STATEMENT 9: GOVERNMENT FINANCE STATISTICS STATEMENTS

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

The Commonwealth, States and Territories have an agreed framework — the Accrual Uniform Presentation Framework — for the presentation of government financial information on a basis consistent with the ABS GFS publication. This statement presents Commonwealth data on an ABS GFS basis, as required by the Uniform Presentation Framework, except in areas listed in this statement.

In accordance with Uniform Presentation Framework requirements, Statement 9 also contains an update of the Commonwealth's Loan Council Allocation. This information was formerly presented in Budget Paper No. 3, *Federal Financial Relations 2003-04*.

STATEMENT 9: GOVERNMENT FINANCE STATISTICS STATEMENTS

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

The tables include an operating statement, balance sheet and cash flow statement for the Commonwealth general government, public non-financial corporations and total non-financial public sectors. A statement of other economic flows is also included for the Commonwealth general government sector and primarily outlines how other economic flows (those economic flows not accounted for in the GFS operating statement, namely changes in assets and liabilities arising from price and volume changes) 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 — for the presentation of government financial information on a basis consistent with the ABS GFS publication. This statement presents Commonwealth data on an ABS GFS basis, as required by the Uniform Presentation Framework, except in the following areas:

- bad and doubtful debts are included in the balance sheet and the statement of other economic flows, because excluding such provisions would overstate net worth; and
- defence weapons inventories are recorded as capital investment rather than expensed until such inventories can be reliably identified and measured.

The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* is that GST is collected by the Commonwealth, as an agent for the States and Territories, and appropriated to the States. Consequently, it is not shown as Commonwealth revenue in other statements in this document. However, the tables in this statement are presented on an accrual Uniform Presentation Framework 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, fiscal balance, net operating balance and net worth estimates in this statement improve compared to those reported elsewhere in the Budget papers. 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).[1] This accounting difference

1 Table 2 in Statement 8 shows the difference in the net operating and fiscal balance estimates resulting from the two treatments. The change in expenses when moving between the two GFS presentations of the estimates is less than the change in revenue.

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 public non-financial corporations 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.

Key GFS aggregates are explained and reconciled with their *Australian Accounting Standard No. 31 Financial Reporting by Governments* (AAS31) counterparts in Statement 8.

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table 1: Commonwealth general government sector operating statement

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
GFS revenue					
Taxation revenue	191,047	198,533	207,470	218,482	230,794
Current grants and subsidies	0	0	0	0	0
Sales of goods and services	4,002	4,190	4,305	4,433	4,525
Interest income	1,208	900	922	1,080	1,588
Dividend income	3,960	3,974	3,394	3,155	2,640
Other	2,813	2,778	2,715	2,773	2,859
Total GFS revenue	**203,030**	**210,375**	**218,806**	**229,924**	**242,405**
GFS expenses					
Gross operating expenses					
Depreciation	1,780	1,908	1,903	2,047	2,097
Superannuation	2,095	2,120	2,186	2,197	2,204
Salaries and wages	10,625	11,390	11,847	11,754	12,165
Payment for supply of goods and services	36,661	38,725	40,112	41,843	43,768
Other operating expenses	2,145	2,063	2,091	2,100	2,084
Total gross operating expenses	*53,305*	*56,207*	*58,139*	*59,941*	*62,318*
Nominal superannuation interest expense	5,350	5,209	5,507	5,591	5,773
Other interest expenses	4,843	4,354	4,099	3,652	3,468
Other property expenses	0	0	0	0	0
Current transfers					
Grant expenses	64,176	66,875	69,835	73,292	75,652
Subsidy expenses	5,147	5,370	5,379	5,292	5,540
Personal benefit payments in cash	65,252	68,815	73,808	78,695	83,943
Other current transfers	0	0	0	0	0
Total current transfers	*134,575*	*141,061*	*149,022*	*157,279*	*165,135*
Capital transfers	3,161	2,930	3,233	3,043	2,977
Total GFS expenses	**201,234**	**209,761**	**220,001**	**229,506**	**239,671**
Net operating balance(a)	**1,796**	**614**	**-1,194**	**418**	**2,734**
Net acquisition of non-financial assets					
Purchases of non-financial assets	2,682	2,542	2,383	2,237	2,060
less Sales of non-financial assets	1,304	852	760	422	440
less Depreciation	1,780	1,908	1,903	2,047	2,097
plus Change in inventories	104	-46	-78	-64	52
plus Other movements in non-financial assets	63	-153	-23	40	-23
Total net acquisition of non-financial assets	**-235**	**-417**	**-381**	**-256**	**-448**
Net lending/fiscal balance(a)(b)	**2,031**	**1,031**	**-813**	**674**	**3,182**

