

# FINAL BUDGET OUTCOME 2000-01

CIRCULATED BY  
THE HONOURABLE PETER COSTELLO, M.P.  
TREASURER OF THE COMMONWEALTH OF AUSTRALIA, AND  
THE HONOURABLE JOHN FAHEY, M.P.  
MINISTER FOR FINANCE AND ADMINISTRATION  
FOR THE INFORMATION OF HONOURABLE MEMBERS

SEPTEMBER 2001

© Commonwealth of Australia 2001  
ISBN 0642 74077 1

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior written permission from the Commonwealth available from Info Products. Requests and inquiries concerning reproduction and rights should be addressed to:

The Manager  
Legislative Services  
Info Products  
Finance  
GPO Box 1920  
CANBERRA ACT 2601.

Printed by CanPrint Communications Pty Ltd

## Foreword

The *Final Budget Outcome 2000-01* has been prepared in a manner consistent with the *Charter of Budget Honesty Act 1998*. The Charter requires that, inter alia, the Government provide a final budget outcome report no later than three months after the end of the financial year. Consistent with these requirements, this report encompasses Commonwealth general government fiscal outcomes for the 2000-01 financial year; and is based on external reporting standards.

- **Part I** provides the general government sector budget aggregates for 2000-01 together with an analysis of the 2000-01 final budget outcome. This includes summary analysis of revenue, expenses, net capital investment, the balance sheet (net debt and net worth) and cash flows.
- **Part II** presents the Commonwealth financial statements for 2000-01 in accordance with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework. This data covers the general government sector as well as the Commonwealth public corporations sector.
- **Part III** presents the 2000-01 Commonwealth general government sector primary financial statements in accordance with *AAS31 Financial Reporting by Governments*.
- **Part IV** provides details for 2000-01 on Federal Financial Relations, updated from that contained in the *2001-02 Budget Paper No. 3*.
- **Appendix A** contains details of budget concepts. **Appendix B** contains expenses data on a functional and sub-functional basis. Historical budget and net debt data are presented in **Appendix C**.



## Contents

<b>Foreword</b> .....	iii
<b>Part I: Commonwealth Budget Outcome</b> .....	1
Overview .....	1
Revenue .....	2
Expenses .....	4
Net capital investment.....	5
Net debt and net worth .....	6
Cash flows .....	7
Attachment A: Accounting for GST and budget assistance to States.....	10
Attachment B: External reporting standards.....	13
<b>Part II: Government Finance Statistics Statements</b> .....	15
Loan Council Allocation.....	30
<b>Part III: AAS31 Financial Reporting by Governments Primary Financial Statements</b> .....	31
Statistics, concepts and notes to the financial statements.....	35
<b>Part IV: Federal Financial Relations</b> .....	45
GST revenue provision .....	45
General revenue assistance .....	48
Revenue replacement payments .....	50
Local government general purpose assistance.....	52
Specific purpose payments .....	54
<b>Appendix A: External Reporting Standards and Budget Concepts</b> .....	67
<b>Appendix B: Expenses by Function and Sub-function</b> .....	77
<b>Appendix C: Historical Fiscal Data</b> .....	81
<b>Acronyms</b> .....	91

## List of tables

### Part I: Commonwealth Budget Outcome

Table 1:	General government sector budget aggregates .....	1
Table 2:	Commonwealth general government revenue: accrual basis .....	3
Table 3:	Commonwealth general government expenses by function.....	5
Table 4:	Estimates of Commonwealth net capital investment by function.....	6
Table 5:	Commonwealth general government sector net worth, net debt and net interest outlays .....	7
Table 6:	Summary of Commonwealth general government sector cash flows .....	8

### Part II: Government Finance Statistics Statements

Table 7:	General government sector operating statement.....	16
Table 8:	General government sector balance sheet .....	17
Table 9:	General government sector cash flow statement.....	18
Table 10:	Supplementary table – Commonwealth general government revenue.....	19
Table 11:	Supplementary table – Commonwealth general government indirect tax (accrual).....	20
Table 12:	Public non-financial corporations sector operating statement .....	21
Table 13:	Public non-financial corporations sector balance sheet .....	22
Table 14:	Public non-financial corporations sector cash flow statement.....	23
Table 15:	Total non-financial public sector operating statement.....	24
Table 16:	Total non-financial public sector balance sheet .....	25
Table 17:	Total non-financial public sector cash flow statement.....	26
Table 18:	Public financial corporations sector operating statement .....	27
Table 19:	Public financial corporations sector balance sheet .....	28
Table 20:	Public financial corporations sector cash flow statement.....	29
Table 21:	Commonwealth Loan Council Allocation .....	30

### Part III: AAS31 Financial Reporting by Governments Primary Financial Statements

Table 22:	Statement of revenues and expenses for the Commonwealth general government sector – AAS31 .....	32
Table 23:	Balance sheet for the Commonwealth general government sector – AAS31 .....	33

Table 24:	Statement of cash flows for the Commonwealth general government sector – AAS31.....	34
Note 1:	External reporting standards.....	35
Note 2:	Reconciliation of cash.....	37
Note 3:	Income tax – accrual AAS31 .....	38
Note 4:	Indirect tax – accrual AAS31 .....	39
Note 5:	Interest and dividends.....	40
Note 6:	Other sources of non-taxation revenue .....	40
Note 7:	Employee expenses.....	41
Note 8:	Suppliers expenses.....	41
Note 9:	Depreciation and amortisation.....	41
Note 10:	Grants .....	42
Note 11:	Total non-financial assets.....	42
Note 12:	Employee liabilities.....	43
Note 13:	Grants payable.....	43
Note 14:	Net asset movements.....	43
Note 15:	Taxes – cash AAS31 .....	44

#### **Part IV: Federal Financial Relations**

Table 25:	GST revenue provision to the States and Territories .....	47
Table 26:	Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance to the States and Territories.....	49
Table 27:	National Competition Policy Payments.....	50
Table 28:	Revenue replacement payments to the States and Territories.....	51
Table 29:	General purpose assistance to local government.....	53
Table 30:	Specific Purpose Payments to the States, repayments of advances, advances and interest payments.....	55
Table 31:	Specific Purpose Payments direct to Local Government Authorities.....	65

#### **Appendix A: External Reporting Standards and Budget Concepts**

Table A1:	Selected differences between AAS31 and GFS reporting standards.....	74
Table A2:	Reconciliation of GFS and AAS31 revenue and expenses.....	75
Table A3:	Reconciliation of AAS31 net operating result and fiscal balance .....	76

## **Appendix B: Expenses by Function and Sub-function**

Table B1: Commonwealth general government expenses by function and sub-function .....	78
---	----

