STATEMENT 9: BUDGET FINANCIAL STATEMENTS

The budget financial statements consist of a separate operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, and the total non-financial public sector (NFPS). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the budget be based on external reporting standards and for departures from these standards to be disclosed. Budgets in previous years contained three sets of financial statements, prepared according to both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS). The Australian Accounting Standards Board released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements.

For the first time, the Government has produced a single set of financial statements based on both ABS GFS and AAS, meeting the requirements of the Charter, with departures disclosed at Note 2.

The Australian, State and Territory governments have an agreed framework — the Accrual Uniform Presentation Framework (UPF) — for the presentation of government financial information on a basis broadly consistent with AASB 1049. The budget financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

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STATEMENT 9: BUDGET FINANCIAL STATEMENTS

Table 1: Australian Government general government sector operating statement

		Estimates		Projections		
		2007-08	2008-09	2009-10	2010-11	2011-12
	Note	$m	$m	$m	$m	$m
Revenue						
Taxation revenue	3	286,382	299,235	316,957	329,343	344,085
Sales of goods and services	4	5,369	5,699	5,898	6,177	6,401
Interest income	5	5,195	6,041	6,511	7,684	8,899
Dividend income	5	2,904	4,637	3,863	3,882	3,950
Other	6	3,982	3,852	3,691	3,776	3,587
Total revenue		**303,831**	**319,464**	**336,920**	**350,862**	**366,922**
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	14,958	15,307	15,403	15,723	16,157
Superannuation	7	2,765	2,900	2,939	3,064	3,151
Depreciation and amortisation	8	5,320	5,533	5,625	5,541	5,276
Payment for supply of goods and services	9	52,586	54,888	58,084	60,495	61,917
Other operating expenses(a)	7	3,895	4,178	4,318	4,545	4,521
Total gross operating expenses		*79,524*	*82,807*	*86,370*	*89,368*	*91,023*
Superannuation interest expense	7	6,210	6,508	6,598	6,817	7,039
Interest expenses	10	4,118	3,897	3,835	3,671	3,503
Current transfers						
Current grants	11	90,040	94,111	102,242	106,377	111,078
Subsidy expenses		7,222	7,637	8,291	8,509	8,971
Personal benefits	12	86,170	89,899	95,280	100,630	109,180
Total current transfers		*183,432*	*191,647*	*205,813*	*215,517*	*229,228*
Capital transfers	11					
Mutually agreed write-downs		1,793	1,904	1,784	1,829	1,929
Other capital grants		5,475	5,707	6,112	5,881	6,519
Total capital transfers		*7,267*	*7,611*	*7,897*	*7,711*	*8,448*
Total expenses		**280,551**	**292,470**	**310,513**	**323,083**	**339,241**
Net operating balance		**23,280**	**26,994**	**26,407**	**27,778**	**27,681**
Other economic flows						
Revaluation of equity(b)		-1,850	1,456	2,307	2,561	2,844
Net write-downs of assets (including bad and doubtful debts)		-3,117	-2,531	-2,624	-2,804	-2,863
Assets recognised for the first time		235	9	24	16	16
Actuarial revaluations		-1,423	0	0	0	0
Net foreign exchange gains		202	0	0	0	0
Net swap interest received		-178	-295	-254	-212	-173
Market valuation of debt		-662	199	175	154	148
Other economic revaluations(c)		-740	-641	-622	-672	-789
Total other economic flows		**-7,533**	**-1,803**	**-995**	**-956**	**-818**
Comprehensive result - Total change in net worth	13	**15,747**	**25,191**	**25,412**	**26,822**	**26,863**
Net operating balance		**23,280**	**26,994**	**26,407**	**27,778**	**27,681**
Net acquisition of non-financial assets						
Purchases of non-financial assets		7,214	9,212	9,374	9,836	10,134
less Sales of non-financial assets		253	470	278	337	198
less Depreciation		5,320	5,533	5,625	5,541	5,276
plus Change in inventories		807	569	470	351	526
plus Other movements in non-financial assets		388	94	110	153	-92
Total net acquisition of non-financial assets		**2,837**	**3,872**	**4,050**	**4,462**	**5,094**
Fiscal balance (Net lending/borrowing)(d)		**20,443**	**23,122**	**22,357**	**23,316**	**22,587**

(a) Consistent with ABS GFS classification, employee expenses cover wages and salaries. Other employee related expenses are reported under other operating expenses.
(b) Revaluations of equity reflects changes in the market valuation of investments. This line also reflects any equity revaluations at the point of disposal or sale.
(c) Largely reflects other revaluation of assets and liabilities.
(d) The term fiscal balance is not used by the ABS.

Table 2: Australian Government general government sector balance sheet

		Estimates		Projections		
		2007-08	2008-09	2009-10	2010-11	2011-12
	Note	$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash and deposits	20(a)	1,928	1,568	1,913	1,956	2,307
Advances paid	14	24,811	25,921	26,754	27,696	28,254
Investments, loans and placements	15	82,251	84,264	102,647	114,746	133,810
Other receivables	14	29,838	32,160	34,501	37,242	40,449
Equity investments						
Investments in other public sector entities		19,323	18,873	18,865	18,833	18,799
Equity accounted investments		185	195	715	1,235	1,755
Investments - shares		25,601	49,133	51,936	54,943	58,184
Total financial assets		*183,937*	*212,115*	*237,331*	*256,651*	*283,557*
Non-financial assets	16					
Land		6,946	6,915	6,906	6,760	6,796
Buildings		17,014	18,194	18,969	19,616	20,681
Plant, equipment and infrastructure		42,098	44,199	47,010	50,569	54,613
Inventories		6,355	6,826	7,285	7,607	8,066
Intangibles		2,290	2,474	2,436	2,345	2,199
Investment property		148	148	148	148	148
Biological assets		5	8	9	10	11
Heritage and cultural assets		8,249	8,256	8,281	8,295	8,307
Assets held for sale		156	165	166	167	133
Other non-financial assets		3,405	2,441	2,177	2,328	2,084
Total non-financial assets		*86,666*	*89,626*	*93,387*	*97,846*	*103,039*
Total assets		**270,603**	**301,741**	**330,717**	**354,497**	**386,595**
Liabilities						
Interest bearing liabilities						
Deposits held		263	263	263	263	263
Government securities		59,195	59,336	58,758	50,751	50,808
Loans	17	6,538	6,361	6,111	6,163	5,977
Other borrowing		356	807	755	705	668
Total interest bearing liabilities		*66,352*	*66,767*	*65,886*	*57,881*	*57,715*
Provisions and payables						
Superannuation liability	18	108,114	112,119	115,906	119,715	123,579
Other employee liabilities	18	8,545	8,894	9,285	9,727	10,125
Suppliers payable	19	3,259	3,388	3,435	3,516	3,543
Personal benefits payable	19	10,841	12,017	12,392	12,971	13,787
Subsidies payable	19	988	896	802	819	1,105
Grants payable	19	4,819	4,770	4,562	4,453	4,300
Other provisions and payables	19	6,857	6,871	7,019	7,161	7,326
Total provisions and payables		*143,424*	*148,956*	*153,400*	*158,362*	*163,764*
Total liabilities		**209,776**	**215,722**	**219,286**	**216,243**	**221,479**
Net worth(a)		**60,827**	**86,019**	**111,431**	**138,254**	**165,117**
Net financial worth(b)		*-25,838*	*-3,608*	*18,045*	*40,408*	*62,078*
Net financial liabilities(c)		*45,161*	*22,480*	*821*	*-21,575*	*-43,279*
Net debt(d)(e)		*-42,639*	*-44,987*	*-65,428*	*-86,517*	*-106,655*

(a) Net worth is calculated as total assets minus total liabilities.
(b) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.
(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.
(d) 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.
(e) The net debt estimates include the expected impact of the Future Fund rebalancing its portfolio allocation by increasing its holding of equities, which are not included in the calculation of net debt.