(a) The fiscal balance and net operating balance estimates in this table improve compared to those presented elsewhere in the Budget reflecting the treatment of the GST as a Commonwealth tax.
(b) The term 'fiscal balance' is not used by the ABS.

Table 2: Commonwealth general government sector balance sheet

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
GFS assets					
Financial assets					
Cash and deposits	2,507	2,346	2,269	2,381	2,469
Advances paid	19,050	19,507	20,723	21,237	22,061
Investments, loans and placements	18,220	9,943	10,335	10,211	10,077
Other non-equity assets	14,398	15,797	15,451	16,143	17,281
Equity	49,498	50,006	49,895	38,596	27,297
Total financial assets	*103,674*	*97,598*	*98,674*	*88,567*	*79,184*
Non-financial assets					
Land	4,416	4,242	4,014	4,026	4,055
Buildings	12,285	12,218	12,107	12,178	12,023
Plant, equipment and infrastructure	12,471	12,544	12,559	12,533	12,328
Inventories	3,903	3,857	3,779	3,714	3,767
Other non-financial assets	3,006	2,598	2,646	2,492	2,430
Total non-financial assets	*36,082*	*35,459*	*35,104*	*34,943*	*34,602*
Total GFS assets	**139,755**	**133,058**	**133,778**	**123,510**	**113,787**
GFS liabilities					
Deposits held	300	300	300	300	300
Advances received	0	0	0	0	0
Government securities	61,939	51,633	51,081	39,007	23,889
Loans	9,737	9,518	9,381	8,528	8,578
Other borrowing	221	171	143	103	69
Superannuation liability	89,040	91,541	93,957	96,317	98,680
Other employee entitlements and provisions	7,449	7,542	7,673	7,784	7,880
Other non-equity liabilities	17,388	17,236	17,523	17,738	18,361
Total GFS liabilities	**186,074**	**177,941**	**180,058**	**169,778**	**157,756**
Net worth(a)(b)	**-46,319**	**-44,883**	**-46,280**	**-46,267**	**-43,970**
Net financial worth(c)	-82,400	-80,343	-81,385	-81,211	-78,572
Net debt(d)	32,420	29,826	27,578	14,110	-1,771

(a) Net worth is calculated as total assets minus total liabilities.
(b) The net worth estimates in this table improve compared to those presented elsewhere in the Budget reflecting the treatment of the GST as a Commonwealth tax.
(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 3: Commonwealth general government sector cash flow statement[(a)]

