APPENDIX B: GOVERNMENT FINANCE STATISTICS STATEMENTS

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

The tables include an operating statement, balance sheet and cash flow statement for the Australian Government general government, public non-financial corporations and total non-financial public sectors. A statement of other economic flows is also included for the Australian Government 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 Australian Government general government sector.

The Australian Government, 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 Appendix presents Australian Government data on an ABS GFS basis, as required by the Uniform Presentation Framework, except for the departures (other than in relation to the treatment of goods and services tax (GST)) detailed in Attachment A to Part 3.

The only difference between the Australian Government general government sector statements in Part 3 and this Appendix is the treatment of the GST. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations,* GST is collected by the Australian Taxation Office, as an agent for the States and Territories, and appropriated to the States and Territories. Consequently, it is not shown as Australian Government revenue in other parts in this document. However, the tables in this Appendix show GST as taxation revenue and payments to the States as grant expenses.

As a result of the different treatments of GST related transactions, fiscal balance, net operating balance and net worth estimates in this Appendix differ from those reported elsewhere in this document. This accounting difference is an accrual issue only: it 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] The underlying cash balance is not affected and provides identical results under both treatments of GST receipts.

1 Table E2 in Appendix E 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.

Consistent with ABS practice, transactions between the Australian Government 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.

Appendix E provides reconciliations between key GFS aggregates and their Australian Accounting Standard No. 31 counterparts.

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table B1: Australian Government general government sector operating statement

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
GFS revenue				
Taxation revenue	203,737	213,041	225,123	237,465
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,106	4,241	4,378	4,531
Interest income	1,146	1,197	1,707	2,662
Dividend income	4,103	2,386	2,313	1,828
Other	2,613	2,580	2,634	2,689
Total GFS revenue	**215,705**	**223,444**	**236,154**	**249,176**
GFS expenses				
Gross operating expenses				
Depreciation	1,882	1,903	2,059	2,118
Superannuation	2,041	2,098	2,111	2,131
Salaries and wages	11,607	12,175	12,163	12,613
Payment for supply of goods and services	40,030	41,063	42,956	44,891
Other operating expenses	2,161	2,190	2,152	2,160
Total gross operating expenses	*57,721*	*59,429*	*61,442*	*63,912*
Nominal superannuation interest expense	4,913	5,248	5,686	5,785
Other interest expenses	4,259	4,056	3,702	3,620
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	67,069	70,762	74,378	77,049
Subsidy expenses	5,757	5,917	6,037	6,327
Personal benefit payments in cash	68,491	72,950	77,710	82,977
Other current transfers	0	0	0	0
Total current transfers	*141,318*	*149,629*	*158,124*	*166,353*
Capital transfers	3,087	3,370	3,195	3,160
Total GFS expenses	**211,298**	**221,731**	**232,149**	**242,830**
Net operating balance(a)	**4,408**	**1,713**	**4,005**	**6,346**
Net acquisition of non-financial assets				
Purchases of non-financial assets	2,727	2,443	2,373	2,177
less Sales of non-financial assets	893	755	424	329
less Depreciation	1,882	1,903	2,059	2,118
plus Change in inventories	-20	-54	-59	49
plus Other movements in non-financial assets	-136	-46	40	20
Total net acquisition of non-financial assets	**-205**	**-315**	**-129**	**-201**
Net lending/fiscal balance(a)(b)	**4,612**	**2,028**	**4,135**	**6,547**

(a) The fiscal balance and net operating balance estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.
(b) The term fiscal balance is not used by the ABS.

Table B2: Australian Government general government sector balance sheet

	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m
GFS assets				
Financial assets				
Cash and deposits	3,022	3,058	3,021	3,031
Advances paid	19,295	20,589	20,930	21,903
Investments, loans and placements	9,701	9,563	9,517	9,479
Other non-equity assets	18,003	17,761	18,639	20,004
Equity(a)	47,681	47,571	38,900	27,601
Total financial assets	*97,702*	*98,543*	*91,007*	*82,018*
Non-financial assets				
Land	4,609	4,461	4,531	4,655
Buildings (excluding heritage)	13,436	13,366	13,413	13,281
Plant, equipment and infrastructure(b)	7,768	7,887	8,040	7,895
Inventories	4,023	3,969	3,910	3,958
Heritage and cultural assets(b)	4,761	4,761	4,763	4,766
Other non-financial assets	1,765	1,765	1,575	1,533
Total non-financial assets	*36,362*	*36,209*	*36,231*	*36,088*
Total GFS assets	**134,064**	**134,752**	**127,239**	**118,107**
GFS liabilities				
Deposits held	325	325	325	325
Advances received	0	0	0	0
Government securities	49,163	46,022	30,158	12,433
Loans	5,678	5,447	5,257	5,082
Other borrowing	183	155	115	106
Superannuation liability	91,597	94,004	96,740	99,404
Other employee entitlements and provisions	7,972	8,111	8,229	8,348
Other non-equity liabilities	21,052	21,192	21,469	22,159
Total GFS liabilities	**175,972**	**175,258**	**162,293**	**147,857**
Net worth(c)(d)	**-41,907**	**-40,506**	**-35,055**	**-29,751**
Net financial worth(e)	-78,269	-76,715	-71,286	-65,839
Net debt(f)	23,332	18,739	2,387	-16,467

