

PART 1: AUSTRALIAN GOVERNMENT BUDGET OUTCOME

OVERVIEW

In 2004-05, the Australian Government general government sector recorded an underlying cash surplus of \$13.6 billion, or 1.6 per cent of gross domestic product (GDP). The fiscal balance was in surplus by \$10.8 billion (1.2 per cent of GDP).

Table 1: Australian Government general government sector budget aggregates^(a)

| | 2003-04 Outcome | 2004-05 Estimate at 2005-06 Budget | 2004-05 Outcome |
|--------------------------------------|--------------------|---|--------------------|
| Revenue (\$b) | 187.6 | 202.7 | 206.2 |
| Per cent of GDP | 23.1 | 23.5 | 23.9 |
| Expenses (\$b) | 181.2 | 195.0 | 195.3 |
| Per cent of GDP | 22.4 | 22.6 | 22.6 |
| Net operating balance (\$b) | 6.3 | 7.7 | 10.9 |
| Net capital investment (\$b) | 0.7 | 0.7 | 0.1 |
| Fiscal balance (\$b) | 5.6 | 7.0 | 10.8 |
| Per cent of GDP | 0.7 | 0.8 | 1.2 |
| Underlying cash balance (\$b) | 8.0 | 9.2 | 13.6 |
| Per cent of GDP | 1.0 | 1.1 | 1.6 |
| <i>Memorandum item:</i> | | | |
| Headline cash balance (\$b) | 7.6 | 7.9 | 12.5 |

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

Australian Government general government sector net worth improved by \$7.6 billion in 2004-05 to around -\$32.0 billion, largely reflecting the strong budget surplus. Net debt also improved, falling by \$11.9 billion in 2004-05 to around \$11.5 billion or 1.3 per cent of GDP which is the lowest level in 28 years.

In cash terms the outcome was \$4.4 billion higher than estimated at the time of the 2005-06 Budget principally because total cash payments were around \$3.5 billion lower than expected at the 2005-06 Budget. This is due mainly to a lower than expected take up of grant and subsidy payments across a range of programmes (\$1.3 billion). Also contributing to the underspends were delays in contract negotiations and delivery of goods and services (\$0.5 billion), lower wages and salary payments (\$0.5 billion), and the rejection by the Tasmanian and South Australian governments of an offer to extinguish state rail superannuation liabilities (\$0.4 billion).

Part 1: Australian Government Budget Outcome

The fiscal balance outcome was \$3.8 billion higher than estimated at Budget time, principally because revenue in accrual terms was around \$3.6 billion higher than expected.

REVENUE

Total accrual revenue in 2004-05 of \$206.2 billion was 1.8 per cent higher than expected at the 2005-06 Budget. The variation reflects:

- company taxation accrual revenue was around \$2.5 billion higher than expected, primarily owing to stronger income growth and profitability in the June quarter 2005;
- other individuals taxation accrual revenue was \$363 million higher than expected, primarily owing to the lagged effect of strong growth in investment income in 2003-04; and
- non-taxation accrual revenue was \$500 million higher than expected.

