

PART 3: FISCAL OUTLOOK

OVERVIEW

The Australian Government's underlying cash surplus for 2004-05 is estimated to be \$6.2 billion, an increase of \$900 million since the *Pre-Election Economic and Fiscal Outlook 2004* (PEFO) and \$3.8 billion since the 2004-05 Budget. In accrual terms, a fiscal balance surplus of \$4.9 billion is estimated for 2004-05, an increase of \$1.3 billion since PEFO and \$4.2 billion since the 2004-05 Budget. The fiscal outlook is for continuing underlying cash and fiscal surpluses in the forward years.

Table 5: Australian Government general government sector budget aggregates^(a)

	Estimates ^(b)					
	2004-05			2005-06		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
Revenue (\$b)	193.2	197.9	199.4	201.4	206.4	207.5
Per cent of GDP	22.5	22.9	23.0	22.2	22.6	22.7
Expenses (\$b)	192.3	194.0	193.8	200.6	202.2	203.6
Per cent of GDP	22.4	22.4	22.4	22.1	22.1	22.2
Net operating balance (\$b)	0.8	3.9	5.6	0.8	4.2	3.9
Net capital investment (\$b)	0.1	0.3	0.7	0.0	0.1	0.4
Fiscal balance (\$b)	0.7	3.6	4.9	0.7	4.1	3.5
Per cent of GDP	0.1	0.4	0.6	0.1	0.5	0.4
Underlying cash balance (\$b)	2.4	5.3	6.2	1.6	5.1	4.5
Per cent of GDP	0.3	0.6	0.7	0.2	0.6	0.5
<i>Memorandum item:</i>						
Headline cash balance (\$b)	1.0	3.9	4.9	0.0	3.6	3.0
	Projections					
	2006-07			2007-08		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
Revenue (\$b)	212.2	217.5	217.6	223.1	228.7	229.3
Per cent of GDP	22.2	22.6	22.5	22.1	22.5	22.5
Expenses (\$b)	210.0	211.3	212.4	220.9	222.4	222.9
Per cent of GDP	22.0	21.9	22.0	21.9	21.9	21.9
Net operating balance (\$b)	2.2	6.2	5.2	2.2	6.3	6.5
Net capital investment (\$b)	-0.1	-0.2	0.2	-0.4	-0.5	-0.1
Fiscal balance (\$b)	2.3	6.4	5.0	2.6	6.8	6.6
Per cent of GDP	0.2	0.7	0.5	0.3	0.7	0.6
Underlying cash balance (\$b)	3.4	6.9	5.7	4.5	7.9	7.6
Per cent of GDP	0.4	0.7	0.6	0.4	0.8	0.7
<i>Memorandum item:</i>						
Headline cash balance (\$b)	12.8	16.3	15.2	13.7	17.3	16.9

(a) All estimates are based on Government Finance Statistics (GFS) standards, but with goods and services tax (GST) revenue collected on behalf of the states and territories netted off revenue and expenses.

(b) For the 2004-05 MYEFO, 2005-06 has moved from a projection year to an estimate year.

Part 3: Fiscal outlook

Table 6 provides a reconciliation of the fiscal balance estimates between the 2004-05 Budget and the 2004-05 Mid-Year Economic and Fiscal Outlook (MYEFO).

Table 6: Reconciliation of general government fiscal balance estimates^(a)

