Appendix B: Government Finance Statistics statements

The financial tables presented in this Appendix are prepared in accordance with the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework.

The statistical tables that are presented below include an operating statement, balance sheet and cash flow statement for the Commonwealth general government, public non-financial corporations (PNFC) and total non-financial public sectors. The 2002-03 MYEFO also includes a statement of other economic flows for the Commonwealth general government sector. This primarily outlines how 'other economic flows' (that is, those flows not accounted for in the GFS operating statement) impact on the net worth of the Commonwealth general government sector.

The Commonwealth, States and Territories have an agreed framework — the *Accrual Uniform Presentation Framework* (UPF) — for the presentation of government financial information on a basis consistent with the ABS Government Finance Statistics (GFS) publication. This Appendix presents Commonwealth data on an ABS GFS basis, as required by the UPF. An exception to this is the treatment of provisions for bad and doubtful debts. The draft ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0) requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted because excluding such provisions would overstate the value of Commonwealth assets and net worth in the balance sheet (and would therefore be inconsistent with the market valuation principle).

The clear policy intent of the *Intergovernmental Agreement on Commonwealth-State Financial Arrangements* is that GST is collected by the Commonwealth, as an agent for the States and Territories, and appropriated to the States. As such, it is not shown as Commonwealth revenue in other parts of this document. However, the tables in this Appendix are presented on an accrual UPF reporting basis, and show GST as taxation revenue in and payments to the States as grant expenses out.

As a result of the two different treatments of GST related transactions, the fiscal balance, net operating balance and net worth estimates in this Appendix are higher than those reported elsewhere in this document. This represents the effect of GST revenue accrued but not yet received, and therefore not yet paid or payable to the States (as GST obligations to the States are on a cash basis). However, under the State tax treatment applied elsewhere in this document, GST revenue accrued is offset by an equivalent amount payable to the States (increasing expenses and liabilities relative to the estimates in this Appendix).[1] This accounting difference is an accrual issue only: the underlying cash balance is not affected and provides identical results under both treatments of GST revenue.

Consistent with ABS practice, transactions between the Commonwealth general government and PNFC sectors are included in the tables produced for these sectors, but are removed from the total non-financial public sector tables as they are transactions internal to that sector.

Appendix E provides an explanation of the key GFS aggregates and reconciles them with their Australian Accounting Standard No. 31 (AAS31) counterparts.

1 Table E2 of Appendix E assists in showing the difference in the net operating and fiscal balances resulting from the two treatments as it can be seen that the change in expenses when moving between the two GFS presentations of the estimates is greater than the change in revenue.

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table B1: Commonwealth general government operating statement

	2002-03 $m	2003-04 $m	2004-05 $m	2005-06 $m
GFS revenue				
Taxation revenue	188,468	200,577	210,843	221,867
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,030	4,173	4,292	4,392
Interest income	1,065	901	1,053	1,443
Dividend income	3,590	3,246	3,038	2,586
Other	2,410	2,419	2,484	2,523
Total GFS revenue	**199,563**	**211,315**	**221,711**	**232,811**
GFS expenses				
Gross operating expenses				
Depreciation	1,765	1,862	1,866	2,003
Superannuation	1,895	1,959	2,020	2,026
Salaries and wages	10,518	10,666	11,025	11,201
Payment for supply of goods and services	36,924	39,006	40,753	42,423
Other operating expenses	1,976	1,990	2,029	2,052
Total gross operating expenses	*53,079*	*55,483*	*57,692*	*59,705*
Nominal superannuation interest expense	5,025	5,055	5,078	5,201
Other interest expenses	4,799	4,138	3,665	3,024
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	63,335	65,775	68,654	72,054
Subsidy expenses	5,158	5,173	5,266	4,988
Personal benefit payments in cash	65,942	69,766	74,437	79,336
Other current transfers	0	0	0	0
Total current transfers	*134,435*	*140,714*	*148,357*	*156,378*
Capital transfers	2,999	2,857	3,128	2,922
Total GFS expenses	**200,336**	**208,247**	**217,920**	**227,231**
Net operating balance(a)	**-773**	**3,069**	**3,790**	**5,580**
Net acquisition of non-financial assets				
Gross fixed capital formation	1,360	1,705	1,487	1,706
less Depreciation	1,765	1,862	1,866	2,003
plus Change in inventories	-42	-96	-101	-84
plus Other movements in non-financial assets	-48	-216	-66	5
Total net acquisition of non-financial assets	**-495**	**-468**	**-546**	**-377**
Net lending/fiscal balance(a)(b)	**-278**	**3,537**	**4,336**	**5,957**

