-474</b>
Finance leases and similar arrangements(c)	0	-1
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-504</b>	<b>-473</b>

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

(b) Previous year opening cash has changed since Budget.

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

**Table 14: Australian Government total non-financial public sector operating statement**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Revenue</b>		
Taxation revenue	286,149	285,966
Sales of goods and services	11,415	11,366
Interest income	5,289	5,659
Dividend income	2,479	2,412
Other	3,982	3,795
<b>Total revenue</b>	<b>309,314</b>	<b>309,199</b>
<b>Expenses</b>		
Gross operating expenses		
Depreciation	5,608	5,548
Superannuation	2,830	2,844
Wages and salaries(a)	17,840	17,184
Payment for supply of goods and services	54,666	54,523
Other operating expenses(a)	3,895	4,284
<i>Total gross operating expenses</i>	<i>84,839</i>	<i>84,382</i>
Superannuation interest expense	6,210	6,011
Other interest expenses	4,165	4,820
Current transfers		
Grant expenses	90,040	88,864
Subsidy expenses	7,143	7,441
Personal benefit payments	86,170	86,795
Other current transfers	0	13
<i>Total current transfers</i>	<i>183,353</i>	<i>183,113</i>
Capital transfers	7,267	7,100
<b>Total expenses</b>	<b>285,834</b>	<b>285,426</b>
<b>Net operating balance</b>	<b>23,480</b>	<b>23,772</b>
<b>Other economic flows</b>	<b>-7,852</b>	<b>1,279</b>
<b>Comprehensive result - Total change in net worth</b>	<b>15,628</b>	<b>25,051</b>
<b>Net operating balance</b>	<b>23,480</b>	<b>23,772</b>
<b>less Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	8,359	8,503
<i>less</i> Sales of non-financial assets	<i>283</i>	<i>298</i>
<i>less</i> Depreciation	<i>5,608</i>	<i>5,550</i>
<i>plus</i> Change in inventories	<i>805</i>	<i>779</i>
<i>plus</i> Other movements in non-financial assets	<i>241</i>	<i>-88</i>
<b>Total net acquisition of non-financial assets</b>	<b>3,513</b>	<b>3,345</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>19,967</b>	<b>20,427</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equals wages and salaries plus other operating expenses.

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

**Table 15: Australian Government total non-financial public sector balance sheet**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Assets</b>		
Financial assets		
Cash and deposits	3,055	2,963
Advances paid	24,811	21,280
Investments, loans and placements	84,202	88,803
Other receivables	30,737	32,496
Equity investments	39,602	39,686
<i>Total financial assets</i>	<i>182,407</i>	<i>185,228</i>
Non-financial assets		
Land and fixed assets	84,838	87,645
Other non-financial assets	6,168	6,750
<i>Total non-financial assets</i>	<i>91,006</i>	<i>94,395</i>
<b>Total assets</b>	<b>273,413</b>	<b>279,623</b>
<b>Liabilities</b>		
Interest bearing liabilities		
Deposits held	263	343
Government securities	59,195	58,400
Loans	6,538	8,026
Other borrowing	1,040	1,200
<i>Total interest bearing liabilities</i>	<i>67,036</i>	<i>67,969</i>
Provisions and payables		
Unfunded superannuation liability	108,114	100,306
Other employee entitlements	9,522	9,713
Other provisions	7,329	8,491
Other	20,584	21,980
<i>Total provisions and payables</i>	<i>145,549</i>	<i>140,489</i>
<b>Total liabilities</b>	<b>212,586</b>	<b>208,458</b>
<b>Shares and other contributed capital</b>	<b>5,845</b>	<b>6,508</b>
<b>Net worth(a)</b>	<b>60,827</b>	<b>71,165</b>
<i>Net financial worth(b)</i>	<i>-30,179</i>	<i>-23,230</i>
<i>Net debt(c)</i>	<i>-45,032</i>	<i>-45,077</i>

(a) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

(c) 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 16: Australian Government total non-financial public sector cash flow statement<sup>(a)</sup>**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Cash receipts from operating activities</b>		
Taxes received	278,303	278,114
Receipts from sales of goods and services	11,586	11,152
Grants and subsidies received	0	78
Interest receipts	5,195	4,863
Dividends	2,494	2,206
Other receipts	3,541	3,830
<b>Total operating receipts</b>	<b>301,119</b>	<b>300,243</b>
<b>Cash payments for operating activities</b>		
Payments for goods and services	-55,114	-54,823
Grants and subsidies paid	-101,480	-99,959
Interest paid	-3,835	-3,801
Personal benefit payments	-85,768	-85,315
Payments to employees	-22,812	-22,174
Other payments for operating activities	-3,663	-3,460
<b>Total operating payments</b>	<b>-272,673</b>	<b>-269,532</b>
<b>Net cash flows from operating activities</b>	<b>28,446</b>	<b>30,711</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	289	260
Purchases of non-financial assets	-8,675	-8,221
<b>Net cash flows from investments in non-financial assets</b>	<b>-8,386</b>	<b>-7,961</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>4,848</b>	<b>5,108</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-25,981</b>	<b>-28,974</b>
<b>Cash receipts from financing activities</b>		
Borrowing (net)	1,807	1,822
<b>Total cash receipts from financing activities</b>	<b>1,807</b>	<b>1,822</b>
<b>Cash payments for financing activities</b>		
Other financing	-86	-152
<b>Total cash payments for financing activities</b>	<b>-86</b>	<b>-152</b>
<b>Net cash flows from financing activities</b>	<b>1,721</b>	<b>1,669</b>
<b>Net increase/(decrease) in cash held</b>	<b>648</b>	<b>553</b>
<b>Cash at the beginning of the year</b>	<b>2,406</b>	<b>2,411</b>
<b>Cash at the end of the year</b>	<b>3,055</b>	<b>2,963</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>20,060</b>	<b>22,748</b>
<b>Equals surplus(+)/deficit(-)</b>	<b>20,060</b>	<b>22,748</b>
Finance leases and similar arrangements(b)	-32	-149
<b>GFS cash surplus(+)/deficit(-)</b>	<b>20,028</b>	<b>22,600</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 17: Australian Government public financial corporations sector operating statement**

	2007-08 Outcome \$m
<b>Revenue</b>	
Current grants and subsidies	142
Sales of goods and services	3,585
Interest income	5,469
Other	99
<b>Total revenue</b>	<b>9,295</b>
<b>Expenses</b>	
Gross operating expenses	
Depreciation	46
Wages and salaries(a)	420
Superannuation	10
Other operating expenses(a)	3,119
<i>Total gross operating expenses</i>	3,595
Interest expenses	3,038
Other property expenses	1,105
Current transfers	
Tax expenses	5
<i>Total current transfers</i>	5
<b>Total expenses</b>	<b>7,743</b>
<b>Net operating balance</b>	<b>1,552</b>
<b>Other economic flows</b>	<b>-431</b>
<b>Comprehensive result - Total change in net worth</b>	<b>1,121</b>
<b>Net operating balance</b>	<b>1,552</b>
<b>less Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	41
<i>less</i> Sales of non-financial assets	1
<i>less</i> Depreciation	46
<i>plus</i> Change in inventories	2
<i>plus</i> Other movements in non-financial assets	1
<b>Total net acquisition of non-financial assets</b>	<b>-2</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>1,554</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equals wages and salaries plus other operating expenses.

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

**Table 18: Australian Government public financial corporations sector balance sheet**

	2007-08 Outcome \$m
<b>Assets</b>	
Financial assets	
Cash and deposits	1,961
Investments, loans and placements	103,570
Other receivables	323
Equity investments	435
<i>Total financial assets</i>	<i>106,288</i>
Non-financial assets	
Land and other fixed assets	584
Other non-financial assets(a)	57
<i>Total non-financial assets</i>	<i>641</i>
<b>Total assets</b>	<b>106,929</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	80,761
Borrowing	11,320
<i>Total interest bearing liabilities</i>	<i>92,080</i>
Provisions and payables	
Other employee entitlements	732
Other provisions(a)	1,179
Payables	192
<i>Total provisions and payables</i>	<i>2,103</i>
<b>Total liabilities</b>	<b>94,183</b>
<b>Shares and other contributed capital</b>	<b>12,746</b>
<b>Net worth(b)</b>	<b>12,746</b>
<i>Net financial worth(c)</i>	<i>12,105</i>
<i>Net debt(d)</i>	<i>-13,451</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

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

**Table 19: Australian Government public financial corporations sector cash flow statement<sup>(a)</sup>**

	2007-08 Outcome \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	3,463
Grants and subsidies received	142
GST input credit receipts	34
Interest receipts	5,294
Other receipts	-42
<b>Total operating receipts</b>	<b>8,890</b>
<b>Cash payments for operating activities</b>	
Payment for goods and services	-3,070
Interest paid	-2,641
Payments to employees	-357
GST payments to taxation authority	-9
Other payments for operating activities	25
<b>Total operating payments</b>	<b>-6,051</b>
<b>Net cash flows from operating activities</b>	<b>2,839</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	1
Purchases of non-financial assets	-41
<b>Net cash flows from investments in non-financial assets</b>	<b>-40</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-2,113</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-2,306</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	2,246
Dividends paid	-1,106
Other financing (net)	901
<b>Net cash flows from financing activities</b>	<b>2,042</b>
<b>Net increase/(decrease) in cash held</b>	<b>421</b>
<b>Cash at the beginning of the year</b>	<b>2,228</b>
<b>Cash at the end of the year</b>	<b>2,650</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>2,799</b>
Dividends paid	-1,106
<b>Equals surplus(+)/deficit(-)</b>	<b>1,693</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>1,693</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 20: Australian Government general government sector purchase of non-financial assets by function**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
General public services	424	816
Defence(a)	4,595	4,690
Public order and safety	325	346
Education	19	20
Health	120	120
Social security and welfare	526	466
Housing and community amenities	173	194
Recreation and culture	392	249
Fuel and energy	11	4
Agriculture, forestry and fishing	68	76
Mining, manufacturing and construction	59	37
Transport and communications	74	62
Other economic affairs	428	346
Other purposes	0	4
<b>Total Government purchases of non-financial assets</b>	<b>7,214</b>	<b>7,428</b>

(a) Purchases of specialist military equipment are now treated as net capital investment rather than as expenses.

## NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

### Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) 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, 2005* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

As required by the Charter, the financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS except for departures disclosed at Note 2.

A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Table 22 in Attachment A explains the major differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

Budget reporting focuses on the general government sector (GGS). The GGS 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, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated. A list of entities within the GGS, as well as entities within and a description of the public non-financial corporations (PNFC) sector and public financial corporations (PFC) sectors, are disclosed in Table 21 in Attachment A. The statements for the GGS are derived from audit-cleared financial statements for the material agencies, with the exception of the Department of Defence and the Department of Education, Employment and Workplace Relations.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the

underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net lending/borrowing (fiscal balance), and net worth. In addition to the ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires net debt and net financial liabilities.

## **Note 2: Departures from external reporting standards**

The Charter requires that departures from applicable external reporting standards be identified. The final budget outcome financial statements depart from the external reporting standards as follows.

### **General government sector**

#### **Departures from ABS GFS**

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The financial statements currently adopt the AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the financial statements or in any reconciliation notes. Instead, the financial statements adopt the AAS treatment for circulating coins. Under this treatment seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

Under ABS GFS, prepayments are classified as financial assets. In accordance with AAS, prepayments have been classified as non-financial assets in the financial statements. This is a classification difference that impacts on net financial worth.

ABS GFS currently requires Special Drawing Rights (SDRs) liabilities to be recorded as a contingent liability. However, the ABS has reviewed this treatment and will be adopting the treatment of recording SDRs as a liability from 2009. The treatment of SDRs as a contingent liability has not been adopted in the financial statements or any reconciliation notes. The financial statements currently record SDRs as a liability. This is consistent with AAS, and also represents an early adoption of the ABS' proposed revisions to GFS from 2009 in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Currently, ABS GFS requires defence weapons platforms to be expensed. The financial statements currently record defence weapons platforms as a capital investment. This is consistent with AAS, and also represents an early adoption of the ABS' proposed revisions to GFS from 2009 in line with revised international standards

(refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Under ABS GFS, concessional loans are recognised at their nominal value, that is, they are not discounted to fair (market) value as there is not considered to be a secondary market. The ABS GFS treatment of loans has not been adopted for the final budget outcome financial statements. Consistent with AAS, loans issued at below market interest rates or long repayment periods are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense. Over the life of the loan the interest earned is recognised at market rates. This represents a change in accounting policy since the 2008-09 Budget.

#### Departures from AASB 1049

AASB 1049 is mandatory for reporting periods beginning on or after 1 July 2008. The final budget outcome financial statements have been presented on a basis consistent with the 2008-09 Budget. The following departures were made in the 2008-09 Budget and are required to be disclosed under the Charter.

AAS requires the advances paid to the International Development Association (IDA) and Asian Development Fund (ADF) to be recognised at fair value. Under ABS GFS these advances are recorded at nominal value. The ABS GFS treatment is adopted in the financial statements.

AASB 1049 requires the disclosure of the operating result and its derivation on the face of the operating statement. However, as this aggregate is not used by the Australian Government (and is not required by the UPF), it has been disclosed in Note 13 rather than on the face of the operating statement.

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. The Government is currently reviewing the practicalities and usefulness of attributing total assets to function. The ABS GFS does not require such information. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets is disclosed in Part 1. In accordance with the UPF, purchases of non-financial assets by function are also disclosed.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of items, where different, in notes to the financial statements. Reconciliation notes have not been included as they effectively create two measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained. The original budget estimates have not been restated in accordance with the new accounting framework. Explanations of variances for the 2007-08 year from the 2007-08 Budget to the Mid-Year Economic and Fiscal Outlook (MYEFO) are

disclosed in Part 4 of the *Mid-Year Economic and Fiscal Outlook 2007-08*. Explanations of variances for the 2007-08 year from MYEFO to revised budget are disclosed in Statement 3 of 2008-09 Budget Paper No. 1, *Budget Strategy and Outlook*. Explanations of variances from the 2008-09 Budget to the *Final Budget Outcome 2007-08* are disclosed in Part 1.

All decisions taken between the original budget and MYEFO are disclosed in Appendix A of the *Mid-Year Economic and Fiscal Outlook 2007-08*. Decisions taken from MYEFO to the 2008-09 Budget are disclosed in 2008-09 Budget Paper No. 2, *Budget Measures*. In addition, 2008-09 Budget Paper No. 1, *Budget Strategy and Outlook* contains detailed discussion on the estimates of revenue (Statement 5), expenses (Statement 6) and assets and liabilities (Statement 7).

