

APPENDIX B: GOVERNMENT FINANCE STATISTICS STATEMENTS

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

The tables include an operating statement, balance sheet and cash flow statement for the Australian Government general government, public non-financial corporations and total non-financial public sectors. A statement of other economic flows is also included for the Australian Government general government sector and primarily outlines how other economic flows (those economic flows not accounted for in the GFS operating statement, namely changes in assets and liabilities arising from price and volume changes) impact on the net worth of the Australian Government general government sector.

The Australian Government, States and Territories have an agreed framework – the Accrual Uniform Presentation Framework – for the presentation of government financial information on a basis consistent with the ABS GFS publication. This Appendix presents Australian Government data on an ABS GFS basis, as required by the Uniform Presentation Framework, except for the departures (other than in relation to the treatment of goods and services tax (GST)) detailed in Attachment A to Part 3.

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

As a result of the different treatments of GST related transactions, fiscal balance, net operating balance and net worth estimates in this Appendix differ from those reported elsewhere in this document. This accounting difference is an accrual issue only: it represents the effect of GST revenue accrued but not yet received and, therefore, not yet paid or payable to the States (as GST obligations to the States are on a cash basis).¹ The underlying cash balance is not affected and provides identical results under both treatments of GST receipts.

1 Table E2 in Appendix E shows the difference in the net operating and fiscal balance estimates resulting from the two treatments. The change in expenses when moving between the two GFS presentations of the estimates is less than the change in revenue.

Appendix B: Government Finance Statistics Statements

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

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

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table B1: Australian Government general government sector operating statement

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

(a) The fiscal balance and net operating balance estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.

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

Table B2: Australian Government general government sector balance sheet

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

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

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

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

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

(b) Includes GST cash receipts on an Australian Government tax basis, which are \$13 million greater than GST cash receipts measured on a State tax basis (as shown in Appendix C, Note 16).

(c) GST flows are excluded from these categories.

(d) Includes GST cash payments on an Australian Government tax basis.

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

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

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

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

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

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

(d) Largely reflects revaluation of assets.

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

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

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

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

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

- (a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The negative net worth recorded for this sector reflects a higher valuation of listed Australian Government corporations by the sharemarket than the value of net assets recorded by these corporations.
- (b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

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

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

(b) Other payments for operating activities includes the cash flow to the general government sector from public non-financial corporations distributions paid.

(c) Distributions paid comprise public non-financial corporations dividends to external shareholders.

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

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

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

(a) The fiscal balance and net operating balance estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.

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

(c) The fiscal balance for the non-financial public sector does not equal the sum of the general government and public non-financial corporations sectors due to the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.

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

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

- (a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.
- (b) Net worth and net financial worth for the non-financial public sector do not equal the sum of the general government and public non-financial corporations sectors due to the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.
- (c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.
- (d) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

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

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

(b) GST flows are excluded from these categories.

(c) Distributions paid comprise PNFC dividends to external shareholders.

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

LOAN COUNCIL ALLOCATION

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

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

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

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

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

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

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

(b) For the Australian Government, memorandum items comprise the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), university borrowings, over funding of superannuation and an adjustment to exclude the net financing requirements of statutory marketing authorities and Telstra from the Loan Council Allocation.