Table 2: Australian Government general government sector revenue

| | 2004-05 Estimate at 2005-06 Budget \$m | 2004-05 Outcome \$m |
|---|--|---------------------------|
| <i>Income taxation</i> | | |
| Individuals and other withholding(a) | | |
| Gross income tax withholding | 97,990 | 98,250 |
| Gross other individuals | 23,640 | 24,003 |
| less: Refunds | 13,700 | 13,734 |
| Total individuals and other withholding | 107,930 | 108,519 |
| Companies | 40,610 | 43,106 |
| Superannuation funds | | |
| Contributions and earnings | 5,090 | 5,083 |
| Superannuation surcharge | 1,290 | 1,326 |
| Total superannuation funds | 6,380 | 6,410 |
| Petroleum resource rent tax | 1,460 | 1,465 |
| Total income taxation revenue | 156,380 | 159,499 |
| <i>Excise and customs</i> | | |
| Excise duty | | |
| Petroleum and other fuel products | 13,620 | 13,682 |
| Crude oil | 650 | 668 |
| Alcohol products | 2,460 | 2,394 |
| Tobacco | 5,280 | 5,237 |
| Total excise duty | 22,010 | 21,981 |
| Customs duty | | |
| Textiles, clothing and footwear | 1,000 | 966 |
| Passenger motor vehicles | 1,450 | 1,397 |
| Excise-like goods | 1,680 | 1,697 |
| Other imports | 1,884 | 1,793 |
| less: Refunds and drawbacks | 300 | 306 |
| Total customs duty | 5,714 | 5,548 |
| Total excise and customs revenue | 27,724 | 27,529 |
| <i>Indirect taxation</i> | | |
| Wine equalisation tax | 690 | 693 |
| Luxury car tax | 300 | 302 |
| Other taxes | 190 | 169 |
| Total indirect taxation revenue | 1,180 | 1,164 |
| <i>Other taxation</i> | | |
| Fringe benefits tax(b) | 3,050 | 3,089 |
| Agricultural levies | 572 | 584 |
| Other taxes | 1,296 | 1,389 |
| Total other taxation revenue | 4,917 | 5,061 |
| Total taxation revenue | 190,201 | 193,252 |
| <i>Non-taxation</i> | | |
| Sales of goods and services | 4,828 | 4,880 |
| Dividends | 3,146 | 3,176 |
| Interest received | 1,562 | 1,621 |
| Other | 2,929 | 3,289 |
| Total non-taxation revenue | 12,465 | 12,965 |
| Total revenue | 202,666 | 206,218 |

(a) Includes Medicare levy revenue of \$6,105 million in 2004-05.

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$387 million in 2004-05).

EXPENSES

Total accrual expenses were \$195.3 billion in 2004-05, an increase of \$281 million (0.1 per cent) from the estimate provided in the 2005-06 Budget. Expenses increased by:

- \$1.0 billion due to higher than expected write-offs of tax penalties by the Australian Taxation Office, following a review of the collectability of its outstanding penalties;
- \$490 million due to a higher than expected impact of a change in accounting policy adopted in the Budget which recognises certain administered programmes by the Australian Taxation Office in the year of accrual rather than the year of payment;
- \$152 million due to a one-off payment to residential aged care providers for improved information technology infrastructure, financial reporting and training;
- \$131 million in depreciation expenses due mainly to a number of significant revaluations of property by the Department of Defence; and
- \$98 million in nominal superannuation interest expense due to an actuarial revaluation of the Department of Defence's superannuation liabilities.

These increases were partially offset by:

- a decrease in grant expenses of \$796 million including from delays in the finalisation of funding agreements in education and research programmes (\$231 million) and lower than expected take up in a range of programmes, including health (\$383 million) and agriculture (\$94 million);
- a decrease in personal benefit expenses of \$363 million primarily due to a lower than expected impact from the change in accounting policy adopted in the Budget for Family Tax Benefit entitlements; and
- a decrease in wages and salaries expense of \$561 million due to a reduction in accrued leave expenses, largely in the Department of Defence, and lower than anticipated staffing levels across a number of agencies.

Table 3 provides information on Government Finance Statistics (GFS) general government sector expenses by function.