(a) The fiscal balance and net operating balance estimates in this table are higher than those presented elsewhere in the MYEFO, as explained in the introduction to this Appendix.

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

Table B2: Commonwealth general government sector balance sheet

	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
GFS assets				
Financial assets				
Cash and deposits	821	234	485	262
Advances paid	19,344	19,911	21,176	21,684
Investments, loans and placements	9,379	9,516	9,582	9,615
Other non-equity assets	13,488	13,952	14,515	15,059
Equity	48,301	48,282	36,984	25,686
Total financial assets	*91,333*	*91,896*	*82,742*	*72,305*
Non-financial assets				
Land	4,320	4,187	4,067	4,083
Buildings	12,014	12,225	12,147	12,136
Plant, equipment and infrastructure	12,042	11,952	11,876	11,671
Inventories	3,757	3,662	3,561	3,476
Other non-financial assets	2,832	2,829	2,858	2,907
Total non-financial assets	*34,965*	*34,854*	*34,509*	*34,273*
Total GFS assets	**126,299**	**126,750**	**117,252**	**106,579**
GFS liabilities				
Deposits held	300	300	300	300
Advances received	0	0	0	0
Government securities	51,386	47,303	32,757	15,415
Loans	11,756	10,898	10,757	9,986
Other borrowing	219	194	180	176
Superannuation liability	83,710	85,708	87,377	89,047
Other employee entitlements and provisions	6,972	7,144	7,259	7,413
Other non-equity liabilities	17,088	17,269	17,152	17,569
Total GFS liabilities	**171,430**	**168,816**	**155,783**	**139,905**
Net worth(a)(b)	**-45,131**	**-42,066**	**-38,532**	**-33,326**
Net financial worth(c)	-80,097	-76,920	-73,041	-67,599
Net debt(d)	34,116	29,033	12,752	-5,684

(a) Net worth is calculated as assets minus liabilities.
(b) The net worth estimates in this table are higher than those presented elsewhere in the MYEFO, as explained in the introduction to this Appendix.
(c) Net financial worth equals total financial assets minus total liabilities.
(d) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table B3: Commonwealth general government sector cash flow statement[(a)]

	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Cash receipts from operating activities				
Taxes received(b)	187,286	198,916	209,165	220,285
Receipts from sales of goods and services	4,017	4,125	4,243	4,356
Grants and subsidies received	0	0	0	0
Interest receipts	912	734	867	1,248
Dividends	3,590	3,246	3,038	2,586
GST input credits received by general government(c)	0	0	0	0
Other receipts	2,280	2,272	2,350	2,403
Total receipts	**198,085**	**209,293**	**219,663**	**230,879**
Cash payments for operating activities				
Payments for goods and services	-36,980	-38,943	-40,655	-42,329
Grants and subsidies paid	-70,478	-72,717	-76,253	-78,833
Interest paid	-4,457	-4,253	-3,870	-4,875
Personal benefit payments	-65,796	-69,655	-75,081	-79,355
Salaries, wages and other entitlements	-14,963	-15,331	-16,123	-16,374
GST payments by general government to taxation authority(c)	0	0	0	0
Other payments for operating activities	-1,988	-2,006	-2,022	-2,046
Total payments	**-194,661**	**-202,905**	**-214,004**	**-223,813**
Net cash flows from operating activities	**3,424**	**6,388**	**5,659**	**7,066**
Cash flows from investments in non-financial assets assets				
Sales of non-financial assets	1,425	888	642	278
Purchases of new and secondhand non-financial assets	-2,723	-2,376	-2,056	-1,981
Net cash flows from investments in non-financial assets	**-1,298**	**-1,488**	**-1,414**	**-1,703**
Net cash flows from investments in financial assets for policy purposes	**-404**	**-931**	**10,279**	**10,514**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	9,586	-106	-200	-171
Net cash flows from investments in financial assets for liquidity purposes	**9,586**	**-106**	**-200**	**-171**
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	-12,608	-4,186	-14,581	-17,347
Deposits received (net)	0	0	0	0
Other financing (net)	-85	-263	508	1,418
Net cash flows from financing activities	**-12,693**	**-4,449**	**-14,073**	**-15,929**
Net increase/decrease in cash held	**-1,385**	**-586**	**251**	**-223**
Net cash from operating activities and investments in non-financial assets	**2,126**	**4,900**	**4,245**	**5,363**
Finance leases and similar arrangements(d)	15	-1	-7	-7
Equals surplus(+)/deficit(-)	**2,141**	**4,899**	**4,238**	**5,356**

