

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.

The Australian, State and Territory Governments 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 *Accrual 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. The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* is that GST is collected by the Australian Taxation Office, as an agent for the States and Territories (the States), and appropriated to the States. 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 difference 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 cash flows presented in this statement include GST (except in respect to GST flows internal to the general government sector). The GFS cash surplus/deficit is not affected and provides identical results under both treatments of GST receipts.

Transactions between the Australian Government general government and public non-financial corporations sectors are included in the relevant tables, but removed

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

from the total non-financial public sector tables as they are transactions internal to that sector.

Public access communication assets, computer software and other intangibles are recorded at historic costs, as market value information, or suitable proxies for market value, are not readily observable. This affects the public non-financial corporations sector balance sheet, but does not affect the general government sector balance sheet.

Appendix E provides reconciliations between key GFS aggregates and their Australian Accounting Standards counterparts.

In accordance with *Accrual Uniform Presentation Framework* requirements, this Appendix also contains an update of the Australian Government's Loan Council Allocation.

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table B1: Australian Government general government sector operating statement

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
GFS revenue				
Taxation revenue	257,686	270,685	285,753	299,922
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,984	5,003	5,138	5,291
Interest income	3,581	3,896	3,648	4,584
Dividend income	2,860	2,812	3,343	3,338
Other	3,404	3,461	3,350	3,247
Total GFS revenue	272,515	285,856	301,231	316,383
GFS expenses				
Gross operating expenses				
Depreciation	2,228	2,417	2,513	2,550
Superannuation	2,526	2,576	2,667	2,735
Salaries and wages	13,744	14,062	14,098	14,382
Payment for supply of goods and services	53,344	56,083	57,430	59,422
Other operating expenses	2,990	3,098	3,266	3,367
<i>Total gross operating expenses</i>	<i>74,832</i>	<i>78,236</i>	<i>79,973</i>	<i>82,455</i>
Nominal superannuation interest expense	5,725	5,869	6,163	6,371
Other interest expenses	3,996	3,862	3,712	3,674
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	80,856	86,871	90,391	93,922
Subsidy expenses	7,326	7,795	8,281	8,214
Personal benefit payments in cash	80,830	86,203	92,665	99,883
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>169,013</i>	<i>180,869</i>	<i>191,337</i>	<i>202,018</i>
Capital transfers	5,179	5,560	5,913	5,005
Total GFS expenses	258,745	274,397	287,098	299,524
Net operating balance(a)	13,769	11,459	14,133	16,859
Net acquisition of non-financial assets				
Purchases of non-financial assets	3,762	3,021	3,459	3,146
<i>less</i> Sales of non-financial assets	<i>184</i>	<i>255</i>	<i>143</i>	<i>72</i>
<i>less</i> Depreciation	<i>2,228</i>	<i>2,417</i>	<i>2,513</i>	<i>2,550</i>
<i>plus</i> Change in inventories	<i>680</i>	<i>129</i>	<i>344</i>	<i>338</i>
<i>plus</i> Other movements in non-financial assets	<i>259</i>	<i>0</i>	<i>67</i>	<i>124</i>
Total net acquisition of non-financial assets	2,290	478	1,215	986
Net lending/fiscal balance(a)(b)	11,480	10,981	12,918	15,873

(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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
GFS assets				
Financial assets				
Cash and deposits	2,014	2,244	2,029	1,993
Advances paid	22,775	24,543	26,350	27,964
Investments, loans and placements	67,316	50,159	64,294	77,596
Other non-equity assets	36,425	30,449	31,349	32,729
Equity(a)	30,063	66,841	69,075	72,073
<i>Total financial assets</i>	<i>158,593</i>	<i>174,236</i>	<i>193,097</i>	<i>212,355</i>
Non-financial assets				
Land	6,172	6,244	6,314	6,274
Buildings	15,070	15,370	15,969	16,324
Plant, equipment and infrastructure	9,609	9,741	9,983	10,209
Inventories	5,588	5,717	6,060	6,399
Heritage and cultural assets	7,702	7,715	7,725	7,741
Other non-financial assets	3,478	3,246	3,221	3,316
<i>Total non-financial assets</i>	<i>47,619</i>	<i>48,034</i>	<i>49,273</i>	<i>50,263</i>
Total GFS assets	206,212	222,270	242,369	262,618
GFS liabilities				
Deposits held	300	300	300	300
Advances received	0	0	0	0
Government securities	57,923	59,842	59,984	59,260
Loans	5,381	5,406	5,099	5,094
Other borrowing	420	390	664	625
Superannuation liability	101,300	104,741	108,314	111,928
Other employee entitlements and provisions	8,171	8,390	8,708	9,068
Other non-equity liabilities	35,697	36,156	37,022	37,319
Total GFS liabilities	209,193	215,227	220,092	223,593
Net worth(b)(c)	-2,981	7,043	22,278	39,025
Net financial worth(d)	-50,600	-40,991	-26,995	-11,238
Net debt(e)(f)	-28,081	-11,007	-26,626	-42,274

(a) Equity includes equity holdings of the Future Fund.