Table 3: Australian Government general government sector expenses by function

| | 2004-05 Estimate at 2005-06 Budget \$m | 2004-05 Outcome \$m |
|--|--|---------------------------|
| General public services | | |
| Legislative and executive affairs | 850 | 728 |
| Financial and fiscal affairs | 3,730 | 5,189 |
| Foreign affairs and economic aid | 2,936 | 2,844 |
| General research | 2,206 | 2,157 |
| General services | 539 | 631 |
| Government superannuation benefits | 2,487 | 2,386 |
| Defence | 14,190 | 14,346 |
| Public order and safety | 2,490 | 2,345 |
| Education | 14,533 | 14,362 |
| Health | 35,541 | 35,561 |
| Social security and welfare | 83,814 | 82,962 |
| Housing and community amenities | 1,887 | 2,012 |
| Recreation and culture | 2,473 | 2,246 |
| Fuel and energy | 3,871 | 4,369 |
| Agriculture, forestry and fishing | 2,263 | 1,813 |
| Mining, manufacturing and construction | 1,754 | 1,702 |
| Transport and communications | 2,723 | 2,769 |
| Other economic affairs | | |
| Tourism and area promotion | 216 | 216 |
| Labour and employment affairs | 3,746 | 3,922 |
| Other economic affairs | 820 | 757 |
| Other purposes | | |
| Public debt interest | 3,907 | 3,880 |
| Nominal superannuation interest | 4,882 | 5,005 |
| General purpose intergovernmental transactions | 3,034 | 3,003 |
| Natural disaster relief | 84 | 77 |
| Contingency reserve(a) | 36 | 11 |
| Total expenses | 195,012 | 195,293 |

(a) Asset sale related expenses are treated as a component of the contingency reserve.

NET CAPITAL INVESTMENT

Total net capital investment for 2004-05 was \$147 million, which is \$505 million lower than the estimate provided in the 2005-06 Budget. This primarily reflects a delay in the purchase of non-financial assets of \$280 million including in the portfolios of Foreign Affairs and Trade, Attorney-General's, and Defence; and an increase in depreciation of \$131 million due mainly to a number of significant property revaluations by the Department of Defence.

Table 4: Australian Government general government sector net capital investment by function

| | 2004-05 Estimate at 2005-06 Budget \$m | 2004-05 Outcome \$m |
|--|--|---------------------------|
| General public services | 245 | 99 |
| Defence | -85 | -115 |
| Public order and safety | 118 | 38 |
| Education | 5 | 5 |
| Health | 157 | 103 |
| Social security and welfare | 59 | -16 |
| Housing and community amenities | 95 | 71 |
| Recreation and culture | -50 | -97 |
| Fuel and energy | 0 | 0 |
| Agriculture, forestry and fishing | 0 | 2 |
| Mining, manufacturing and construction | 5 | 2 |
| Transport and communication | 28 | 12 |
| Other economic affairs | 71 | 42 |
| Other purposes | 3 | 2 |
| Total net capital investment | 652 | 147 |

CASH FLOWS

The 2004-05 underlying cash surplus was \$13.6 billion, \$4.4 billion higher than estimated at the 2005-06 Budget. The higher than anticipated outcome was the result of higher cash receipts of \$0.9 billion and lower cash payments of \$3.5 billion.

Total Australian Government general government sector cash receipts of \$203.6 billion were \$0.9 billion (0.4 per cent) higher than estimated at the 2005-06 Budget. The cash receipts outcome reflects:

- higher than expected company tax receipts of \$804 million;
- higher than expected gross other individuals receipts of \$154 million;
- partially offset by a decrease in non-tax receipts of \$161 million due to delays in collections across a number of agencies, including the Department of Defence and Defence Housing Authority.

The higher accrual revenue outcome relative to cash primarily reflects higher tax revenue recognised but not yet received for company tax and gross other individuals heads of revenue.

Total Australian Government general government sector cash payments were \$189.9 billion in 2004-05, \$3.5 billion (1.8 per cent) lower than estimated at the 2005-06 Budget. This is due mainly to a lower than expected take up of grant and subsidy payments across a range of programmes (\$1.3 billion). Also contributing to the underspends were delays in contract negotiations and delivery of goods and services (\$0.5 billion), lower wages and salary payments (\$0.5 billion), and the rejection by the Tasmanian and South Australian governments of an offer to extinguish state rail superannuation liabilities (\$0.4 billion).

Many of these cash variations were also reflected in similar expense and net capital investment variations discussed earlier in this part, with some major differences.