## **Appendix C: Historical Fiscal Data**

Table C1: Commonwealth general government sector cash revenue, outlays and surplus .....	82
Table C2: Commonwealth general government sector cash taxation revenue, non-taxation revenue and total revenue .....	83
Table C3: Commonwealth revenue (cash basis).....	84
Table C4: Commonwealth general government sector net debt and net interest outlays .....	85
Table C5: Commonwealth general government sector accrual revenue, expenses, net capital investment and fiscal balance .....	86
Table C6: Commonwealth general government sector accrual taxation revenue, non-taxation revenue and total revenue .....	86
Table C7: Commonwealth revenue (accrual basis).....	87
Table C8: Commonwealth cash revenue, outlays and cash surplus by institutional sector.....	88
Table C9: Commonwealth accrual revenue, expenses and fiscal balance by institutional sector.....	89
Table C10: Commonwealth net worth by institutional sector.....	90



## Notes

- (a) The following definitions are used in this paper:
- ‘real’ means adjusted for the effect of inflation;
  - real growth in expenses is measured by the non-farm Gross Domestic Product deflator; and
  - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
  - estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
  - estimates midway between rounding points are rounded up; and
  - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (d) The following notations are used:
- |         |   |
|---------|---|
| NEC/nec | not elsewhere classified                    |
| AEST    | Australian Eastern Standard Time            |
| -       | nil   |
| ..      | not zero, but rounded to zero               |
| na      | not applicable (unless otherwise specified) |
| nfp     | not for publication                         |
| \$m     | \$ million                                  |
| \$b     | \$ billion                                  |

- (e) References to the 'States' or 'each State' include the Territories. The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC/Vic	Victoria
QLD/Qld	Queensland
WA	Western Australia
SA	South Australia
TAS/Tas	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

## Part I: Commonwealth Budget Outcome

### OVERVIEW

In 2000-01, the Commonwealth general government sector recorded its fourth consecutive underlying cash surplus, and a significantly stronger outcome than was budgeted.

The cash surplus outcome of \$5.6 billion was almost \$3.4 billion higher than estimated at the 2001-02 Budget. In contrast, the accrual fiscal balance outcome, while also strong, was around \$0.5 billion higher than expected.

**Table 1: General government sector budget aggregates**

	1999-00 Outcome(a)	2000-01 Estimate at 2000-01 Budget	2000-01 Estimate at 2001-02 Budget	2000-01 Outcome
<b>Revenue (\$b)</b>	<b>166.6</b>	<b>153.5</b>	<b>161.0</b>	<b>161.5</b>
Per cent of GDP	26.5	23.0	24.0	24.1
<b>Expenses (\$b)</b>	<b>154.4</b>	<b>150.3</b>	<b>157.6</b>	<b>156.8</b>
Per cent of GDP	24.5	22.5	23.4	23.4
Net operating balance (\$b)	12.2	3.2	3.5	4.7
Net capital investment (\$b)	-1.2	-2.2	-2.0	-1.2
<b>Fiscal balance (\$b)</b>	<b>13.5</b>	<b>5.4</b>	<b>5.4</b>	<b>5.9</b>
Per cent of GDP	2.1	0.8	0.8	0.9
<b>Underlying cash balance (\$b)</b>	<b>12.7</b>	<b>2.8</b>	<b>2.3</b>	<b>5.6</b>
Per cent of GDP	2.0	0.4	0.3	0.8
<i>Memorandum item:</i>				
Headline cash balance (\$b)	22.2	8.0	8.5	11.3

(a) Expenses and net capital investment have been adjusted compared with the 1999-2000 Final Budget Outcome to reflect the classification of acquisitions of defence weapons platforms as an expense rather than net capital investment (see Box 2 of the 2000-01 MYEFO).

On the revenue side of the budget, stronger corporate profitability in the year to December 2000 resulted in higher than expected company taxation receipts in June 2001. Taxation cash receipts were around \$1.4 billion higher than expected with fewer companies than expected choosing to defer payments under the transitional provision laid down for movement to the PAYG system. Accrual taxation revenue was around \$0.5 billion above the corresponding estimate at the 2001-02 Budget. In addition, non-tax cash receipts were around \$0.3 billion higher than estimated at the 2001-02 Budget.

In relation to expenditure, total operating cash payments in 2000-01 were around \$1.2 billion lower than expected, while accrual expenditure (expenses and net capital investment) was broadly in line with expectations. This outcome reflects a number of

factors, including the carryover of some cash payments from 2000-01 to 2001-02, lower than expected expenditure on some personal benefit payments, and higher than expected non-cash accrual expenses (such as higher workers compensation and defence superannuation expenses).

Net debt was reduced by \$13.8 billion in 2000-01 to \$39.3 billion (5.8 per cent of Gross Domestic Product (GDP)). This was a \$3.5 billion larger reduction than anticipated at the 2001-02 Budget, reflecting the stronger than anticipated cash outcome.

## REVENUE

Total Commonwealth accrual revenue in 2000-01 was \$161.5 billion, around \$0.5 billion higher than estimated at the 2001-02 Budget. This outcome was due primarily to higher than expected company tax revenue.

In particular, company taxation revenue was boosted by very strong tax balancing payments from companies with income tax years ending 31 December (so called 'early December' balancing companies). The strong balancing payments indicate that these companies recorded higher than previously recognised profits in the year to 31 December 2000, necessitating higher than expected taxation payments in June 2001.<sup>1</sup> Many early December balancing companies are involved in the mining sector and have benefited from stronger trading conditions and a more competitive Australian dollar.

In accrual terms, total company taxation revenue was around \$0.4 billion higher than estimated at the 2001-02 Budget. However, cash taxation receipts from companies were around \$1.5 billion higher than anticipated.

The difference is primarily explained by the fact that the 2001-02 Budget estimates included a specific allowance for stronger company collections to May 2001 in both accrual and cash terms that, in the final event, was realised in cash terms only.

In particular, analysis of final taxation data now shows that a significant proportion of the additional strength in company cash receipts to May 2001 was due to companies not taking advantage of the ability to defer cash payments under transitional arrangements introduced for the implementation of the new PAYG system.<sup>2</sup> This means that cash payments were being boosted without a corresponding increase in

---

1 In effect, company tax instalment payments made by these companies through the course of the year were insufficient to cover the increase in taxation liabilities resulting from stronger profits, requiring higher tax balancing payments. Balancing payments are usually expected to account for around 10 per cent of a company's tax liability. However, for early December balancing companies, these payments averaged more than twice the expected amount, reflecting stronger trading conditions than anticipated when their instalment rates were initially determined.

2 For more details on the transitional arrangements, see Box 1, pages 5-7, 5-8 of Budget Paper No. 1, *Budget Strategy and Outlook 2001-02*.

accrual revenue. Thus, the gap between accrual and cash revenue was, in effect, \$1.2 billion less than estimated at the 2001-02 Budget.

Abstracting from companies, tax revenue was around \$50 million higher than the 2001-02 Budget estimate. This reflects stronger than expected revenue from fringe benefits tax and superannuation funds tax, largely offset by lower than expected revenue from total individuals.

Non-tax revenue in 2000-01 was \$10.4 billion, broadly in line with the 2001-02 Budget forecast.