Table 3: Australian Government general government sector cash flow statement[(a)]

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Cash receipts from operating activities					
Taxes received	278,536	292,644	310,148	322,142	336,267
Receipts from sales of goods and services	5,340	5,694	5,913	6,155	6,373
Interest receipts	5,102	5,865	6,381	7,568	8,770
Dividends and income tax equivalents	2,904	4,637	3,863	3,932	4,000
Other receipts	3,486	3,651	3,511	3,572	3,409
Total operating receipts	**295,368**	**312,491**	**329,816**	**343,368**	**358,819**
Cash payments for operating activities					
Payments for employees	-20,140	-20,821	-21,125	-21,818	-22,472
Payments for goods and services	-52,691	-55,162	-58,215	-60,440	-62,130
Grants and subsidies paid	-101,480	-106,139	-116,179	-120,597	-126,256
Interest paid	-3,788	-3,699	-3,586	-4,499	-3,400
Personal benefit payments	-85,768	-88,800	-94,711	-99,974	-108,293
Other payments	-3,651	-3,847	-3,972	-4,115	-4,137
Total operating payments	**-267,519**	**-278,467**	**-297,789**	**-311,442**	**-326,688**
Net cash flows from operating activities	**27,849**	**34,024**	**32,028**	**31,926**	**32,132**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	254	470	278	337	198
Purchases of non-financial assets	-7,539	-8,795	-9,463	-9,972	-10,040
Net cash flows from investments in non-financial assets	**-7,285**	**-8,325**	**-9,184**	**-9,635**	**-9,842**
Net cash flows from investments in financial assets for policy purposes	**4,848**	**-1,548**	**-1,978**	**-1,789**	**-1,773**
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	-26,332	-23,874	-19,315	-12,951	-19,976
Net cash flows from investments in financial assets for liquidity purposes	**-26,332**	**-23,874**	**-19,315**	**-12,951**	**-19,976**
Cash receipts from financing activities					
Borrowing	1,807	34	0	0	126
Other financing	1,897	1,362	1,071	825	629
Total cash receipts from financing activities	**3,704**	**1,396**	**1,071**	**825**	**754**
Cash payments for financing activities					
Borrowing	0	0	-661	-7,203	0
Other financing	-2,012	-2,032	-1,615	-1,130	-944
Total cash payments for financing activities	**-2,012**	**-2,032**	**-2,276**	**-8,333**	**-944**
Net cash flows from financing activities	**1,693**	**-636**	**-1,206**	**-7,508**	**-190**
Net increase/(decrease) in cash held	**772**	**-360**	**345**	**43**	**351**

Table 3: Australian Government general government sector cash flow statement (continued)[(a)]

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**20,564**	**25,699**	**22,843**	**22,291**	**22,289**
Finance leases and similar arrangements(b)	-32	-502	-2	-3	-1
GFS cash surplus(+)/deficit(-)	**20,532**	**25,196**	**22,841**	**22,289**	**22,288**
less Future Fund earnings	3,717	3,493	3,173	3,293	3,418
Equals underlying cash balance(c)	**16,815**	**21,703**	**19,669**	**18,996**	**18,870**
plus Net cash flows from investments in financial assets for policy purposes	4,848	-1,548	-1,978	-1,789	-1,773
plus Future Fund earnings	3,717	3,493	3,173	3,293	3,418
Equals headline cash balance	**25,380**	**23,648**	**20,863**	**20,500**	**20,516**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) 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.

(c) The term underlying cash balance is not used by the ABS.

Table 4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2007-08	2008-09
	$m	$m
Revenue		
Current grants and subsidies	79	19
Sales of goods and services	6,697	7,068
Interest income	94	58
Other	1	1
Total revenue	**6,870**	**7,146**
Expenses		
Gross operating expenses		
Depreciation	288	341
Wages and salaries(a)	2,882	3,039
Superannuation	65	69
Other operating expenses(a)	2,731	2,900
Total gross operating expenses	*5,965*	*6,349*
Interest expenses	47	67
Other property expenses	425	406
Current transfers		
Tax expenses	233	297
Total current transfers	*233*	*297*
Total expenses	**6,670**	**7,119**
Net operating balance	**200**	**27**
Other economic flows	**-319**	**-244**
Comprehensive result - Total change in net worth	**-119**	**-217**
Net acquisition of non-financial assets		
Purchases of non-financial assets	1,145	1,405
less Sales of non-financial assets	35	44
less Depreciation	288	341
plus Change in inventories	-2	-4
plus Other movements in non-financial assets	-143	1
Total net acquisition of non-financial assets	**677**	**1,017**
Fiscal balance (Net lending/borrowing)(b)	**-477**	**-990**

(a) Consistent with ABS GFS classification, employee expenses cover wages and salaries. Other employee related expenses are reported under other operating expenses.
(b) The term fiscal balance is not used by the ABS.

Table 5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2007-08	2008-09
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,127	805
Investments, loans and placements	1,951	1,876
Other receivables	1,030	1,005
Equity investments	338	345
Total financial assets	*4,446*	*4,031*
Non-financial assets		
Land and fixed assets	4,176	4,819
Other non-financial assets(a)	164	190
Total non-financial assets	*4,340*	*5,008*
Total assets	**8,786**	**9,040**
Liabilities		
Interest bearing liabilities		
Borrowing	684	1,199
Total interest bearing liabilities	*684*	*1,199*
Provisions and payables		
Other employee entitlements	977	983
Other provisions	471	508
Account payables	808	722
Total provisions and payables	*2,257*	*2,213*
Total liabilities	**2,941**	**3,412**
Shares and other contributed capital	**5,845**	**5,627**
Net worth(b)	**5,845**	**5,627**
Net financial worth(c)	*1,504*	*619*
Net debt(d)	*-2,393*	*-1,482*

(a) Excludes the impact of commercial taxation adjustments.
(b) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.
(c) Under AASB1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, 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 and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 6: Australian Government public non-financial corporations sector cash flow statement[(a)]