(a) A positive number denotes a cash inflow, a negative sign denotes a cash outflow.
(b) Includes GST cash receipts on a Commonwealth tax basis, which are $35 million greater than GST cash receipts measured on a State tax basis (as shown in Appendix C, Note 16).
(c) Where GST is accounted for as a Commonwealth revenue, GST flows between general government entities and the taxation authority are treated as transfers within the general government sector. Therefore, the general government as a whole does not receive any GST input credit receipts or make any GST payments to taxation authorities.
(d) The acquisition of assets under finance leases reduces the surplus/deficit. The disposal of assets previously held under finance leases improves the surplus/deficit.

Table B4: Commonwealth general government sector statement of other economic flows (reconciliation of net worth)

	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Opening net worth	-46,480	-45,131	-42,066	-38,532
Change in net worth from operating transactions	-773	3,069	3,790	5,580
Change in net worth from other economic flows				
Revaluation on sale of assets	36	225	9,705	9,635
Revaluations and sales of investments in commercial entities	3,441	0	-9,628	-9,628
Total revaluation and profit on asset sales(a)	*3,477*	*225*	*76*	*6*
Net foreign exchange gains	-445	0	0	0
Net writedowns of assets (including bad and doubtful debts)	-1,579	-903	-893	-867
Net swap interest received	512	429	375	302
Defence weapon platform adjustment(b)	393	210	100	100
Other economic revaluations(c)	-237	35	85	85
Total other economic flows	**2,122**	**-3**	**-256**	**-374**
Closing net worth	**-45,131**	**-42,066**	**-38,532**	**-33,326**

(a) Revaluations and profit on sale of assets are derived from Australian Accounting Standards data. Revaluations reflect the difference between the GFS valuation of commercial entities at market value and the AAS valuation at historic cost.

(b) Defence weapons are treated as expenses rather than assets under the GFS framework, hence, changes in value do not contribute to net worth and are not included in other economic flows. This component represents the removal of defence weapons included in net writedowns and other movements.

(c) Includes net repurchase premia and other revaluations not recorded elsewhere.

Table B5: Commonwealth public non-financial corporations operating statement

	2002-03 $m
GFS revenue	
Current grants and subsidies	448
Sales of goods and services	26,088
Interest income	82
Other	42
Total GFS revenue	**26,659**
GFS expenses	
Gross operating expenses	
Depreciation	3,133
Salaries, wages and other entitlements	5,423
Other operating expenses	11,827
Total gross operating expenses	*20,382*
Interest expenses	1,056
Other property expenses	1,420
Current transfers	
Tax expenses	1,986
Other current transfers	0
Total current transfers	*1,986*
Capital transfers	0
Total GFS expenses	**24,845**
Net operating balance	**1,814**
Net acquisition of non-financial assets	
Gross fixed capital formation	4,512
less Depreciation	3,133
plus Change in inventories	0
plus Other movements in non-financial assets	0
Total net acquisition of non-financial assets	**1,379**
Net lending/fiscal balance(a)	**434**