**Table 2: Commonwealth general government revenue: accrual basis**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Taxation revenue</b>		
Income tax		
Individuals(a)		
Gross PAYG withholding	74,572	74,161
Gross other individuals	13,400	13,426
less Refunds	11,165	10,989
Total individuals	76,807	76,599
Companies	34,720	35,136
Superannuation funds(b)	5,210	5,286
Other withholding tax(c)	1,430	1,452
Petroleum resource rent tax	2,360	2,388
<b>Total income tax</b>	<b>120,528</b>	<b>120,861</b>
Indirect tax(d)		
Excise duty		
Petroleum products and crude oil	12,417	12,447
Other excise	6,550	6,572
Total excise duty	18,967	19,019
Customs duty	4,671	4,606
Other indirect taxes(e)	2,009	1,976
<b>Total indirect tax</b>	<b>25,647</b>	<b>25,601</b>
Fringe benefits tax(f)	3,290	3,456
Agricultural levies	556	451
Other taxes	671	788
<b>Total tax revenue</b>	<b>150,692</b>	<b>151,156</b>
Non-tax revenue	10,337	10,369
<b>Total revenue</b>	<b>161,029</b>	<b>161,526</b>

(a) Includes Medicare levy revenue.

(b) Includes the superannuation contributions surcharge.

(c) Includes amounts withheld for failure to quote a Tax File Number (TFN) or an Australian Business Number (ABN).

(d) Indirect taxes exclude Goods and Services Tax (GST) and surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as Revenue Replacement Payments (RRPs) in 2000-01. While RRP's were abolished on 1 July 2000, the final RRP liability was collected and paid to the States in 2000-01.

(e) Includes the wine equalisation tax, luxury car tax and the final wholesale sales tax liability.

- (f) Consistent with Government Finance Statistics (GFS) reporting standards, excludes fringe benefits tax collected from Commonwealth government agencies (\$285 million in 2000-01).

## EXPENSES

Total accrual expenses were \$156.8 billion in 2000-01, a reduction of \$0.8 billion from the estimate provided in the 2001-02 Budget. This reduction largely results from:

- the movement of around \$630 million of Defence expenditure from expenses to net capital investment, reflecting lower than forecast consumption of inventory (see offsetting increase under net capital investment).<sup>3</sup> In net terms, this movement has had no effect on the cash or accrual aggregates;
- lower than forecast personal benefit payments (\$499 million), reflecting a lower than anticipated final number of Newstart allowance and Aged Pension customers, and a lower take-up of Aged Persons Savings Bonus and Self-funded Retirees Supplementary Bonus payments relative to expectations at the 2001-02 Budget;
- the slippage of \$187 million of transport grant expenses from 2000-01 to 2001-02, due to a change in the grant eligibility criteria for a number of programmes including the Alice Springs to Darwin Rail Link and Roads to Recovery;
- the slippage of \$151 million of payments to former POWs, civilian detainees or their surviving widows/ers (a 2001-02 Budget measure) from 2000-01 to 2001-02, as a result of not all payments being finalised in 2000-01. The majority of these payments have now been made;
- lower than forecast expenditure relating to the level of unauthorised boat arrivals and subsequent detention costs (\$109 million); and
- lower expenditure for Residential Aged Care Subsidies (\$108 million), mainly reflecting lower than anticipated dependency levels of claimants.

These amounts are partly offset by:

- an increase in the amount of general budget assistance paid to the States and Territories (\$438 million) and recorded as a Commonwealth expense, accounting for the GST as a State tax. This increase was largely due to final GST collections being \$403 million lower than expected at the 2001-02 Budget, almost entirely due to higher GST refunds being made by the Australian Taxation Office (ATO) in the 2000-01 year. Abstracting from refunds, underlying GST revenue was in line with budget expectations, with accrual GST revenue only \$26 million lower than anticipated (see Attachment A to Part I for more detail);

---

<sup>3</sup> Consumption of inventory is recognised as an expense and a reduction in assets. Therefore, lower inventory consumption is reflected as a reduction in expenses, matched by an increase in net capital investment.

- an increase in accrued superannuation interest expenses (\$380 million), following an actuarial review of military superannuation liabilities; and
- the recognition of an expense for credits issued but not used in 2000-01 under the Automotive Competitiveness and Investment Credit Scheme (\$203 million).

Table 3 provides information on GFS general government expenses by function.

**Table 3: Commonwealth general government expenses by function**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>General public services</b>		
Legislative and executive affairs	695	691
Financial and fiscal affairs(a)	3,066	3,980
Foreign economic aid	2,021	1,978
General research	1,568	1,523
General services	575	739
Government superannuation benefits	1,477	1,453
<b>Defence</b>	11,599	11,360
<b>Public order and safety</b>	1,592	1,559
<b>Education</b>	10,998	10,966
<b>Health</b>	25,162	25,242
<b>Social security and welfare</b>	67,688	66,898
<b>Housing and community amenities</b>	1,811	1,763
<b>Recreation and culture</b>	2,150	2,043
<b>Fuel and energy</b>	2,729	2,614
<b>Agriculture, fisheries and forestry</b>	1,924	1,718
<b>Mining and mineral resources (other than fuels), manufacturing and construction</b>	881	821
<b>Transport and communications</b>	1,959	1,724
<b>Other economic affairs</b>		
Tourism and area promotion	130	125
Labour and employment affairs	2,745	2,527
Other economic affairs	438	411
<b>Other purposes</b>		
Public debt interest	5,672	5,836
Nominal superannuation interest	4,480	4,878
General purpose inter-government transactions	5,395	5,809
Natural disaster relief	116	92
Contingency reserve	670	0
Asset sales	34	31
<b>Total GFS expenses</b>	<b>157,573</b>	<b>156,783</b>

- (a) The increase in expenses in the *Financial and fiscal affairs* category (within the *General public services* function) since the 2001-02 Budget partly reflects the movement of around \$0.6 billion of expenses relating to HIH policy holder hardship assistance (a 2001-02 Budget measure) from the *contingency reserve* (within the *Other purposes* function).

## NET CAPITAL INVESTMENT

Net capital investment has increased by \$0.8 billion since the estimate at the 2001-02 Budget, largely due to lower than forecast Defence inventory consumption (\$630 million). As discussed in the expenses section, this increase in net capital investment is matched by a decrease in expenses, with no net effect on the cash or accrual fiscal aggregates.

**Table 4: Estimates of Commonwealth net capital investment by function**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
General public services	-80	-82
Defence	-403	325
Public order and safety	59	26
Education	0	-3
Health	35	20
Social security and welfare	19	50
Housing and community amenities	-189	-119
Recreation and culture	-106	-64
Fuel and energy	3	2
Agriculture, forestry and fishing	-5	-1
Mining and mineral resources (other than fuels); manufacturing and construction	31	31
Transport and communications	-1,345	-1,355
Other economic affairs	-5	-10
Other purposes	17	12
<b>Net capital investment</b>	<b>-1,968</b>	<b>-1,168</b>

## NET DEBT AND NET WORTH

The level of Commonwealth general government net debt has continued to fall, to \$39.3 billion at the end of 2000-01 from a peak in 1996-97 of \$96.3 billion. The Government has repaid \$57.0 billion of net debt since 1996-97. The fall in net debt in 2000-01 was \$3.5 billion greater than was estimated at the 2001-02 Budget, reflecting the higher than anticipated cash surplus outcome. Net debt has fallen to 5.8 per cent of GDP from a high of almost 20 per cent in 1995-96 and 8.4 per cent in 1999-2000.