AASB 1049 also requires the Final Budget Outcome (FBO) and consolidated financial statements (CFS) to be released at the same time. The Charter requires the FBO to be released before the end of three months after the end of the financial year, whereas the CFS is not released until it is audit-cleared, generally around November each year.

#### Changes in accounting policy

The 2008-09 Budget highlighted that the Australian Government was reviewing the differing treatment of concessional loans to determine the conceptually superior treatment. Under ABS GFS concessional loans are recognised at their nominal value. This treatment has been adopted in past documents. AAS requires concessional loans to be recognised at their fair value. The review concluded that AAS provides a better conceptual treatment and has been adopted for the final budget outcome financial statements. This change does not impact on the underlying cash balance.

#### **Public non-financial corporations (PNFC), public financial corporations (PFC) and total non-financial public sectors (NFPS)**

AASB 1049 defines net worth for the PNFC, PFC and NFPS sectors as total assets less total liabilities; however ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC and PFC sectors). The net financial worth of these sectors will also be different under AASB 1049 to ABS GFS, where it equals financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC, PFC and NFPS sector financial statements.

The financial statements for the PNFC, PFC and NFPS sectors comply with the UPF but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PFC and PNFC sectors will be disclosed in the consolidated financial statements.

**Note 3: Taxation revenue by type**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Income taxation</b>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	114,610	114,700
Gross other individuals	30,130	31,036
less Refunds	19,640	19,601
Total individuals and other withholding taxation	125,100	126,135
Fringe benefits tax	3,900	3,796
Superannuation funds	11,710	11,988
Company tax	66,480	64,790
Petroleum resource rent tax	1,840	1,871
<b>Total income taxation revenue</b>	<b>209,030</b>	<b>208,579</b>
<b>Indirect taxation</b>		
Sales taxes		
Goods and services tax	44,370	44,381
Wine equalisation tax	670	661
Luxury car tax	440	464
Other	-20	-19
Total sales taxes	45,460	45,486
Excise duty		
Petrol	6,700	6,959
Diesel	6,700	6,674
Other fuel products	1,060	1,105
Crude oil and condensate	470	346
Beer	1,880	1,862
Potable spirits	200	205
Other excisable beverages(b)	850	744
Tobacco	5,530	5,631
Total excise duty revenue	23,390	23,526
Customs duty		
Textiles, clothing and footwear	950	960
Passenger motor vehicles	1,360	1,400
Excise-like goods	2,410	2,451
Other imports	1,500	1,497
less Refunds and drawbacks	230	237
Total customs duty revenue	5,990	6,070
Other indirect taxation		
Agricultural levies	577	611
Other taxes	1,935	1,957
Total other indirect taxation revenue	2,512	2,567
Mirror taxes	377	385
less Transfers to States in relation to mirror tax revenue	377	385
Mirror tax revenue	0	0
<b>Total indirect taxation revenue</b>	<b>77,352</b>	<b>77,650</b>
<b>Total taxation revenue</b>	<b>286,382</b>	<b>286,229</b>

(a) Includes Medicare levy revenue of \$8,094 million.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

**Note 3(a): Taxation revenue by source**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	129,040	130,003
Income and capital gains levied on enterprises	79,990	78,577
<b>Total taxes on income, profits and capital gains</b>	<b>209,030</b>	<b>208,579</b>
Taxes on employers' payroll and labour force	372	0
Taxes on property	15	15
Taxes on the provision of goods and services		
Sales/goods and services tax	45,460	45,486
Excises and levies	24,142	24,307
Taxes on international trade	5,990	6,070
<b>Total taxes on the provision of goods and services</b>	<b>75,592</b>	<b>75,863</b>
Taxes on use of goods and performance of activities	1,373	1,772
<b>Total taxation revenue</b>	<b>286,382</b>	<b>286,229</b>

**Note 4: Sales of goods and services revenue**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
Sales of goods	1,316	1,058
Rendering of services	2,453	2,456
Operating lease rental	13	94
Other fees from regulatory services	1,587	1,656
<b>Total sales of goods and services revenue</b>	<b>5,369</b>	<b>5,263</b>

**Note 5: Interest and dividend revenue**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Interest from other governments</b>		
State and Territory debt	16	17
Housing agreements	188	166
<b>Total interest from other governments</b>	<b>204</b>	<b>184</b>
<b>Interest from other sources</b>		
Advances	28	31
Deposits	95	111
Bills receivable	6	208
Bank deposits	286	355
Indexation of HELP receivable and other student loans	374	53
Other	4,203	4,616
<b>Total interest from other sources</b>	<b>4,991</b>	<b>5,374</b>
<b>Total interest</b>	<b>5,195</b>	<b>5,558</b>
<b>Dividends</b>		
Dividends from other public sector entities	1,404	1,556
Other dividends	1,499	1,292
<b>Total dividends</b>	<b>2,904</b>	<b>2,848</b>
<b>Total interest and dividend income</b>	<b>8,099</b>	<b>8,406</b>

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

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
Industry contributions	108	224
Royalties	1,312	1,433
Seigniorage	106	92
Other	2,455	2,065
<b>Total other sources of non-taxation revenue</b>	<b>3,982</b>	<b>3,814</b>

**Note 7: Employee and superannuation expenses**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Wages and salaries expenses</b>	<b>14,958</b>	<b>14,402</b>
<b>Other operating expenses</b>		
Leave and other entitlements	1,617	2,191
Separations and redundancies	64	140
Workers compensation premiums and claims	353	321
Other	1,862	1,631
<b>Total other operating expenses</b>	<b>3,895</b>	<b>4,284</b>
<b>Superannuation expenses</b>		
Superannuation	2,765	2,763
Superannuation interest cost	6,210	6,011
<b>Total superannuation expenses</b>	<b>8,975</b>	<b>8,773</b>
<b>Total employee and superannuation expense</b>	<b>27,829</b>	<b>27,459</b>

**Note 8: Depreciation and amortisation expenses**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Depreciation</b>		
Specialist military equipment	3,203	2,685
Buildings	646	914
Other infrastructure, plant and equipment	939	1,092
Heritage and cultural assets	43	43
<b>Total depreciation</b>	<b>4,832</b>	<b>4,734</b>
<b>Total amortisation</b>	<b>488</b>	<b>526</b>
<b>Total depreciation and amortisation expense</b>	<b>5,320</b>	<b>5,261</b>

**Note 9: Payment for supply of goods and services**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
Supply of goods and services	17,906	16,992
Operating lease rental expenses	1,961	2,533
Personal benefits - indirect	26,622	27,046
Health care payments	4,694	4,680
Other	1,402	1,085
<b>Total payment for supply of goods and services</b>	<b>52,586</b>	<b>52,336</b>

**Note 10: Interest expense**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Interest on debt</b>		
Government securities	3,537	3,542
Loans	34	15
Other	106	516
<b>Total interest on debt</b>	<b>3,676</b>	<b>4,072</b>
<b>Other financing costs</b>	<b>441</b>	<b>702</b>
<b>Total interest expense</b>	<b>4,118</b>	<b>4,775</b>

**Note 11: Current and capital grants expense**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Current grants expense</b>		
State and Territory governments	69,798	69,533
Local governments	43	0
Private sector	2,333	2,066
Overseas	2,592	2,562
Non-profit organisations	1,913	4,538
Multi-jurisdictional sector	7,538	6,955
Other	5,823	3,211
<b>Total current grants expense</b>	<b>90,040</b>	<b>88,864</b>
<b>Capital grants expense</b>		
Mutually agreed write-downs	1,793	1,939
Other capital grants		
State and Territory governments	4,651	4,401
Local governments	505	554
Multi-jurisdictional sector	76	76
Other	243	129
<b>Total capital grants expense</b>	<b>7,267</b>	<b>7,100</b>
<b>Total grants expense</b>	<b>97,308</b>	<b>95,965</b>

**Note 12: Personal benefits payments**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
Social welfare - assistance to the aged	26,608	26,510
Assistance to veterans and dependants	6,155	6,119
Assistance to people with disabilities	12,883	12,947
Assistance to families with children	26,385	26,590
Assistance to the unemployed	4,272	4,371
Student assistance	474	459
Common youth allowance	2,097	2,024
Other welfare programs	1,586	2,043
Financial and fiscal affairs	286	352
Higher education	124	119
Vocational and industry training	111	1
Other	5,189	5,258
<b>Total personal benefit payments</b>	<b>86,170</b>	<b>86,795</b>

**Note 13: Operating result and comprehensive result (total change in net worth)**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Opening net worth</b>	<b>-6,068</b>	<b>-6,068</b>
Opening net worth adjustments(a)	51,149	52,727
<b>Adjusted opening net worth</b>	<b>45,080</b>	<b>46,659</b>
Net operating balance	23,280	23,604
<b>Other economic flows – Included in operating result</b>		
Net foreign exchange gains	202	785
Net gains from sale of assets	25	67
Other gains	-2,733	1,264
Swap interest	1,627	1,627
Net write-down and impairment of assets and fair value losses	-4,440	-7,280
Net losses from sale of assets	-10	39
Swap interest expense	-1,805	-1,807
<b>Total other economic flows</b>	<b>-7,135</b>	<b>-5,304</b>
<b>Operating result(b)</b>	<b>16,146</b>	<b>18,300</b>
Other economic flows - other movements in equity(c)	-398	6,206
<b>Comprehensive result</b>	<b>15,747</b>	<b>24,506</b>

(a) Change in net worth mainly arising from the recognition of GST as a Australian Government tax and a change in accounting policy for defence weapons, superannuation, concessional loans and education grants.

(b) Operating result under AEIFRS accounting standards.

(c) Other economic flows not included in the AEIFRS accounting standards operating result.

**Note 14: Advances paid and receivables**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Advances paid</b>		
Loans to State and Territory governments	3,790	3,249
Higher Education Loan Program	12,880	10,566
Student Financial Supplement Scheme	800	895
Other	7,640	6,880
<i>less</i> Provision for doubtful debts	299	310
<b>Total advances paid</b>	<b>24,811</b>	<b>21,280</b>
<b>Other receivables</b>		
Goods and services receivable	777	839
Recoveries of benefit payments	2,591	2,602
Taxes receivable	16,625	17,965
Other	12,163	12,438
<i>less</i> Provision for doubtful debts	2,318	2,149
<b>Total other receivables</b>	<b>29,838</b>	<b>31,694</b>

**Note 15: Investments, loans and placements**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
Investments - deposits(a)	76,337	36,260
IMF quota	5,547	5,480
Other(a)	367	45,327
<b>Total investments, loans and placements</b>	<b>82,251</b>	<b>87,067</b>

(a) Reflects the reclassification of Future Fund investments from deposits to other investments.

**Note 16: Total non-financial assets**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Land and buildings</b>		
Land	6,946	7,814
Buildings	17,014	17,755
<b>Total land and buildings</b>	<b>23,960</b>	<b>25,569</b>
<b>Plant, equipment and infrastructure</b>		
Specialist military equipment	32,025	32,439
Other	10,073	9,683
<b>Total plant, equipment and infrastructure</b>	<b>42,098</b>	<b>42,122</b>
<b>Intangibles</b>		
Computer software	2,182	2,198
Other	108	102
<b>Total intangibles</b>	<b>2,290</b>	<b>2,300</b>
<b>Total heritage and cultural assets</b>	<b>8,249</b>	<b>8,266</b>
<b>Total investment properties</b>	<b>148</b>	<b>192</b>
<b>Total biological assets</b>	<b>5</b>	<b>26</b>
<b>Inventories</b>		
Inventories held for sale	770	794
Inventories not held for sale	5,585	5,428
<b>Total inventories</b>	<b>6,355</b>	<b>6,222</b>
<b>Total assets held for sale</b>	<b>156</b>	<b>658</b>
<b>Other non-financial assets</b>		
Prepayments	3,050	3,380
Other	355	194
<b>Total other non-financial assets</b>	<b>3,405</b>	<b>3,574</b>
<b>Total non-financial assets</b>	<b>86,666</b>	<b>88,930</b>

**Note 17: Loans**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
Promissory notes	3,492	3,891
Special drawing rights	807	797
Other	2,240	3,338
<b>Total loans</b>	<b>6,538</b>	<b>8,026</b>

**Note 18: Employee and superannuation liabilities**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Total superannuation liability(a)</b>	<b>108,114</b>	<b>100,305</b>
<b>Other employee liabilities</b>		
Leave and other entitlements	4,689	5,184
Accrued salaries and wages	267	356
Workers compensation claims	1,538	1,554
Separations and redundancies	38	80
Other	2,012	1,537
<b>Total other employee liabilities</b>	<b>8,545</b>	<b>8,712</b>
<b>Total employee and superannuation liabilities</b>	<b>116,659</b>	<b>109,017</b>

(a) Reduction reflects the difference in the estimated and actual discount rate at 30 June.

**Note 19: Provisions and payables**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Suppliers payable</b>		
Trade creditors	2,880	3,078
Operating lease rental payable	68	122
Other creditors	310	429
<b>Total suppliers payable</b>	<b>3,259</b>	<b>3,629</b>
<b>Total personal benefits payable</b>	<b>10,841</b>	<b>11,736</b>
<b>Total subsidies payable</b>	<b>988</b>	<b>1,499</b>
<b>Grants payable</b>		
State and Territory governments	105	193
Non-profit organisations	50	20
Private sector	227	461
Overseas	508	320
Local governments	4	76
Other	3,925	3,412
<b>Total grants payable</b>	<b>4,819</b>	<b>4,481</b>
<b>Other provisions and payables</b>		
Provisions for tax refunds	1,446	2,238
Other	5,411	5,650
<b>Total other provisions and payables</b>	<b>6,857</b>	<b>7,888</b>

**Note 20: Reconciliation of cash**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Operating balance (revenues less expenses)</b>	<b>23,280</b>	<b>23,604</b>
<i>less</i> <b>Revenues not providing cash</b>		
Other	1,101	1,936
<b>Total revenues not providing cash</b>	<b>1,101</b>	<b>1,936</b>
<i>plus</i> <b>Expenses not requiring cash</b>		
Increase/(decrease) in employee entitlements	4,105	4,133
Depreciation/amortisation expense	5,320	5,261
Mutually agreed write-downs	0	1,938
Other	538	1,442
<b>Total expenses not requiring cash</b>	<b>9,963</b>	<b>12,774</b>
<i>plus</i> <b>Cash provided by working capital items</b>		
Decrease in other non-financial assets	1,094	841
Increase in benefits, subsidies and grants payable	1,142	2,233
Increase in suppliers' liabilities	94	282
Increase in other provisions and payables	204	905
<b>Total cash provided by working capital items</b>	<b>2,535</b>	<b>4,261</b>
<i>less</i> <b>Cash used by working capital items</b>		
Increase in inventories	284	532
Increase in receivables	5,547	6,467
Increase in other financial assets	597	1,537
Increase in other non-financial assets	15	0
Decrease in benefits, subsidies and grants payable	385	0
<b>Total cash used by working capital items</b>	<b>6,827</b>	<b>8,536</b>
<i>equals</i> Net cash from/(to) operating activities	27,849	30,166
<i>plus</i> Net cash from/(to) investing activities	-28,769	-31,139
<b>Net cash from operating activities and investment</b>	<b>-920</b>	<b>-973</b>
<i>plus</i> Net cash from/(to) financing activities	1,693	1,633
<b>equals Net increase/(decrease) in cash</b>	<b>772</b>	<b>660</b>
<b>Cash at the beginning of the year</b>	<b>1,156</b>	<b>1,156</b>
Net increase/(decrease) in cash	772	660
<b>Cash at the end of the year</b>	<b>1,928</b>	<b>1,816</b>

**Note 20(a): Consolidated Revenue Fund**

	2007-08 Estimate at 2008-09 Budget \$m	2007-08 Outcome \$m
<b>Total general government sector cash</b>	1,928	1,816
<i>less</i> CAC Agency cash balances	1,030	931
<i>plus</i> Special public monies	132	133
<b>Balance of Consolidated Revenue Fund at 30 June</b>	<b>1,030</b>	<b>1,018</b>

The cash balances reflected in the balance sheet for the Australian Government GGS (Table 9) include 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 GGS 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 above.

