Part III: Financial Outlook

The revised financial statement projections show a continuation of operating surpluses accompanied by significant reductions in debt.

OPERATING RESULT

The revised operating result projections show little change for 1999-2000, but in the following two years expenses are expected to increase at a greater rate since budget time than revenues, mainly reflecting government decisions and parameter changes. In particular, the projections are affected by legislative changes to *The New Tax System* package and Australia's involvement in peacekeeping and aid activities in East Timor.

A summary of general government revenues, expenses and operating results for the current and forward years is shown in Table 7.

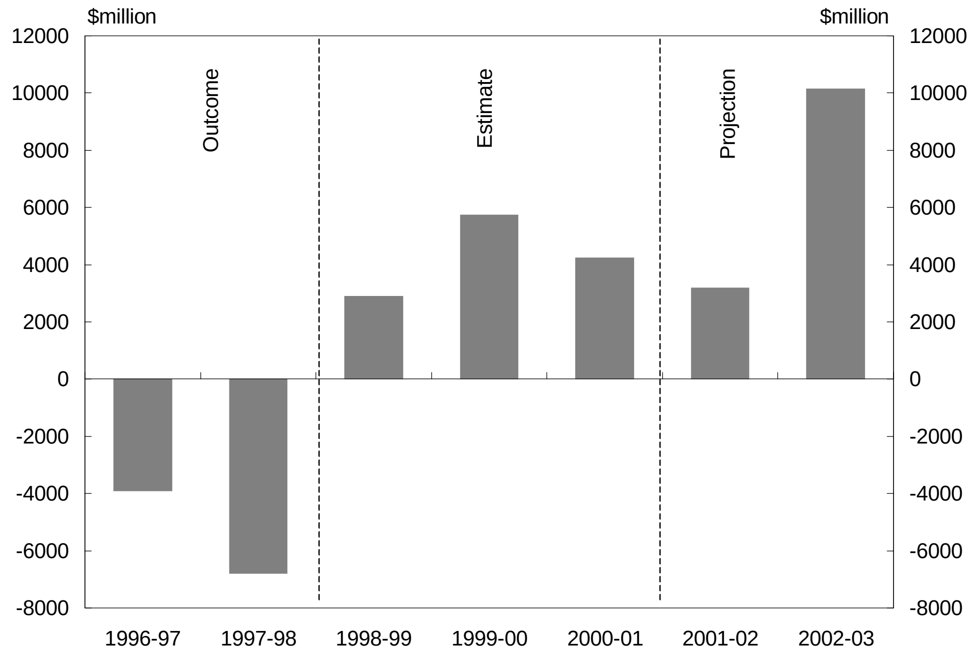
Table 7: Summary of General Government Revenues and Expenses[(a)]

	1999-00 $m		2000-01 $m	
	Budget	MYEFO	Budget	MYEFO
Revenue				
Total taxation	146878	146031	138293	141483
Total non-taxation	15950	16428	12201	12416
Total revenue	**162828**	**162459**	**150494**	**153899**
Expenses	**157111**	**156714**	**143776**	**149673**
Operating result	**5717**	**5745**	**6718**	**4226**
Abnormal and extraordinary items	10990	11889	0	0
Operating result after abnormal items	**16707**	**17635**	**6718**	**4226**
	2001-02 $m		**2002-03 $m**	
	Budget	MYEFO	Budget	MYEFO
Revenue				
Total taxation	141508	145198	149738	154374
Total non-taxation	12251	12917	13327	14206
Total revenue	**153759**	**158115**	**163065**	**168580**
Expenses	**148357**	**154939**	**151432**	**158441**
Operating result	**5402**	**3176**	**11633**	**10140**
Abnormal and extraordinary items	13293	14731	15131	14731
Operating result after abnormal items	**18695**	**17907**	**26764**	**24871**

(a) All data in this table are produced on a AAS31 basis. There are certain classification differences between revenue and expenses produced on a AAS31 basis and on a GFS basis. These differences, which relate largely to the treatment of economic revaluations, are outlined in Table 10.

The trend in general government operating results is shown in Chart 4.

Chart 4: General Government Operating Result



Part IV contains detailed descriptions of revenues and Part V contains detailed descriptions of expenses.

NET ASSETS

Expected movements in net assets will be influenced mainly by the operating results referred to above and the use of budget surpluses to reduce debt and increase investments.

For 1999-2000 and 2000-01, the excess of liabilities over assets is expected to improve by $2.6 billion and $0.1 billion respectively over the budget estimate. However, in 2001-02 and 2002-03 net assets are expected to decline by $1 billion and $3.1 billion respectively compared with budget time.

Table 8 summarises the revised movements in assets and liabilities, compared with those shown in the 1999-2000 Budget and Chart 5 highlights the general government balance sheet aggregates.