Commonwealth general government net worth fell from -\$39.9 billion in 1999-2000 to -\$41.2 billion in 2000-01. This reduction was due mainly to a fall in the Telstra share price over the year to 30 June 2001, reducing the market value of the Commonwealth's shareholding, partly offset by the GFS net operating surplus of \$4.7 billion in 2000-01.

Net interest outlays in 2000-01 were \$174 million higher than was anticipated at the 2001-02 Budget. The higher net interest outlays, despite a greater than expected fall in



net debt, arises primarily due to a delay in the timing of early redemptions of Commonwealth bonds compared with the budget estimates. Nevertheless, the better than anticipated reduction in net debt achieved in 2000-01 is expected to result in lower net interest outlays in future years.

**Table 5: Commonwealth general government sector net worth, net debt and net interest outlays**

	2000-01 Estimate at 2001-02 Budget \$b	2000-01 Outcome \$b
Financial assets	105.3	107.1
Non-financial assets	31.3	34.2
<b>Total assets</b>	<b>136.6</b>	<b>141.3</b>
<b>Total liabilities</b>	<b>169.2</b>	<b>182.5</b>
<b>GFS net worth</b>	<b>-32.7</b>	<b>-41.2</b>
<b>Net debt(a)</b>	<b>42.8</b>	<b>39.3</b>
Per cent of GDP	6.4	5.8
<b>Net interest outlays(b)</b>	<b>4.9</b>	<b>5.1</b>
Per cent of GDP	0.7	0.8

(a) 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.

(b) Commonwealth cash interest payments less cash interest receipts.

## CASH FLOWS

In 2000-01, the underlying cash balance was a surplus of \$5.6 billion, almost \$3.4 billion higher than estimated at the 2001-02 Budget. The higher than anticipated outcome was primarily the result of greater operating cash receipts and lower operating cash payments.

**Table 6: Summary of Commonwealth general government sector cash flows**

	2000-01 Estimate at 2001-02 Budget \$b	2000-01 Outcome \$b
Cash receipts(a)		
Operating cash receipts	156.6	158.5
Capital cash receipts(b)	2.5	2.3
Total cash receipts	159.1	160.8
Cash payments(a)		
Operating cash payments	155.1	153.9
Capital cash payments(c)	1.8	1.2
Total cash payments	156.9	155.1
<i>plus</i> Finance leases and similar arrangements	0.0	-0.1
<b>Underlying cash balance</b>	<b>2.3</b>	<b>5.6</b>
Per cent of GDP	0.3	0.8
<i>Memorandum items:</i>		
Net cash flows from investments in financial assets for policy purposes(d)		
Major asset sales	6.3	6.3
<i>less</i> Other net advances paid	0.1	0.7
<b>Headline cash balance</b>	<b>8.5</b>	<b>11.3</b>

- (a) Cash receipts and payments are derived from the accrual Australian Bureau of Statistics (ABS) GFS framework. Due to data source and methodological changes associated with the change to accrual budgeting, the cash receipts and payments presented in this table are not directly comparable with data prior to the 1999-2000 Budget calculated under the cash budgeting framework.
- (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) Under the cash budgeting framework, these cash flows were referred to as 'net advances'.

The increase in the underlying cash balance from the estimate provided at the 2001-02 Budget exceeded the upward revision to the fiscal balance, due largely to several variations with significantly different impacts on the cash and accrual budget aggregates. These variations are outlined below.

- In cash terms, company taxation receipts were \$1,472 million higher than anticipated at the 2001-02 Budget, compared with a stronger accrual outcome of \$416 million. This difference is explained by lower than expected take-up of the PAYG transitional arrangements (see the revenue section for more details).
- A \$544 million revision in respect of the Student Financial Supplement Scheme, resulting in an increase in non-tax cash receipts and the underlying cash balance. There has been no impact on the accrual figures for this scheme.
- The \$380 million increase in military superannuation liability expenses and \$203 million increase in expenses under the Automotive Competitiveness and Investment Scheme mentioned previously are accrual variations only, with no impact on the underlying cash balance.

- Lower than forecast cash payments of \$230 million as a result of a change in the recognition of multi-year health grants. This revision had no impact on accrual expenses.

The headline cash surplus was also greater than forecast at the 2001-02 Budget, but not by as much as the increase in the underlying cash balance. This largely reflects the revision to the Student Financial Supplement Scheme, which has no impact on the headline cash balance (but improved the underlying cash balance as described above) because the increase in non-tax 'cash receipts' was exactly offset by an increase in 'other net advances paid'.

## ACCOUNTING FOR GST AND BUDGET ASSISTANCE TO STATES

This attachment outlines how Goods and Services Tax (GST) transactions and budget assistance to the States are accounted for in the Final Budget Outcome and the impact of these transactions on the budget aggregates (Part I).

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), all GST receipts are appropriated to the States and Territories and thus are not available for expenditure by the Commonwealth. As such, the GST is a State tax, with the Commonwealth acting as the States' agent in the collection of the tax.

The Australian Taxation Office, on behalf of the States, collects GST and the full amount is passed to the States. The States are billed for this service and pay a sum to the Commonwealth to cover the ATO costs of collecting the GST. Transactions where the Commonwealth is only an agent are excluded from its financial statements. Consequently, collections of GST from taxpayers and payments of the GST revenue to the States are not recorded as revenues and expenses of the Commonwealth.

The Commonwealth finalises payment of the annual GST revenue to the States in mid-June based on an estimate of GST collections for the full financial year. As such, the final outcome for GST collections and revenue provision to the States can differ from the estimate made in mid-June. For example, if actual GST collections fall short of the estimate, the Commonwealth will have passed more to the States than the GST revenue outcome. This additional amount passed to the States (effectively an overpayment of the GST revenue provision), is accounted for as an expense of the Commonwealth.