	Estimates	
	2007-08	2008-09
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	7,300	7,703
GST input credit receipts	292	312
Other receipts	167	91
Total operating receipts	**7,760**	**8,106**
Cash payments for operating activities		
Payment for goods and services	-3,271	-3,438
Interest paid	-47	-67
Payments to employees	-2,672	-2,937
GST payments to taxation authority	-498	-510
Other payments for operating activities	-245	-252
Total operating payments	**-6,733**	**-7,204**
Net cash flows from operating activities	**1,026**	**903**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	35	44
Purchases of non-financial assets	-1,136	-1,397
Net cash flows from investments in non-financial assets	**-1,101**	**-1,352**
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	351	-22
Net cash flows from investments in financial assets for liquidity purposes	**351**	**-22**
Cash receipts from financing activities		
Borrowing	-1	515
Other financing	29	42
Total cash receipts from financing activities	**28**	**557**
Cash payments for financing activities		
Other financing	-429	-406
Total cash payments for financing activities	**-429**	**-406**
Net cash flows from financing activities	**-401**	**151**
Net increase/(decrease) in cash held	**-124**	**-321**
Cash at the beginning of the year	**1,251**	**1,127**
Cash at the end of the year	**1,127**	**805**
Net cash from operating activities and investments in non-financial assets	**-75**	**-450**
Distributions paid	-429	-406
Equals surplus(+)/deficit(-)	**-504**	**-856**
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	**-504**	**-856**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.
(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 7: Australian Government total non-financial public sector operating statement

	Estimates	
	2007-08	2008-09
	$m	$m
Revenue		
Taxation revenue	286,149	298,938
Sales of goods and services	11,415	12,093
Interest income	5,289	6,100
Dividend income	2,479	4,231
Other	3,982	3,853
Total revenue	**309,314**	**325,215**
Expenses		
Gross operating expenses		
Depreciation	5,608	5,874
Superannuation	2,830	2,969
Wages and salaries(a)	17,840	18,347
Payment for supply of goods and services	54,666	57,114
Other operating expenses(a)	3,895	4,178
Total gross operating expenses	*84,839*	*88,483*
Superannuation interest expense	6,210	6,508
Other interest expenses	4,165	3,963
Current transfers		
Grant expenses	90,040	94,111
Subsidy expenses	7,143	7,619
Personal benefit payments	86,170	89,899
Total current transfers	*183,353*	*191,629*
Capital transfers	7,267	7,611
Total expenses	**285,834**	**298,194**
Net operating balance	**23,480**	**27,021**
Other economic flows	**-7,852**	**-2,047**
Comprehensive result - Total change in net worth	**15,628**	**24,974**
Net acquisition of non-financial assets		
Purchases of non-financial assets	8,359	10,617
less Sales of non-financial assets	283	469
less Depreciation	5,608	5,874
plus Change in inventories	805	565
plus Other movements in non-financial assets	241	50
Total net acquisition of non-financial assets	**3,513**	**4,889**
Fiscal balance (Net lending/borrowing)(b)	**19,967**	**22,132**

(a) Consistent with ABS GFS classification, employee expenses cover wages and salaries. Other employee related expenses are reported under other operating expenses.
(b) The term fiscal balance is not used by the ABS.

Table 8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2007-08	2008-09
	$m	$m
Assets		
Financial assets		
Cash and deposits	3,055	2,373
Advances paid	24,811	25,921
Investments, loans and placements	84,202	86,140
Other receivables	30,737	33,037
Equity investments	39,602	62,919
Total financial assets	*182,407*	*210,390*
Non-financial assets		
Land and fixed assets	84,838	89,209
Other non-financial assets	6,168	5,426
Total non-financial assets	*91,006*	*94,635*
Total assets	**273,413**	**305,025**
Liabilities		
Interest bearing liabilities		
Deposits held	263	263
Government securities	59,195	59,336
Loans	6,538	6,361
Other borrowing	1,040	2,006
Total interest bearing liabilities	*67,036*	*67,966*
Provisions and payables		
Unfunded superannuation liability	108,114	112,119
Other employee entitlements	9,522	9,877
Other provisions	7,329	7,379
Other	20,584	21,666
Total provisions and payables	*145,549*	*151,040*
Total liabilities	**212,586**	**219,006**
Shares and other contributed capital	**5,845**	**5,627**
Net worth(a)	**60,827**	**86,019**
Net financial worth(b)	*-30,179*	*-8,616*
Net debt(c)	*-45,032*	*-46,469*

(a) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.
(b) Under AASB1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, 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 9: Australian Government total non-financial public sector cash flow statement[(a)]

	Estimates	
	2007-08	2008-09
	$m	$m
Cash receipts from operating activities		
Taxes received	278,303	292,347
Receipts from sales of goods and services	11,586	12,320
Interest receipts	5,195	5,925
Dividends	2,494	4,257
Other receipts	3,541	3,655
Total operating receipts	**301,119**	**318,505**
Cash payments for operating activities		
Payments for goods and services	-55,114	-57,720
Grants and subsidies paid	-101,480	-106,139
Interest paid	-3,835	-3,766
Personal benefit payments	-85,768	-88,800
Payments to employees	-22,812	-23,758
Other payments for operating activities	-3,663	-3,802
Total operating payments	**-272,673**	**-283,984**
Net cash flows from operating activities	**28,446**	**34,521**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	289	514
Purchases of non-financial assets	-8,675	-10,191
Net cash flows from investments in non-financial assets	**-8,386**	**-9,678**
Net cash flows from investments in financial assets for policy purposes	**4,848**	**-1,548**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-25,981	-23,897
Net cash flows from investments in financial assets for liquidity purposes	**-25,981**	**-23,897**
Cash receipts from financing activities		
Borrowing	1,807	549
Total cash receipts from financing activities	**1,807**	**549**
Cash payments for financing activities		
Borrowing	0	0
Other financing	-86	-628
Total cash payments for financing activities	**-86**	**-628**
Net cash flows from financing activities	**1,721**	**-79**
Net increase/(decrease) in cash held	**648**	**-681**
Cash at the beginning of the year	**2,406**	**3,055**
Cash at the end of the year	**3,055**	**2,373**
Net cash from operating activities and investments in non-financial assets	**20,060**	**24,843**
Distributions paid	0	0
Equals surplus(+)/deficit(-)	**20,060**	**24,843**
Finance leases and similar arrangements(b)	-32	-502
GFS cash surplus(+)/deficit(-)	**20,028**	**24,341**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.
(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The major external standards used for budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, cat no. 5514.0*, which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and

- Australian Accounting Standards (AAS), being *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

As required by the Charter, the budget financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2.

A more detailed description of the AAS and GFS frameworks, in addition to definitions of key terms used in these frameworks can be found in Appendix A. Table 2 in Appendix A explains the key differences between the two frameworks. Detailed accounting policies as required by AAS are disclosed in the annual consolidated financial statements.

Budget reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS all material transactions and balances between entities within the GGS have been eliminated. A list of entities within the GGS, as well as entities within and a description of the public non-financial and public financial sectors, are disclosed in Table A1 in Appendix A.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates the Uniform Presentation Framework requires net debt, net financial worth and net financial liabilities.

For budget reporting purposes the superannuation liability has been discounted using a discount rate of 6 per cent (in accordance with the Long Term Cost Report). For outcomes AASB 119 *Employee Benefits* requires the government bond rate at balance date to be referenced when valuing the superannuation liability, with the relevant bond yield to match the term of the liability.

Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt and net worth since the *Pre-Election Economic and Fiscal Outlook 2007* are disclosed in Statement 3.

Details of the Australian Government's GGS contingent liabilities are disclosed in Statement 8.