(b) The net worth estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of GST as an Australian Government tax.

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

(d) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

(e) 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.

(f) Includes the impact of the partial sale of the Government's holding in Telstra and transfer of the Government's remaining shares to the Future Fund. It is assumed that the Future Fund will increasingly be invested in equities until it reaches a portfolio equity allocation consistent with the benchmark return (excluding Telstra shares) specified in the Government's investment mandate.

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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Cash receipts from operating activities				
Taxes received(b)	252,726	265,383	279,991	294,399
Receipts from sales of goods and services(c)	5,104	5,048	5,199	5,322
Grants and subsidies received	0	0	0	0
Interest receipts	3,477	3,664	3,402	4,326
Dividends	3,170	2,782	3,343	3,338
GST input credits received by general government(c)	0	0	0	0
Other receipts	3,083	3,240	3,114	2,987
Total operating receipts	267,559	280,117	295,048	310,372
Cash payments for operating activities				
Payments for goods and services(c)	-53,897	-56,739	-58,164	-60,145
Grants and subsidies paid(d)	-91,008	-97,409	-100,973	-104,509
Interest paid	-3,948	-3,615	-3,560	-3,480
Personal benefit payments	-79,735	-85,287	-92,000	-99,370
Salaries, wages and other entitlements	-18,400	-18,996	-19,235	-19,693
GST payments by general government to taxation authority(c)	0	0	0	0
Other payments for operating activities	-2,761	-2,572	-3,136	-3,153
Total operating payments	-249,748	-264,618	-277,068	-290,350
Net cash flows from operating activities	17,811	15,499	17,980	20,022
Cash flows from investments in non-financial assets				
Sales of non-financial assets	185	267	147	77
Purchases of non-financial assets	-3,967	-3,046	-2,977	-3,302
Net cash flows from investments in non-financial assets	-3,782	-2,779	-2,830	-3,226
Net cash flows from investments in financial assets for policy purposes	7,038	4,878	41	-2,048
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-20,267	-19,281	-15,069	-13,982
Net cash flows from investments in financial assets for liquidity purposes	-20,267	-19,281	-15,069	-13,982
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	-943	2,186	92	-589
Deposits received (net)	-20	0	0	0
Other financing (net)	232	-273	-429	-214
Net cash flows from financing activities	-730	1,913	-337	-803
Net increase/decrease in cash held	70	230	-215	-36

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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Net cash from operating activities and investments in non-financial assets	14,029	12,720	15,150	16,796
Finance leases and similar arrangements(e)	-33	16	-551	30
Equals surplus(+)/deficit(-)	13,997	12,736	14,599	16,826

(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 is \$5 million lower in 2006-07 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 decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Opening net worth	-15,245	-2,981	7,043	22,278
Opening net worth adjustments(a)	287	0	0	0
Adjusted opening net worth	-14,958	-2,981	7,043	22,278
Change in net worth from operating transactions	13,769	11,459	14,133	16,859
Change in net worth from other economic flows				
Revaluation of equity(b)	205	-311	1,261	1
Net writedowns of assets (including bad and doubtful debts)	-2,418	-2,561	-2,356	-2,561
Assets recognised for the first time	178	18	19	30
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	-73	0	0	0
Net swap interest received	10	-51	-46	-41
Fair Value Gains Financial Instruments	348	1,279	2,248	2,455
Other economic revaluations(c)	-42	191	-24	5
Total other economic flows	-1,792	-1,435	1,102	-112
Closing net worth	-2,981	7,043	22,278	39,025

(a) Change in net worth arising from a change in 2005-06 outcomes.

(b) Revaluations of equity reflects changes in the market valuation of commercial entities. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Largely reflects revaluation of assets and liabilities.