(a) Equity includes the valuation of the Telstra shareholding, which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the expected sale price.
(b) Heritage and cultural assets were previously included in Plant, equipment and infrastructure.
(c) The net worth estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.
(d) Net worth is calculated as total assets minus total liabilities.
(e) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.
(f) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
Cash receipts from operating activities				
Taxes received(b)	200,636	210,415	222,303	234,151
Receipts from sales of goods and services(c)	4,083	4,238	4,378	4,523
Grants and subsidies received	0	0	0	0
Interest receipts	1,014	1,116	1,457	2,397
Dividends	3,139	3,350	2,313	1,828
GST input credits received by general government(c)	0	0	0	0
Other receipts	2,476	2,452	2,468	2,521
Total receipts	**211,348**	**221,569**	**232,918**	**245,419**
Cash payments for operating activities				
Payments for goods and services(c)	-41,365	-42,259	-44,161	-46,117
Grants and subsidies paid(d)	-74,040	-78,588	-82,110	-85,045
Interest paid	-4,118	-3,878	-4,520	-3,634
Personal benefit payments	-68,453	-73,606	-77,728	-82,602
Salaries, wages and other entitlements	-16,264	-17,046	-16,916	-17,552
GST payments by general government to taxation authority(c)	0	0	0	0
Other payments for operating activities	-797	-720	-886	-869
Total payments	**-205,036**	**-216,098**	**-226,321**	**-235,819**
Net cash flows from operating activities	**6,312**	**5,471**	**6,597**	**9,601**
Cash flows from investments in non-financial assets assets				
Sales of non-financial assets	1,113	830	429	334
Purchases of new and secondhand non-financial assets	-2,792	-2,466	-2,411	-2,193
Net cash flows from investments in non-financial assets	**-1,679**	**-1,635**	**-1,982**	**-1,860**
Net cash flows from investments in financial assets for policy purposes	**-666**	**-953**	**10,061**	**9,837**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-4	51	2	-23
Net cash flows from investments in financial assets for liquidity purposes	**-4**	**51**	**2**	**-23**
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	-2,969	-2,873	-15,011	-17,808
Deposits received (net)	-1	0	0	0
Other financing (net)	-308	-25	296	263
Net cash flows from financing activities	**-3,278**	**-2,898**	**-14,715**	**-17,546**
Net increase/decrease in cash held	**684**	**36**	**-37**	**10**
Net cash from operating activities and investments in non-financial assets	**4,633**	**3,836**	**4,615**	**7,741**
Finance leases and similar arrangements(e)	3	-6	-7	-8
Equals surplus(+)/deficit(-)	**4,635**	**3,829**	**4,608**	**7,733**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.
(b) Includes GST cash receipts on an Australian Government tax basis, which are $13 million greater than GST cash receipts measured on a State tax basis (as shown in Appendix C, Note 16).
(c) GST flows are excluded from these categories.
(d) Includes GST cash payments on an Australian Government tax basis.
(e) The acquisition of assets under finance leases reduces the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or reduces the deficit.

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

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
Opening net worth	**-49,524**	**-41,907**	**-40,505**	**-35,055**
Opening net worth adjustments(a)	**-891**	**0**	**0**	**0**
Adjusted opening net worth	**-50,415**	**-41,907**	**-40,505**	**-35,055**
Change in net worth from operating transactions	**4,408**	**1,713**	**4,005**	**6,346**
Change in net worth from other economic flows				
Revaluation of equity(b)	3,663	99	2,650	21
Net writedowns of assets (including bad and doubtful debts)	-2,080	-1,250	-1,893	-1,596
Assets recognised for the first time	281	2	2	2
Defence weapon platform adjustment(c)	100	100	100	100
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	237	0	0	0
Net swap interest received	381	310	278	250
Market valuation of debt	1,449	466	332	217
Other economic revaluations(d)	69	-38	-23	-35
Total other economic flows	**4,100**	**-311**	**1,445**	**-1,042**
Closing net worth	**-41,907**	**-40,505**	**-35,055**	**-29,750**

(a) Includes the initial recognition of a provision for asbestos related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements. This liability has now been back-dated to 2002-03.