Note 2: Departures from external reporting standards and changes in accounting policy

The Charter requires that departures from applicable external reporting standards be identified. The budget financial statements depart from the external reporting standards as follows.

General government sector

Departures from ABS GFS

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the budget financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The budget financial statements currently adopt the AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the budget financial statements or in any reconciliation notes. Instead, the budget financial statements adopt the AAS treatment for circulating coins. Under this treatment seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

Under ABS GFS prepayments are classified as financial assets. In accordance with AAS, prepayments have been classified as non-financial assets in the budget financial statements. This is a classification difference that impacts on net financial worth.

ABS GFS currently requires Special Drawing Rights (SDRs) liabilities to be recorded as a contingent liability. However, the ABS has reviewed this treatment and will be adopting the treatment of recording SDRs as a liability from 2009. The treatment of

SDRs as a contingent liability has not been adopted in the budget financial statements or any reconciliation notes. The budget financial statements currently record SDRs as a liability. This is consistent with AAS, and also represents an early adoption of the ABS's proposed revisions to GFS from 2009 in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Departures from AASB 1049

In accordance with ABS GFS requirements, the budget financial statements do not recognise concessionality and the associated discounting of concessional loans. AAS requires concessional loans to be discounted by a market interest rate. The Government is currently reviewing the treatment of concessional loans to determine the conceptually best treatment, having regard to the impact on the Australian Government's Consolidated Financial Statements.

AASB 1049 requires the disclosure of the operating result and its derivation on the face of the operating statement. However, as this aggregate is not used by the Australian Government (and is not required by the UPF) it has been disclosed in Note 11 rather than on the face of the operating statement.

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. The Government is currently reviewing the practicalities and usefulness of attributing total assets to function. The ABS GFS does not require such information. In accordance with ABS GFS disaggregated information for expenses and net acquisition of non-financial assets is disclosed in Statement 6. In accordance with the UPF, purchases of non-financial assets by function is also disclosed in Statement 6.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of items, where different, in notes to the financial statements. Reconciliation notes have not been included as they effectively create two measures of the same aggregate.

Changes in accounting policy

The budget financial statements recognise the goods and services tax as an Australian Government tax and the corresponding payment to the States as a grant. This change in accounting policy improves fiscal balance. Refer to Box 5 in Statement 5 for further details.

Defence weapons platforms have been treated as capital investment rather than expenses. This is consistent with AAS, and also represents an early adoption of the ABS's proposed revisions to GFS from 2009 in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*). This change in accounting policy has improved net worth by $35.6 billion with no impact on fiscal balance and the underlying cash balance. This change has been back-cast to 1999-2000, and is consistent with net worth in earlier years.

Public non-financial corporations (PNFC), public financial corporations (PFC) and total non-financial public sectors (NFPS)

AASB 1049 defines net worth for the PNFC, PFC and NFPS sectors as total assets less total liabilities, however ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC and PFC sectors). The net financial worth of these sectors will also be different under AASB 1049 to ABS GFS where it equals financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC and NFPS sector financial statements.

The financial statements for the PNFC and NFPS sectors comply with the Uniform Presentation Framework but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PNFC sectors will be disclosed in the consolidated financial statements.

Note 3: Taxation revenue by type

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Income taxation					
Individuals and other withholding taxes					
Gross income tax withholding	114,610	117,410	124,180	131,740	136,750
Gross other individuals	30,130	31,300	31,500	32,990	33,740
less Refunds	19,640	22,010	23,130	24,720	24,800
Total individuals and other withholding taxation	125,100	126,700	132,550	140,010	145,690
Fringe benefits tax	3,900	4,110	4,190	4,260	4,140
Superannuation funds	11,710	9,750	10,450	11,140	12,400
Company tax	66,480	73,490	80,770	82,520	86,460
Petroleum resource rent tax	1,840	2,920	3,470	2,830	2,790
Total income taxation revenue	**209,030**	**216,970**	**231,430**	**240,760**	**251,480**
Indirect taxation					
Sales taxes					
Goods and services tax	44,370	46,900	49,960	52,680	55,560
Wine equalisation tax	670	680	690	710	730
Luxury car tax	440	580	610	630	650
Other	-20	0	0	0	0
Total sales taxes	45,460	48,160	51,260	54,020	56,940
Excise duty					
Petrol	6,700	6,970	6,890	6,820	6,860
Diesel	6,700	6,860	7,100	7,350	7,610
Other fuel products	1,060	1,210	1,380	1,570	1,700
Crude oil	470	1,060	1,070	1,100	1,110
Beer	1,880	1,910	1,960	2,020	2,080
Potable spirits	200	190	190	190	190
Other excisable beverages	850	1,430	1,610	1,790	2,010
Tobacco	5,530	5,550	5,590	5,630	5,660
Total excise duty revenue	23,390	25,180	25,790	26,470	27,220
Customs duty					
Textiles, clothing and footwear	950	990	760	520	560
Passenger motor vehicles	1,360	1,450	1,160	790	820
Excise-like goods	2,410	2,540	2,710	2,860	3,010
Other imports	1,500	1,560	1,620	1,680	1,740
less Refunds and drawbacks	230	240	240	240	240
Total customs duty revenue	5,990	6,300	6,010	5,610	5,890
Other indirect taxation					
Agricultural levies	577	595	398	342	353
Other taxes	1,935	2,031	2,070	2,141	2,202
Total other indirect taxation revenue	2,512	2,625	2,467	2,483	2,555
Mirror taxes	377	399	420	444	470
less Transfers to States in relation to mirror tax revenue	377	399	420	444	470
Mirror tax revenue	0	0	0	0	0
Total indirect taxation revenue	**77,352**	**82,265**	**85,527**	**88,583**	**92,605**
Total taxation revenue	**286,382**	**299,235**	**316,957**	**329,343**	**344,085**

Note 3(a): Taxation revenue by source

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	129,040	130,810	136,740	144,270	149,830
Income and capital gains levied on enterprises	79,990	86,160	94,690	96,490	101,650
Total taxes on income, profits and capital gains	**209,030**	**216,970**	**231,430**	**240,760**	**251,480**
Taxes on employers' payroll and labour force	372	331	316	328	341
Taxes on property	15	15	15	15	15
Taxes on the provision of goods and services					
Sales/goods and services tax	45,460	48,160	51,260	54,020	56,940
Excises and levies	24,142	25,937	26,350	26,974	27,736
Taxes on international trade	5,990	6,300	6,010	5,610	5,890
Total taxes on the provision of goods and services	**75,592**	**80,397**	**83,620**	**86,604**	**90,566**
Taxes on use of goods and performance of activities	1,373	1,522	1,576	1,636	1,683
Total taxation revenue	**286,382**	**299,235**	**316,957**	**329,343**	**344,085**

Note 4: Sales of goods and services revenue

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Sales of goods	1,316	1,323	1,382	1,402	1,421
Rendering of services	2,453	2,574	2,619	2,768	2,884
Operating lease rental	13	7	6	15	15
Other fees from regulatory services	1,587	1,794	1,891	1,992	2,081
Total sales of goods and services revenue	**5,369**	**5,699**	**5,898**	**6,177**	**6,401**