The variations in cash payments that were greater than in accrual expenses include:

- delayed payments of \$454 million across a range of health and veterans' affairs programmes, including the Medicare Services, National Public Health, and Access to Public Hospitals programmes, and contracts for hospital services for veterans;
- a decline in cash payments of \$411 million due to the rejection by the Tasmanian and South Australian governments of an offer to extinguish state rail superannuation liabilities; and
- a decline in cash payments of \$61 million to suppliers reflecting delays in delivery of explosive ordnance orders to the Department of Defence.

Similarly, variations in accrual expenses and net capital investments that do not affect cash payments include:

- an increase of \$1.0 billion from higher than expected write-offs of tax penalties by the Australian Taxation Office following a review of the collectability of outstanding penalties;
- an actuarial revaluation of the Department of Defence's superannuation liabilities, resulting in a \$98 million increase in nominal superannuation interest expense; and
- an increase of \$91 million due to increased use of inventories by the Department of Defence reflecting higher levels of activity.

Table 5: Summary of Australian Government general government sector cash flows^(a)

| | 2004-05 Estimate at 2005-06 Budget \$b | 2004-05 Outcome \$b |
|--|--|---------------------------|
| Cash receipts | | |
| Operating cash receipts | 202.2 | 203.0 |
| Capital cash receipts(b) | 0.4 | 0.5 |
| Total cash receipts | 202.7 | 203.6 |
| Cash payments | | |
| Operating cash payments | 190.9 | 187.7 |
| Capital cash payments(c) | 2.6 | 2.2 |
| Total cash payments | 193.4 | 189.9 |
| Finance leases and similar arrangements(d) | 0.0 | 0.0 |
| GFS cash surplus(+)/deficit(-) | 9.2 | 13.6 |
| Per cent of GDP | 1.1 | 1.6 |
| <i>less</i> Future Fund earnings | 0.0 | 0.0 |
| Underlying cash balance | 9.2 | 13.6 |
| Per cent of GDP | 1.1 | 1.6 |
| <i>Memorandum items:</i> | | |
| Net cash flows from investments in financial assets for policy purposes(e) | | |
| Major asset sales | 0.0 | 0.0 |
| <i>less</i> Other net advances paid | -1.3 | -1.1 |
| <i>plus</i> Future Fund earnings | 0.0 | 0.0 |
| Headline cash balance | 7.9 | 12.5 |

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

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

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

(d) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

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

NET DEBT AND NET WORTH

In 2004-05, the level of Australian Government net debt continued to fall from a peak of 19.1 per cent of GDP in 1995-96 to 1.3 per cent of GDP in 2004-05. Since 1996-97, net debt has fallen by \$84.7 billion. The fall in net debt was \$4.8 billion greater than estimated at the 2005-06 Budget, largely reflecting the higher than expected underlying cash surplus outcome.

Net interest payments in 2004-05 were around similar levels anticipated at the 2005-06 Budget. Having peaked at \$8.4 billion in 1996-97, net interest payments have declined to \$2.5 billion in 2004-05, representing annual savings in interest payments of \$6.0 billion.

Australian Government general government sector net worth increased from -\$39.6 billion in 2003-04 to -\$32.0 billion at the end of 2004-05. The \$7.6 billion improvement largely reflects a strong net operating surplus of \$10.9 billion and a \$3.4 billion revaluation of assets, including a \$1.2 billion revaluation of land by the Department of Defence. These improvements are partially offset by:

- a net writedown of assets of \$5.2 billion, largely due to provisioning for bad and doubtful debts by the Australian Taxation Office; and
- actuarial revaluations of \$1.1 billion relating mainly to the unfunded superannuation liability.