## Attachment A

### FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the final budget outcome (FBO) to be based on external reporting standards. FBOs in previous years contained three sets of financial statements prepared according to both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS). The Australian Accounting Standards Board (AASB) released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Final Budget Outcome 2007-08* have been prepared on a basis consistent with the 2008-09 Budget. This enables comparison of the 2007-08 revised estimates published at the 2008-09 Budget and the outcome. The statements reflect the Government's new accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports. The 2007-08 Budget has not been restated on this basis.

AASB 1049 and the Accrual Uniform Presentation Framework (UPF) also provide a basis for reporting of public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

#### General Government Sector Financial Reporting (AASB 1049)

The final budget outcome primarily focuses on the financial performance and position of the GGS. The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. Pursuant to AAS, the GGS has recently been recognised as a reporting entity.

#### AASB 1049 history and conceptual framework

The AASB released AASB 1049 for application from the 2008-09 financial year. AASB 1049 attempts to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial

position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting and budget outcome reporting focuses on the GGS.

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
  - to allow the presentation of a single set of financial statements in accordance with AASB 1049 the ABS GFS statement of other flows has been incorporated into the operating statement;
- a balance sheet, which also shows net worth, net financial worth and net financial liabilities; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

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 notes and other disclosures required by AAS are included in the annual consolidated financial statements.

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.<sup>1</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, exchange rates and changes in volumes from discoveries, depletion and destruction. All other economic flows are reported in the operating statement.

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1 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.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

### **Operating statement**

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

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar 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 owing 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.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government GGS arise from price movements in its assets and liabilities.

### **Fiscal balance**

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.<sup>2</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

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2 The net operating balance includes consumption of non-financial assets because depreciation is an 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.

contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

### **Balance sheet**

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

### **Net worth**

The net worth of the GGS, PNFC and PFC sectors are defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where 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.

### **Net financial worth**

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets less liabilities less shares less other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

### **Net financial liabilities**

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of governments results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

### **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).<sup>3</sup> 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.

### 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 specifically identified because cash management is considered an integral function of accrual budgeting.

### Underlying cash balance

The underlying cash balance plus Future Fund earnings (ABS GFS cash 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 GGS, 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>
ABS GFS cash surplus/deficit
<i>less</i>
Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future superannuation payments and are therefore not available for current spending.

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3 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

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.

However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 10 of this statement and the historic tables in Appendix B.

### **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 Program (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

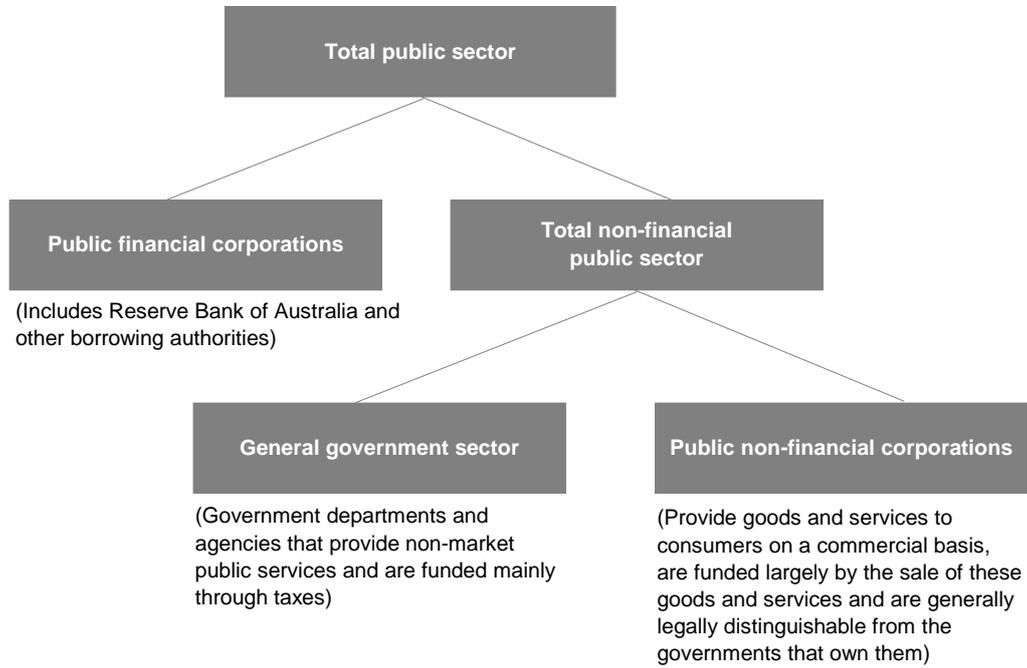
### **Sectoral classifications**

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure 1. ABS GFS defines the GGS and the PNFC and PFC sectors. In accordance with the ABS GFS, AASB 1049 has also adopted this sectoral reporting.

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

**Figure 1: Institutional structure of the public sector**



**Table 21: Entities within the sectoral classifications**

<b>General government sector entities</b>
<p><b>Agriculture, Fisheries and Forestry Portfolio</b></p> <p>Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Australian Wine and Brandy Corporation, Biosecurity Australia, Cotton Research and Development Corporation, Dairy Adjustment Authority, Department of Agriculture, Fisheries and Forestry, Wheat Exports Australia, Forest and Wood Products Australia Ltd, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Land and Water Australia, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation.</p>
<p><b>Attorney-General's Portfolio</b></p> <p>Administrative Appeals Tribunal, Attorney-General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs Service, Australian Federal Police, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre (AUSTRAC), Criminology Research Council, Crimtrac, Family Court of Australia, Federal Court of Australia, Federal Magistrates Court of Australia, High Court of Australia, Human Rights and Equal Opportunity Commission, Insolvency and Trustee Service Australia, National Capital Authority, National Native Title Tribunal, Office of Parliamentary Counsel, Office of the Commonwealth Director of Public Prosecutions</p>
<p><b>Broadband, Communications and the Digital Economy Portfolio</b></p> <p>Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and Digital Economy, Special Broadcasting Service Corporation</p>
<p><b>Defence Portfolio</b></p> <p>Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Ltd, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans Affairs, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund</p>
<p><b>Education, Employment and Workplace Relations Portfolio</b></p> <p>Australian Fair Pay Commission Secretariat, Australian Industrial Registry, Comcare, Department of Education, Employment and Workplace Relations, Office of the Australian Building and Construction Commissioner, Office of the Workplace Ombudsman, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority), Teaching Australia – Australian Institute for Teaching and School Leadership Ltd, The Carrick Institute for Learning and Teaching In Higher Education Ltd, Workplace Authority</p>

**Table 21: Entities within the sectoral classifications (continued)**

<b>General government sector entities (continued)</b>
<p><b>Environment, Water, Heritage and the Arts Portfolio</b></p> <p>Australia Business Arts Foundation Ltd, Australia Council, Australian Film Commission, Australian Film, Television and Radio School, Australian National Maritime Museum, Bundanon Trust, Bureau of Meteorology, Department of Environment, Water, Heritage and the Arts, Film Australia Ltd, Great Barrier Reef Marine Park Authority, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Water Commission, Sydney Harbour Federation Trust, The Director of National Parks</p>
<p><b>Family, Housing, Community Services and Indigenous Affairs Portfolio</b></p> <p>Aboriginal Hostels Ltd, Anindilyakwa Land Council, Central Land Council, Department of Family, Housing, Community Services and Indigenous Affairs, Equal Opportunity for Women in the Workplace Agency, Indigenous Business Australia, Indigenous Land Corporation, Northern Land Council, Tiwi Land Council, Torres Strait Regional Authority, Wreck Bay Aboriginal Community Council</p>
<p><b>Finance and Deregulation Portfolio</b></p> <p>Australian Electoral Commission, Australian Reward Investment Alliance, Comsuper, Department of Finance and Deregulation, Future Fund Management Agency, Telstra Sale Company Ltd</p>
<p><b>Foreign Affairs and Trade Portfolio</b></p> <p>AusAid, Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account<sup>(a)</sup></p>
<p><b>Health and Ageing Portfolio</b></p> <p>Aged Care Standards and Accreditation Agency Ltd, Australian Institute of Health and Welfare, Australian Radiation Protection and Nuclear Safety Agency, Australian Sports Anti-Doping Authority, Australian Sports Commission, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Ltd, National Blood Authority, National Health and Medical Research Council, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review Scheme</p>
<p><b>Human Services Portfolio</b></p> <p>Centrelink (Commonwealth Service Delivery Agency), Department of Human Services, Medicare Australia</p>
<p><b>Immigration and Citizenship Portfolio</b></p> <p>Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal</p>

**Table 21: Entities within the sectoral classifications (continued)**

<b>General government sector entities (continued)</b>
<p><b>Infrastructure, Transport, Regional Development and Local Government Portfolio</b>                      Australian Maritime Safety Authority, Civil Aviation Safety Authority, Department of Infrastructure, Transport, Regional Development and Local Government, Maritime Industry Finance Company</p>
<p><b>Innovation, Industry, Science and Research Portfolio</b>                      Australia Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australia Nuclear Science and Technology Organisation, Australia Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Innovation, Industry, Science and Research, IP Australia, IIF Bioventures Pty Ltd, IIF (CM) Investments Pty Ltd, IIF Foundation Pty Ltd, IIF Investments Pty Ltd, IIF Neo Pty Ltd</p>
<p><b>Prime Minister and Cabinet Portfolio</b>                      Australian Institute of Family Studies, Australian National Audit Office, Australian Public Service Commission, Department of the Prime Minister and Cabinet, National Archives of Australia, National Australia Day Council (Company Ltd By Guarantee), Office of the Commonwealth Ombudsman, Office of National Assessments, Office of the Inspector-General of Intelligence and Security, Office of the Official Secretary to the Governor General, Office of the Privacy Commissioner, Department of Climate Change, Office of Renewable Energy Regulator</p>
<p><b>Resources, Energy and Tourism Portfolio</b>                      Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia</p>
<p><b>Treasury Portfolio</b>                      Auditing and Assurance Standards Board, Australian Accounting Standards Board, Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, Inspector General of Taxation, National Competition Council, Productivity Commission, Royal Australian Mint</p>
<p><b>Parliamentary Departments</b>                      Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate</p>

**Table 21: Entities within the sectoral classifications (continued)**

<b>Public financial corporations</b>
<i>Environment, Water, Heritage and the Arts Portfolio</i>
Film Finance Corporation Australia Ltd
<i>Education, Employment and Workplace Relations Portfolio</i>
Coal Mining Industry (Long Service Leave Funding) Corporation
<i>Finance and Deregulation Portfolio</i>
Australian Industry Development Corporation, Medibank Private Ltd
<i>Foreign Affairs and Trade Portfolio</i>
Export Finance and Insurance Corporation
<i>Treasury Portfolio</i>
Australia Re-insurance Pool Corporation, Reserve Bank of Australia
<b>Public non-financial corporations</b>
<i>Attorney-General's Portfolio</i>
Australian Government Solicitor
<i>Broadband, Communications and the Digital Economy Portfolio</i>
Australian Postal Corporation
<i>Finance and Deregulation Portfolio</i>
Australian River Co. Ltd, Australian Submarine Corporation Pty Ltd, Australian Technology Group Ltd
<i>Human Services Portfolio</i>
Australian Hearing Services, Health Services Australia Ltd
<i>Infrastructure, Transport, Regional Development and Local Government Portfolio</i>
Airservices Australia, Australian Rail Track Corporation Ltd

(a) This entity was reclassified from the PFC sector to the GGS at the *Mid-Year Economic and Fiscal Outlook 2007-08*.

### **Differences between ABS GFS and AAS framework (AASB 1049)**

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues, expenses and their presentation,

measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transaction or 'other economic flow' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.<sup>6</sup>

Some of the major differences between AASB 1049 and the ABS GFS treatments of transactions are outlined in Table 22. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

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6 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).

**Table 22: Major differences between AAS and ABS GFS**

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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. ABS is updating its treatment from 2009 and will align with AAS.	AAS, early adoption of ABS GFS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coin (seigniorage) is treated as revenue.	Circulating coin is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Special Drawing Rights (SDRs)	SDRs currency issued by the International Monetary Fund (IMF) is treated as a liability.	SDR currency issued by the IMF is treated as a contingent liability. ABS is updating its treatment and will align with AAS.	AAS, early adoption of ABS GFS
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Creating provisions is not considered an economic event and therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to IDA/ADF	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
<b>Fiscal aggregates differences</b>			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
<b>Classification difference</b>			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	AAS

## Attachment B

### 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 23, the Australian Government's 2007-08 LCA final budget outcome is a \$27,123 million surplus. This compares with the Australian Government's 2007-08 LCA Budget estimate of a \$17,905 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 2007-08 LCA outcome exceeds the 2 per cent tolerance limit. This change is due to higher than expected surpluses in the General Government sector, influenced by higher than expected revenues and lower than expected expenses.