Note 5: Interest and dividend income

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Interest from other governments					
State and Territory debt	188	183	179	174	169
Housing agreements	16	15	14	13	11
Total interest from other governments	**204**	**198**	**193**	**187**	**181**
Interest from other sources					
Advances	28	30	31	32	32
Deposits	95	103	103	105	104
Bills receivable	6	187	192	197	202
Bank deposits	286	318	337	355	376
Indexation of HELP receivable and other student loans	374	478	512	541	585
Other	4,203	4,726	5,142	6,268	7,419
Total interest from other sources	**4,991**	**5,843**	**6,318**	**7,497**	**8,718**
Total interest	**5,195**	**6,041**	**6,511**	**7,684**	**8,899**
Dividends					
Dividends from other public sector entities	1,404	2,978	2,132	2,171	2,260
Other dividends	1,499	1,659	1,731	1,710	1,691
Total dividends	**2,904**	**4,637**	**3,863**	**3,882**	**3,950**
Total interest and dividend income	**8,099**	**10,678**	**10,374**	**11,566**	**12,849**

Note 6: Other sources of non-taxation revenue

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Industry contributions	108	106	107	107	55
Royalties	1,312	1,224	1,214	1,201	1,131
Seigniorage	106	103	103	103	2
Other	2,455	2,418	2,267	2,364	2,400
Total other sources of non-taxation revenue	**3,982**	**3,852**	**3,691**	**3,776**	**3,587**

Note 7: Employee and superannuation expense

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Wages and salaries expenses	**14,958**	**15,307**	**15,403**	**15,723**	**16,157**
Other operating expenses					
Leave and other entitlements	1,617	1,643	1,657	1,763	1,838
Separations and redundancies	64	43	43	41	42
Workers compensation premiums and claims	353	513	525	543	315
Other	1,862	1,979	2,093	2,198	2,327
Total other operating expenses	**3,895**	**4,178**	**4,318**	**4,545**	**4,521**
Superannuation expenses					
Superannuation	2,765	2,900	2,939	3,064	3,151
Superannuation interest cost	6,210	6,508	6,598	6,817	7,039
Total superannuation expenses	**8,975**	**9,408**	**9,537**	**9,882**	**10,190**
Total employee and superannuation expense	**27,829**	**28,894**	**29,259**	**30,149**	**30,868**

Note 8: Depreciation and amortisation expense

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	3,203	2,748	2,609	2,487	2,533
Buildings	646	951	1,059	1,093	892
Other infrastructure, plant and equipment	939	1,263	1,332	1,326	1,217
Heritage and cultural assets	43	43	44	44	44
Total depreciation	**4,832**	**5,005**	**5,044**	**4,950**	**4,688**
Total amortisation	**488**	**528**	**581**	**590**	**588**
Total depreciation and amortisation expense	**5,320**	**5,533**	**5,625**	**5,541**	**5,276**

Note 9: Payment for supply of goods and services

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Supply of goods and services	17,906	17,800	18,587	18,820	19,274
Operating lease rental expenses	1,961	2,001	2,049	2,048	2,039
Personal benefits - indirect	26,622	28,703	30,701	32,478	32,759
Health care payments	4,694	4,866	5,006	5,074	5,145
Other	1,402	1,517	1,741	2,075	2,700
Total payment for supply of goods and services	**52,586**	**54,888**	**58,084**	**60,495**	**61,917**

Note 10: Interest expense

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Interest on debt					
Government securities	3,537	3,451	3,400	3,249	3,142
Loans	34	15	9	8	7
Other	106	90	83	77	23
Total interest on debt	**3,676**	**3,556**	**3,493**	**3,334**	**3,172**
Other financing costs	**441**	**340**	**342**	**337**	**331**
Total interest expense	**4,118**	**3,897**	**3,835**	**3,671**	**3,503**

Note 11: Current and capital grants expense

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Current grants expense					
State and Territory governments	69,798	73,215	77,404	81,525	85,356
Local governments	43	44	44	45	46
Private sector	2,333	1,905	1,721	1,460	1,183
Overseas	2,592	3,117	3,119	3,428	3,191
Non-profit organisations	1,913	1,836	2,716	2,614	3,544
Multi-jurisdictional sector	7,538	6,440	7,382	7,389	7,787
Other	5,823	7,553	9,856	9,917	9,971
Total current grants expense	**90,040**	**94,111**	**102,242**	**106,377**	**111,078**
Capital grants expense					
Mutually agreed write-downs	1,793	1,904	1,784	1,829	1,929
Other capital grants					
State and Territory governments	4,651	4,697	5,508	5,394	6,025
Local governments	505	630	120	0	0
Multi-jurisdictional sector	76	65	75	75	79
Other	243	315	411	413	415
Total capital grants expense	**7,267**	**7,611**	**7,897**	**7,711**	**8,448**
Total grants expense	**97,308**	**101,722**	**110,139**	**114,088**	**119,526**

Note 12: Personal benefit payments

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Social welfare - assistance to the aged	26,608	27,644	29,165	31,294	33,456
Assistance to veterans and dependants	6,155	6,090	6,054	6,016	6,130
Assistance to people with disabilities	12,883	13,085	13,784	14,447	15,045
Assistance to families with children	26,385	28,177	28,718	29,180	29,984
Assistance to the unemployed	4,272	5,032	5,258	5,740	6,081
Student assistance	474	475	470	472	474
Common youth allowance	2,097	2,133	2,141	2,177	2,192
Other welfare programmes	1,586	1,541	1,578	1,601	1,622
Financial and fiscal affairs	286	266	254	328	499
Higher education	124	124	126	129	132
Vocational and industry training	111	143	155	166	167
Other	5,189	5,190	7,577	9,080	13,397
Total personal benefit payments	**86,170**	**89,899**	**95,280**	**100,630**	**109,180**

Note 13: Operating result and comprehensive result (total change in net worth)

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Opening net worth	**-6,068**	**60,828**	**86,019**	**111,431**	**138,254**
Opening net worth adjustments(a)	51,149	0	0	0	0
Adjusted opening net worth	**45,080**	**60,828**	**86,019**	**111,431**	**138,254**
Net operating balance	23,280	26,994	26,407	27,778	27,681
Other economic flows – Included in operating result					
Net foreign exchange gains	202	0	0	0	0
Net gains from sale of assets	25	-40	35	44	52
Other gains	-2,733	1,822	3,231	3,170	2,356
Swap interest	1,627	1,273	1,023	779	602
Net write-down and impairment of assets and fair value losses	-4,440	-2,661	-2,754	-2,934	-2,993
Net losses from sale of assets	-10	-19	7	1	-5
Swap interest expense	-1,805	-1,568	-1,277	-991	-775
Total other economic flows	**-7,135**	**-1,193**	**265**	**71**	**-763**
Operating result(b)	**16,146**	**25,801**	**26,673**	**27,849**	**26,918**
Other economic flows - other movements in equity(c)	-398	-610	-1,260	-1,027	-55
Comprehensive result	**15,747**	**25,191**	**25,412**	**26,822**	**26,863**

(a) Change in net worth mainly arising from the recognition of GST as an Australian Government tax and a change in accounting policy for defence weapons and education grants.
(b) Operating result under AEIFRS accounting standards.
(c) Other economic flows not included in the AEIFRS accounting standards operating result.