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

Table B6: Commonwealth public non-financial corporations balance sheet

	2002-03
	$m
GFS assets	
Financial assets	
Cash and deposits	645
Advances paid	0
Investments, loans and placements	1,031
Other non-equity assets	5,647
Equity	1,413
Total financial assets	*8,736*
Non-financial assets	
Land and fixed assets	31,725
Other non-financial assets	1,261
Total non-financial assets	*32,986*
Total GFS assets	**41,722**
GFS liabilities	
Deposits held	0
Advances received	0
Borrowing	13,163
Provisions (other than depreciation and bad and doubtful debts)	8,810
Other non-equity liabilities	1,495
Total GFS liabilities	**23,468**
Shares and other contributed capital	**69,173**
Net worth(a)	**-50,918**
Net financial worth(b)	-83,905
Net debt(c)	11,487

(a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The negative net worth recorded for the PNFC sector is caused by the different methodologies used to value these components. Assets and liabilities are valued according to entities' accounting policies and may not reflect the market valuation. In contrast, in the case of listed companies the value of shares and other contributed capital reflects the total market capitalisation, which generally exceeds the entities' book values.

(b) 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, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table B7: Commonwealth public non-financial corporations cash flow statement[(a)]

	2002-03 $m
Cash receipts from operating activities	
Receipts from sales of goods and services	28,698
Grants and subsidies received	226
GST input credit receipts	0
Other receipts	83
Total receipts	**29,007**
Cash payments for operating activities	
Payment for goods and services	-12,198
Interest paid	-1,056
Salaries, wages and other entitlements	-5,064
GST payments to taxation authority	-1,524
Other payments for operating activities(b)	-1,791
Total payments	**-21,632**
Net cash flows from operating activities	**7,374**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	745
Purchases of new and secondhand non-financial assets	-4,440
Net cash flows from investments in non-financial assets	**-3,696**
Net cash flows from investments in financial assets for policy purposes	**0**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-10
Net cash flows from investments in financial assets for liquidity purposes	**-10**
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-1,313
Deposits received (net)	0
Distributions paid (net)(c)	-1,420
Other financing (net)	-100
Net cash flows from financing activities	**-2,833**
Net increase/decrease in cash held	**836**
Net cash from operating activities and investments in non-financial assets	**3,678**
Finance leases and similar arrangements(d)	0
Distributions paid(c)	-1,420
Equals surplus(+)/deficit(-)	**2,258**

(a) A positive number denotes a cash inflow, a negative sign denotes a cash outflow.
(b) 'Other payments for operating activities' includes the cash flow to the general government sector from PNFC distributions paid.
(c) 'Distributions paid' comprise PNFC dividends to external shareholders.
(d) The acquisition of assets under finance leases reduces the surplus/deficit. The disposal of assets previously held under finance leases improves the surplus/deficit.

Table B8: Commonwealth total non-financial public sector operating statement

	2002-03 $m
GFS revenue	
Taxation revenue	186,481
Current grants and subsidies	0
Sales of goods and services	30,118
Interest income	1,092
Dividend income	1,827
Other	2,452
Total GFS revenue	**221,970**
GFS expenses	
Gross operating expenses	
Depreciation	4,898
Superannuation	1,895
Salaries and wages	15,941
Payment for supply of goods and services	36,924
Other operating expenses	12,040
Total gross operating expenses	*71,697*
Nominal superannuation interest expense	5,025
Other interest expenses	5,800
Other property expenses	1,420
Current transfers	
Grant expenses	63,335
Subsidy expenses	4,710
Personal benefit payments in cash	65,942
Other current transfers	0
Total current transfers	*133,987*
Capital transfers	2,999
Total GFS expenses	**220,929**
Net operating balance(a)	**1,041**
Net acquisition of non-financial assets	
Gross fixed capital formation	5,872
less Depreciation	4,898
plus Change in inventories	-42
plus Other movements in non-financial assets	-48
Total net acquisition of non-financial assets	**884**
Net lending/fiscal balance(a)(b)	**157**

(a) The fiscal balance and net operating balance estimates in this table are higher than those presented elsewhere in the MYEFO, as explained in the introduction to this Appendix.