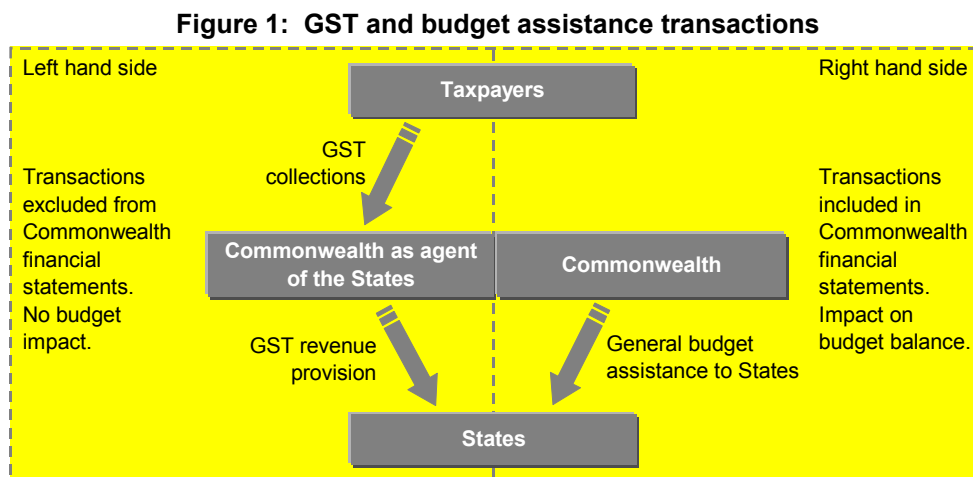
Under the IGA, the Commonwealth also pays Budget Balancing Assistance (BBA) grants to the States to ensure that they are no worse off under the new financial arrangements than under former arrangements.<sup>4</sup> BBA grants are recorded as expenses of the Commonwealth.

For the purposes of explaining budget impacts in a States' agent accounting framework, BBA grants and overpayment of the GST revenue provision (as the two transactions that are recorded as Commonwealth expenses) have been summed and

---

<sup>4</sup> BBA is calculated as the Guaranteed Minimum Amount (GMA, the no worse off funding benchmark under the new arrangements) less the GST revenue provision (at the time of the mid-June determinations of the GMA and GST revenue provision).

given the notional accounting title of 'general budget assistance to the States'.<sup>5</sup> General budget assistance to the States is shown on the right hand side of Figure 1.



General budget assistance to the States in 2000-01 was \$438 million greater than the 2001-02 Budget estimate, reducing both the fiscal and underlying cash balances. This is due to two factors: BBA grants were \$140 million lower than the budget estimate<sup>6</sup> and there was a \$578 million 'overpayment' of the GST revenue provision to the States (reflecting actual cash collections of GST falling \$578 million below the mid-June determination of the Commissioner of Taxation (and \$403 million below the 2001-02 Budget forecast for 2000-01)).

The shortfall in GST cash collections was almost entirely due to higher than anticipated GST cash refunds in 2000-01 (reducing net GST cash receipts). In underlying terms, GST revenue was in line with expectations, with the accrual GST revenue outcome for 2000-01 only \$26 million below the 2001-02 Budget estimate for 2000-01.

In Part II the accounts are presented including GST as Commonwealth revenue.

The two different accounting approaches (applied in Part I and Part II respectively) result in slightly different net impacts on the fiscal balance in 2000-01. In Part I, the total net impact on the fiscal balance equals general budget assistance to the States. In Part II, the fiscal balance impact is the difference between GST revenue and the Guaranteed Minimum Amount (GMA) paid to the States in 2000-01 (comprising BBA

5 The term 'general budget assistance to the States' explains aggregate changes in Commonwealth expenses under a States' agent accounting arrangement and does not appear in the IGA, which governs the actual payments from the Commonwealth to the States.

6 The \$140 million decline in BBA was the result of a \$175 million increase in the GST revenue provision estimate being partly offset by a \$35 million increase in the GMA at the time of the mid-June determination.

grants and GST grants made under the Commissioner of Taxation's mid-June determination of cash GST receipts). This results in the fiscal balance outcome shown in the Government Finance Statistics (GFS) general government operating statement in Part II being \$63 million greater than the fiscal balance reported in Part I and elsewhere in the Final Budget Outcome.

The \$63 million difference in the fiscal balance also flows through to GFS net worth, resulting in GFS net worth in Part II being \$63 million greater than GFS net worth reported in Part I and elsewhere.

The different accounting approaches have the same net impact on cash flows. Therefore the underlying cash balance is the same whether it is calculated using the State tax or Commonwealth tax approach.

## EXTERNAL REPORTING STANDARDS

The Commonwealth *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 in the budget are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian accounting standards, including *Australian Accounting Standard No. 31 Financial Reporting by Governments* (AAS31).

The GFS framework requires that flows and stocks be valued at current market prices (or where these are not observable, a suitable proxy indicator). While this is the case for flows in the operating statement and the cash flow statement, not all assets and liabilities in the GFS balance sheet are currently valued at current market prices. This is principally because Australian accounting standards allow reporting entities to elect to value their assets at either cost or fair value (current market value). The accounting profession is considering general valuation issues relating to liabilities. In the early years of accrual budgeting the focus has been on preparing robust GFS operating and cash flow statements. Refinements to the GFS balance sheet valuations of assets and liabilities will be considered over time, in consultation with the ABS, as the new framework is bedded down.

The draft ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0) 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 Commonwealth assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

The Commonwealth revenue and expenses outcomes in Parts I and III and Appendices B and C do not include goods and services tax (GST) collections and equivalent payments to the States. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), all GST receipts are appropriated to the States and Territories and thus are not available for expenditure by the Commonwealth. Because the Commonwealth collects GST as an agent for the States and Territories, GST receipts are not shown as Commonwealth revenue. Outcomes of GST receipts are provided in Table 11 of Part II.

In order to ensure the reporting of reliable 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 Tax Office (ATO) or the Australian Customs Service (ACS). Accordingly, for most categories of taxation revenue, there is a

short lag between when the revenue is recognised and the time at which the underlying income (or economic activity) giving rise to the tax liability occurs. Longer lags, of up to a year, occur for some elements of company and superannuation funds taxation.

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



## Part II: Government Finance Statistics Statements

The Commonwealth, States and Territories have an agreed framework – the *Accrual Uniform Presentation Framework* (UPF) – for the presentation of government financial information on a basis consistent with the ABS Government Finance Statistics (GFS) publication. This Part presents Commonwealth data on a GFS basis, as required by the UPF. An exception to this is the treatment of provisions for bad and doubtful debts. The draft ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0) 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 Commonwealth assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

The statistical tables that are presented below include an operating statement, balance sheet and cash flow statement for the Commonwealth general government, public non-financial corporations (PNFC), total non-financial public, and public financial corporations sectors.

The clear policy intent of the *Intergovernmental Agreement on Commonwealth-State Financial Arrangements* is that GST is collected by the Commonwealth, as an agent for the States and Territories, and appropriated to the States. As such, it is not shown as Commonwealth revenue in Parts I and III and Appendices B and C. However, the tables in this Part are presented on an accrual UPF reporting basis, and show GST as revenue in and expenses out (except in tables 10 and 11).

Consistent with Australian Bureau of Statistics (ABS) practice, transactions between the Commonwealth general government and PNFC sectors are included in the tables produced for these sectors, but are removed from the total non-financial sector tables as they are transactions internal to that sector.

Transactions between the Commonwealth public financial corporations (PFC) sector and the general government and PNFC sectors are included in the relevant tables. These transactions include income transfers such as dividends paid to general government, net advances paid by general government to PFCs and taxes paid by PFCs.