Note 14: Advances paid and receivables

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Advances paid					
Loans to State and Territory governments	3,790	3,694	3,594	3,493	3,395
Higher Education Loan Program	12,880	13,817	14,754	15,592	16,282
Student Financial Supplement Scheme	800	702	589	468	372
Other	7,640	7,862	7,996	8,330	8,404
less Provision for doubtful debts	299	154	179	188	199
Total advances paid	**24,811**	**25,921**	**26,754**	**27,696**	**28,254**
Other receivables					
Goods and services receivable	777	754	728	721	728
Recoveries of benefit payments	2,591	2,650	2,595	2,553	2,522
Taxes receivable	16,625	18,247	20,125	22,574	25,349
Other	12,163	12,976	13,631	14,055	14,634
less Provision for doubtful debts	2,318	2,467	2,579	2,659	2,784
Total other receivables	**29,838**	**32,160**	**34,501**	**37,242**	**40,449**

Note 15: Investments, loans and placements

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Investments - deposits	76,337	78,240	96,534	108,515	127,498
IMF quota	5,547	5,547	5,547	5,547	5,547
Other	367	477	565	684	764
Total investments, loans and placements	**82,251**	**84,264**	**102,647**	**114,746**	**133,810**

Note 16: Total non-financial assets

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Land and buildings					
Land	6,946	6,915	6,906	6,760	6,796
Buildings	17,014	18,194	18,969	19,616	20,681
Total land and buildings	**23,960**	**25,108**	**25,875**	**26,376**	**27,477**
Plant, equipment and infrastructure					
Specialist military equipment	32,025	33,935	36,926	40,681	44,919
Other	10,073	10,265	10,085	9,889	9,694
Total plant, equipment and infrastructure	**42,098**	**44,199**	**47,010**	**50,569**	**54,613**
Intangibles					
Computer software	2,182	2,368	2,327	2,248	2,118
Other	108	106	110	97	81
Total intangibles	**2,290**	**2,474**	**2,436**	**2,345**	**2,199**
Total heritage and cultural assets	**8,249**	**8,256**	**8,281**	**8,295**	**8,307**
Total investment properties	**148**	**148**	**148**	**148**	**148**
Total biological assets	**5**	**8**	**9**	**10**	**11**
Inventories					
Inventories held for sale	770	855	832	862	928
Inventories not held for sale	5,585	5,971	6,453	6,745	7,138
Total inventories	**6,355**	**6,826**	**7,285**	**7,607**	**8,066**
Total assets held for sale	**156**	**165**	**166**	**167**	**133**
Other non-financial assets					
Prepayments	3,050	2,096	1,722	1,720	1,724
Other	355	345	455	608	359
Total other non-financial assets	**3,405**	**2,441**	**2,177**	**2,328**	**2,084**
Total non-financial assets	**86,666**	**89,626**	**93,387**	**97,846**	**103,039**

Note 17: Loans

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Promissory notes	3,492	3,492	3,492	3,492	3,492
Special Drawing Rights	807	807	807	807	807
Other	2,240	2,063	1,812	1,865	1,678
Total loans	**6,538**	**6,361**	**6,111**	**6,163**	**5,977**

Note 18: Employee and superannuation liabilities

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Total superannuation liability	**108,114**	**112,119**	**115,906**	**119,715**	**123,579**
Other employee liabilities					
Leave and other entitlements	4,689	4,884	5,088	5,389	5,721
Accrued salaries and wages	267	294	348	368	393
Workers compensation claims	1,538	1,587	1,630	1,672	1,713
Separations and redundancies	38	34	34	34	34
Workers compensation premiums	0	0	0	0	0
Other	2,012	2,095	2,185	2,264	2,264
Total other employee liabilities	**8,545**	**8,894**	**9,285**	**9,727**	**10,125**
Total employee and superannuation liabilities	**116,659**	**121,013**	**125,191**	**129,442**	**133,704**

Note 19: Provisions and payables

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Suppliers payable					
Trade creditors	2,880	2,966	2,993	3,063	3,089
Operating lease rental payable	68	91	92	92	91
Other creditors	310	331	350	361	362
Total suppliers payable	**3,259**	**3,388**	**3,435**	**3,516**	**3,543**
Total personal benefits payable	**10,841**	**12,017**	**12,392**	**12,971**	**13,787**
Total subsidies payable	**988**	**896**	**802**	**819**	**1,105**
Grants payable					
State and Territory governments	105	90	90	91	91
Non-profit organisations	50	50	50	50	50
Private sector	227	212	212	212	212
Overseas	508	624	494	462	398
Local governments	4	4	4	4	4
Other	3,925	3,791	3,712	3,635	3,545
Total grants payable	**4,819**	**4,770**	**4,562**	**4,453**	**4,300**
Other provisions and payables					
Provisions for tax refunds	1,446	1,446	1,446	1,446	1,446
Other	5,411	5,425	5,572	5,715	5,880
Total other provisions and payables	**6,857**	**6,871**	**7,019**	**7,161**	**7,326**

Note 20: Reconciliation of cash

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Operating balance (revenues less expenses)	**23,280**	**26,994**	**26,407**	**27,778**	**27,681**
less **Revenues not providing cash**					
Other	1,101	1,066	734	1,002	715
Total revenues not providing cash	**1,101**	**1,066**	**734**	**1,002**	**715**
plus **Expenses not requiring cash**					
Increase/(decrease) in employee entitlements	4,105	4,239	4,178	4,251	4,262
Depreciation/amortisation expense	5,320	5,533	5,625	5,541	5,276
Other	538	612	425	228	129
Total expenses not requiring cash	**9,963**	**10,385**	**10,227**	**10,020**	**9,666**
plus **Cash provided by working capital items**					
Decrease in other non-financial assets	1,094	956	375	4	1
Increase in benefits, subsidies and grants payable	1,142	1,390	374	769	1,102
Increase in suppliers' liabilities	94	129	47	81	27
Increase in other provisions and payables	204	24	318	0	284
Total cash provided by working capital items	**2,535**	**2,500**	**1,115**	**853**	**1,413**
less **Cash used by working capital items**					
Increase in inventories	284	471	459	322	459
Increase in receivables	5,547	3,479	3,716	4,452	4,736
Increase in other financial assets	597	746	550	362	558
Increase in other non-financial assets	15	0	0	0	4
Decrease in benefits, subsidies and grants payable	385	92	263	0	157
Decrease in suppliers' liabilities	0	0	0	0	0
Decrease in other provisions and payables	0	0	0	588	0
Total cash used by working capital items	**6,827**	**4,789**	**4,988**	**5,724**	**5,914**
equals Net cash from/(to) operating activities	27,849	34,024	32,028	31,926	32,132
plus Net cash from/(to) investing activities	-28,769	-33,748	-30,477	-24,375	-31,591
Net cash from operating activities and investment	**-920**	**276**	**1,550**	**7,551**	**540**
plus Net cash from/(to) financing activities	1,693	-636	-1,206	-7,508	-190
equals Net increase/(decrease) in cash	**772**	**-360**	**345**	**43**	**351**
Cash at the beginning of the year	**1,156**	**1,928**	**1,568**	**1,913**	**1,956**
Net increase/(decrease) in cash	772	-360	345	43	351
Cash at the end of the year	**1,928**	**1,568**	**1,913**	**1,956**	**2,307**

Note 20(a): Consolidated Revenue Fund

The estimated and projected cash balances reflected in the balance sheet for the Australian Government GGS (Table 2) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997*, and the reported cash balances controlled and administered by entities subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government GGS cash, less cash controlled and administered by CAC Act entities, plus special public monies, represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown below.