Table 6: Australian Government general government sector net worth, net debt and net interest payments

| | 2004-05 Estimate at 2005-06 Budget \$b | 2004-05 Outcome \$b |
|---------------------------------|--|---------------------------|
| Financial assets | 119.4 | 124.0 |
| Non-financial assets | 41.3 | 42.4 |
| Total assets | 160.6 | 166.4 |
| Total liabilities | 194.7 | 198.3 |
| Net worth | -34.1 | -32.0 |
| Net debt(a) | 16.3 | 11.5 |
| Per cent of GDP | 1.9 | 1.3 |
| Net interest payments(b) | 2.4 | 2.5 |
| Per cent of GDP | 0.3 | 0.3 |

- (a) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.
- (b) Australian Government cash interest payments less cash interest receipts.

REPORTING STANDARDS

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

The major external standards used for final budget outcome reporting purposes are:

- the Australian Bureau of Statistics' (ABS) 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), including AAS 31 *Financial Reporting by Governments*.

The Australian Equivalents to International Financial Reporting Standards (AEIFRS) reporting requirements apply to reporting periods starting on or after 1 January 2005. The 2005-06 AAS financial statements will be prepared in accordance with these standards and the impact of applying these new standards has been outlined in Note 2 of Part 3.

Final Budget Outcome tables, with the exception of tables in Part 2, do not include goods and services tax (GST) collections and equivalent payments to the States and Territories (the States). However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST receipts are appropriated to the States and thus are not available for expenditure by the Australian Government. Because the Australian Taxation Office collects GST as an agent for the states, GST receipts are not shown as Australian Government revenue. Estimates of GST receipts are provided in Table A2 of Appendix A.

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted because excluding such provisions would overstate the value of Australian Government assets in the balance sheet (and would, therefore, be inconsistent with the market valuation principle).

The AAS financial statements currently record IMF Special Drawing Rights (SDRs) as a liability. This is consistent with AAS. The GFS statements also record SDRs as a liability. However, in accordance with the IMF's GFS manual, IMF SDRs are not treated as a liability in ABS GFS although they are treated this way in other IMF documentation. In view of these differences, the current approach will remain in place pending further consultation with the ABS and IMF, and developments in train to harmonise GFS and AAS.

Similarly, the GFS financial statements currently adopt the AAS treatment for circulating coins. Under this treatment revenue is recognised upon the issue of coins and no liability is recorded, as there is no legal obligation requiring coins on issue to be repurchased by the Australian Government. However, in ABS GFS, coins on issue are treated as a liability and no revenue is recognised. The current accounting treatment will remain in place pending further consultation with the IMF, and developments in train to harmonise GFS and AAS.

ABS GFS also requires defence weapons be treated as expenses. Defence weapons inventories are recorded as capital investment rather than expenses until such inventories can be reliably identified and measured. This treatment does not affect the underlying cash and fiscal balances.

In order to ensure the reporting of reliable GFS and AAS budget estimates and outcomes, taxation revenue is recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Taxation Office or the Australian Customs Service. This method is permitted under both GFS and AAS when there is an inability to reliably measure taxation revenues at the time the underlying transactions or events occur. Accordingly, for most categories of taxation revenue, there is a short lag between the time at which the underlying economic activity giving rise to the tax liability occurs and when the revenue is recognised. Longer lags of up to a year occur for some elements of company and superannuation funds taxation.

Additional information on the reporting standards and budget concepts is provided in Appendix A.

BUDGET FINANCIAL STATEMENTS

The budget financial statements consist of an operating statement, balance sheet, cash flow statement and statement of other economic flows (reconciliation of net worth) for the Australian Government general government sector. The budget financial statements are based on GFS standards with the exception of the divergences discussed in Attachment A.