Appendix A provides reconciliations between key GFS aggregates and their Australian Accounting Standard No. 31 (AAS31) counterparts.

**Table 7: General government sector operating statement**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>GFS revenue</b>		
Taxation revenue	174,572	175,010
Current grants and subsidies	0	0
Sales of goods and services	2,711	2,996
Interest income	1,173	1,105
Dividend income	2,215	2,242
Other	4,238	4,026
<b>Total GFS revenue</b>	<b>184,909</b>	<b>185,379</b>
<b>GFS expenses</b>		
Gross operating expenses		
Depreciation	1,418	1,464
Superannuation	1,477	1,453
Salaries and wages	9,038	9,355
Payment for supply of goods and services	34,143	32,875
Other operating expenses	1,892	2,008
<i>Total gross operating expenses</i>	<i>47,968</i>	<i>47,154</i>
Nominal superannuation interest expense	4,480	4,878
Other interest expenses	5,984	6,220
Other property expenses	0	0
Current transfers		
Grant expenses	55,481	54,901
Subsidy expenses	3,579	3,707
Personal benefit payments in cash	61,036	60,149
Other current transfers	0	0
<i>Total current transfers</i>	<i>120,096</i>	<i>118,757</i>
Capital transfers	2,925	3,564
<b>Total GFS expenses</b>	<b>181,453</b>	<b>180,573</b>
<b>Net operating balance</b>	<b>3,456</b>	<b>4,806</b>
<b>Net acquisition of non-financial assets</b>		
Gross fixed capital formation	960	759
less Depreciation	1,418	1,464
plus Change in inventories	118	1,042
plus Other movements in non-financial assets	-1,628	-1,506
<b>Total net acquisition of non-financial assets</b>	<b>-1,968</b>	<b>-1,168</b>
<b>Net lending/fiscal balance(a)(b)</b>	<b>5,424</b>	<b>5,974</b>

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

(b) The fiscal balance and net operating balance outcomes in this table are \$63 million greater than the fiscal balance and net operating balance outcomes elsewhere in the Final Budget Outcome. Attachment A to Part I provides an explanation.

**Table 8: General government sector balance sheet**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>GFS assets</b>		
Financial assets		
Cash and deposits	1,400	1,168
Advances paid	18,300	18,981
Investments, loans and placements(a)	9,140	22,996
Other non-equity assets	13,024	11,518
Equity	63,422	52,622
<i>Total financial assets</i>	<i>105,285</i>	<i>107,287</i>
Non-financial assets		
Land	4,241	4,553
Buildings	11,250	12,116
Plant, equipment and infrastructure	9,926	10,865
Inventories	2,995	3,491
Other non-financial assets	2,865	3,142
<i>Total non-financial assets</i>	<i>31,277</i>	<i>34,167</i>
<b>Total GFS assets</b>	<b>136,562</b>	<b>141,454</b>
<b>GFS liabilities</b>		
Deposits held	11	293
Advances received	0	0
Government securities(a)	56,938	67,338
Loans	14,359	14,418
Other borrowing	317	355
Superannuation liability	77,905	78,725
Other employee entitlements and provisions	5,789	6,448
Other non-equity liabilities	13,904	15,024
<b>Total GFS liabilities</b>	<b>169,222</b>	<b>182,601</b>
<b>Net worth(b)(c)</b>	<b>-32,659</b>	<b>-41,147</b>
Net financial worth(d)	-63,937	-75,314
Net debt(e)	42,785	39,258

(a) Transactions relating to government securities and financial assets acquired for debt management purposes are netted in the balance sheet and cash flows for the Budget estimates (refer to page 10-15 of *Budget Paper No. 1 2001-02*). These transactions are grossed up for outcome reporting.

(b) Net worth is calculated as assets less liabilities.

(c) The net worth outcome in this table is \$63 million greater than the net worth outcomes elsewhere in the Final Budget Outcome. Attachment A to Part I provides an explanation.

(d) Net financial worth equals total financial assets less total liabilities.

(e) 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 9: General government sector cash flow statement<sup>(a)</sup>**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Cash receipts from operating activities</b>		
Taxes received(b)	168,851	169,713
Receipts from sales of goods and services	2,679	2,931
Grants/subsidies received	0	0
Interest receipts	1,245	1,140
Dividends	2,891	2,902
GST receipts related to purchases/sales(c)	1,702	0
Other receipts	3,439	3,603
<b>Total receipts</b>	<b>180,809</b>	<b>180,290</b>
<b>Cash payments for operating activities</b>		
Payments for goods and services(d)	-29,557	-33,332
Grants and subsidies paid	-61,283	-61,147
Interest paid	-6,153	-6,222
Personal benefit payments	-60,629	-59,988
Salaries, wages and other entitlements(e)	-15,401	-13,328
GST payments related to purchases/sales(c)	-1,836	0
Other payments for operating activities(d)(e)	-4,403	-1,683
<b>Total payments</b>	<b>-179,262</b>	<b>-175,699</b>
<b>Cash flows from operating activities</b>	<b>1,547</b>	<b>4,590</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	2,489	2,339
less Purchases of new and secondhand non-financial assets	-1,787	-1,245
<b>Net cash flows from investments in non-financial assets</b>	<b>702</b>	<b>1,094</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>6,228</b>	<b>5,673</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments(f)	8,780	-5,197
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>8,780</b>	<b>-5,197</b>
<b>Cash flows from financing activities</b>		
Advances received (net)	0	0
Borrowing (net)(e)	-19,012	-7,929
Deposits received (net)	1	61
Other financing (net)	-401	-681
<b>Net cash flows from financing activities</b>	<b>-19,413</b>	<b>-8,549</b>
<b>Net increase/decrease in cash held</b>	<b>-2,156</b>	<b>-2,388</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>2,249</b>	<b>5,685</b>
plus Finance leases and similar arrangements(g)	4	-59
<b>Equals surplus(+)/deficit(-)</b>	<b>2,253</b>	<b>5,625</b>

- (a) A positive number denotes a cash inflow, a negative sign denotes a cash outflow.
- (b) Includes GST cash receipts on a Commonwealth tax basis, which is \$119 million less than GST cash receipts measured on a State tax basis (as shown in Part III, Note 15).
- (c) Where GST is accounted for as a Commonwealth revenue, GST receipts and payments related to purchases/sales are now eliminated where they were previously reported on a gross basis. As receipts and payments have both been reduced by an approximately equivalent amount, there is very little impact on the underlying cash balance.
- (d) Includes the reclassification of expenses from other payments for operating to payments for goods and services to better align with treatment by the ABS.
- (e) Includes the reclassification of expenses from salaries, wages and other entitlements to other payments for operating to better align with treatment by the ABS.
- (f) Transactions relating to government securities and financial assets acquired for debt management purposes are netted in the balance sheet and cash flows for the Budget estimates (refer to page 10-15 of *Budget Paper No. 1 2001-02*). These transactions are grossed up for outcome reporting.
- (g) The acquisition of assets under finance leases reduces the surplus/deficit.