**Table 23: Australian Government Loan Council Allocation**

	2007-08 Budget Estimate \$m	2007-08 Outcome \$m
GG sector cash surplus(-)/deficit(+)	-13,632	-23,222
PNFC sector cash surplus(-)/deficit(+)	756	474
NFPS cash surplus(-)/deficit(+)(a)	-12,876	-22,748
Acquisitions under finance leases and similar arrangements	-4	-149
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	-12,872	-22,600
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(b)	4,652	5,108
<i>plus</i> Memorandum items(c)	-382	585
<b>Loan Council Allocation</b>	<b>-17,905</b>	<b>-27,123</b>

- (a) May not directly equate to the sum of the GG sector and the PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.
- (b) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as which they are reported in cash flow statements. 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.
- (c) For the Commonwealth's Loan Council Allocation outcome, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million) and the over-funding of superannuation.



## PART 3: AUSTRALIA'S FEDERAL RELATIONS

This part provides information on payments for specific purposes and general revenue assistance, including GST payments, provided to the States and Territories (the States). More detailed information about payment arrangements is provided in Budget Paper No. 3, *Australia's Federal Relations 2008-09*.

### OVERVIEW OF PAYMENTS TO THE STATES

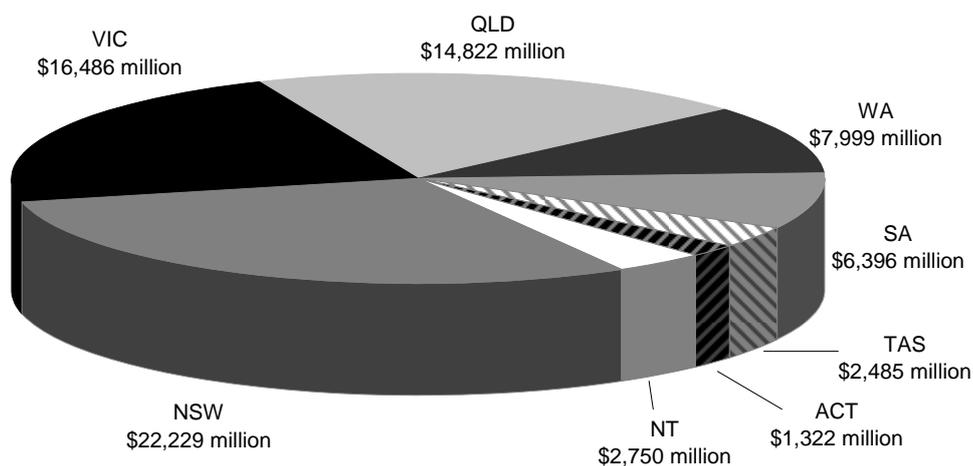
The States receive significant financial support from the Commonwealth. In 2007-08, the Commonwealth provided the States with general revenue assistance, including all GST revenue, of \$42.5 billion and payments for specific purposes of \$32.0 billion, totalling \$74.5 billion, as shown in Table 24. This represents a 9.4 per cent increase compared with 2006-07.

**Table 24: Commonwealth payments to the States, 2007-08**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2007-08</b>									
Payments for specific purposes	10,287	7,227	6,272	3,931	2,480	820	476	543	32,036
General revenue assistance	11,942	9,259	8,549	4,068	3,917	1,665	846	2,207	42,453
<b>Total payments to the States</b>	<b>22,229</b>	<b>16,486</b>	<b>14,822</b>	<b>7,999</b>	<b>6,396</b>	<b>2,485</b>	<b>1,322</b>	<b>2,750</b>	<b>74,489</b>

Chart 1 shows the state shares of total payments from the Commonwealth in 2007-08.

**Chart 1: State shares of Commonwealth Payments, 2007-08**

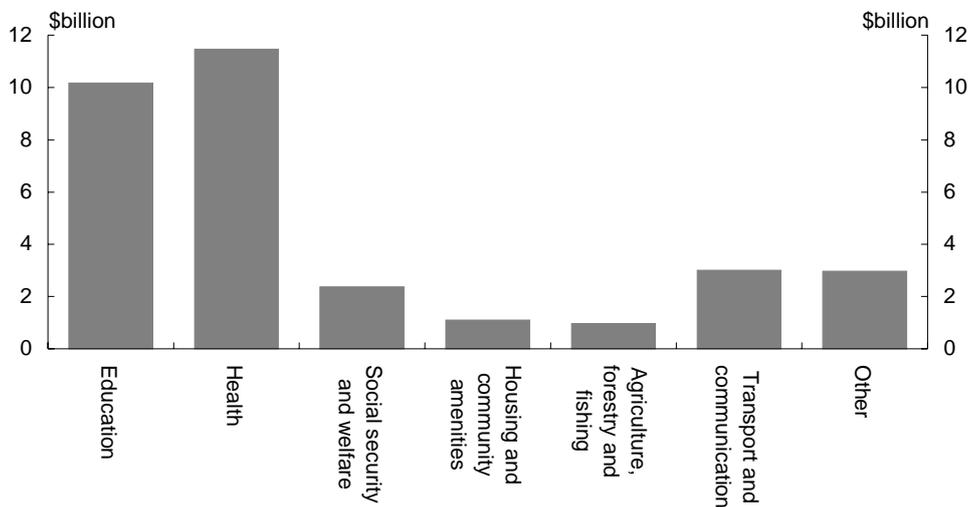


## PAYMENTS FOR SPECIFIC PURPOSES

The Commonwealth provides payments to the States for specific purposes in order to pursue important national policy objectives in areas that may be administered by the States. Payments to the States for specific purposes constitute a significant proportion of Commonwealth expenditure – 11.4 per cent of total Commonwealth expenditure in 2007-08.

These payments cover most functional areas of state and local government activity – including education, health, social security and welfare, housing and community amenities, and transport and communication – as illustrated in Chart 2.

**Chart 2: Composition of payments for specific purposes, 2007-08**



In 2007-08, the States received \$32.0 billion in payments for specific purposes, an increase of 12.2 per cent compared with the \$28.5 billion the States received in 2006-07. Total payments for specific purposes by function are shown in Table 25.

**Table 25: Payments for specific purposes**

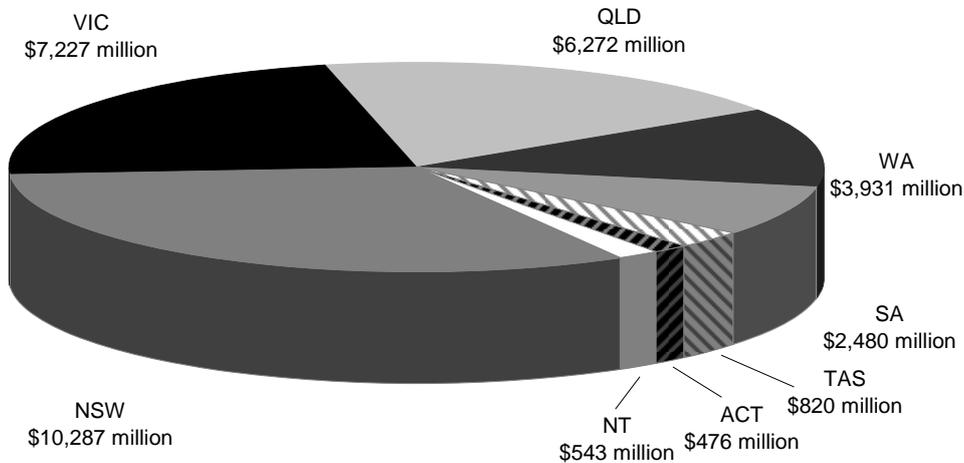
\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
General public services	-	-	..	-	-	..	-	-	0
Public order and safety	4	3	3	16	15	6	4	5	55
Education	3,305	2,506	1,989	1,007	800	238	179	152	10,175
Health	3,796	2,751	2,232	1,120	924	277	159	200	11,458
Social security and welfare	741	551	471	232	213	69	37	57	2,372
Housing and community amenities	354	248	198	101	100	45	31	22	1,099
Recreation and culture	18	2	2	2	16	24	..	1	65
Fuel and energy	29	10	7	10	4	1	-	7	68
Agriculture, forestry and fishing	473	155	172	63	67	28	2	4	963
Transport and communication	938	532	822	378	203	71	2	56	3,001
Other economic affairs	..	..	-	-	-	-	-	-	0
Other purposes	628	469	376	1,004	138	62	61	39	2,779
<b>Total payments for specific purposes</b>	<b>10,287</b>	<b>7,227</b>	<b>6,272</b>	<b>3,931</b>	<b>2,480</b>	<b>820</b>	<b>476</b>	<b>543</b>	<b>32,036</b>
<i>less</i> payments 'through' the States	1,868	1,511	1,140	584	475	136	113	58	5,885
<i>less</i> financial assistance grants for local government	563	419	347	207	123	58	37	25	1,781
<i>less</i> payments direct 'to' local government	164	110	87	81	64	22	..	26	554
Total payments 'to' States for own-purpose expenses	7,692	5,187	4,698	3,059	1,817	604	325	433	23,815

Of the \$32.0 billion provided for specific purposes in 2007-08:

- \$23.8 billion was provided 'to' the States to help fund State government functions;
- \$5.9 billion was paid 'through' the States, where the State governments distribute the payments to other organisations – this includes payments for non-government schools;
- \$1.8 billion was provided as financial assistance grants for local governments; and
- \$554 million was paid to direct to local governments.

Chart 3 shows the state shares of payments for specific purposes from the Commonwealth in 2007-08.

**Chart 3: State shares of payments for specific purposes, 2007-08**



Detailed tables of payments for specific purposes for 2007-08, including state shares of each payment, are provided in Attachment A.

### **Payments to local governments**

The Commonwealth provides a financial contribution to local governments to enhance their capacity to provide services to the community. Funding is paid through the States to be passed on to local government, as well as directly to local government. In 2007-08, total payments to local government were \$2.3 billion.

### **Financial assistance grants to local governments**

The Commonwealth provided \$1.8 billion in financial assistance grants to local governments in 2007-08, an increase of \$92 million (5.4 per cent) from 2006-07. Table 26 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 2007-08 grants were based on an estimated escalation factor of 1.0455 and incorporated an underpayment of \$2.4 million in respect of 2006-07.

**Table 26: Financial assistance grants to local government (cash), 2007-08**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
General purpose assistance	401.6	302.6	242.1	121.9	92.3	28.8	19.7	12.5	1,221.4
Untied local road funding	157.2	111.7	101.5	82.9	29.8	28.7	17.4	12.7	542.0
plus 2006-07 underpayment(a)	-1.9	1.1	2.0	0.2	0.5	0.0	0.3	0.2	2.4
Total(b)	556.9	415.5	345.7	205.0	122.6	57.5	37.4	25.4	1,765.8

(a) There was an underpayment in 2006-07 because the estimated escalation factor of 1.0406 was less than the final factor of 1.0421. A balancing adjustment of \$2.4 million was paid in 2007-08.

(b) Total financial assistance grants are the actual cash payment that each 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 25 and Table 34, which are prepared on an accrual basis.

The final 2007-08 escalation factor as determined by the Treasurer, on the basis of the Australian Statistician's determination of population and the All Groups Consumer Price Index, is 1.0571. The difference between the estimated and the final escalation factor for 2007-08 has resulted in an underpayment of \$19.6 million in 2007-08 for which there will be an adjustment in 2008-09, as provided for under the *Local Government (Financial Assistance) Act 1995*.

### Payments for specific purposes direct to local governments

The Commonwealth provides payments for specific purposes 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 \$554 million in 2007-08. They mainly comprised AusLink funding, which assists local councils with upgrading and maintenance works on local roads.

Detailed tables of payments for specific purposes to local governments for 2007-08, including state shares of each payment, are provided in Attachment A.

## GENERAL REVENUE ASSISTANCE

General revenue assistance is a broad category of payments, including GST payments, which are provided to the States without conditions, to spend according to their own budget priorities. In 2007-08, total general revenue assistance to the States represented 15.2 per cent of total Commonwealth expenditure.

In 2007-08, the States received \$42.5 billion in general revenue assistance from the Commonwealth, as shown in Table 27, comprising \$42.3 billion in GST payments and \$123 million of other general revenue assistance. This is a 7.3 per cent increase in general revenue assistance, compared with the \$39.6 billion the States received in 2006-07.

**Table 27: General revenue assistance**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
GST payments	11,916	9,249	8,549	3,984	3,914	1,665	846	2,207	42,330
Other payments									
Budget balancing assistance	-	-	-	-	-	-	-	-	0
National Competition Policy payments	26	10	-	4	3	-	-	-	43
Compensation									
Crude oil excise condensate	-	-	-	80	-	-	-	-	80
GST policy decisions	-	-	-	-	-	-	-	-	0
Total other	26	10	-	84	3	-	-	-	123
Total general revenue assistance	11,942	9,259	8,549	4,068	3,917	1,665	846	2,207	42,453

## GST payments

### Reconciling GST revenue and GST payments to the States

In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Commonwealth administers the GST on behalf of the States and all GST revenue is paid to the States. This provides the States with a robust, secure and growing source of revenue to spend according to their own budget priorities. In 2007-08, GST revenue was \$44.4 billion – an increase of \$3.4 billion (8.2 per cent) from 2006-07.

The Commissioner of Taxation estimates the level of GST receipts in June, prior to the end of each financial year. That estimate forms the basis of GST payments to the States for that financial year. A balancing adjustment is usually made in the following financial year to ensure that the States receive their full entitlement of GST payments for a financial year.

GST revenue for a financial year also varies from the amount of GST payments to the States for that year because of:

- GST revenues which are recognised on a Commonwealth whole of government basis, but are not recognised by the Commissioner of Taxation in his June determination, because the revenues will not be remitted to the Australian Taxation Office until the following financial year; and
- penalties, other than general interest charge penalties, which are not included in the definition in the *Intergovernmental Agreement* of GST to be paid to the States.

The reconciliation of GST revenue and GST payments to the States is provided in Table 28.