Table 7: Australian Government general government sector operating statement

| | 2004-05 Estimate at 2005-06 Budget \$m | 2004-05 Outcome \$m |
|--|--|---------------------------|
| Revenue | | |
| Taxation revenue | 190,201 | 193,252 |
| Current grants and subsidies | 0 | 0 |
| Sales of goods and services | 4,828 | 4,880 |
| Interest income | 1,562 | 1,621 |
| Dividend income | 3,146 | 3,176 |
| Other | 2,929 | 3,289 |
| Total revenue | 202,666 | 206,218 |
| Expenses | | |
| Gross operating expenses | | |
| Depreciation | 1,892 | 2,023 |
| Superannuation | 2,487 | 2,386 |
| Salaries and wages | 11,922 | 11,361 |
| Payment for supply of goods and services | 45,246 | 45,330 |
| Other operating expenses | 2,814 | 2,971 |
| <i>Total gross operating expenses</i> | <i>64,362</i> | <i>64,071</i> |
| Nominal superannuation interest expense | 4,882 | 5,005 |
| Other interest expenses | 4,131 | 4,145 |
| Other property expenses | 0 | 0 |
| Current transfers | | |
| Grant expenses | 37,203 | 36,407 |
| Subsidy expenses | 6,470 | 7,221 |
| Personal benefit payments in cash | 74,478 | 74,115 |
| Other current transfers | 0 | 0 |
| <i>Total current transfers</i> | <i>118,151</i> | <i>117,743</i> |
| Capital transfers | 3,486 | 4,328 |
| Total expenses | 195,012 | 195,293 |
| Net operating balance | 7,655 | 10,925 |
| Net acquisition of non-financial assets | | |
| Purchases of non-financial assets | 2,487 | 2,207 |
| <i>less</i> Sales of non-financial assets | 364 | 490 |
| <i>less</i> Depreciation | 1,892 | 2,023 |
| <i>plus</i> Change in inventories | 374 | 508 |
| <i>plus</i> Other movements in non-financial assets | 47 | -55 |
| Total net acquisition of non-financial assets | 652 | 147 |
| Net lending/fiscal balance(a) | 7,003 | 10,778 |

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

Table 8: Australian Government general government sector balance sheet

| | 2004-05 Estimate at 2005-06 Budget \$m | 2004-05 Outcome \$m |
|--|--|---------------------------|
| Assets | | |
| Financial assets | | |
| Cash and deposits | 927 | 1,808 |
| Advances paid | 19,314 | 20,199 |
| Investments, loans and placements | 31,066 | 35,022 |
| Other non-equity assets | 17,147 | 16,772 |
| Equity(a) | 50,895 | 50,183 |
| <i>Total financial assets</i> | <i>119,351</i> | <i>123,984</i> |
| Non-financial assets | | |
| Land | 4,863 | 6,140 |
| Buildings | 13,894 | 14,195 |
| Plant, equipment and infrastructure | 8,411 | 8,209 |
| Inventories | 5,299 | 4,524 |
| Heritage and cultural assets | 6,698 | 7,275 |
| Other non-financial assets | 2,085 | 2,032 |
| <i>Total non-financial assets</i> | <i>41,250</i> | <i>42,374</i> |
| Total assets | 160,601 | 166,358 |
| Liabilities | | |
| Deposits held | 365 | 403 |
| Advances received | 0 | 0 |
| Government securities | 61,452 | 62,331 |
| Loans | 5,595 | 5,648 |
| Other borrowing | 224 | 182 |
| Superannuation liability | 91,071 | 91,172 |
| Other employee entitlements and provisions | 7,605 | 8,178 |
| Other non-equity liabilities | 28,416 | 30,423 |
| Total liabilities | 194,727 | 198,337 |
| Net worth(b) | -34,126 | -31,979 |
| Net debt(c) | 16,328 | 11,534 |

(a) The 2004-05 equity and net worth outcomes include the Telstra shareholding valued at the closing share price on 30 June 2005.

(b) Net worth is calculated as total assets minus total liabilities.

(c) 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.