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
2004-05 Budget fiscal balance	698	712	2,291	2,619
Per cent of GDP	0.1	0.1	0.2	0.3
<i>Changes between 2004-05 Budget and PEFO</i>				
Effect of policy decisions(b)				
Revenue	-18	-392	-308	-173
Expenses	791	1,122	1,089	1,178
Net capital investment	26	-2	-9	-9
Net effect of policy decisions	-835	-1,512	-1,388	-1,342
Effect of parameter and other variations				
Revenue	4,746	5,398	5,610	5,719
Expenses	879	477	162	243
Net capital investment	141	10	-17	-14
Net effect of parameter and other variations	3,727	4,911	5,466	5,490
2004 PEFO fiscal balance	3,589	4,112	6,369	6,766
Per cent of GDP	0.4	0.5	0.7	0.7
<i>Changes between PEFO and 2004-05 MYEFO</i>				
Effect of policy decisions(b)				
Revenue	7	-8	-807	-852
Expenses	854	1,821	2,160	2,189
Net capital investment	202	118	113	180
Total policy decisions	-1,049	-1,948	-3,081	-3,222
Effect of parameter and other variations				
Revenue	1,557	1,116	876	1,518
Expenses	-1,021	-461	-1,081	-1,660
Net capital investment	189	243	261	146
Total parameter and other variations	2,389	1,334	1,695	3,032
2004-05 MYEFO fiscal balance	4,929	3,497	4,984	6,577
Per cent of GDP	0.6	0.4	0.5	0.6

(a) A positive number for revenue indicates an increase in the fiscal balance, while a positive number for expenses and net capital investment indicates a decrease in the fiscal balance.

(b) Excludes the public debt net interest effect of policy measures.

The estimates for 2004-05 and 2005-06 are constructed using the 2003-04 outcomes, year-to-date results and an updated economic outlook. However, the projection years — 2006-07 and 2007-08 — are based mainly on underlying trends in economic parameters and no account is taken of cyclical influences on economic activity.

A range of factors may change the fiscal outlook. Part 2 discusses risks to the domestic and international economic outlook, which impact on both government revenue and expenses. A discussion of the estimated sensitivity of the fiscal aggregates to changes to the economic parameters is provided in Attachment C to this part. Appendix D

contains a Statement of Risks which details new or revised fiscal risks that may have a material impact on the fiscal outlook.

REVENUE

Total accrual revenue is expected to be \$199.4 billion in 2004-05, \$1.6 billion higher than the PEFO and \$6.3 billion higher than the 2004-05 Budget. Taxation revenue in 2004-05 is expected to be \$1.2 billion higher than at the PEFO and \$5.0 billion higher than the 2004-05 Budget estimate. The upward revision is largely driven by higher than expected revenue from individuals and companies, as a result of continued evidence of strength in employment and company profits in revenue collections in early 2004-05. The strength in taxation revenue reflects the robust domestic demand conditions and the substantial boost to the terms of trade which is contributing to stronger growth in national income compared with estimates at Budget.

Non-taxation revenue in 2004-05 is expected to be \$323 million higher since the PEFO and \$1.2 billion higher than the 2004-05 Budget estimate, reflecting a \$516 million increase in dividends from Telstra, a \$326 million increase in interest received by the Australian Office of Financial Management on term deposits and a \$242 million increase in estimated petroleum royalties.

Policy decisions since Budget have reduced expected revenue by \$11 million in 2004-05 and \$401 million in 2005-06. Major policy measures affecting revenue over the four year period 2004-05 to 2007-08 include:

- \$335 million in 2005-06 (around \$1.0 billion over three years) due to the introduction of a new Mature Age Worker Tax Offset to encourage mature age workers to stay in the workforce;
- \$400 million in 2006-07 (\$790 million over two years) due to the introduction of a 25 per cent Entrepreneur's Tax Discount on the income tax liability of eligible small businesses;
- \$280 million in 2006-07 (\$585 million over two years) due to the introduction of the 30 per cent Child Care Rebate; and
- \$15 million in 2005-06 (\$270 million over three years) due to the extension of the Simplified Tax System (STS) by removing the requirement that taxpayers in STS calculate their income and deductions on a cash basis.

A full list of revenue measures announced since the 2004-05 Budget is provided at Appendix A.

Part 3: Fiscal outlook

Detailed Australian Government general government sector revenue estimates for 2004-05, compared with the estimates published in the 2004-05 Budget, are provided in Table 7. Detailed cash estimates are listed in Table F3 (Appendix F).