**Table 28: GST revenue and GST payments to the States**

\$million	2007-08
GST revenue	44,381
less change in GST receivables	1,957
GST receipts	42,424
less non-GIC penalties collected(a)	110
less GST collected by Commonwealth agencies but not yet remitted to the ATO(b)	-85
plus variation from the Commissioner's determination(c)	-49
plus prior year balancing adjustment(d)	-20
GST payments to the States	42,330

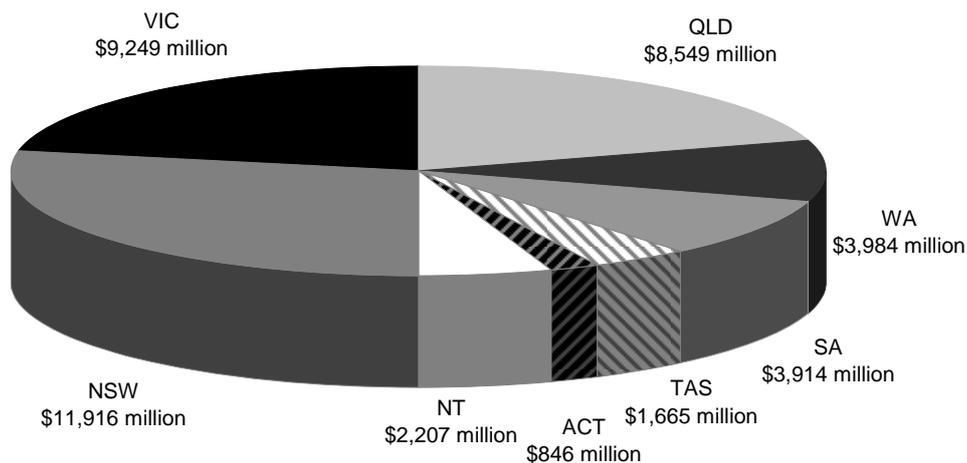
- (a) General interest charge (GIC) penalties are defined in the *Intergovernmental Agreement* as being a part of the Commonwealth's GST revenue that is paid to the States. However, while other GST related penalties are also recognised in the Commonwealth's GST revenue, non-GIC penalties are not defined in the *Intergovernmental Agreement* as being a part of the GST revenue that is paid to the States.
- (b) This is the GST component of sales by Commonwealth agencies which has been collected by those agencies but which, as at 30 June in each year, will not have been remitted to the Australian Taxation Office, because it is not due to be paid until the next Business Activity Statement is lodged (typically on 21 July in the following financial year).
- (c) The Commissioner's determination for 2007-08 was \$49 million lower than the final outcome. This underpayment will be paid in 2008-09.
- (d) The Commissioner's determination for 2006-07 was \$20 million higher than the final outcome. This overpayment was recovered in 2007-08.

#### Distribution of GST payments among the States

As agreed by all States in the *Intergovernmental Agreement*, GST payments are distributed among the States in accordance with the principle of horizontal fiscal equalisation and having regard to the recommendations of the Commonwealth Grants Commission.

State shares of GST payments for 2007-08 are shown in Chart 4.

**Chart 4: State shares of GST payments, 2007-08**



### GST relativities

The Commission recommends state revenue sharing relativities (the GST relativities) to be used in calculating each State's share of GST payments such that, if each State made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each State would have the capacity to provide services at the same standard.

The GST relativities for 2007-08 were endorsed by the Ministerial Council for Commonwealth-State Financial Relations in March 2007. The relativities for 2007-08 are shown in Table 29.

**Table 29: GST relativities**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2007-08	0.89079	0.90096	1.00607	0.94747	1.20791	1.54465	1.16293	4.36824

### Applying the GST relativities to the GST pool

The *Intergovernmental Agreement* defines the GST pool for a financial year to consist of GST payments plus health care grants provided by the Commonwealth under the Australian Health Care Agreements. Some health care grants are quarantined from the GST pool.

The GST relativities are applied to estimated state populations in order to determine an adjusted population for each State. Each State's share of the adjusted population is then applied to the combined pool of GST payments and unquarantined health care grants to estimate weighted shares of the GST pool. The final distribution of GST payments 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. The calculations for the distribution of the GST pool are shown in Table 30.

**Table 30: Distribution of the GST pool, 2007-08**

	Estimated 31 December population	State revenue sharing relativities	Adjusted population (1) x (2)	Share of adjusted population per cent	Share of GST pool \$million	Unquarantined health care grants \$million	GST payments (5) - (6) \$million
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,926,990	0.89079	6,170,493	29.1	15,015.2	3,099.4	11,915.9
VIC	5,246,079	0.90096	4,726,507	22.3	11,501.4	2,252.5	9,248.9
QLD	4,228,290	1.00607	4,253,956	20.1	10,351.5	1,802.3	8,549.3
WA	2,130,797	0.94747	2,018,866	9.5	4,912.7	928.7	3,984.0
SA	1,591,930	1.20791	1,922,908	9.1	4,679.2	765.6	3,913.6
TAS	495,772	1.54465	765,794	3.6	1,863.5	198.6	1,664.9
ACT	340,818	1.16293	396,347	1.9	964.5	118.2	846.2
NT	217,559	4.36824	950,350	4.5	2,312.6	105.4	2,207.2
Total	21,178,235	n/a	21,205,223	100.0	51,600.6	9,270.6	42,330

## GST administration costs

Because the GST has a national tax base, the *Intergovernmental Agreement* provides for the Australian Taxation Office to administer the GST on behalf of the States. As all GST revenue is provided to the States, the States compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office in administering the GST, as shown in Table 31.

**Table 31: GST administration**

\$million	Actual	
	2006-07	2007-08
Australian Taxation Office budget	618.5	633.0
less prior year adjustment	-0.3	32.8
<i>equals</i> State government administration payments	618.8	600.2
less Australian Taxation Office outcome(a)	585.7	631.4
<b><i>equals</i> Commonwealth budget impact</b>	<b>33.1</b>	<b>-31.2</b>
<i>plus</i> prior year adjustment	-0.3	32.8
<i>equals</i> following year adjustment	32.8	1.6

(a) Preliminary outcome for 2007-08 pending confirmation by the Australian National Audit Office.

In March 2007, the Ministerial Council for Commonwealth-State Financial Relations agreed to a GST administration budget of \$636.0 million for 2007-08. This was subsequently revised to \$633.0 million owing to a lower revised estimate of the costs.

The preliminary outcome for the 2007-08 GST administration expenses of \$631.4 million differs from the amount paid by the States and the prior year adjustment by \$1.6 million. Once the outcome for GST administration in 2007-08 is audited, any adjustment required because of this difference will be incorporated into the States' administration costs for 2008-09.

## Other general revenue assistance

### Budget balancing assistance

In the *Intergovernmental Agreement*, the Commonwealth guaranteed that the budget position of each State would be no worse than it would have been had tax reform not been implemented. The guaranteed minimum amount is an estimate of the revenue that each State would have received under the previous system of Commonwealth grants and if their own taxes had not been abolished as part of the reforms.

The Commonwealth will pay budget balancing assistance to the States during the transitional period (which will expire on 30 June 2009) if a State's share of GST payments in a financial year is less than its guaranteed minimum amount for that year. No budget balancing assistance is payable when GST revenue exceeds the guaranteed minimum amount.

In 2008-09, all States will receive GST payments that exceed their guaranteed minimum amount, as shown in Table 32. Consequently, no State will require budget balancing assistance.

**Table 32: Guaranteed minimum amount, GST payments and budget balancing assistance, 2007-08(a)**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Guaranteed minimum amount	11,305	8,488	7,681	3,564	3,634	1,549	754	2,080	39,054
GST payments	11,916	9,249	8,549	3,984	3,914	1,665	846	2,207	42,330
Budget balancing assistance	0	0	0	0	0	0	0	0	0

(a) No budget balancing assistance is payable when GST revenue exceeds the guaranteed minimum amount. As part of the agreement with the States to abolish most of the state taxes listed for review under the *Intergovernmental Agreement*, the Commonwealth has extended the transitional period (in which budget balancing assistance may be paid) from 30 June 2006 to 30 June 2009.

### National Competition Policy payments

Between 1997-98 and 2005-06, the Commonwealth provided National Competition Policy payments to the States for implementing National Competition Policy and related reforms.

In 2005-06, the Commonwealth suspended \$43.2 million in 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 Commonwealth lifted the suspensions following a subsequent recommendation by the National Water Commission that satisfactory progress by the States in implementing their water reform commitments had been achieved.

Consequently, the suspended payments of \$43.2 million were paid in 2007-08. These payments are the final payments under the previous National Competition Policy arrangements.

### Compensation

#### Compensation for impact on royalties of excise amendment

The Commonwealth is removing the current exemption of condensate from crude oil excise. This will result in a consequential reduction in revenue from the offshore petroleum royalty.

As the Commonwealth pays two thirds of the royalty revenues to Western Australia, the Government decided to provide compensation for the loss of royalty revenue. An initial payment of \$80 million was made to Western Australia in 2007-08, with payments in subsequent years calculated to equal the impact on Western Australia's share of royalties of removing the condensate exemption.

### GST compensation for small business concession

In 2004-05, the Commonwealth and the States agreed to allow small businesses and non profit organisations which voluntarily registered for the GST to pay and report GST on an annual rather than monthly or quarterly basis. The measure was designed to reduce the compliance costs faced by these organisations and has the effect of deferring some GST revenue from one financial year to the next. The Commonwealth agreed to compensate the States for this deferral of GST revenue.

The Commonwealth and the States agreed that the annual payments should be suspended from 2006-07 because final tax return data indicated that the impact of the measure on GST revenue was much lower than forecast. Consequently, no compensation payments were made in 2007-08.

## **Attachment A**

### **PAYMENTS TO THE STATES**

This attachment provides accrual estimates of Commonwealth payments to the States and local governments. This includes Commonwealth advances (loans) to the States, including new advances, interest on advances and repayments of advances. Most of these advances were funded from borrowings made on behalf of the States under previous Australian Loan Council arrangements.

Each table presents estimated payments to the States for 2007-08 as follows:

Table 33 – general revenue assistance;

Table 34 – payments for specific purposes to and through the States, repayments of advances, advances and interest payments; and

Table 35 – payments for specific purposes direct to local government authorities

**Table 33: General revenue assistance payments to the States and Territories, 2007-08**

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
GST payments	11,915,871	9,248,909	8,549,250	3,984,030	3,913,622	1,664,918	846,244	2,207,175	42,330,020
Other payments									
Budget balancing assistance	0	0	0	0	0	0	0	0	0
National Competition Policy payments	26,304	9,881	0	3,967	3,024	0	0	0	43,176
Compensation									
Crude oil excise condensate	0	0	0	80,000	0	0	0	0	0
GST policy decisions	0	0	0	0	0	0	0	0	0
Total other	26,304	9,881	0	83,967	3,024	0	0	0	43,176
Total general revenue assistance	11,942,175	9,258,790	8,549,250	4,067,998	3,916,646	1,664,918	846,244	2,207,175	42,373,196

**Table 34: Payments for specific purposes to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<b>General public services</b>									
Standard Business Reporting - Grants to State Revenue Offices	0	0	77	0	0	13	0	0	90
<b>General public services - total</b>	<b>0</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>90</b>
<b>Public Order and Safety</b>									
Legal aid	0	0	0	14,624	13,641	5,238	3,997	3,529	41,029
Film and literature classifications	61	64	67	70	71	74	75	74	556
Improving policing in very remote areas	3,535	2,449	2,110	1,035	1,002	328	195	259	10,913
CrimTrac Police Reference System	300	0	1,000	0	0	745	0	720	2,765
<b>Public Order and Safety - total</b>	<b>3,896</b>	<b>2,513</b>	<b>3,177</b>	<b>15,729</b>	<b>14,714</b>	<b>6,385</b>	<b>4,267</b>	<b>4,582</b>	<b>55,263</b>
<b>Education</b>									
Government schools	620,978	447,975	393,673	186,232	135,697	49,980	29,095	24,525	1,888,155
*Non-government schools	1,672,969	1,366,319	1,043,304	532,383	417,095	112,359	103,533	50,021	5,297,983
Skilling Australia's Workforce	423,463	305,835	215,456	120,174	111,551	33,685	24,401	16,829	1,251,394
Targeted programmes - government schools and joint	165,621	110,336	75,507	39,655	42,166	11,623	4,528	8,608	458,044
*Targeted programmes - non-government schools	84,407	65,966	34,454	19,985	18,271	3,918	3,238	2,842	233,081
National secondary schools computer fund – government schools	56,240	0	1,961	1,243	4,442	634	0	443	64,963
*National secondary schools computer fund – non-government	18,784	5,512	4,891	3,555	1,051	417	528	298	35,036
Indigenous Education Strategic Initiatives									
Programme - government	26,756	10,003	62,712	26,903	9,155	4,506	334	32,872	173,241
Australian Technical Colleges	0	18,479	0	0	0	0	0	0	18,479
<b>Education - total</b>	<b>3,069,218</b>	<b>2,330,425</b>	<b>1,831,958</b>	<b>930,130</b>	<b>739,428</b>	<b>217,122</b>	<b>165,657</b>	<b>136,438</b>	<b>9,420,376</b>
<b>Health</b>									
Hepatitis C Settlement Fund(a)	446	0	0	24	13	0	10	-19	474
Health care grants	3,246,326	2,367,189	1,896,951	971,998	809,559	214,553	127,325	124,494	9,758,395
Highly specialised drugs	223,501	167,714	75,775	51,927	44,828	34,147	9,974	45,214	653,080
Elective Surgery Waiting List Incentives	29,567	11,400	0	9,400	8,500	4,800	7,433	3,900	75,000
Youth health services	859	635	446	233	210	64	59	59	2,565
National public health	73,446	56,496	42,045	22,024	17,143	8,461	4,466	5,692	229,773
Essential vaccines	187,470	139,347	107,941	59,062	37,339	13,881	9,695	6,652	561,387
Nursing Package - training payments	131	99	0	0	30	9	7	4	280
Helping public patients in hospitals waiting for nursing home places	12,625	6,750	6,250	4,625	5,650	1,000	300	300	37,500
Repatriation general hospitals	13	45	0	0	720	140	0	0	918