(b) Revaluations of equity reflects changes in the market valuation of commercial entities, including a change in the value of the Telstra shareholding which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the expected sale price. This line also reflects any equity revaluations at the point of disposal or sale.

(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.

(d) Largely reflects revaluation of assets.

Table B5: Australian Government public non-financial corporations operating statement

	2003-04 $m
GFS revenue	
Current grants and subsidies	224
Sales of goods and services	24,463
Interest income	85
Other	24
Total GFS revenue	**24,796**
GFS expenses	
Gross operating expenses	
Depreciation	3,423
Salaries, wages and other entitlements	5,495
Other operating expenses	9,846
Total gross operating expenses	*18,763*
Interest expenses	882
Other property expenses	1,562
Current transfers	
Tax expenses	2,054
Other current transfers	0
Total current transfers	*2,054*
Capital transfers	0
Total GFS expenses	**23,261**
Net operating balance	**1,536**
Net acquisition of non-financial assets	
Purchases of non-financial assets	3,477
less Sales of non-financial asets	130
less Depreciation	3,423
plus Change in inventories	-32
plus Other movements in non-financial assets	-163
Total net acquisition of non-financial assets	**-271**
Net lending/fiscal balance(a)	**1,806**

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

Table B6: Australian Government public non-financial corporations balance sheet

	2003-04 $m
GFS assets	
Financial assets	
Cash and deposits	2,503
Advances paid	0
Investments, loans and placements	967
Other non-equity assets	5,242
Equity	225
Total financial assets	*8,937*
Non-financial assets	
Land and fixed assets	26,296
Other non-financial assets	752
Total non-financial assets	*27,048*
Total GFS assets	**35,986**
GFS liabilities	
Deposits held	0
Advances received	0
Borrowing	11,459
Unfunded superannuation liability and other employee entitlements	1,922
Provisions (other than depreciation and bad and doubtful debts)	6,174
Other non-equity liabilities	1,167
Total GFS liabilities	**20,723**
Shares and other contributed capital	**64,527**
Net worth(a)	**-49,264**
Net financial worth(b)	-76,312
Net debt(c)	7,989

(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 Australian Government 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. That is, it excludes non-financial assets.
(c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

	2003-04 $m
Cash receipts from operating activities	
Receipts from sales of goods and services	24,465
Grants and subsidies received	224
GST input credit receipts	15
Other receipts	289
Total receipts	**24,993**
Cash payments for operating activities	
Payment for goods and services	-7,580
Interest paid	-793
Salaries, wages and other entitlements	-5,590
GST payments to taxation authority	-1,465
Other payments for operating activities(b)	-3,477
Total payments	**-18,905**
Net cash flows from operating activities	**6,088**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	130
Purchases of new and secondhand non-financial assets	-3,477
Net cash flows from investments in non-financial assets	**-3,348**
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	-52
Net cash flows from investments in financial assets for liquidity purposes	**-52**
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-1,007
Deposits received (net)	0
Distributions paid (net)(c)	-1,562
Other financing (net)	1,120
Net cash flows from financing activities	**-1,448**
Net increase/decrease in cash held	**1,240**
Net cash from operating activities and investments in non-financial assets	**2,740**
Finance leases and similar arrangements(d)	0
Distributions paid(c)	-1,562
Equals surplus(+)/deficit(-)	**1,179**

(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 or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or reduces the deficit.

Table B8: Australian Government total non-financial public sector operating statement

	2003-04 $m
GFS revenue	
Taxation revenue	201,815
Current grants and subsidies	0
Sales of goods and services	28,022
Interest income	1,179
Dividend income	2,339
Other	2,637
Total GFS revenue	**235,991**
GFS expenses	
Gross operating expenses	
Depreciation	5,305
Superannuation	2,056
Salaries and wages	17,086
Payment for supply of goods and services	48,096
Other operating expenses	1,629
Total gross operating expenses	*74,172*
Nominal superannuation interest expense	4,913
Other interest expenses	5,089
Other property expenses	1,562
Current transfers	
Grant expenses	67,069
Subsidy expenses	5,533
Personal benefit payments in cash	68,491
Other current transfers	0
Total current transfers	*141,093*
Capital transfers	3,087
Total GFS expenses	**229,916**
Net operating balance(a)	**6,075**
Net acquisition of non-financial assets	
Purchases of non-financial assets	6,204
less Sales of non-financial assets	1,023
less Depreciation	5,305
plus Change in inventories	-52
plus Other movements in non-financial assets	-299
Total net acquisition of non-financial assets	**-475**
Net lending/fiscal balance(a)(b)(c)	**6,550**