Table 9: Australian Government general government sector cash flow statement^(a)

| | 2004-05 Estimate at 2005-06 Budget \$m | 2004-05 Outcome \$m |
|---|--|---------------------------|
| Cash receipts from operating activities | | |
| Taxes received | 186,205 | 187,279 |
| Receipts from sales of goods and services | 5,015 | 4,865 |
| Grants and subsidies received | 0 | 0 |
| Interest receipts | 1,460 | 1,400 |
| Dividends | 3,808 | 3,838 |
| GST input credits received by general government | 2,908 | 2,883 |
| Other receipts | 2,849 | 2,763 |
| Total operating receipts | 202,246 | 203,027 |
| Cash payments for operating activities | | |
| Payments for goods and services | -48,518 | -48,040 |
| Grants and subsidies paid | -45,200 | -43,937 |
| Interest paid | -3,856 | -3,863 |
| Personal benefit payments | -73,664 | -73,206 |
| Salaries, wages and other entitlements | -16,508 | -15,990 |
| GST payments by general government to taxation authority | -120 | -60 |
| Other payments for operating activities | -2,988 | -2,638 |
| Total operating payments | -190,855 | -187,735 |
| Net cash flows from operating activities | 11,391 | 15,293 |
| Cash flows from investments in non-financial assets | | |
| Sales of non-financial assets | 416 | 546 |
| Purchases of new and secondhand non-financial assets | -2,579 | -2,210 |
| Net cash flows from investments in non-financial assets | -2,163 | -1,664 |
| Net cash flows from investments in financial assets for policy purposes | -1,317 | -1,139 |
| Cash flows from investments in financial assets for liquidity purposes | | |
| Increase in investments | -7,456 | -11,024 |
| Net cash flows from investments in financial assets for liquidity purposes | -7,456 | -11,024 |
| Cash flows from financing activities | | |
| Advances received (net) | 0 | 0 |
| Borrowing (net) | 188 | 136 |
| Deposits received (net) | 0 | 39 |
| Other financing (net) | -1,306 | -1,422 |
| Net cash flows from financing activities | -1,118 | -1,247 |
| Net increase/decrease in cash held | -663 | 218 |

Table 9: Australian Government general government sector cash flow statement^(a) (continued)

| | 2004-05 Estimate at 2005-06 Budget \$m | 2004-05 Outcome \$m |
|---|--|---------------------------|
| Net cash from operating activities and investments in non-financial assets | 9,227 | 13,629 |
| Finance leases and similar arrangements(b) | -7 | -13 |
| GFS cash surplus(+)/deficit(-) | 9,221 | 13,616 |
| <i>less</i> Future Fund earnings | 0 | 0 |
| Equals underlying cash balance(c) | 9,221 | 13,616 |
| <i>plus</i> net cash flows from investments in financial assets for policy purposes | -1,317 | -1,139 |
| <i>plus</i> Future Fund earnings | 0 | 0 |
| Equals headline cash balance | 7,904 | 12,477 |

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

| | 2004-05 Estimate at 2005-06 Budget \$m | 2004-05 Outcome \$m |
|--|--|---------------------------|
| Opening net worth | -37,803 | -37,803 |
| Opening net worth adjustments(a) | -1,741 | -1,792 |
| Adjusted opening net worth | -39,544 | -39,595 |
| Change in net worth from operating transactions | 7,655 | 10,925 |
| Change in net worth from other economic flows | | |
| Revaluation of equity(b) | 1,301 | 698 |
| Net writedowns of assets (including bad and doubtful debts) | -2,226 | -5,233 |
| Assets recognised for the first time | 23 | 631 |
| Liabilities recognised for the first time | 0 | 0 |
| Actuarial revaluations | -937 | -1,108 |
| Net foreign exchange gains | -384 | -423 |
| Net swap interest received | 180 | 181 |
| Market valuation of debt | -195 | -708 |
| Other economic revaluations(c) | 2 | 2,653 |
| Total other economic flows | -2,236 | -3,309 |
| Closing net worth | -34,126 | -31,979 |

(a) Decrease in net worth arising from a change in recognition of family tax benefits and other expenses from a cash to an accrual basis.

(b) The 2004-05 equity and net worth outcomes include the change in the value of Telstra shareholding between the closing share price on 30 June 2004 and 30 June 2005.

(c) Largely reflects revaluation of assets and liabilities mainly by the Department of Defence.