**Table 34: Payments for specific purposes to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<b>Health (continued)</b>									
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,200	0	0	0	0	0	0	0	1,200
Royal Darwin Hospital - Equipped, Prepared and Ready	0	0	0	0	0	0	0	13,434	13,434
Organ transplantation services	1,804	0	0	0	0	0	0	0	1,804
Organ and tissue donation	114	0	237	220	170	0	112	0	853
<b>Health - total</b>	<b>3,777,502</b>	<b>2,749,675</b>	<b>2,129,645</b>	<b>1,119,513</b>	<b>924,162</b>	<b>277,055</b>	<b>159,381</b>	<b>199,730</b>	<b>11,336,663</b>
<b>Social Security and Welfare</b>									
Aged care assessment	23,597	16,505	11,658	6,806	6,303	1,811	724	956	68,360
Home and community care	306,729	248,371	224,960	101,728	86,075	26,582	12,110	7,280	1,013,835
Disabilities services	232,119	160,790	138,574	67,942	65,808	21,529	12,815	17,032	716,609
Children's services	4,386	3,852	2,053	1,417	2,245	362	122	1,730	16,167
Supported accommodation assistance	60,937	39,423	30,524	18,193	17,430	7,821	6,259	5,193	185,780
Unaccompanied humanitarian minors	-76	1,003	307	6	789	0	0	0	2,029
Family Violence Partnership	7,206	4,992	4,302	2,109	2,043	668	398	529	22,247
Extension of fringe benefits	64,994	45,021	38,800	19,024	18,426	6,028	3,588	4,769	200,650
Young people with disabilities	4,737	3,281	2,828	1,387	1,343	439	262	348	14,625
National action plan to build on social cohesion, harmony and security	182	96	20	75	0	10	20	20	423
<b>Social Security and Welfare - total</b>	<b>704,811</b>	<b>523,334</b>	<b>454,026</b>	<b>218,687</b>	<b>200,462</b>	<b>65,250</b>	<b>36,298</b>	<b>37,857</b>	<b>2,240,725</b>
<b>Housing and Community Amenities</b>									
Assistance for water and sewerage	0	0	0	0	0	0	9,633	0	9,633
Natural Heritage Trust of Australia - Bushcare	8,273	7,728	6,035	5,627	6,735	749	544	3,065	38,756
Natural Heritage Trust of Australia - Coastcare	2,507	2,014	3,627	3,366	1,121	757	2	511	13,905
Natural Heritage Trust of Australia - Landcare	5,739	5,591	4,760	2,700	1,600	1,023	347	785	22,545
Natural Heritage Trust of Australia - Rivercare	6,014	1,908	2,353	1,922	326	622	0	475	13,620
National Water Initiative - Living Murray	31,691	23,498	0	0	5,575	0	0	0	60,764
<b>Housing and Community Amenities - total</b>	<b>54,224</b>	<b>40,739</b>	<b>16,775</b>	<b>13,615</b>	<b>15,357</b>	<b>3,151</b>	<b>10,526</b>	<b>4,836</b>	<b>159,223</b>
<b>Recreation and Culture</b>									
Natural Heritage Trust of Australia - Bushcare	945	883	690	643	770	86	62	351	4,430
Natural Heritage Trust of Australia - Coastcare	287	230	414	385	129	86	0	58	1,589
Natural Heritage Trust of Australia - Landcare	656	639	544	308	183	117	39	89	2,575
Natural Heritage Trust of Australia - Rivercare	687	217	269	219	37	71	0	54	1,554
Strengthening Tasmania	0	0	0	0	0	20,000	0	0	20,000
<b>Recreation and Culture - total</b>	<b>2,575</b>	<b>1,969</b>	<b>1,917</b>	<b>1,555</b>	<b>1,119</b>	<b>20,360</b>	<b>101</b>	<b>552</b>	<b>30,148</b>

**Table 34: Payments for specific purposes to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'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>Fuel and Energy</i></b>									
Snowy Hydro Ltd - company tax compensation	21,931	5,365	0	0	0	0	0	0	27,296
<b><i>Fuel and Energy - total</i></b>	<b>21,931</b>	<b>5,365</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,296</b>
<b><i>Agriculture, Forestry and Fishing</i></b>									
Exotic Disease Preparedness Programme	179	93	27	0	6	0	53	0	358
Exceptional circumstances assistance	395,268	127,119	114,274	11,042	44,412	3,284	0	500	695,899
Equine influenza emergency response	36,349	7,168	21,349	-252	690	-40	147	-141	65,270
Great Artesian Basin Sustainability Initiative	3,190	0	4,958	0	0	0	0	0	8,148
National Landcare Programme	6,333	4,832	5,740	3,536	3,645	1,624	175	889	26,774
Agriculture - Advancing Australia - FarmBis	0	0	3,786	1,928	2,734	682	0	239	9,369
Eradication of red imported fire ant	0	0	7,000	0	0	0	0	0	7,000
National action plan for salinity and water quality	21,058	9,759	7,450	39,098	10,634	938	1,083	508	90,528
Natural Heritage Trust of Australia - Bushcare	2,600	2,429	1,897	1,768	2,117	235	171	963	12,180
Natural Heritage Trust of Australia - Coastcare	788	633	1,140	1,058	352	238	1	161	4,371
Natural Heritage Trust of Australia - Landcare	1,804	1,757	1,496	849	503	321	109	247	7,086
Natural Heritage Trust of Australia - Rivercare	1,890	600	739	604	103	196	0	149	4,281
Plant disease and eradication	0	0	1,372	2,052	1,176	0	0	0	4,600
Improving Water Information	3,418	389	1,028	1,311	172	696	87	782	7,883
Regional assistance	130	0	0	0	0	0	0	0	130
Tasmanian forests package	0	0	0	0	0	19,000	0	0	19,000
<b><i>Agriculture, Forestry and Fishing - total</i></b>	<b>473,007</b>	<b>154,779</b>	<b>172,256</b>	<b>62,994</b>	<b>66,544</b>	<b>27,174</b>	<b>1,826</b>	<b>4,297</b>	<b>962,877</b>
<b><i>Transport and Communication</i></b>									
Interstate road transport	25,085	14,596	5,168	2,160	6,584	272	272	272	54,409
*Supplementary funding to SA councils for local roads	0	0	0	0	13,592	0	0	0	13,592
<b><i>Transport and Communication - total</i></b>	<b>25,085</b>	<b>14,596</b>	<b>5,168</b>	<b>2,160</b>	<b>20,176</b>	<b>272</b>	<b>272</b>	<b>272</b>	<b>68,001</b>
<b><i>Other Purposes</i></b>									
*Financial assistance grants for local government									
<i>General purpose assistance</i>	403,896	305,906	244,753	123,301	93,330	29,103	19,926	12,590	1,232,805
<i>Untied local roads grants</i>	158,992	112,978	102,675	83,790	30,116	29,040	17,572	12,837	548,000
Compensation - companies regulation	57,776	50,509	28,445	17,508	13,023	4,034	0	2,573	173,868
Natural disaster relief	7,661	0	500	0	2,019	0	0	7,845	18,025
Royalties	0	0	0	779,488	0	0	0	3,155	782,643
Australian Capital Territory national capital influences	0	0	0	0	0	0	23,956	0	23,956
<b><i>Other Purposes - total</i></b>	<b>628,325</b>	<b>469,393</b>	<b>376,373</b>	<b>1,004,087</b>	<b>138,488</b>	<b>62,177</b>	<b>61,454</b>	<b>39,000</b>	<b>2,779,297</b>
<b>TOTAL CURRENT</b>	<b>8,760,574</b>	<b>6,292,788</b>	<b>4,991,372</b>	<b>3,368,470</b>	<b>2,120,450</b>	<b>678,959</b>	<b>439,782</b>	<b>427,564</b>	<b>27,079,959</b>

**Table 34: Payments for specific purposes to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>									
<b>Education</b>									
Government schools	152,722	107,832	79,676	50,681	39,991	15,227	7,681	10,830	464,640
*Non-government schools	83,041	67,789	50,454	25,805	20,228	5,209	5,742	4,614	262,882
Relocation of Amberley state school	0	0	26,800	0	0	0	0	0	26,800
<b>Education - total</b>	<b>235,763</b>	<b>175,621</b>	<b>156,930</b>	<b>76,486</b>	<b>60,219</b>	<b>20,436</b>	<b>13,423</b>	<b>15,444</b>	<b>754,322</b>
<b>Health</b>									
Organ transplantation services	171	0	0	0	0	0	0	0	171
Health Infrastructure Grants	18,000	1,000	102,000	0	0	100	0	0	121,100
<b>Health - total</b>	<b>18,171</b>	<b>1,000</b>	<b>102,000</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>121,271</b>
<b>Social Security and Welfare</b>									
Crisis accommodation assistance	13,757	10,366	8,292	4,176	3,162	987	675	427	41,842
<b>Social Security and Welfare - total</b>	<b>13,757</b>	<b>10,366</b>	<b>8,292</b>	<b>4,176</b>	<b>3,162</b>	<b>987</b>	<b>675</b>	<b>427</b>	<b>41,842</b>
<b>Housing and Community Amenities</b>									
Housing assistance for indigenous people	30,237	20,945	18,051	8,850	8,572	2,804	1,669	2,219	93,347
Community housing	21,430	14,844	12,793	6,272	6,075	1,988	1,183	1,572	66,157
CSHA Block Assistance/Base Funding	241,101	167,151	144,056	70,630	68,412	22,380	17,705	13,322	744,757
Social Housing Subsidy Programme	1,926	0	0	0	0	0	0	0	1,926
*Disaster Mitigation Package	4,134	1,437	4,592	1,531	1,234	14,362	0	398	27,688
*Bushfire Mitigation Package	676	966	291	275	209	137	0	0	2,554
<b>Housing and Community Amenities - total</b>	<b>299,504</b>	<b>205,343</b>	<b>179,783</b>	<b>87,558</b>	<b>84,502</b>	<b>41,671</b>	<b>20,557</b>	<b>17,511</b>	<b>936,429</b>
<b>Fuel and Energy</b>									
*Photovoltaic Rebate Programme	3,912	2,972	2,188	526	2,854	93	0	8	12,553
Renewable remote power generation	3,341	1,795	5,222	9,499	861	616	0	7,239	28,573
<b>Fuel and Energy - total</b>	<b>7,253</b>	<b>4,767</b>	<b>7,410</b>	<b>10,025</b>	<b>3,715</b>	<b>709</b>	<b>0</b>	<b>7,247</b>	<b>41,126</b>
<b>Recreation and Culture</b>									
Sydney Cricket Ground - new grandstand	15,000	0	0	0	0	0	0	0	15,000
<b>Recreation and Culture - total</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,000</b>
<b>Agriculture, Forestry and Fishing</b>									
Tasmanian Water Infrastructure	0	0	0	0	0	500	0	0	500
<b>Agriculture, Forestry and Fishing - total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>500</b>
<b>Transport and Communication</b>									
AusLink	772,816	426,942	739,409	303,340	143,271	55,005	1,556	48,479	2,490,818
<b>Transport and Communication - total</b>	<b>772,816</b>	<b>426,942</b>	<b>739,409</b>	<b>303,340</b>	<b>143,271</b>	<b>55,005</b>	<b>1,556</b>	<b>48,479</b>	<b>2,490,818</b>

**Table 34: Payments for specific purposes to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>									
<b>Other Purposes</b>									
Sinking Fund on State Debt	22	5	0	0	3	0	0	0	30
Natural Disaster Relief	140	0	0	0	0	0	0	0	140
<b>Other Purposes - total</b>	<b>162</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>170</b>
<b>TOTAL CAPITAL</b>	<b>1,362,426</b>	<b>824,044</b>	<b>1,193,824</b>	<b>481,585</b>	<b>294,872</b>	<b>119,408</b>	<b>36,211</b>	<b>89,108</b>	<b>4,401,478</b>
<b>REPAYMENTS</b>									
Payments to Debt Sinking Funds	29	354	0	0	11	0	0	0	394
<b>Total</b>	<b>29</b>	<b>354</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>394</b>
<b>Repayments of Australian Government Loans</b>									
Australian Capital Territory debt repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - housing nominations	6,304	0	2,320	4,022	3,776	1,691	0	2,099	20,212
<b>Repayments of Australian Government Loans - total</b>	<b>6,304</b>	<b>0</b>	<b>2,320</b>	<b>4,022</b>	<b>3,776</b>	<b>1,691</b>	<b>4,647</b>	<b>2,099</b>	<b>24,859</b>
<b>Defence</b>									
Housing for servicemen	975	0	591	184	26	0	0	0	1,776
<b>Defence - total</b>	<b>975</b>	<b>0</b>	<b>591</b>	<b>184</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,776</b>
<b>Housing and Community Amenities</b>									
CSHA loans	33,520	0	8,881	8,697	11,384	4,311	0	582	67,375
Other housing	0	0	0	0	0	0	6,769	1,912	8,681
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Sewerage	3,444	0	803	0	0	0	0	0	4,247
<b>Housing and Community Amenities - total</b>	<b>36,964</b>	<b>0</b>	<b>9,684</b>	<b>8,697</b>	<b>11,384</b>	<b>4,311</b>	<b>6,769</b>	<b>2,630</b>	<b>80,439</b>
<b>Agriculture, Forestry and Fishing</b>									
War Service Land Settlement Scheme	515	549	0	0	0	0	0	0	1,064
<b>Agriculture, Forestry and Fishing - total</b>	<b>515</b>	<b>549</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,064</b>
<b>Transport and Communication</b>									
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>
<b>Other Purposes</b>									
Natural disaster relief	1,411	0	1,766	0	0	0	0	53	3,230
<b>Other Purposes - total</b>	<b>1,411</b>	<b>0</b>	<b>1,766</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>3,230</b>
<b>TOTAL REPAYMENTS</b>	<b>46,294</b>	<b>999</b>	<b>14,361</b>	<b>13,286</b>	<b>15,197</b>	<b>6,002</b>	<b>11,416</b>	<b>4,782</b>	<b>112,337</b>

**Table 34: Payments for specific purposes to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'000) (continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>ADVANCES</b>									
<i>Other Purposes</i>									
Natural disaster relief	0	0	0	0	0	0	0	0	0
<b><i>Other Purposes - total</i></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ADVANCES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>INTEREST</b>									
Interest on Loan Council and Northern Territory Government Borrowings	242	47	0	0	36	0	0	0	325
<b>Total</b>	<b>242</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>325</b>
<i>Interest on Australian Government Loans</i>									
Australian Capital Territory Government debt	0	0	0	0	0	0	2,536	0	2,536
Housing nominations	20,407	0	7,347	12,568	12,345	5,416	0	7,103	65,186
<b><i>Interest on Australian Government Loans - total</i></b>	<b>20,407</b>	<b>0</b>	<b>7,347</b>	<b>12,568</b>	<b>12,345</b>	<b>5,416</b>	<b>2,536</b>	<b>7,103</b>	<b>67,722</b>
<i>Defence</i>									
Housing for servicemen	2,313	0	1,310	265	99	0	0	0	3,987
<b><i>Defence - total</i></b>	<b>2,313</b>	<b>0</b>	<b>1,310</b>	<b>265</b>	<b>99</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,987</b>
<i>Housing and Community Amenities</i>									
CSHA loans	38,791	0	10,822	10,347	16,641	5,311	0	1,401	83,313
Other housing	0	0	0	0	0	0	13,474	4,132	17,606
Urban water supply and treatment	0	0	0	0	414	0	0	0	414
Northern Territory - water and sewerage assistance	0	0	188	0	0	0	0	605	793
Sewerage	4,360	0	944	0	435	0	0	0	5,739
Captains Flat (Abatement of Pollution) Agreement	2	0	0	0	0	0	0	0	2
<b><i>Housing and Community Amenities - total</i></b>	<b>43,153</b>	<b>0</b>	<b>11,954</b>	<b>10,347</b>	<b>17,490</b>	<b>5,311</b>	<b>13,474</b>	<b>6,138</b>	<b>107,867</b>
<i>Agriculture, Forestry and Fishing</i>									
War Service Land Settlement Scheme	78	81	0	0	0	0	0	0	159
<b><i>Agriculture, Forestry and Fishing - total</i></b>	<b>78</b>	<b>81</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159</b>
<i>Transport and Communication</i>									
Railway projects	19	19	0	226	0	0	0	0	264
<b><i>Transport and Communication - total</i></b>	<b>19</b>	<b>19</b>	<b>0</b>	<b>226</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>264</b>
<i>Other Purposes</i>									
Natural Disaster Relief	361	0	2,868	0	0	0	0	8	3,237
<b><i>Other Purposes - total</i></b>	<b>361</b>	<b>0</b>	<b>2,868</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>3,237</b>
<b>TOTAL INTEREST</b>	<b>66,573</b>	<b>147</b>	<b>23,479</b>	<b>23,406</b>	<b>29,970</b>	<b>10,727</b>	<b>16,010</b>	<b>13,249</b>	<b>183,561</b>

**Table 34: Payments for specific purposes to and through the States, repayments of advances, advances and interest payments, 2007-08 (\$'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>	10,123,000	7,116,832	6,185,196	3,850,055	2,415,322	798,367	475,993	516,672	31,481,437
<b>Total to the States</b>	7,692,189	5,186,987	4,697,594	3,058,904	1,817,342	603,729	325,454	433,064	23,815,263
<b>Total through the States</b>	1,867,923	1,510,961	1,140,174	584,060	474,534	136,495	113,041	58,181	5,885,369
<b>Financial assistance grants through the States to local government</b>	562,888	418,884	347,428	207,091	123,446	58,143	37,498	25,427	1,780,805

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

(a) The negative amount relates to an over-estimation of 2006-07 SPP liability.