Table 7: Australian Government general government revenue (accrual basis)

	2004-05			
	Budget estimate \$m	MYEFO estimate \$m	Change on Budget \$m	Change on Budget %
Taxation revenue				
Income taxation				
Individuals and other withholding tax(a)				
Gross income tax withholding	95,150	96,550	1,400	1.5
Gross other individuals	20,390	22,210	1,820	8.9
less Refunds	12,850	13,700	850	6.6
Total individuals and other withholding tax	102,690	105,060	2,370	2.3
Companies	39,400	40,870	1,470	3.7
Superannuation funds				
Contributions and earnings	5,520	5,390	-130	-2.4
Superannuation surcharge	1,390	1,320	-70	-5.0
Total superannuation funds	6,910	6,710	-200	-2.9
Petroleum resource rent tax	1,100	1,560	460	41.8
Total income taxation	150,100	154,200	4,100	2.7
Indirect taxation				
Excise duty				
Petroleum products and other fuel products	13,320	13,400	80	0.6
Crude oil	320	550	230	71.9
Other excise	7,580	7,700	120	1.6
Total excise duty	21,220	21,650	430	2.0
Customs duty	5,335	5,714	378	7.1
Other indirect taxes	1,080	1,140	60	5.6
Total indirect taxation	27,635	28,504	868	3.1
Fringe benefits tax(b)	3,190	3,020	-170	-5.3
Agricultural levies and other taxes	1,654	1,898	244	14.7
Total taxation revenue	182,580	187,622	5,042	2.8
Non-taxation revenue	10,571	11,821	1,250	11.8
Total revenue	193,151	199,443	6,292	3.3

(a) Includes Medicare levy revenue.

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$380 million in 2004-05).

Total tax revenue is expected to be \$187.6 billion in 2004-05, \$1.2 billion higher than at the PEFO and an upward revision of \$5.0 billion since the 2004-05 Budget estimate. The revision is largely driven by higher than expected revenue from individuals and companies, reflecting the continued strength in employment and company profits in revenue collections in early 2004-05. Estimated company tax revenue has increased by \$610 million since PEFO and \$1.5 billion since the 2004-05 Budget estimate.

Revenue from other individuals for 2004-05 is expected to be \$22.2 billion, \$190 million above the PEFO estimate and \$1.8 billion above the 2004-05 Budget estimate, while

revenue from income tax withholding is expected to be \$96.6 billion (\$560 million above the PEFO estimate and \$1.4 billion above the 2004-05 Budget estimate).

Higher estimated tax revenue also reflects:

- an upward revision to revenue from petroleum resource rent tax of \$160 million since the PEFO and \$460 million since the 2004-05 Budget, reflecting the effects of higher than anticipated oil prices as well as additional production; and
- an upward revision to revenue from petroleum products of \$190 million since the PEFO and \$310 million since the 2004-05 Budget, reflecting the effect of higher than anticipated oil prices.

Partially offsetting these increases to revenue is a \$90 million decrease in the superannuation contributions and earnings estimates since the PEFO (\$130 million decrease since the 2004-05 Budget) and a \$90 million decrease in the superannuation surcharge estimate (\$70 million since the 2004-05 Budget), reflecting lower collections in the year to date.

EXPENSES

Estimated accrual expenses in 2004-05 have fallen by \$167 million compared with the PEFO but increased by \$1.5 billion since the 2004-05 Budget. This increase since the 2004-05 Budget reflects the net effect of new policy measures of \$1.6 billion in 2004-05, and a decrease of \$142 million due to economic parameter and other variations.