Table 8: Summary of General Government Balance Sheet[(a)]

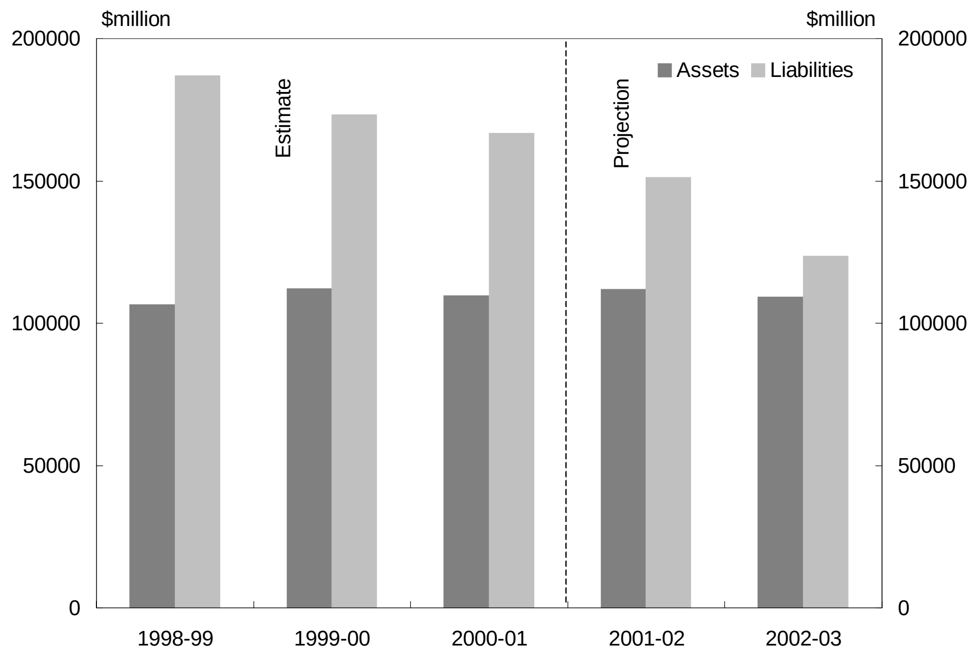
	1999-00 $m		2000-01 $m	
	Budget	MYEFO	Budget	MYEFO
Assets				
Financial assets	49248	56846	53794	53934
Non-financial assets	54889	55341	55789	55743
Total assets	**104137**	**112187**	**109583**	**109678**
Liabilities				
Debt (b)	75651	83209	73960	76390
Provisions and payables	92273	90123	92664	90380
Liabilities	**167924**	**173332**	**166624**	**166770**
Net assets	**-63787**	**-61145**	**-57041**	**-57092**
Total equity	**-63787**	**-61145**	**-57041**	**-57092**

	2001-02 $m		2002-03 $m	
	Budget	MYEFO	Budget	MYEFO
Assets				
Financial assets	50180	56024	47537	52805
Non-financial assets	56662	55971	57666	56346
Total assets	**106842**	**111994**	**105203**	**109151**
Liabilities				
Debt (b)	51403	60524	22009	32905
Provisions and payables	93708	90745	94670	90795
Liabilities	**145111**	**151268**	**116679**	**123700**
Net assets	**-38269**	**-39274**	**-11476**	**-14549**
Total equity	**-38269**	**-39274**	**-11476**	**-14549**

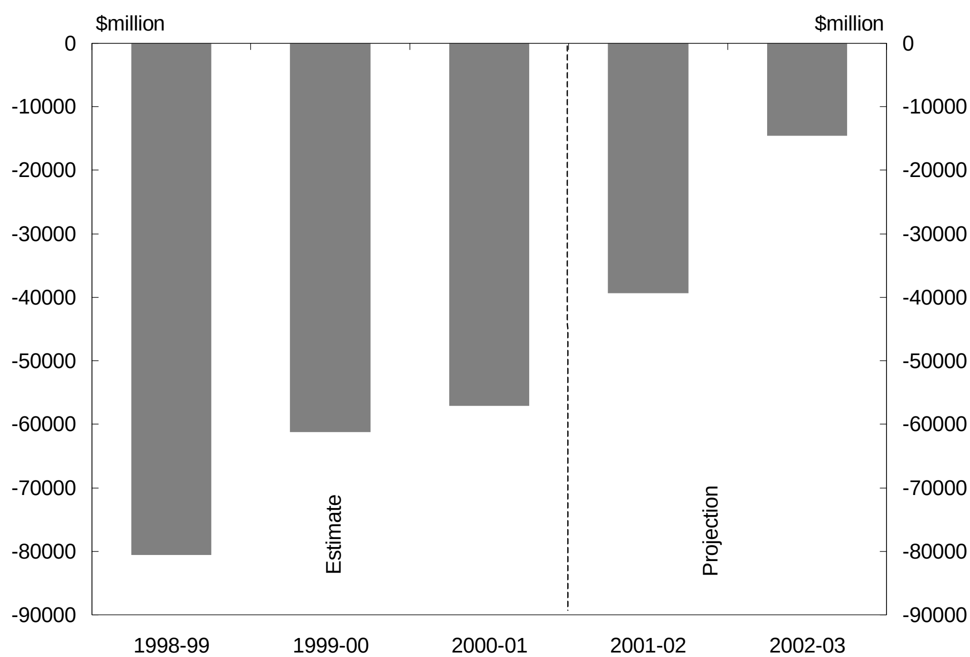
(a) All data in this table are produced on a AAS31 basis.
(b) Net debt data on a GFS basis are provided in Table 2.