**Table 35: Payments for specific purposes direct to local government authorities, 2007-08 (\$'000)**

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>DIRECT PAYMENTS - CURRENT</b>									
Disability services	1,044	814	304	408	466	106	0	943	4,085
Children's services	21,632	16,739	8,338	8,336	9,213	2,334	90	18,191	84,873
Regulation Reduction Incentive Fund	2	4	0	0	0	0	0	0	6
<b>TOTAL CURRENT</b>	<b>22,678</b>	<b>17,557</b>	<b>8,642</b>	<b>8,744</b>	<b>9,679</b>	<b>2,440</b>	<b>90</b>	<b>19,134</b>	<b>88,964</b>
<b>DIRECT PAYMENTS - CAPITAL</b>									
AusLink	140,366	90,310	77,104	72,313	39,548	15,476	0	6,992	442,109
Blackburn Lake Sanctuary	0	1,600	0	0	0	0	0	0	1,600
Bert Hinkler Hall of Aviation	0	0	1,450	0	0	0	0	0	1,450
Local community sporting infrastructure	900	0	0	0	0	0	0	0	900
Strengthening Tasmania	0	0	0	0	0	3,790	0	0	3,790
Funding for road projects other than under the <i>Auslink (National Land Transport) Act 2005</i>	0	570	0	0	0	0	0	0	570
South Australian State Aquatic Centre(a)	0	0	0	0	15,000	0	0	0	15,000
<b>TOTAL CAPITAL</b>	<b>141,266</b>	<b>92,480</b>	<b>78,554</b>	<b>72,313</b>	<b>54,548</b>	<b>19,266</b>	<b>0</b>	<b>6,992</b>	<b>465,419</b>
<b>TOTAL DIRECT PAYMENTS</b>	<b>163,944</b>	<b>110,037</b>	<b>87,196</b>	<b>81,057</b>	<b>64,227</b>	<b>21,706</b>	<b>90</b>	<b>26,126</b>	<b>554,383</b>

(a) A cash payment of \$15 million in 2005-06 by the former Department of Communications, Information Technology and the Arts to the City of Marion Council for the South Australian State Aquatic Centre was to be expensed in 2007-08, 2008-09 and 2009-10. Following changes in administrative arrangements in December 2007, the Department of Health and Ageing became responsible for this grant and expensed it in full in 2007-08.



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

Table A1 sets out Australian Government general government sector expenses by function and sub-function for 2007-08.

**Table A1: Australian Government general government sector expenses by function and sub-function**

	2006-07 Outcome	2007-08 Estimate at 2008-09 Budget	2007-08 Outcome
	\$m	\$m	\$m
<b>General public services</b>			
Legislative and executive affairs	870	987	961
Financial and fiscal affairs	4,832	5,849	6,102
Foreign affairs and economic aid	3,331	3,791	3,881
General research	2,476	2,522	2,146
General services	667	706	925
Government superannuation benefits	2,679	2,777	2,600
<b>Total general public services</b>	<b>14,855</b>	<b>16,631</b>	<b>16,615</b>
<b>Defence(a)</b>	<b>16,729</b>	<b>17,366</b>	<b>17,670</b>
<b>Public order and safety</b>			
Courts and legal services	841	919	950
Other public order and safety	2,477	2,869	2,556
<b>Total public order and safety</b>	<b>3,318</b>	<b>3,788</b>	<b>3,506</b>
<b>Education</b>			
Higher education	6,022	6,333	6,850
Vocational and other education	1,562	1,640	1,554
Non-government schools	5,677	6,392	6,085
Government schools	3,071	3,126	3,078
<i>Schools</i>	<i>8,748</i>	<i>9,518</i>	<i>9,163</i>
Student assistance	456	486	472
General administration	0	22	5
School education - specific funding	125	620	389
<b>Total education</b>	<b>16,913</b>	<b>18,620</b>	<b>18,433</b>
<b>Health</b>			
Medical services and benefits	17,213	18,948	19,089
Hospital services(b)	10,416	11,745	11,760
Pharmaceutical services and benefits	7,634	8,698	8,593
Aboriginal and Torres Strait Islander health	397	520	500
Health services	1,320	1,626	1,598
Other health services	2,302	1,961	1,278
<i>Other health services</i>	<i>3,622</i>	<i>3,587</i>	<i>2,876</i>
General administration	576	855	764
Health assistance to the aged	89	102	816
<b>Total health</b>	<b>39,948</b>	<b>44,455</b>	<b>44,397</b>
<b>Social security and welfare</b>			
Assistance to the aged	32,437	35,667	35,454
Assistance to veterans and dependants	6,244	6,422	6,395
Assistance to people with disabilities	12,826	14,354	14,368
Assistance to families with children	27,810	28,245	28,528

**Table A1: Australian Government general government sector expenses by function and sub-function (continued)**

	2006-07 Outcome	2007-08 Estimate at 2008-09 Budget	2007-08 Outcome
	\$m	\$m	\$m
<b>Social security and welfare (continued)</b>			
Assistance to the unemployed	4,713	4,273	4,288
Assistance to the sick	85	85	83
<i>Assistance to the unemployed and the sick</i>	<i>4,799</i>	<i>4,358</i>	<i>4,371</i>
Common youth allowance	2,074	2,101	2,026
Other welfare programs	2,201	2,024	2,464
Aboriginal advancement nec	1,312	1,775	1,418
General administration	2,380	2,285	2,818
<b>Total social security and welfare</b>	<b>92,083</b>	<b>97,230</b>	<b>97,842</b>
<b>Housing and community amenities</b>			
Housing	1,679	1,695	1,646
Urban and regional development	151	205	164
Environment protection	1,079	1,184	1,100
<b>Total housing and community amenities</b>	<b>2,909</b>	<b>3,083</b>	<b>2,910</b>
<b>Recreation and culture</b>			
Broadcasting	1,226	1,332	1,320
Arts and cultural heritage	829	938	1,267
Sport and recreation	273	388	450
National estate and parks	232	167	171
<b>Total recreation and culture</b>	<b>2,561</b>	<b>2,826</b>	<b>3,207</b>
<b>Fuel and energy</b>	<b>4,635</b>	<b>5,103</b>	<b>5,361</b>
<b>Agriculture, forestry and fishing</b>			
Wool industry	58	53	57
Grains industry	110	113	110
Dairy industry	81	59	69
Cattle, sheep and pig industry	168	165	165
Fishing, horticulture and other agriculture	483	347	353
General assistance not allocated to specific industries	137	483	456
Rural assistance	856	1,511	1,343
Natural resources development	405	823	766
General administration	532	532	516
<b>Total agriculture, forestry and fishing</b>	<b>2,831</b>	<b>4,085</b>	<b>3,834</b>
<b>Mining, manufacturing and construction</b>	<b>1,920</b>	<b>1,846</b>	<b>1,410</b>
<b>Transport and communication</b>			
Communication	546	567	534
Rail transport	51	180	186
Air transport	143	161	141
Road transport	2,173	3,079	2,853
Sea transport	226	318	239
Other transport and communication	157	181	177
<b>Total transport and communication</b>	<b>3,296</b>	<b>4,486</b>	<b>4,129</b>

**Table A1: Australian Government general government sector expenses by function and sub-function (continued)**

	2006-07 Outcome	2007-08 Estimate at 2008-09 Budget	2007-08 Outcome
	\$m	\$m	\$m
<b>Other economic affairs</b>			
Tourism and area promotion	196	193	207
Vocational and industry training	704	1,146	999
Labour market assistance to job seekers and industry	1,930	2,093	1,896
Industrial relations	303	594	508
Immigration	1,105	1,126	1,102
<i>Total labour and employment affairs</i>	<i>4,041</i>	<i>4,958</i>	<i>4,506</i>
Other economic affairs nec	934	1,315	1,213
<b>Total other economic affairs</b>	<b>5,171</b>	<b>6,467</b>	<b>5,926</b>
<b>Other purposes</b>			
Interest on Australian Government's behalf	3,592	3,538	3,544
Interest on behalf of States and Territories	0	0	0
Interest received on Australian Government stock	0	0	0
<i>Public debt interest</i>	<i>3,592</i>	<i>3,538</i>	<i>3,544</i>
Nominal superannuation interest	5,487	6,210	6,011
General revenue assistance - States and Territories	39,560	42,753	42,453
General capital assistance - States and Territories	0	0	0
Debt assistance	0	0	0
Local government assistance	1,704	1,795	1,798
Revenue assistance to the States and Territories	170	174	174
Assistance to other governments	699	771	852
<i>General purpose inter-government     transactions</i>	<i>42,133</i>	<i>45,493</i>	<i>45,277</i>
Natural disaster relief	115	99	28
Contingency reserve(c)	589	-776	8
<b>Total other purposes</b>	<b>51,915</b>	<b>54,564</b>	<b>54,868</b>
<b>Total expenses</b>	<b>259,084</b>	<b>280,551</b>	<b>280,109</b>

(a) Purchases of specialist military equipment are now treated as net capital investment rather than as expenses.

(b) This sub-function now includes health care agreements, due to the new framework for federal financial relations.

(c) Asset sale related expenses are treated as a component of the Contingency Reserve.

## APPENDIX B: 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.

### DATA SOURCES

Data are sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996-97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999-2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1999-2000 onwards where applicable.
- Cash data prior to 1999-2000 are sourced from ABS data, and are calculated using a methodology consistent with that used for data for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.
- Net debt data prior to 1999-2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003-04* in 1998-99, ABS cat. no. 5501.0 *Government Financial Estimates 1999-2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* in 1987-88 to 1997-98, and Treasury estimates (see Treasury's Economic Roundup, Spring 1996, pages 97-103) prior to 1987-88.

### COMPARABILITY OF DATA ACROSS YEARS

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- from 2005-06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Equivalents to International Financial Reporting Standards (AEIFRS). Prior to 2005-06, underlying GFS data are based on data provided by agencies in accordance with Australian Accounting Standards (AAS);

## *Appendix B: Historical Fiscal Data*

- recent accounting classification changes that require revisions to the historic series have been back-cast (where applicable) to 1999-2000, ensuring that data are consistent across the accrual period from 1999-2000 onwards. However, because of data limitations these changes have not been back-cast to earlier years;
- prior to 1999-2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999-2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments;
- cash data up to and including 1997-98 are calculated under a cash accounting framework, while cash data from 1998-99 onwards is derived from an accrual accounting framework.<sup>1</sup> Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies;
- 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;
- 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; and
- 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).

## **REVISIONS TO PREVIOUSLY PUBLISHED DATA**

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

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<sup>1</sup> Prior to the 2008-09 Budget, cash data calculated under the cash accounting framework was used up to and including 1998-99. In the 2008-09 Budget, cash data for 1998-99 has been replaced by ABS data derived from the accrual framework.

## REVISIONS AT THE 2008-09 BUDGET

The 2008-09 Budget included a number of changes to the presentation and measurement of historic series data. These changes improve the accuracy and comparability of the data through time, increasing its relevance to users. Further information is provided in Statement 10 of Budget Paper No. 1, *Budget Strategy and Outlook 2008-09*.

## REVISIONS AT THE 2007-08 FINAL BUDGET OUTCOME

The 2007-08 FBO includes revisions to the historical series for the following:

- a change in accounting treatment for concessional loans following the review foreshadowed in the 2008-09 Budget (further details can be found in Part 2). This change affects net financial worth, net worth, net debt, revenue, expenses and fiscal balance<sup>2</sup>;
- a change in accounting treatment for the valuation of superannuation liability for outcomes. AASB 119 *Employee Benefits* requires the government bond rate at balance date to be referenced when valuing the superannuation liability, with a relevant bond yield to match the term of the liability. Previously for outcomes, consistent with budget estimates, the superannuation liability was discounted by 6 per cent (in accordance with the long term cost report). This change affects net financial worth, net worth, expenses and fiscal balance<sup>2</sup>; and
- adjustments to net financial worth, revenue, receipts, payments and fiscal balance to improve data comparability through time, increasing its relevance to users. This primarily relates to refinements for the inclusion of the goods and services tax as an Australian Government tax in the 2008-09 Budget.

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2 These changes in accounting treatment have been back-cast to 2005-06 as these changes were related to the introduction of Australian Equivalent to International Reporting Standards in 2005-06.