	2002-03 $m	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
Cash receipts from operating activities					
Taxes received	189,205	196,548	205,399	216,304	228,270
Receipts from sales of goods and services(b)	4,094	4,172	4,296	4,437	4,519
Grants and subsidies received	0	0	0	0	0
Interest receipts	964	754	758	900	1,387
Dividends	3,960	3,074	4,294	3,155	2,640
GST input credit receipts(b)	0	0	0	0	0
Other receipts	2,652	2,559	2,550	2,555	2,646
Total receipts	**200,874**	**207,107**	**217,297**	**227,351**	**239,463**
Cash payments for operating activities					
Payments for goods and services(b)	-37,238	-38,688	-40,028	-41,760	-43,837
Grants and subsidies paid	-71,647	-73,773	-77,209	-80,322	-82,821
Interest paid	-4,584	-4,180	-3,924	-4,552	-3,496
Personal benefit payments	-65,248	-68,691	-74,341	-78,696	-83,543
Salaries, wages and other entitlements	-14,739	-15,970	-16,798	-16,857	-17,441
GST payments to taxation authority(b)	0	0	0	0	0
Other payments for operating activities	-2,084	-2,103	-2,072	-2,074	-2,059
Total payments	**-195,540**	**-203,404**	**-214,372**	**-224,261**	**-233,197**
Net cash flows from operating activities	**5,334**	**3,703**	**2,925**	**3,090**	**6,265**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	1,312	1,073	835	427	445
Purchases of new and secondhand non-financial assets	-2,731	-2,603	-2,427	-2,275	-2,034
Net cash flows from investments in non-financial assets	**-1,420**	**-1,530**	**-1,592**	**-1,848**	**-1,589**
Net cash flows from investments in financial assets for policy purposes	**-288**	**-701**	**-810**	**10,393**	**10,095**
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	2,037	-239	-23	-229	-216
Net cash flows from investments in financial assets for liquidity purposes	**2,037**	**-239**	**-23**	**-229**	**-216**
Cash flows from financing activities					
Advances received (net)	0	0	0	0	0
Borrowing (net)	-5,945	-1,199	-196	-11,800	-14,909
Deposits received (net)	0	0	0	0	0
Other financing (net)	559	-196	-380	506	441
Net cash flows from financing activities	**-5,386**	**-1,394**	**-576**	**-11,294**	**-14,468**
Net increase/decrease in cash held	**277**	**-162**	**-77**	**112**	**88**
Net cash from operating activities and investments in non-financial assets	**3,914**	**2,173**	**1,333**	**1,242**	**4,677**
Finance leases and similar arrangements(c)	4	-1	-8	-7	-8
Equals surplus(+)/deficit(-)	**3,918**	**2,172**	**1,325**	**1,235**	**4,668**

(a) A positive number denotes a cash inflow, a negative sign denotes a cash outflow.
(b) GST flows are excluded from these categories.
(c) The acquisition of assets under finance leases reduces the deficit. The disposal of assets previously held under finance leases improves the surplus/deficit.

Table 4: Commonwealth general government sector statement of other economic flows (reconciliation of net worth)

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Opening net worth(a)	**-48,935**	**-46,319**	**-44,883**	**-46,280**	**-46,267**
Change in net worth from operating transactions	**1,796**	**614**	**-1,194**	**418**	**2,734**
Change in net worth from other economic flows					
Revaluation on sale of assets	55	281	139	9,650	9,650
Revaluations and sales of investments in commercial entities	5,319	436	-41	-9,629	-9,629
Total revaluation and profit on asset sales(b)	*5,373*	*718*	*98*	*20*	*20*
Net writedowns of assets (including bad and doubtful debts)	-2,104	-1,445	-1,147	-1,168	-1,145
Assets recognised for the first time	821	281	1	1	1
Defence weapon platform adjustment(c)	393	210	100	100	100
Actuarial revaluations	-4,967	0	0	0	0
Net foreign exchange gains	753	-122	-28	-10	0
Net swap interest received	554	504	400	310	253
Market valuation of debt	101	597	386	272	210
Other economic revaluations	-103	78	-12	70	124
Total other economic flows	**819**	**821**	**-203**	**-405**	**-436**
Closing net worth	**-46,319**	**-44,883**	**-46,280**	**-46,267**	**-43,970**

(a) Includes a reduction in opening net worth for 2002-03 of $2.5 billion due to the adoption of market valuation of debt. This change has been back-cast to 1999-2000, as discussed in Statement 8.

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

(c) 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.