Chart 5: General Government Balance Sheet Aggregates

Panel A: Assets and Liabilities



Panel B: Net Assets



CASH FLOWS

There are three significant features of cash flows for the budget and forward years:

- a fall in cash from operating activities in 2000-01 (mainly from reduced indirect taxes) and a resumption of growth in the remaining out years (mainly from increased taxation receipts);

- continued high levels of cash from asset sales (receipt of $6.3 billion of Telstra 2 proceeds has been deferred to 2000-01); and

- continued high levels of cash applied to debt reduction (reflecting the flows of cash from operating activities and asset sales).

The factors affecting operating cash flows are broadly the same as those affecting revenues and expenses.

Table 9 provides a summary of general government cash flows.

Table 9: Summary of General Government Statement of Cash Flows[a]

	1999-00 $m		2000-01 $m	
	Budget	MYEFO	Budget	MYEFO
Total operating cash received	160637	160748	145493	149378
Total operating cash used	150871	152961	138854	145361
Net cash from operating activities	**9766**	**7787**	**6639**	**4017**
Total investing cash received	16641	10195	750	7263
Total investing cash used	5237	4974	5949	4934
Net cash from investing activities	**11404**	**5221**	**-5199**	**2329**
Total financing cash received	317	489	118	-177
Total financing cash used	21355	15902	1809	6642
Net cash to/from financing activities	**-21038**	**-15413**	**-1691**	**-6819**
Net increase/decrease in cash held	**132**	**-2405**	**-251**	**-473**
	2001-02 $m		2002-03 $m	
	Budget	MYEFO	Budget	MYEFO
Total operating cash received	154078	159068	162891	169123
Total operating cash used	142625	150112	145585	153728
Net cash from operating activities	**11453**	**8956**	**17306**	**15395**
Total investing cash received	16356	12068	17251	17358
Total investing cash used	5427	5321	5425	5248
Net cash from investing activities	**10929**	**6747**	**11826**	**12110**
Total financing cash received	73	-495	73	-218
Total financing cash used	22629	15371	29479	27394
Net cash to/from financing activities	**-22556**	**-15866**	**-29406**	**-27612**
Net increase/decrease in cash held	**-174**	**-163**	**-274**	**-106**

(a) All data in this table are produced on a AAS31 basis.

RECONCILIATION OF ACCOUNTING OPERATING RESULT AND FISCAL BALANCE

The financial statements presented in this part are consistent with Australian Accounting Standard 31: *Financial Reporting by Governments*. However, as outlined in Appendix D, there are some differences between AAS31 and the Government Finance Statistics (GFS) framework from which the fiscal balance is derived.

Table 10 reconciles the accounting operating result to the GFS net operating balance and fiscal balance (GFS net lending).

The reconciliation can be divided into two parts. The first part shows differences between the AAS31 operating result and the GFS net operating balance. These differences relate mainly to the treatment of revaluations of financial and non-financial assets and liabilities under the two standards. Major revaluations include: writedowns of bad and doubtful debts (excluding those that are mutually agreed); changes in the valuation of superannuation liabilities; and foreign exchange gains and losses.

Under AAS31, valuation changes impact on revenues and expenses, but they are omitted from the calculation of the GFS net operating balance as they are not regarded as economic transactions. Consequently, in the reconciliation table net gains are subtracted from the accounting operating result while net losses are added back in.

The second part of the reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance. Net capital investment is measured by purchases of property, plant and equipment, plus net investment in other non-financial assets less proceeds from the sale of these assets and depreciation.

The derived fiscal balance measures the extent to which the Government is adding to or drawing from the national savings pool and contributing directly to the current account deficit.

Table 10: General Government Reconciliation of AAS31 Operating Result and Fiscal Balance

	1999-00 $m	2000-01 $m	2001-02 $m	2002-03 $m
	Forecasts		Projections	
AAS31 Operating result	**5745**	**4226**	**3176**	**10140**
plus revalutions/writedowns from superannuation	-244	-30	78	-104
plus net writedown of assets/bad and doubtful debts	738	688	723	727
plus net foreign exchange losses	21	-12	-2	-1
plus other economic revaluations	24	287	0	0
less profit (loss) on the sale of assets	-27	-2	-10	6
less costs of asset sales	216	0	218	218
Net operating balance (GFS)	**6096**	**5162**	**3768**	**10539**
less purchase of property, plant and equipment and intangibles	4427	4753	4934	4786
less assets acquired under finance leases	na	na	na	na
less other non-financial assets	-55	-23	1	-4
less increase in inventories	171	-109	50	-105
plus proceeds from sales of property, plant and equipment and intangibles	744	976	943	696
plus depreciation and amortisation	2575	2875	3216	3497
Fiscal balance (GFS)	**4871**	**4392**	**2941**	**10056**