**Table 10: Supplementary table — Commonwealth general government revenue<sup>(a)</sup>**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Taxation revenue</b>		
Income tax		
Individuals(b)		
Gross PAYG withholding	74,572	74,161
Gross other individuals	13,400	13,426
less Refunds	11,165	10,989
Total individuals	76,807	76,599
Companies	34,720	35,136
Superannuation funds(c)	5,210	5,286
Other withholding tax(d)	1,430	1,452
Petroleum resource rent tax	2,360	2,388
<b>Total income tax</b>	<b>120,528</b>	<b>120,861</b>
Indirect tax(e)		
Excise duty		
Petroleum products and crude oil	12,417	12,447
Other excise	6,550	6,572
Total excise duty	18,967	19,019
Customs duty	4,671	4,606
Other indirect taxes(f)	2,009	1,976
<b>Total indirect tax</b>	<b>25,647</b>	<b>25,601</b>
Fringe benefits tax(g)	3,290	3,456
Agricultural levies	556	451
Other taxes	671	788
<b>Total tax revenue</b>	<b>150,692</b>	<b>151,156</b>
Non-tax revenue	10,337	10,369
<b>Total revenue</b>	<b>161,029</b>	<b>161,526</b>

(a) Excludes GST revenue collected by the Commonwealth on behalf of the States.

(b) Includes Medicare levy revenue.

(c) Includes superannuation contributions surcharge.

(d) Includes amounts withheld for failure to quote a Tax File Number (TFN) or an Australian Business Number (ABN).

(e) Indirect taxes exclude surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as Revenue Replacement Payments (RRPs) in 2000-01. While RRP's were abolished on 1 July 2000, the final RRP liability was collected and paid to the States in 2000-01.

(f) Includes the wine equalisation tax, luxury car tax and the final wholesale sales tax liability.

(g) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Commonwealth government agencies (\$285 million in 2000-01).

**Table 11: Supplementary table — Commonwealth general government indirect tax (accrual)<sup>(a)</sup>**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Excise duty		
Petroleum products		
Unleaded petrol	6,417	6,429
Leaded petrol	466	443
Diesel	4,908	4,955
Other(b)	115	94
Total petroleum products	11,907	11,921
Crude oil	510	526
Other excise		
Beer	1,700	1,697
Potable spirits	240	238
Tobacco products	4,610	4,637
Total other excise	6,550	6,572
Total excise	18,967	19,019
Customs duty(c)	4,671	4,606
Other indirect taxes		
Wine equalisation tax(d)	531	528
Luxury car tax	155	172
Wholesale sales tax(e)	1,323	1,276
Total other indirect taxes	2,009	1,976
<b>Total(f)</b>	<b>25,647</b>	<b>25,601</b>
<i>Memorandum item:</i>		
GST revenue	23,880	23,854

(a) Excludes surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as RRPs in 2000-01. While RRPs were abolished on 1 July 2000, the final RRP liability was collected and paid to the States in 2000-01.

(b) Includes aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene.

(c) Customs duty includes duties imposed on imported petroleum products, tobacco, beer and spirits, which are analogous to excise duty on these items.

(d) Estimates of WET revenue include the offsetting revenue effects of the WET rebate for cellar door and other sales.

(e) WST was abolished on 1 July 2000; however, the final liability was recognised in 2000-01.

(f) Excludes GST revenue collected by the Commonwealth on behalf of the States.

**Table 12: Public non-financial corporations sector operating statement**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>GFS revenue</b>		
Current grants and subsidies	227	291
Sales of goods and services	27,136	24,448
Interest income	87	146
Other	36	755
<b>Total GFS revenue</b>	<b>27,486</b>	<b>25,640</b>
<b>GFS expenses</b>		
Gross operating expenses		
Depreciation	3,646	3,386
Other operating expenses	13,978	14,500
<i>Total gross operating expenses</i>	<i>17,625</i>	<i>17,886</i>
Interest expenses	1,053	1,689
Other property expenses	1,156	2,530
Current transfers		
Tax expenses	2,593	2,428
Other current transfers	0	0
<i>Total current transfers</i>	<i>2,594</i>	<i>2,428</i>
Capital transfers	0	0
<b>Total GFS expenses</b>	<b>22,427</b>	<b>24,533</b>
<b>Net operating balance</b>	<b>5,059</b>	<b>1,107</b>
<b>Net acquisition of non-financial assets</b>		
Gross fixed capital formation	5,142	4,353
<i>less</i> Depreciation	<i>3,646</i>	<i>3,386</i>
<i>plus</i> Change in inventories	<i>50</i>	<i>36</i>
<i>equals</i> Total net capital formation	<i>1,546</i>	<i>1,003</i>
<i>plus</i> Other movements in non-financial assets	<i>337</i>	<i>930</i>
<b>Total net acquisition of non-financial assets</b>	<b>1,882</b>	<b>1,933</b>
<b>Net lending/fiscal balance(a)</b>	<b>3,177</b>	<b>-826</b>

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

**Table 13: Public non-financial corporations sector balance sheet**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>GFS assets</b>		
Financial assets		
Cash and deposits	1,350	659
Advances paid	3	270
Investments, loans and placements	9,124	3,251
Other non-equity assets	3,438	4,691
Equity	0	1,414
<i>Total financial assets</i>	<i>13,915</i>	<i>10,285</i>
Non-financial assets		
Land and fixed assets	36,903	37,020
Other non-financial assets	1,966	1,470
<i>Total non-financial assets</i>	<i>38,869</i>	<i>38,490</i>
<b>Total GFS assets</b>	<b>52,784</b>	<b>48,776</b>
<b>GFS liabilities</b>		
Deposits held	0	0
Advances received	56	0
Borrowing	17,226	17,149
Provisions (other than depreciation and bad debts)	6,633	10,497
Other non-equity liabilities	4,471	1,659
<b>Total GFS liabilities</b>	<b>28,386</b>	<b>29,305</b>
<b>Shares and contributed capital</b>	<b>96,372</b>	<b>74,971</b>
<b>Net worth(a)</b>	<b>-71,974</b>	<b>-55,501</b>
Net financial worth(b)	-110,842	-93,991
Net debt(c)	6,805	12,970

(a) Net worth is calculated as assets less liabilities less shares and other contributed capital. The negative net worth recorded for this sector reflects a higher valuation of listed Commonwealth corporations by the sharemarket than the value of net assets recorded by these corporations.

(b) Net financial worth equals total financial assets less total liabilities less shares and other contributed capital.

(c) Net debt equals the sum of deposits held, advances received and borrowing, less the sum of cash and deposits, advances paid, and investments, loans and placements.