Table 5: Commonwealth public non-financial corporations operating statement

	2002-03 $m	2003-04 $m
GFS revenue		
Current grants and subsidies	384	153
Sales of goods and services	24,098	24,603
Interest income	85	74
Other	67	0
Total GFS revenue	**24,633**	**24,830**
GFS expenses		
Gross operating expenses		
Depreciation	3,336	3,642
Salaries, wages and other entitlements	4,996	4,873
Other operating expenses	11,144	10,760
Total gross operating expenses	*19,476*	*19,275*
Interest expenses	962	943
Other property expenses	1,669	1,541
Current transfers		
Tax expenses	1,633	1,922
Other current transfers	0	0
Total current transfers	*1,633*	*1,922*
Capital transfers	0	0
Total GFS expenses	**23,741**	**23,681**
Net operating balance	**893**	**1,150**
Net acquisition of non-financial assets		
Purchases of non-financial assets	3,998	3,163
less Sales of non-financial assets	809	154
less Depreciation	3,336	3,642
plus Change in inventories	12	11
plus Other movements in non-financial assets	-5	-2
Total net acquisition of non-financial assets	**-141**	**-623**
Net lending/fiscal balance(a)	**1,034**	**1,772**

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

Table 6: Commonwealth public non-financial corporations balance sheet

	2002-03 $m	2003-04 $m
GFS assets		
Financial assets		
Cash and deposits	987	1,113
Advances paid	0	0
Investments, loans and placements	763	759
Other non-equity assets	5,071	5,051
Equity	132	78
Total financial assets	*6,954*	*7,002*
Non-financial assets		
Land and fixed assets	21,251	20,992
Other non-financial assets	6,739	6,504
Total non-financial assets	*27,991*	*27,496*
Total GFS assets	**34,944**	**34,498**
GFS liabilities		
Deposits held	0	0
Advances received	0	0
Borrowing	11,071	9,442
Provisions (other than depreciation and bad and doubtful debts)	8,439	8,307
Other non-equity liabilities	1,435	1,337
Total GFS liabilities	**20,946**	**19,085**
Shares and other contributed capital	**69,165**	**69,635**
Net worth(a)	**-55,166**	**-54,223**
Net financial worth(b)	-83,157	-81,718
Net debt(c)	9,321	7,570

(a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The negative net worth recorded for this sector reflects a higher valuation of listed Commonwealth corporations by the sharemarket than the value of net assets recorded by these corporations.
(b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.
(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 7: Commonwealth public non-financial corporations cash flow statement[(a)]

	2002-03	2003-04
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	26,266	26,846
Grants and subsidies received	384	153
GST input credit receipts	13	16
Other receipts	184	72
Total receipts	**26,848**	**27,087**
Cash payments for operating activities		
Payment for goods and services	-9,174	-8,782
Interest paid	-946	-943
Salaries, wages and other entitlements	-5,465	-5,481
GST payments to taxation authority	-1,539	-1,545
Other payments for operating activities(b)	-4,201	-4,286
Total payments	**-21,325**	**-21,038**
Net cash flows from operating activities	**5,523**	**6,049**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	809	154
Purchases of new and secondhand non-financial assets	-3,998	-3,163
Net cash flows from investments in non-financial assets	**-3,189**	**-3,010**
Cash flows from investments in financial assets for policy purposes		
Net advances paid	0	0
Net equity acquisitions, disposals and privatisations	0	0
Net cash flows from investments in financial assets for policy purposes	**0**	**0**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	6	21
Net cash flows from investments in financial assets for liquidity purposes	**6**	**21**
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1,737	-1,426
Deposits received (net)	0	0
Distributions paid (net)(c)	-1,669	-1,541
Other financing (net)	723	33
Net cash flows from financing activities	**-2,683**	**-2,935**
Net increase/decrease in cash held	**-343**	**126**
Net cash from operations and investments in non-financial assets	**2,334**	**3,039**
Finance leases and similar arrangements(d)	0	0
Distributions paid	-1,669	-1,541
Equals surplus(+)/deficit(-)	**665**	**1,499**