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	$m	$m	$m	$m	$m
Total general government sector cash	1,928	1,568	1,913	1,956	2,307
less CAC Agency cash balances	1,030	1,001	1,094	1,193	1,258
plus Special public monies	132	136	140	145	150
Balance of Consolidated Revenue Fund at 30 June	**1,030**	**703**	**959**	**908**	**1,199**

Further information on the Consolidated Revenue Fund is included in Budget Paper No. 4, *Agency Resourcing 2008-09*.

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the budget to be based on external reporting standards. Budgets in previous years contained three sets of financial statements prepared according to both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS). The Australian Accounting Standards Board released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements. The 2008-09 Budget is therefore the first budget prepared according to both AAS and ABS GFS, subject to disclosed departures, in a single set of statements.

AASB 1049 and the UPF also provides a basis for reporting of public non-financial corporations, public financial corporations and total non-financial public sectors.

General Government Sector Financial Reporting (AASB 1049)

The budget papers primarily focus on the financial performance and position of the general government sector (GGS). The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. Pursuant to AAS, the GGS has recently been recognised as a reporting entity.

AASB 1049 history and conceptual framework

The Australian Accounting Standards Board (AASB) released AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) for application in the 2008-09 Budget. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual based general purpose financial reports, showing assets, liabilities, income, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government and accountability for the resources entrusted to it; information about the financial position, performance and cash flows and information that facilitates assessments of the macro-economic impact of the government. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the public non-financial corporations and public financial corporations sectors), budget reporting focuses on the GGS.

The Government's budget reporting framework

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
  - to allow the presentation of a single set of financial statements, in accordance with AASB 1049 the ABS GFS statement of other economic flows has been incorporated into the operating statement;
- a balance sheet, which shows net worth, net financial worth, net debt and net financial liabilities; and
- a cash flow statement, which shows the derivation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are prepared. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS. A full set of notes and other outcome disclosures required by AAS are included in the annual consolidated financial statements.

All financial data presented in the budget financial statements is recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets minus liabilities) are reported as revenues and expenses respectively in the operating statement.[1]

A change to the value or volume of an asset or liability that does not result from a transaction is an other economic flow. This can include changes in values from market prices, most actuarial valuations, exchange rates and changes in volumes from discoveries, depletion and destruction. All other economic flows are reported as operating transactions.

Consistent with the ABS GFS framework and, in general AAS, the budget financial statements records flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s).

1 Not all transactions impact net worth. For example, transactions in financial assets and liabilities do not impact net worth as they represent the swapping of assets and liabilities on the balance sheet.

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets due to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government GGS arise from price movements in assets and liabilities.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.[2]

The fiscal balance measures the Australian Government's investment saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

2 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities is also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets less liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors defined as financial assets less liabilities less shares and other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowing) less the sum of selected financial assets[3] (cash and deposits, advances paid, and investments, loans and placements). Net

3 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or a financial asset, or a contract that will or may be settled in the entity's own equity instruments.

debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance plus Future Fund earnings (ABS GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the GGS, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities

plus

Net cash flows from investments in non-financial assets

less

Net acquisitions of assets acquired under finance leases and similar arrangements[4]

equals

ABS GFS cash surplus/deficit

less

Future Fund earnings

equals

Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future

4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or by finance lease — acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

superannuation payments and are therefore not available for current spending. However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 3 of this statement and the historic tables in Statement 10.

Headline cash balance

The headline cash balance is calculated by adding cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.[5] Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure 1. ABS GFS defines the GGS and the PNFC and PFC sectors. In accordance with ABS GFS, AASB 1049 has also adopted this sectoral reporting.

5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Figure 1: Institutional structure of the public sector

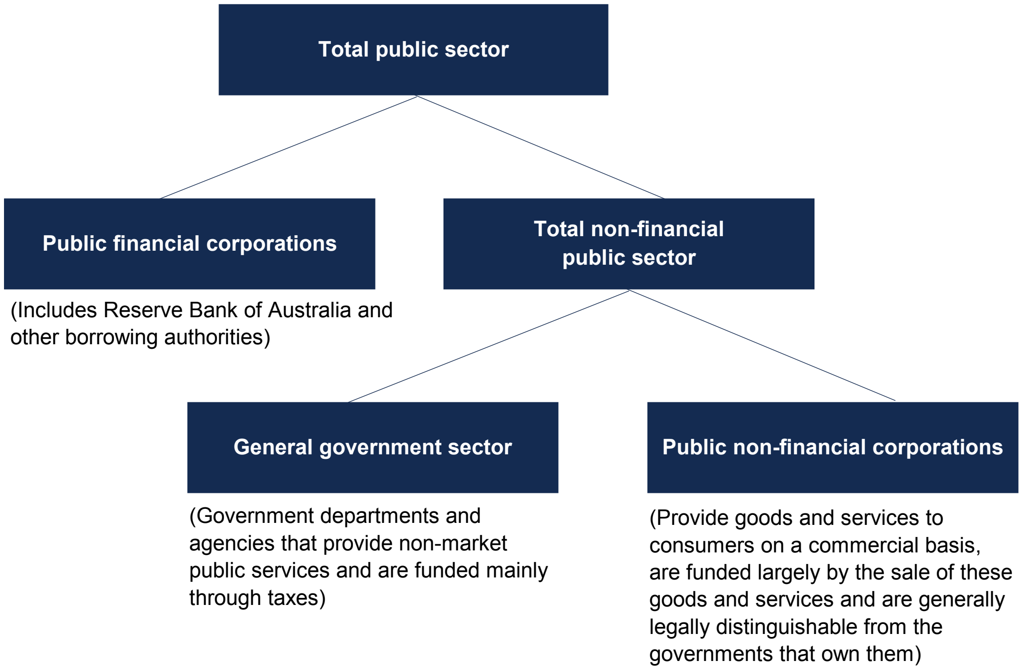

Table A1: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Australian Wine and Brandy Corporation, Biosecurity Australia, Cotton Research and Development Corporation, Dairy Adjustment Authority, Department of Agriculture, Fisheries and Forestry, Export Wheat Commission, Forest and Wood Products Australia Ltd, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Land and Water Resources Research and Development Corporation, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation
Attorney-General's Portfolio Administrative Appeals Tribunal, Attorney-General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs Service, Australian Federal Police, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre (AUSTRAC), Criminology Research Council, Crimtrac, Family Court of Australia, Federal Court of Australia, Federal Magistrates Court, High Court of Australia, Human Rights and Equal Opportunity Commission, Insolvency and Trustee Service Australia, National Capital Authority, National Native Title Tribunal, Office of Parliamentary Counsel, Office of the Director of Public Prosecutions
Broadband, Communications and the Digital Economy Portfolio Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and Digital Economy, Special Broadcasting Service Corporation
Defence Portfolio Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Ltd, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans Affairs, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund
Education, Employment and Workplace Relations Portfolio Australian Fair Pay Commission Secretariat, Australian Industrial Registry, Comcare, Department of Education, Employment and Workplace Relations, Office of the Australian Building and Construction Commissioner, Office of the Workplace Ombudsman, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority), Teaching Australia — Australian Institute for Teaching and School Leadership Ltd, The Carrick Institute for Learning and Teaching In Higher Education Ltd, Workplace Authority