(a) The fiscal balance and net operating balance estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.
(b) The term fiscal balance is not used by the ABS.
(c) The fiscal balance for the non-financial public sector does not equal the sum of the general government and public non-financial corporations sectors due to the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.

Table B9: Australian Government total non-financial public sector balance sheet

	2003-04 $m
GFS assets	
Financial assets	
Cash and deposits	5,525
Advances paid	19,295
Investments, loans and placements	10,668
Other non-equity assets	22,950
Equity	13,984
Total financial assets	*72,422*
Non-financial assets	
Land and fixed assets	62,326
Other non-financial assets	1,085
Total non-financial assets	*63,411*
Total GFS assets	**135,833**
GFS liabilities	
Deposits held	325
Advances received	0
Government securities	49,163
Loans	5,678
Other borrowing	11,642
Unfunded superannuation liability and other employee entitlements	101,492
Other provisions	6,461
Other non-equity liabilities	19,054
Total GFS liabilities	**193,816**
Shares and other contributed capital	**31,089**
Net worth(a)(b)	**-89,072**
Net financial worth(b)(c)	-152,482
Net debt(d)	31,321

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

(b) Net worth and net financial worth for the non-financial public sector do not equal the sum of the general government and public non-financial corporations sectors due to the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

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

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

	2003-04 $m
Cash receipts from operating activities	
Taxes received	198,714
Receipts from sales of goods and services(b)	28,548
Grants and subsidies received	0
Interest receipts	962
Dividends	1,375
GST input credit receipts(b)	15
Other receipts	2,765
Total receipts	**232,378**
Cash payments for operating activities	
Payments for goods and services(b)	-48,945
Grants and subsidies paid	-73,815
Interest paid	-4,859
Personal benefit payments	-68,453
Salaries, wages and other entitlements	-21,854
GST payments to taxation authority(b)	-1,465
Other payments for operating activities	-587
Total payments	**-219,978**
Net cash flows from operating activities	**12,400**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1,243
Purchases of new and secondhand non-financial assets	-6,270
Net cash flows from investments in non-financial assets	**-5,027**
Net cash flows from investments in financial assets for policy purposes	**-666**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-56
Net cash flows from investments in financial assets for liquidity purposes	**-56**
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-3,976
Deposits received (net)	-1
Distributions paid (net)(c)	-1,562
Other financing (net)	812
Net cash flows from financing activities	**-4,726**
Net increase/decrease in cash held	**1,924**
Net cash from operating activities and investments in non-financial assets	**7,373**
Finance leases and similar arrangements(d)	3
Distributions paid(c)	-1,562
Equals surplus(+)/deficit(-)	**5,814**

(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 PNFC dividends to external shareholders.
(d) The acquisition of assets under finance leases reduces the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or reduces the deficit.

LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Australian Government and each State and Territory nominate Loan Council Allocations. 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.

In March 2003, the Australian Government nominated, and the Loan Council endorsed a Loan Council Allocation surplus of $5,715 million. In the 2003-04 Budget, the Australian Government estimated a Loan Council Allocation surplus of $2,159 million. Table B11 presents a revised estimate for the Australian Government's 2003-04 Loan Council Allocation of a $4,490 million surplus.

Table B11: Australian Government Loan Council Allocation for 2003-04

	2003-04 Budget Estimate	2003-04 MYEFO Estimate
	$m	$m
General government sector cash deficit(+)/surplus(-)	-2,172	-4,635
PNFC sector cash deficit(+)/surplus(-)	-1,499	-1,179
Non-financial public sector cash deficit(+)/surplus(-)	-3,671	-5,814
less Net cash flows from investments in financial assets for policy purposes(a)	-701	-666
plus Memorandum items(b)	811	658
Loan Council Allocation	**-2,159**	**-4,490**

(a) Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit/surplus. 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 Australian Government, memorandum items comprise the change in net present value (NPV) of operating leases (with NPV greater than $5 million), university borrowings, over funding of superannuation and an adjustment to exclude the net financing requirements of statutory marketing authorities and Telstra from the Loan Council Allocation.