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

	Estimates
	2006-07
	\$m
GFS revenue	
Current grants and subsidies	113
Sales of goods and services	15,383
Interest income	100
Other	31
Total GFS revenue	15,628
GFS expenses	
Gross operating expenses	
Depreciation	1,744
Salaries, wages and other entitlements	4,411
Other operating expenses	7,787
<i>Total gross operating expenses</i>	<i>13,942</i>
Interest expenses	250
Other property expenses	534
Current transfers	
Tax expenses	1,158
Other current transfers	0
<i>Total current transfers</i>	<i>1,158</i>
Capital transfers	0
Total GFS expenses	15,884
Net operating balance	-256
Net acquisition of non-financial assets	
Purchases of non-financial assets	3,118
<i>less</i> Sales of non-financial assets	<i>22</i>
<i>less</i> Depreciation	<i>1,744</i>
<i>plus</i> Change in inventories	<i>-10</i>
<i>plus</i> Other movements in non-financial assets	<i>-136</i>
Total net acquisition of non-financial assets	1,207
Net lending/fiscal balance(a)	-1,462

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

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

	Estimates
	2006-07
	\$m
GFS assets	
Financial assets	
Cash and deposits	947
Advances paid	0
Investments, loans and placements	1,412
Other non-equity assets	1,386
Equity	512
<i>Total financial assets</i>	4,257
Non-financial assets	
Land and fixed assets	4,119
Other non-financial assets(a)	54
<i>Total non-financial assets</i>	4,173
Total GFS assets	8,431
GFS liabilities	
Deposits held	0
Advances received	0
Borrowing	679
Unfunded superannuation liability and other employee entitlements	1,006
Provisions (other than depreciation and bad and doubtful debts)(a)	550
Other non-equity liabilities	672
Total GFS liabilities	2,907
Shares and other contributed capital	5,524
Net worth(b)	0
Net financial worth(c)	-4,173
Net debt(d)	-1,681

(a) Includes the elimination of commercial taxation adjustments.

(b) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. A zero net worth is recorded in 2006-07 as shares and contributed capital for the non-financial corporations controlled by the Government are valued at net assets (a proxy for market value for unlisted companies).

(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 and borrowing, 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)

	Estimates
	2006-07
	\$m
Cash receipts from operating activities	
Receipts from sales of goods and services	16,544
Grants and subsidies received	63
GST input credit receipts	0
Other receipts	111
Total operating receipts	16,718
Cash payments for operating activities	
Payment for goods and services	-7,089
Interest paid	-134
Salaries, wages and other entitlements	-4,380
GST payments to taxation authority	-673
Other payments for operating activities ^(b)	-2,398
Total operating payments	-14,673
Net cash flows from operating activities	2,045
Cash flows from investments in non-financial assets	
Sales of non-financial assets	47
Purchases of non-financial assets	-3,146
Net cash flows from investments in non-financial assets	-3,099
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	133
Net cash flows from investments in financial assets for liquidity purposes	133
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	67
Deposits received (net)	0
Distributions paid (net) ^(c)	-930
Other financing (net)	514
Net cash flows from financing activities	-349
Net increase/decrease in cash held	-1,271
Net cash from operating activities and investments in non-financial assets	-1,054
Finance leases and similar arrangements ^(d)	0
Distributions paid ^(c)	-930
Equals surplus(+)/deficit(-)	-1,985

(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 non-general government shareholders.

(d) 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 B8: Australian Government total non-financial public sector operating statement

	Estimates
	2006-07 \$m
GFS revenue	
Taxation revenue	256,478
Current grants and subsidies	0
Sales of goods and services	19,681
Interest income	3,681
Dividend income	1,653
Other	3,435
Total GFS revenue	284,928
GFS expenses	
Gross operating expenses	
Depreciation	3,972
Superannuation	2,663
Salaries and wages	18,155
Payment for supply of goods and services	58,992
Other operating expenses	3,050
<i>Total gross operating expenses</i>	<i>86,831</i>
Nominal superannuation interest expense	5,725
Other interest expenses	4,245
Other property expenses	534
Current transfers	
Grant expenses	80,856
Subsidy expenses	7,213
Personal benefit payments in cash	80,830
Other current transfers	0
<i>Total current transfers</i>	<i>168,899</i>
Capital transfers	5,179
Total GFS expenses	271,414
Net operating balance(a)	13,514
Net acquisition of non-financial assets	
Purchases of non-financial assets	6,880
<i>less</i> Sales of non-financial assets	<i>205</i>
<i>less</i> Depreciation	<i>3,972</i>
<i>plus</i> Change in inventories	<i>670</i>
<i>plus</i> Other movements in non-financial assets	<i>124</i>
Total net acquisition of non-financial assets	3,496
Net lending/fiscal balance(a)(b)	10,017