Table 8: Reconciliation of general government sector expense estimates

	Estimates		Projections	
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
2004-05 Budget expenses	192,306	200,626	210,033	220,939
Changes between 2004-05 Budget and PEFO				
Effect of policy decisions(a)	791	1,122	1,089	1,178
Effect of economic parameter variations				
Unemployment benefits	-18	-63	-74	-133
Prices and wages	520	25	182	171
Interest and exchange rates	146	153	170	168
<i>Total economic parameter variations</i>	<i>648</i>	<i>115</i>	<i>278</i>	<i>206</i>
Public debt interest	41	-10	-3	-42
Programme specific parameter variations	-368	-485	-462	-319
Other variations	557	856	349	397
Total variations	1,670	1,599	1,251	1,421
2004-05 PEFO expenses	193,976	202,225	211,284	222,361
Changes between PEFO and 2004-05 MYEFO				
Effect of policy decisions(a)	854	1,821	2,160	2,189
Effect of economic parameter variations				
Unemployment benefits	-88	36	65	95
Prices and wages	-426	-497	-331	-429
Interest and exchange rates	-131	-173	-195	-187
<i>Total economic parameter variations</i>	<i>-644</i>	<i>-635</i>	<i>-461</i>	<i>-521</i>
Public debt interest	-55	5	-51	-76
Programme specific parameter variations	-1,132	-558	-634	-749
Other variations(b)(c)	811	727	65	-314
Total variations	-167	1,360	1,079	529
2004-05 MYEFO expenses	193,808	203,585	212,363	222,890

(a) Excludes the public debt net interest effect of policy measures.

(b) The contingency reserve includes an allowance for the established tendency of existing government policy (particularly demand driven programmes) to be higher than estimates in the forward years. This allowance, known as the conservative bias allowance, is progressively reduced so that the budget year conservative bias is zero by the Budget. As is standard practice, the conservative bias has been reduced at this MYEFO in the forward years from 2005-06 onwards.

(c) The contingency reserve includes a provision for the implementation of election commitments not yet reported as separate measures.

Major policy decisions announced between the 2004-05 Budget and the PEFO increase estimated expenses by \$791 million in 2004-05 and include:

- \$252 million in 2004-05 (\$1.8 billion over four years) due to raising the Medicare Rebate to 100 per cent of the Medicare Benefits Schedule fee in relation to all non-referred general practitioner attendances; and
- \$30 million in 2004-05 (\$446 million over four years) due to the increase in the 30 per cent private health insurance rebate for older Australians to 35 per cent for 65 to 69 year olds and to 40 per cent for people over 70 years of age.

Policy decisions since the PEFO increase estimated expenses by \$854 million in 2004-05, and include:

- \$132 million in 2004-05 (\$921 million over four years) to provide funding to schools under the *Investing in Our Schools* package;
- \$82 million in 2004-05 (\$610 million over four years) to provide the Utilities Allowance for senior Australians on income support, as part of the *Recognising Senior Australians – Their Needs and Their Carers* package;
- \$59 million in 2004-05 (\$258 million over four years) to provide the Seniors Concession Allowance for self-funded retirees who hold a Commonwealth Seniors Health Card, as part of the *Recognising Senior Australians – Their Needs and Their Carers* package;
- \$62 million in 2004-05 (\$1.6 billion over four years) for the Australian Water Fund, as part of the *Securing Australia's Water Future* package;
- \$47 million in 2004-05 (\$380 million over four years) for the \$10 loading to Medicare rebates for GP services delivered after-hours and for start-up grants for new after-hours GP services (*Round the Clock Medicare*); and
- \$30 million in 2004-05 (\$120 million over four years) for the expansion of the *Roads to Recovery* programme.

A full list of expense measures announced since the 2004-05 Budget is provided at Appendix A.

Between the 2004-05 Budget and the PEFO, parameter and other variations increased estimated expenses by \$879 million in 2004-05, largely reflecting the impact of higher forecast inflation on superannuation liabilities and increased job network expenses due to the continuation of higher levels of activity and outcomes. For further details see the PEFO.

Since the PEFO, parameter and other variations have reduced forecast expenses by \$1.0 billion in 2004-05. This includes:

- a \$426 million reduction in expenses due to lower inflation forecasts, including a reduction in nominal interest expense relating to Australian Government civilian superannuation liabilities;
- a \$205 million reduction in Newstart Allowance expenses due to a reduction in the expected number of recipients;
- a \$135 million reduction in foreign exchange expenses, largely reflecting the impact on Defence acquisition costs of the appreciation of the Australian dollar;

Part 3: Fiscal outlook

- a \$115 million reduction in expenses relating to interim drought assistance and Exceptional Circumstances Assistance, reflecting a lower than expected take-up of assistance; and
- a reduction to expense estimates following the inclusion of the provision for underspends in 2004-05. A provision is included each year at the MYEFO to provide for the established tendency of departments and agencies to underspend their budgets in the current financial year.