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Environment, Water, Heritage and the Arts Portfolio
Australia Business Arts Foundation Ltd, Australia Council, Australian Film Commission, Australian Film, Television and Radio School, Australian National Maritime Museum, Bundanon Trust, Bureau of Meteorology, Department of Environment, Water, Heritage and the Arts, Film Australia Ltd, Great Barrier Reef Marine Park Authority, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Water Commission, NEPC Service Corporation, Sydney Harbour Federation Trust, The Director of National Parks
Family, Housing, Community Services and Indigenous Affairs Portfolio
Aboriginal Hostels Ltd, Anindilyakwa Land Council, Central Land Council, Department of Family, Housing, Community Services and Indigenous Affairs, Equal Opportunity for Women in the Workplace Agency, Indigenous Business Australia, Indigenous Land Corporations, Northern Land Council, Tiwi Land Council, Torres Strait Regional Authority, Wreck Bay Aboriginal Community Council
Finance and Deregulation Portfolio
Australian Electoral Commission, Australian Reward Investment Alliance, Comsuper, Department of Finance and Deregulation, Future Fund Management Agency, Telstra Sale Company Ltd
Foreign Affairs and Trade Portfolio
AusAid, Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account
Health and Ageing Portfolio
Aged Care Standards and Accreditation Agency Ltd, Australian Institute of Health and Welfare, Australian Radiation Protection and Nuclear Safety Agency, Australian Sports Anti-Doping Authority, Australian Sports Commission, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Ltd, National Blood Authority, National Health and Medical Research Council, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review Scheme
Human Services Portfolio
Centrelink (Commonwealth Service Delivery Agency), Department of Human Services, Medicare Australia

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Immigration and Citizenship Portfolio
Department of Immigration and Citizenship Affairs, Migration Review Tribunal and Refugee Review Tribunal
Infrastructure, Transport, Regional Development and Local Government Portfolio
Australian Maritime Safety Authority, Civil Aviation Safety Authority, Department of Infrastructure, Transport, Regional Development and Local Government, Maritime Industry Finance Company
Innovation, Industry, Science and Research Portfolio
Australia Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australia Nuclear Science and Technology Organisation, Australia Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Innovation, Industry, Science and Research, IP Australia, IIF Bioventures Pty Ltd, IIF (CM) Investments Pty Ltd, IIF Foundation Pty Ltd, IIF Investments Pty Ltd, IIF Neo Pty Ltd
Prime Minister and Cabinet Portfolio
Australian Institute of Family Studies, Australian National Audit Office, Australian Public Service Commission, Department of the Prime Minister and Cabinet, National Archives of Australia, National Australia Day Council (Company Ltd By Guarantee), Office of the Commonwealth Ombudsman, Office of National Assessments, Office of the Inspector-General of Intelligence and Security, Office of the Official Secretary to the Governor General, Office of the Privacy Commissioner, Department of Climate Change, Office of Renewable Energy Regulator
Resources, Energy and Tourism Portfolio
Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia
Treasury Portfolio
Auditing and Assurance Standards Board, Australian Accounting Standards Board, Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, Inspector General of Taxation, National Competition Council, Productivity Commission, Royal Australian Mint
Parliamentary Departments
Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate

Table A1: Entities within the sectoral classifications (continued)

Public financial corporations
Environment, Water, Heritage and the Arts Portfolio
Film Finance Corporation Australia Ltd
Education, Employment and Workplace Relations Portfolio
Coal Mining Industry (Long Service Leave Funding) Corporation
Finance and Deregulation Portfolio
Australian Industry Development Corporation, Medibank Private Ltd
Foreign Affairs and Trade Portfolio
Export Finance and Insurance Corporation
Treasury Portfolio
Australia Re-insurance Pool Corporation, Reserve Bank of Australia
Public non-financial corporations
Attorney-General's Portfolio
Australian Government Solicitor
Broadband, Communications and the Digital Economy Portfolio
Australian Postal Corporation
Finance and Deregulation Portfolio
Australian River Co. Ltd, Australian Submarine Corporation Pty Ltd, Australian Technology Group Ltd
Human Services Portfolio
Australian Hearing Services, Health Services Australia Ltd
Infrastructure, Transport, Regional Development and Local Government Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd

Differences between ABS GFS and AAS framework (AASB 1049)

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues, expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transaction or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*).[6]

Some of the major differences between AASB 1049 and the ABS GFS treatments of transactions are outlined in Table A2. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table A2: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms	Treated as capital expenditure. Defence weapons platforms appear as an asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement.	Treated as an expense at the time of acquisition. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement. ABS is updating its treatment from 2009 and will align with AAS.	AAS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coin (seigniorage) is treated as revenue.	Circulating coin is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Special Drawing Rights (SDRs)	SDRs currency issued by the International Monetary Fund (IMF) is treated as a liability.	SDR currency issued by the International Monetary Fund is treated as a contingent liability. ABS is updating its treatment and will align with AAS.	ABS GFS, early adoption
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Creating provisions is not considered an economic event and therefore not considered an expense or in the balance sheet.	AAS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	ABS GFS, being reviewed.

6 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table A2: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	AAS

APPENDIX B: AUSTRALIAN LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the general government and public non-financial corporations sector balances and acquisitions under finance leases and similar arrangements);
- 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 borrowings.

Loan Council Allocation nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and the macroeconomic implications of the aggregate figure.

As set out in Table A1, the Commonwealth's 2008-09 Loan Council Allocation budget update is a $23,641 million surplus. This compares with its Loan Council Allocation nomination of a $18,974 million surplus endorsed by Loan Council on 14 March 2008.

Table B1: Commonwealth's Loan Council Allocation budget update for 2008-09

		2008-09 Nomination $m	2008-09 Budget Estimate $m
	GG sector cash surplus(-)/deficit(+)	-17,888	-25,699
	PNFC sector cash surplus(-)/deficit(+)	46	856
	NFPS cash surplus(-)/deficit(+)	-17,842	-24,843
	Acquisitions under finance leases and similar arrangements	502	502
equals	ABS GFS cash surplus(-)/deficit(+)	-17,340	-24,341
minus	Net cash flows from investments in financial assets for policy purposes(a)	891	-1,548
plus	Memorandum items(b)	-743	-849
	Loan Council Allocation	**-18,974**	**-23,641**

(a) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as which they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the ABS GFS cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(b) For the Commonwealth's Loan Council Allocation, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than $5 million), the over-funding of superannuation and the net financing requirement of the Australian National University.