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

	Estimates
	2006-07
	\$m
GFS assets	
Financial assets	
Cash and deposits	2,962
Advances paid	22,775
Investments, loans and placements	68,729
Other non-equity assets	37,707
Equity	25,051
<i>Total financial assets</i>	<i>157,222</i>
Non-financial assets	
Land and fixed assets	48,261
Other non-financial assets	3,532
<i>Total non-financial assets</i>	<i>51,792</i>
Total GFS assets	209,015
GFS liabilities	
Deposits held	300
Advances received	0
Government securities	57,923
Loans	5,381
Other borrowing	1,099
Unfunded superannuation liability and other employee entitlements	110,478
Other provisions	7,726
Other non-equity liabilities	29,089
Total GFS liabilities	211,995
Shares and other contributed capital	0
Net worth(a)	-2,981
Net financial worth(b)	-54,773
Net debt(c)	-29,762

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

(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, government securities, loans and other borrowing, 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)

	Estimates
	2006-07
	\$m
Cash receipts from operating activities	
Taxes received	251,561
Receipts from sales of goods and services(b)	20,434
Grants and subsidies received	0
Interest receipts	3,462
Dividends	1,998
GST input credit receipts(b)	0
Other receipts	3,173
Total operating receipts	280,628
Cash payments for operating activities	
Payments for goods and services(b)	-60,437
Grants and subsidies paid	-90,945
Interest paid	-4,082
Personal benefit payments	-79,735
Salaries, wages and other entitlements	-22,780
GST payments to taxation authority(b)	0
Other payments for operating activities	-2,793
Total operating payments	-260,772
Net cash flows from operating activities	19,856
Cash flows from investments in non-financial assets	
Sales of non-financial assets	232
Purchases of non-financial assets	-7,113
Net cash flows from investments in non-financial assets	-6,881
Net cash flows from investments in financial assets for policy purposes	7,038
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-20,135
Net cash flows from investments in financial assets for liquidity purposes	-20,135
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-877
Deposits received (net)	-20
Distributions paid (net)(c)	-930
Other financing (net)	747
Net cash flows from financing activities	-1,080
Net increase/decrease in cash held	-1,201
Net cash from operating activities and investments in non-financial assets	12,975
Finance leases and similar arrangements(d)	-33
Distributions paid(c)	-930
Equals surplus(+)/deficit(-)	12,012

(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 public non-financial corporations dividends to non-general government shareholders.

(d) 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.

AUSTRALIAN LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector underlying cash deficit/surplus (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 borrowings.

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 2006, the Australian Government nominated, and the Loan Council endorsed, a Loan Council Allocation surplus of \$36,010 million. In the 2006-07 Budget, the Australian Government estimated a Loan Council Allocation surplus of \$37,944 million.

Since Budget the estimated net cash flows from investments in financial assets for policy purposes has been revised downwards. This change mainly reflects the Government's decision in August 2006 to sell a portion of its holding of Telstra shares and to allow investors to pay for their shares in two instalments, with the final instalment due in 2007-08. The 2006-07 Loan Council Allocation Budget estimate and nomination assumed that the Government's entire shareholding in Telstra would be sold in 2006-07. Consequently, the Government expects to exceed the tolerance limit of 2 per cent of non-financial public sector receipts that applies between its Loan Council Allocation Budget estimate and the outcome. Tolerance limits recognise that Loan Council Allocations are nominated at an early stage of the Budget process and may change as a result of policy and parameter changes.

Table B11 presents a revised estimate for the Australian Government's 2006-07 Loan Council Allocation of a \$19,673 million surplus.

Table B11: Australian Government Loan Council Allocation for 2006-07

	2006-07 Budget Estimate \$m	2006-07 MYEFO Estimate \$m
General government sector cash deficit(+)/surplus(-)	-12,594	-13,997
PNFC sector cash deficit(+)/surplus(-)	1,105	1,985
Non-financial public sector cash deficit(+)/surplus(-)	-11,489	-12,012
<i>less</i> Net cash flows from investments		
in financial assets for policy purposes(a)	24,869	7,038
<i>plus</i> Memorandum items(b)	-1,586	-623
Loan Council Allocation	-37,944	-19,673

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