Appendix B: Historical Fiscal Data

**Table B1: Australian Government general government sector receipts, payments and underlying cash balance<sup>(a)</sup>**

	Receipts(b)		Payments(c)				Future Fund earnings	Underlying cash balance(d)	
	\$m	Per cent of GDP	\$m	Per cent real growth (CPI)	Per cent real growth (NFGDP deflator)	Per cent of GDP	\$m	\$m	Per cent of GDP
1970-71	8,290	21.0	7,389	na	na	18.7	-	901	2.3
1971-72	9,135	20.9	8,249	4.1	4.4	18.9	-	886	2.0
1972-73	9,735	19.9	9,388	7.7	7.0	19.2	-	348	0.7
1973-74	12,228	20.7	11,078	4.2	3.2	18.7	-	1,150	1.9
1974-75	15,643	22.4	15,463	19.9	14.5	22.2	-	181	0.3
1975-76	18,727	22.9	20,225	15.7	13.5	24.8	-	-1,499	-1.8
1976-77	21,890	23.2	23,157	0.6	2.0	24.6	-	-1,266	-1.3
1977-78	24,019	23.4	26,057	2.7	3.4	25.3	-	-2,037	-2.0
1978-79	26,129	22.5	28,272	0.3	2.6	24.3	-	-2,142	-1.8
1979-80	30,321	23.0	31,642	1.5	2.2	24.0	-	-1,322	-1.0
1980-81	35,993	24.1	36,176	4.6	3.4	24.2	-	-184	-0.1
1981-82	41,499	24.1	41,151	2.9	0.7	23.9	-	348	0.2
1982-83	45,463	24.5	48,810	6.3	6.5	26.3	-	-3,348	-1.8
1983-84	49,981	23.9	56,990	9.4	9.4	27.2	-	-7,008	-3.3
1984-85	58,817	25.4	64,853	9.1	8.1	28.0	-	-6,037	-2.6
1985-86	66,206	25.9	71,328	1.5	3.5	27.9	-	-5,122	-2.0
1986-87	74,724	26.7	77,158	-1.1	1.1	27.6	-	-2,434	-0.9
1987-88	83,491	26.2	82,039	-0.9	-1.3	25.7	-	1,452	0.5
1988-89	90,748	25.0	85,326	-3.1	-4.6	23.6	-	5,421	1.5
1989-90	98,625	24.8	92,684	0.6	2.3	23.3	-	5,942	1.5
1990-91	100,227	24.5	100,665	3.1	3.4	24.6	-	-438	-0.1
1991-92	95,840	23.0	108,472	5.7	5.6	26.0	-	-12,631	-3.0
1992-93	97,633	22.3	115,751	5.6	5.4	26.4	-	-18,118	-4.1
1993-94	103,824	22.6	122,009	3.5	4.5	26.5	-	-18,185	-4.0
1994-95	113,458	23.3	127,619	1.4	3.7	26.2	-	-14,160	-2.9
1995-96	124,429	24.0	135,538	1.9	3.6	26.2	-	-11,109	-2.1
1996-97	133,592	24.5	139,689	1.7	1.4	25.6	-	-6,099	-1.1
1997-98	140,736	24.4	140,587	0.6	-0.7	24.3	-	149	0.0
1998-99	151,974	25.0	148,041	4.0	5.0	24.4	-	3,934	0.6
1999-00	166,089	25.7	153,030	1.0	1.3	23.7	-	13,059	2.0
2000-01	182,896	26.5	176,925	9.1	10.7	25.7	-	5,970	0.9
2001-02	187,497	25.5	188,480	3.6	4.1	25.6	-	-983	-0.1
2002-03	204,564	26.2	197,078	1.4	1.5	25.2	-	7,486	1.0
2003-04	217,724	25.9	209,688	4.0	2.3	24.9	-	8,036	1.0
2004-05	235,935	26.3	222,319	3.5	2.0	24.8	-	13,616	1.5
2005-06	255,892	26.5	240,049	4.6	3.0	24.8	51	15,792	1.6
2006-07	272,587	26.1	253,245	2.5	0.9	24.2	2,135	17,208	1.6
<b>2007-08</b>	<b>294,917</b>	<b>26.1</b>	<b>271,843</b>	<b>3.8</b>	<b>3.0</b>	<b>24.0</b>	<b>3,370</b>	<b>19,704</b>	<b>1.7</b>

(a) Data has been revised. Refer to page 87 for further information.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) Underlying cash balance is equal to receipts less payments less 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.

**Table B2: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts<sup>(a)</sup>**

	Taxation receipts		Non-taxation receipts		Total receipts <sup>(b)</sup>	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	7,193	18.2	1,097	2.8	8,290	21.0
1971-72	7,895	18.1	1,240	2.8	9,135	20.9
1972-73	8,411	17.2	1,324	2.7	9,735	19.9
1973-74	10,832	18.3	1,396	2.4	12,228	20.7
1974-75	14,141	20.3	1,502	2.2	15,643	22.4
1975-76	16,920	20.7	1,807	2.2	18,727	22.9
1976-77	19,714	20.9	2,176	2.3	21,890	23.2
1977-78	21,428	20.8	2,591	2.5	24,019	23.4
1978-79	23,409	20.1	2,720	2.3	26,129	22.5
1979-80	27,473	20.8	2,848	2.2	30,321	23.0
1980-81	32,641	21.8	3,352	2.2	35,993	24.1
1981-82	37,880	22.0	3,619	2.1	41,499	24.1
1982-83	41,025	22.1	4,438	2.4	45,463	24.5
1983-84	44,849	21.4	5,132	2.4	49,981	23.9
1984-85	52,970	22.9	5,847	2.5	58,817	25.4
1985-86	58,841	23.1	7,365	2.9	66,206	25.9
1986-87	66,467	23.8	8,257	3.0	74,724	26.7
1987-88	75,076	23.5	8,415	2.6	83,491	26.2
1988-89	83,452	23.0	7,296	2.0	90,748	25.0
1989-90	90,773	22.8	7,852	2.0	98,625	24.8
1990-91	92,739	22.7	7,488	1.8	100,227	24.5
1991-92	87,364	20.9	8,476	2.0	95,840	23.0
1992-93	88,760	20.3	8,873	2.0	97,633	22.3
1993-94	93,362	20.3	10,462	2.3	103,824	22.6
1994-95	104,921	21.6	8,537	1.8	113,458	23.3
1995-96	115,700	22.3	8,729	1.7	124,429	24.0
1996-97	124,559	22.8	9,033	1.7	133,592	24.5
1997-98	130,984	22.7	9,752	1.7	140,736	24.4
1998-99	138,420	22.8	13,554	2.2	151,974	25.0
1999-00	151,313	23.5	14,777	2.3	166,089	25.7
2000-01	170,354	24.7	12,541	1.8	182,896	26.5
2001-02	175,108	23.8	12,390	1.7	187,497	25.5
2002-03	192,131	24.6	12,433	1.6	204,564	26.2
2003-04	206,091	24.5	11,632	1.4	217,724	25.9
2004-05	223,314	24.9	12,620	1.4	235,935	26.3
2005-06	241,215	24.9	14,677	1.5	255,892	26.5
2006-07	257,392	24.6	15,195	1.5	272,587	26.1
<b>2007-08</b>	<b>278,376</b>	<b>24.6</b>	<b>16,540</b>	<b>1.5</b>	<b>294,917</b>	<b>26.1</b>

(a) Data has been revised. Refer to page 87 for further information.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

**Table B3: Australian Government general government sector net debt and net interest payments<sup>(a)</sup>**

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.6
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	1.0	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.3	254	0.2
1979-80	6,244	4.7	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.9	896	0.5
1983-84	16,015	7.6	1,621	0.8
1984-85	21,896	9.5	2,813	1.2
1985-86	26,889	10.5	3,952	1.5
1986-87	29,136	10.4	4,762	1.7
1987-88	27,344	8.6	4,503	1.4
1988-89	21,981	6.1	4,475	1.2
1989-90	16,123	4.1	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.4	3,810	0.9
1992-93	55,218	12.6	3,986	0.9
1993-94	70,223	15.3	5,628	1.2
1994-95	83,492	17.2	7,292	1.5
1995-96	95,831	18.5	8,861	1.7
1996-97	96,281	17.6	9,489	1.7
1997-98	82,935	14.4	8,279	1.4
1998-99	71,928	11.8	8,579	1.4
1999-00	54,538	8.5	7,438	1.2
2000-01	43,465	6.3	6,094	0.9
2001-02	38,642	5.3	5,268	0.7
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	-2,250	-0.2	2,265	0.2
2006-07	-27,385	-2.6	198	0.0
<b>2007-08</b>	<b>-42,918</b>	<b>-3.8</b>	<b>-1,015</b>	<b>-0.1</b>

(a) Data has been revised. Refer to page 87 for further information.

(b) Net debt is equal to 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.

(c) Net interest payments are equal to the difference between interest paid and interest receipts.

**Table B4: Australian Government general government sector revenue, expenses, net capital investment and fiscal balance<sup>(a)</sup>**

	Revenue		Expenses		Net capital investment		Fiscal balance(b)	
		Per cent		Per cent		Per cent		Per cent
	\$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
1997-98	146,820	25.4	148,646	25.7	147	0.0	-1,973	-0.3
1998-99	151,897	25.0	146,620	24.1	1,433	0.2	3,844	0.6
1999-00	167,093	25.9	155,271	24.1	-69	0.0	11,892	1.8
2000-01	185,876	27.0	179,823	26.1	8	0.0	6,045	0.9
2001-02	190,293	25.9	192,792	26.2	382	0.1	-2,882	-0.4
2002-03	206,759	26.5	201,164	25.7	287	0.0	5,308	0.7
2003-04	222,044	26.4	215,277	25.6	660	0.1	6,107	0.7
2004-05	242,398	27.0	229,153	25.5	1,034	0.1	12,211	1.4
2005-06	261,045	27.0	242,087	25.0	2,498	0.3	16,460	1.7
2006-07	278,263	26.6	259,083	24.8	2,333	0.2	16,847	1.6
<b>2007-08</b>	<b>303,713</b>	<b>26.9</b>	<b>280,109</b>	<b>24.8</b>	<b>2,593</b>	<b>0.2</b>	<b>21,011</b>	<b>1.9</b>

(a) Data has been revised. Refer to page 87 for further information.

(b) Fiscal balance is equal to revenue less expenses less net capital investment.

**Table B5: Australian Government general government sector net worth and net financial worth<sup>(a)</sup>**

	Net worth(b)		Net financial worth(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	-6,824	-1.1	-67,956	-10.5
2000-01	-6,330	-0.9	-72,808	-10.6
2001-02	-11,285	-1.5	-78,642	-10.7
2002-03	-15,000	-1.9	-84,314	-10.8
2003-04	-839	-0.1	-73,845	-8.8
2004-05	14,873	1.7	-59,941	-6.7
2005-06	18,283	1.9	-63,129	-6.5
2006-07	46,659	4.5	-39,668	-3.8
<b>2007-08</b>	<b>71,165</b>	<b>6.3</b>	<b>-17,765</b>	<b>-1.6</b>

(a) Data has been revised. The net financial worth series has been revised to reflect for the refinements for the inclusion of the goods and services tax as an Australian Government tax, change in the accounting treatment for concessional loans and the valuation of the superannuation liability outcomes. Refer to page 87 for further information.

(b) Net worth is equal to assets less liabilities.

(c) Net financial worth is equal to financial assets less liabilities.

**Table B6: Australian Government general government sector taxation revenue, non-taxation revenue and total revenue<sup>(a)</sup>**

	Taxation revenue		Non-taxation revenue		Total revenue	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	153,408	23.8	13,685	2.1	167,093	25.9
2000-01	175,881	25.5	9,994	1.4	185,876	27.0
2001-02	178,210	24.2	12,083	1.6	190,293	25.9
2002-03	195,203	25.0	11,556	1.5	206,759	26.5
2003-04	209,959	25.0	12,085	1.4	222,044	26.4
2004-05	229,943	25.6	12,455	1.4	242,398	27.0
2005-06	245,716	25.4	15,329	1.6	261,045	27.0
2006-07	262,511	25.1	15,752	1.5	278,263	26.6
<b>2007-08</b>	<b>286,229</b>	<b>25.3</b>	<b>17,484</b>	<b>1.5</b>	<b>303,713</b>	<b>26.9</b>

(a) Data has been revised. Refer to page 87 for further information.

**Table B7: 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(b)	Payments(c)	Underlying cash balance(d)	Receipts	Payments	Cash surplus	Receipts(b)	Payments(c)	Underlying cash balance(d)
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	5,678
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	681
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-2,577
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-12,530
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-18,314
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-16,703
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-12,204
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-11,636
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-5,626
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	1,268
1998-99	151,974	148,041	3,934	na	na	-353	na	na	3,581
1999-00	166,089	153,030	13,059	na	na	-2,594	na	na	10,465
2000-01	182,896	176,925	5,970	na	na	391	na	na	6,362
2001-02	187,497	188,480	-983	na	na	1,210	na	na	227
2002-03	204,564	197,078	7,486	27,386	26,105	1,280	na	na	8,766
2003-04	217,724	209,688	8,036	27,718	26,142	1,575	238,185	227,002	9,610
2004-05	235,935	222,319	13,616	29,621	28,071	1,550	257,897	241,489	15,167
2005-06	255,892	240,049	15,792	30,875	31,874	-999	278,203	263,358	14,794
2006-07	272,587	253,245	17,208	16,882	18,641	-1,759	285,286	267,702	15,449
<b>2007-08</b>	<b>294,917</b>	<b>271,843</b>	<b>19,704</b>	<b>7,758</b>	<b>8,232</b>	<b>-473</b>	<b>300,503</b>	<b>277,903</b>	<b>19,231</b>

(a) Data has been revised. Refer to page 87 for further information.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) These items exclude Future Fund earnings from 2005-06 onwards. Future Fund earnings are shown in Table B1.

na Data not available.

**Table B8: Australian Government 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(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
1996-97	141,688	145,809	-4,211	27,431	26,015	-331	na	na	-4,542
1997-98	146,820	148,646	-1,973	29,618	26,999	2,360	na	na	387
1998-99	151,897	146,620	3,844	27,687	26,088	-816	175,682	168,806	3,028
1999-00	167,093	155,271	11,892	25,485	23,542	1,062	188,630	173,708	12,953
2000-01	185,876	179,823	6,045	25,869	24,762	-826	207,138	199,979	5,220
2001-02	190,293	192,792	-2,882	26,638	25,341	793	212,323	213,526	-2,089
2002-03	206,759	201,164	5,308	24,339	22,916	1,975	225,971	218,995	7,284
2003-04	222,044	215,277	6,107	25,449	23,444	2,143	241,749	232,977	8,251
2004-05	242,398	229,153	12,211	26,965	25,191	1,473	263,478	248,459	13,684
2005-06	261,045	242,087	16,460	28,143	29,531	-2,442	282,404	264,833	14,018
2006-07	278,263	259,083	16,847	15,443	16,360	-1,763	289,919	271,657	15,084
<b>2007-08</b>	<b>303,713</b>	<b>280,109</b>	<b>21,011</b>	<b>6,854</b>	<b>6,686</b>	<b>-584</b>	<b>309,199</b>	<b>285,426</b>	<b>20,427</b>

(a) Data has been revised. Refer to page 87 for further information.

(b) 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.