The above reduction in expenses has been partly offset by:

- a \$140 million increase in expenses due to increased petroleum royalty payments to Western Australia reflecting higher than expected royalties from off-shore projects;
- a \$115 million increase in Job Network expenses reflecting the continuation of higher levels of activity and outcomes under the current employment services contract; and
- the inclusion of a provision in the contingency reserve for the implementation of election commitments not yet reported as separate measures.

NET CAPITAL INVESTMENT

Estimated net capital investment in 2004-05 has increased by \$391 million since the PEFO, an increase of \$557 million since the 2004-05 Budget. The majority of the movement between the 2004-05 Budget and the PEFO relates to the introduction of new protective security measures and the receipt of vaccines and anti-viral medication by the Department of Health and Ageing.

The increase since the PEFO represents the combined effect of:

- new policy decisions of \$202 million, including \$162 million in 2004-05 (\$551 million over four years) for improving security at Australian diplomatic missions; and
- parameter and other variations of \$189 million, including \$105 million of higher inventories because of lower than expected use by the Department of Defence.

Table 9: Reconciliation of general government net capital investment estimates^(a)

	Estimates		Projections	
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
2004-05 Budget net capital investment	148	45	-125	-429
Changes between 2004-05 Budget and PEFO				
Effect of policy decisions	26	-2	-9	-9
Effect of parameter and other variations	141	10	-17	-14
Total variations	167	8	-26	-22
2004 PEFO net capital investment	315	53	-151	-452
Changes between PEFO and 2004-05 MYEFO				
Effect of policy decisions	202	118	113	180
Effect of parameter and other variations	189	243	261	146
Total variations	391	362	374	326
2004-05 MYEFO net capital investment	705	415	223	-125

(a) Net capital investment is defined as net acquisition of non-financial assets.

CASH FLOWS

In 2004-05, the underlying cash balance is expected to be a surplus of \$6.2 billion compared to an estimate of \$5.3 billion at the PEFO and \$2.4 billion at the 2004-05 Budget.

Table 10: Summary of Australian Government general government sector cash flows (\$b)^(a)

	Estimates			
	2004-05		2005-06	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	193.4	199.0	201.2	207.1
Capital cash receipts(b)	0.8	0.7	0.6	0.7
Total cash receipts	194.2	199.7	201.8	207.8
Cash payments				
Operating cash payments	188.9	190.3	197.3	200.2
Capital cash payments(c)	2.9	3.2	2.9	3.2
Total cash payments	191.8	193.5	200.2	203.3
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
Underlying cash balance	2.4	6.2	1.6	4.5
Per cent of GDP	0.3	0.7	0.2	0.5
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(e)	-1.4	-1.3	-1.6	-1.5
Headline cash balance	1.0	4.9	0.0	3.0
	Projections			
	2006-07		2007-08	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	211.3	216.3	222.3	228.1
Capital cash receipts(b)	0.5	0.5	0.5	0.5
Total cash receipts	211.8	216.8	222.7	228.6
Cash payments				
Operating cash payments	205.9	208.4	215.9	218.5
Capital cash payments(c)	2.5	2.7	2.3	2.5
Total cash payments	208.4	211.1	218.2	221.0
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
Underlying cash balance	3.4	5.7	4.5	7.6
Per cent of GDP	0.4	0.6	0.4	0.7
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(e)	9.4	9.5	9.2	9.3
Headline cash balance	12.8	15.2	13.7	16.9

(a) Cash flows are derived from the accrual GFS framework excluding GST.

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

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

(d) 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.

(e) Under the cash budgeting framework, these cash flows were referred to as net advances.