(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 public non-financial corporations distributions paid.
(c) 'Distributions paid' comprise public non-financial corporations 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 8: Commonwealth total non-financial public sector operating statement

	2002-03	2003-04
	$m	$m
GFS revenue		
Taxation revenue	189,415	196,611
Current grants and subsidies	0	0
Sales of goods and services	27,616	28,262
Interest income	1,293	973
Dividend income	1,939	2,206
Other	2,880	2,778
Total GFS revenue	**223,142**	**230,831**
GFS expenses		
Gross operating expenses		
Depreciation	5,117	5,550
Superannuation	2,111	2,135
Salaries and wages	15,621	16,264
Payment for supply of goods and services	44,818	46,645
Other operating expenses	2,610	2,588
Total gross operating expenses	*70,276*	*73,182*
Nominal superannuation interest expense	5,350	5,209
Other interest expenses	5,805	5,296
Other property expenses	1,669	1,541
Current transfers		
Grant expenses	64,176	66,875
Subsidy expenses	4,763	5,218
Personal benefit payments in cash	65,252	68,815
Other current transfers	0	0
Total current transfers	*134,191*	*140,909*
Capital transfers	3,161	2,930
Total GFS expenses	**220,453**	**229,067**
Net operating balance(a)	**2,689**	**1,764**
Net acquisition of non-financial assets		
Purchases of non-financial assets	6,680	5,705
less Sales of non-financial assets	2,113	1,006
less Depreciation	5,117	5,550
plus Change in inventories	116	-35
plus Other movements in non-financial assets	58	-154
Total increase in net non-financial assets	**-376**	**-1,040**
Net lending/fiscal balance(a)(b)	**3,065**	**2,804**

(a) The fiscal balance and net operating balance estimates in this table improve compared to those presented elsewhere in the Budget, reflecting the treatment of the GST as a Commonwealth tax.
(b) The term 'fiscal balance' is not used by the ABS.

Table 9: Commonwealth total non-financial public sector balance sheet

	2002-03 $m	2003-04 $m
GFS assets		
Financial assets		
Cash and deposits	3,495	3,459
Advances paid	19,050	19,507
Investments, loans and placements	18,983	10,702
Other non-equity assets	19,427	20,823
Equity	14,173	14,156
Total financial assets	*75,127*	*68,647*
Non-financial assets		
Land and fixed assets	54,326	53,854
Other non-financial assets	9,746	9,101
Total non-financial assets	*64,072*	*62,955*
Total GFS assets	**139,199**	**131,603**
GFS liabilities		
Deposits held	300	300
Advances received	0	0
Government securities	61,939	51,633
Loans	9,737	9,518
Other borrowing	11,293	9,613
Superannuation liability	89,040	91,541
Other employee entitlements and provisions	15,889	15,849
Other non-equity liabilities	18,780	18,548
Total GFS liabilities	**206,977**	**197,001**
Shares and other contributed capital	**33,707**	**33,707**
Net worth(a)(b)	**-101,485**	**-99,106**
Net financial worth(c)	-165,557	-162,061
Net debt(d)	41,740	37,396

(a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.
(b) The net worth estimates in this table improve compared to those presented elsewhere in the Budget, reflecting the treatment of the GST as a Commonwealth tax.
(c) 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, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 10: Commonwealth total non-financial public sector cash flow statement[(a)]