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

Table B9: Commonwealth total non-financial public sector balance sheet

	2002-03 $m
GFS assets	
Financial assets	
Cash and deposits	1,466
Advances paid	19,344
Investments, loans and placements	10,410
Other non-equity assets	19,135
Equity	14,249
Total financial assets	*64,604*
Non-financial assets	
Land	4,320
Buildings	12,014
Plant, equipment and infrastructure	43,768
Inventories	3,757
Other non-financial assets	4,092
Total non-financial assets	*67,952*
Total GFS assets	**132,556**
GFS liabilities	
Deposits held	300
Advances received	0
Government securities	51,386
Loans	11,756
Other borrowing	13,382
Superannuation liability	83,710
Other employee entitlements and provisions	15,782
Other non-equity liabilities	18,583
Total GFS liabilities	**194,898**
Shares and other contributed capital	**33,707**
Net worth(a)	**-96,050**
Net financial worth(b)	-164,001
Net debt(c)	45,603

(a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.
(b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.
(c) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table B10: Commonwealth total non-financial public sector cash flow statement[(a)]

	2002-03 $m
Cash receipts from operating activities	
Taxes received	185,300
Receipts from sales of goods and services(b)	30,189
Grants and subsidies received	0
Interest receipts	912
Dividends	1,827
GST input credit receipts(b)	0
Other receipts	2,308
Total receipts	**220,535**
Cash payments for operating activities	
Payments for goods and services(b)	-48,176
Grants and subsidies paid	-70,252
Interest paid	-5,458
Personal benefit payments	-65,796
Salaries, wages and other entitlements	-20,027
GST payments to taxation authority(b)	0
Other payments for operating activities	-29
Total payments	**-209,737**
Net cash flows from operating activities	**10,798**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	2,169
Purchases of new and secondhand non-financial assets	-7,163
Net cash flows from investments in non-financial assets	**-4,994**
Net cash flows from investments in financial assets for policy purposes	**-404**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	9,576
Net cash flows from investments in financial assets for liquidity purposes	**9,576**
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-13,921
Deposits received (net)	0
Distributions paid (net)(c)	-1,420
Other financing (net)	-185
Net cash flows from financing activities	**-15,526**
Net increase/decrease in cash held	**-549**
Net cash from operating activities and investments in non-financial assets	**5,805**
Finance leases and similar arrangements(d)	15
Distributions paid(c)	-1,420
Equals surplus(+)/deficit(-)	**4,399**

(a) A positive number denotes a cash inflow, a negative sign denotes a cash outflow.
(b) GST flows are excluded from these categories as they are intra-sector transactions.
(c) 'Distributions paid' comprise PNFC dividends to external shareholders.
(d) The acquisition of assets under finance leases reduces the surplus/deficit. The disposal of assets previously held under finance leases improves the surplus/deficit.

LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector cash deficit (made up from the general government and public non-financial corporations sector deficits);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items. These transactions, though not formally borrowings, have many of the characteristics of borrowing.

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

In March 2002, the Commonwealth nominated, and the Loan Council endorsed, a LCA surplus of $215 million. In the 2002-03 Budget, the Commonwealth estimated a LCA surplus of $6,034 million. Table B11 presents a revised estimate for the Commonwealth's 2002-03 LCA of a $3,153 million surplus.

Table B11: Commonwealth Loan Council Allocation for 2002-03

	2002-03 Budget Estimate $m	2002-03 MYEFO Estimate $m
General government sector cash deficit(+)/surplus(-)	-2,094	-2,141
PNFC sector cash deficit(+)/surplus(-)	-1,968	-2,258
Non-financial public sector cash deficit(+)/surplus(-)	-4,063	-4,399
less Net cash flows from investments		
in financial assets for policy purposes(a)	2,465	-404
plus Memorandum items(b)	494	842
Loan Council Allocation	**-6,034**	**-3,153**

(a) Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit. However, the cash inflow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(b) For the Commonwealth, memorandum items comprise the change in net present value (NPV) of operating leases (with NPV greater then $5 million), university borrowings, overfunding of superannuation and an adjustment to exclude the net financing requirements of statutory marketing authorities and Telstra from the LCA.