Major new policy decisions since the 2004-05 Budget have largely had the same impact on the 2004-05 underlying cash balance as the fiscal balance. While parameter and other variations have generally had similar cash and accrual effects, there are some notable points of difference. Since the 2004-05 Budget there has been:

- an increase in accrual taxation revenue recognised in 2004-05 but not expected to be received from individuals and companies until future years. This has the effect of improving the fiscal balance by \$1.3 billion relative to the underlying cash balance; and
- finalisation of the arrangements for compensating the states for the revenue impact of allowing small businesses that are voluntarily registered for the goods and services tax (GST) to pay GST annually. This improves the fiscal balance by \$219 million relative to the underlying cash balance in 2004-05 as the impact of this expense in accrual terms occurs in 2005-06.

Table 11 provides a reconciliation of the variations in the underlying cash balance estimates.

Table 11: Reconciliation of Australian Government general government sector underlying cash balance estimates

	Estimates		Projections	
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
2004-05 Budget underlying cash balance	2,391	1,587	3,438	4,501
Changes from 2004-05 Budget to PEFO				
Effect of policy decisions(a)	-725	-1,430	-1,354	-1,338
Effect of parameter and other variations	3,593	4,952	4,773	4,767
Total variations	2,868	3,522	3,418	3,429
2004-05 PEFO underlying cash balance	5,258	5,109	6,857	7,930
Changes from PEFO to 2004-05 MYEFO				
Effect of policy decisions(a)	-1,002	-1,925	-3,069	-3,204
Effect of parameter and other variations	1,950	1,275	1,909	2,858
Total variations	947	-650	-1,160	-346
2004-05 MYEFO underlying cash balance	6,206	4,459	5,697	7,584

(a) Excludes the public debt net interest effect of policy measures.

NET DEBT AND NET WORTH

With the budget remaining in cash surplus, net debt is expected to continue to fall in 2004-05 and the forward years. Since the 2004-05 Budget, the estimated level of net debt has fallen from \$24.7 billion to \$19.7 billion – reflecting a higher than anticipated final budget outcome for 2003-04 and an upward revision to the projected surplus in 2004-05.

As a result of the lower level of net debt, estimated net interest payments have continued to fall in 2004-05 and beyond. Having peaked at \$8.4 billion in 1996-97, net interest payments are expected to decline to \$2.5 billion in 2004-05.

Part 3: Fiscal outlook

Australian Government general government net worth is expected to improve to -\$37.2 billion in 2004-05, compared with -\$42.8 billion at the 2004-05 Budget, largely reflecting an improvement in the fiscal outlook since Budget.

Table 12: Australian Government general government net worth, net debt and net interest payments (\$b)

	Estimates			
	2004-05		2005-06	
	Budget	MYEFO	Budget	MYEFO
Financial assets	96.2	95.7	98.1	96.9
Non-financial assets	37.0	41.1	37.1	41.6
Total assets	133.2	136.8	135.2	138.5
Total liabilities	176.1	173.9	178.1	172.7
Net worth	-42.8	-37.2	-42.9	-34.2
Net debt(a)(b)	24.7	19.7	22.3	14.2
Per cent of GDP	2.9	2.3	2.5	1.5
Net interest payments(c)	2.9	2.5	3.8	3.2
Per cent of GDP	0.3	0.3	0.4	0.4
	Projections			
	2006-07		2007-08	
	Budget	MYEFO	Budget	MYEFO
Financial assets	92.7	91.7	84.5	83.8
Non-financial assets	37.1	41.9	36.8	42.0
Total assets	129.8	133.6	121.3	125.8
Total liabilities	168.3	160.4	158.8	147.4
Net worth	-38.5	-26.8	-37.4	-21.6
Net debt(a)(b)	7.4	-3.1	-8.3	-22.0
Per cent of GDP	0.8	-0.3	-0.8	-2.2
Net interest payments(c)	2.6	1.9	1.4	0.6
Per cent of GDP	0.3	0.2	0.1	0.1

(a) 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.

(b) Includes the impact of the further sale of the Australian Government's shareholding in Telstra, but may change as a result of the establishment of the Future Fund.

(c) Australian Government cash interest payments less cash interest receipts. The 2005-06 estimates include the recognition in cash terms of the capital growth on inflation indexed bonds maturing in that year.