	2002-03 $m	2003-04 $m
Cash receipts from operating activities		
Taxes received	187,572	194,626
Receipts from sales of goods and services(b)	27,635	28,275
Grants and subsidies received	0	0
Interest receipts	964	754
Dividends	1,939	1,306
GST input credit receipts(b)	0	0
Other receipts	2,836	2,614
Total receipts	**220,946**	**227,576**
Cash payments for operating activities		
Payments for goods and services(b)	-45,213	-46,257
Grants and subsidies paid	-71,263	-73,620
Interest paid	-5,530	-5,123
Personal benefit payments	-65,248	-68,691
Salaries, wages and other entitlements	-20,204	-21,451
GST payments to taxation authority(b)	0	0
Other payments for operating activities	-2,632	-2,682
Total payments	**-210,090**	**-217,823**
Net cash flows from operating activities	**10,856**	**9,752**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	2,121	1,227
Purchases of new and secondhand non-financial assets	-6,729	-5,766
Net cash flows from investments in non-financial assets	**-4,609**	**-4,539**
Net cash flows from investments in financial assets for policy purposes	**-288**	**-701**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	2,044	-219
Net cash flows from investments in financial assets for liquidity purposes	**2,044**	**-219**
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-7,683	-2,625
Deposits received (net)	0	0
Distributions paid (net)(c)	-1,669	-1,541
Other financing (net)	1,282	-163
Net cash flows from financing activities	**-8,070**	**-4,329**
Net increase/decrease in cash held	**-66**	**-36**
Net cash from operating activities and investments in non-financial assets	**6,248**	**5,213**
Finance leases and similar arrangements(d)	4	-1
Distributions paid	-1,669	-1,541
Equals surplus(+)/deficit(-)	**4,583**	**3,671**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.
(b) GST flows are excluded from these categories.
(c) 'Distributions paid' comprise public non-financial corporations dividends to 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 11: Commonwealth general government sector taxation revenue by source

	2002-03	2003-04
	$m	$m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	91,533	96,530
Income and capital gains levied on enterprises	36,357	37,700
Income taxes levied on non-residents	0	0
Total taxes on income, profits and capital gains	**127,890**	**134,230**
Taxes on employers' payroll and labour force	3,412	3,382
Taxes on property	13	13
Taxes on the provision of goods and services		
Sales/goods and services tax	32,130	32,980
Excises and levies	21,222	21,318
Taxes on international trade	5,630	5,915
Other	0	0
Total taxes on the provision of goods and services	**58,982**	**60,213**
Taxes on use of goods and performance of activities	750	695
Total GFS taxation revenue	**191,047**	**198,533**

Table 12: General government purchases of non-financial assets by function

	Estimates		Projections		
	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
General public services	691	568	606	474	471
Defence	581	596	664	645	528
Public order and safety	195	194	5	20	24
Education	15	16	13	13	12
Health	85	111	101	74	65
Social security and welfare	199	157	153	166	160
Housing and community amenities	346	442	353	324	324
Recreation and culture	222	268	372	410	360
Fuel and energy	2	1	2	2	2
Agriculture, forestry and fishing	15	7	8	14	6
Mining and mineral resources (other than fuels); manufacturing and construction	25	22	4	21	20
Transport and communications	124	64	10	9	5
Other economic affairs	179	146	119	95	100
Other purposes	3	-52	-29	-27	-19
General government purchases of non-financial assets	**2,682**	**2,542**	**2,383**	**2,237**	**2,060**

APPENDIX A: LOAN COUNCIL ALLOCATION

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

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

Loan Council Allocation 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.

As set out in Table 13, the Commonwealth's 2003-04 Loan Council Allocation Budget Update is a $2,159 million surplus. This compares with the Commonwealth's nomination, and Loan Council endorsed, Loan Council Allocation surplus of $5,715 million.

The Commonwealth has no plans in 2003-04 for any public infrastructure projects with private sector involvement that require disclosure under present arrangements.

Table 13: Commonwealth Loan Council Allocation Budget update for 2003-04

	2003-04 Nomination $m	2003-04 Budget Update $m
General government sector cash deficit(+)/surplus(-)	-4,899	-2,172
Public non-financial corporations sector cash deficit(+)/surplus(-)	-2,351	-1,499
Non-financial public sector cash deficit(+)/surplus(-)	-7,250	-3,671
minus Net cash flows from investments in financial assets for policy purposes(a)	-909	-701
plus Memorandum items(b)	626	811
Loan Council Allocation	**-5,715**	**-2,159**

(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 of operating leases (with net present value 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 Loan Council Allocation.