**Table 14: Public non-financial corporations sector cash flow statement<sup>(a)</sup>**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Cash receipts from operating activities</b>		
Receipts from sales of goods and services	26,872	24,531
Grants and subsidies received	228	291
Other receipts	110	2,672
<b>Total receipts</b>	<b>27,210</b>	<b>27,495</b>
<b>Cash payments for operating activities</b>		
Payment for goods and services	-16,230	-15,220
Interest paid	-1,060	-968
Other payments for operating activities(b)	-3,094	-4,032
<b>Total payments</b>	<b>-20,384</b>	<b>-20,221</b>
<b>Net cash flows from operating activities</b>	<b>6,826</b>	<b>7,274</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	1,123	482
Less Purchases of new and secondhand non-financial assets	-6,265	-4,835
<b>Net cash flows from investments in non-financial assets</b>	<b>-5,142</b>	<b>-4,353</b>
<b>Cash flows from investments in financial assets for policy purposes</b>		
Net advances paid	0	37
Net equity acquisitions, disposals and privatisations	0	0
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>	<b>37</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	-5,031	-2,485
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-5,031</b>	<b>-2,485</b>
<b>Cash flows from financing activities</b>		
Advances received (net)	-40	0
Borrowing (net)	4,687	3,903
Deposits received (net)	0	0
Distributions paid (net)(c)	-1,156	-2,530
Other financing (net)	-323	-1,953
<b>Net cash flows from financing activities</b>	<b>3,168</b>	<b>-580</b>
<b>Net increase/decrease in cash held</b>	<b>-179</b>	<b>-106</b>
<b>Net cash from operations and investments in non-financial assets</b>	<b>1,683</b>	<b>2,921</b>
plus Finance leases and similar arrangements(d)	0	0
plus Distributions paid	-1,156	-2,530
<b>Equals surplus(+)/deficit(-)</b>	<b>527</b>	<b>391</b>

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

(b) The 2001-02 Budget estimate for other payments for operating activities includes the cash flow to the general government sector from PNFC distributions paid.

(c) The 2001-02 Budget estimate for distributions paid comprise the PNFC dividends to external shareholders.

(d) The acquisition of assets under finance leases reduces the surplus/deficit.

**Table 15: Total non-financial public sector operating statement**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>GFS revenue</b>		
Taxation revenue	171,978	172,582
Current grants and subsidies	0	0
Sales of goods and services	29,847	27,445
Interest income	1,205	1,196
Dividend income	805	868
Other	4,274	4,781
<b>Total GFS revenue</b>	<b>208,109</b>	<b>206,871</b>
<b>GFS expenses</b>		
Gross operating expenses		
Depreciation	5,064	4,850
Superannuation	1,480	1,453
Salaries and wages	9,038	9,355
Payment for supply of goods and services	34,143	32,875
Other operating expenses	14,457	16,508
<i>Total gross operating expenses</i>	<i>64,182</i>	<i>65,041</i>
Nominal superannuation interest expense	4,480	4,878
Other interest expenses	6,981	7,854
Other property expenses	1,156	1,155
Current transfers		
Grant expenses	55,481	54,901
Subsidy expenses	3,351	3,416
Personal benefit payments in cash	61,036	60,149
Other current transfers	0	0
<i>Total current transfers</i>	<i>119,869</i>	<i>118,466</i>
Capital transfers	2,925	3,564
<b>Total GFS expenses</b>	<b>199,594</b>	<b>200,958</b>
<b>Net operating balance</b>	<b>8,515</b>	<b>5,914</b>
<b>Net acquisition of non-financial assets</b>		
Gross fixed capital formation	6,103	5,111
<i>less</i> Depreciation	5,064	4,850
<i>plus</i> Change in inventories	168	1,079
<i>plus</i> Other movements in non-financial assets	-1,292	-576
<b>Total increase in net non-financial assets</b>	<b>-86</b>	<b>765</b>
<b>Net lending/fiscal balance(a)(b)</b>	<b>8,600</b>	<b>5,149</b>

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

(b) The fiscal balance and net operating balance outcomes for the total non-financial public sector in this table are \$63 million greater than the fiscal balance and net operating balance outcomes for this sector in Appendix C. Attachment A to Part I provides an explanation.

**Table 16: Total non-financial public sector balance sheet**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>GFS assets</b>		
Financial assets		
Cash and deposits	2,750	1,827
Advances paid	18,343	19,251
Investments, loans and placements	18,264	26,247
Other non-equity assets	16,462	16,210
Equity	11,992	13,607
<i>Total financial assets</i>	<i>67,812</i>	<i>77,143</i>
Non-financial assets		
Land and fixed assets	65,315	68,045
Other non-financial assets	4,831	2,367
<i>Total non-financial assets</i>	<i>70,146</i>	<i>70,413</i>
<b>Total GFS assets</b>	<b>137,958</b>	<b>147,555</b>
<b>GFS liabilities</b>		
Deposits held	11	293
Advances received	96	0
Government securities	56,938	67,338
Loans	14,359	14,418
Other borrowing	17,543	17,504
Superannuation liability	77,905	78,725
Other employee entitlements and provisions	12,421	14,700
Other non-equity liabilities	18,374	16,683
<b>Total GFS liabilities</b>	<b>197,648</b>	<b>209,661</b>
<b>Shares and other contributed capital</b>	<b>44,943</b>	<b>34,542</b>
<b>Net worth(a)(b)</b>	<b>-104,633</b>	<b>-96,647</b>
Net financial worth(c)	-174,779	-167,060
Net debt(d)	49,590	52,228

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

(b) The net worth outcome for the total non-financial public sector in this table is \$63 million greater than the net worth outcomes in Appendix C. Attachment A to Part I provides an explanation.

(c) Net financial worth equals total financial assets less total liabilities less shares and other contributed capital.

(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 17: Total non-financial public sector cash flow statement<sup>(a)</sup>**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Cash receipts from operating activities</b>		
Taxes received	166,258	168,186
Receipts from sales of goods and services	29,551	27,463
Grants and subsidies received	0	0
Interest receipts	1,190	1,085
Dividends	1,481	1,527
GST receipts related to purchases/sales	1,702	0
Other receipts	3,549	6,276
<b>Total receipts</b>	<b>203,731</b>	<b>204,537</b>
<b>Cash payments for operating activities</b>		
Payments for goods and services	-45,787	-48,552
Grants and subsidies paid	-61,055	-60,856
Interest paid	-7,158	-7,136
Personal benefit payments	-60,629	-59,988
Salaries, wages and other entitlements	-15,401	-13,328
GST payments related to purchases/sales	-1,836	0
Other payments for operating activities	-3,493	-4,188
<b>Total payments</b>	<b>-195,359</b>	<b>-194,047</b>
<b>Net cash flows from operating activities</b>	<b>8,373</b>	<b>10,490</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	3,612	2,821
<i>less</i> Purchases of new and secondhand non-financial assets	-8,053	-6,080
<b>Net cash flows from investments in non-financial assets</b>	<b>-4,440</b>	<b>-3,258</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>6,188</b>	<b>5,710</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	3,749	-7,681
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>3,749</b>	<b>-7,681</b>
<b>Cash flows from financing activities</b>		
Advances received (net)	0	0
Borrowing (net)	-14,325	-4,025
Deposits received (net)	1	61
Distributions paid (net)(b)	-1,156	-1,155
Other financing (net)	-726	-2,634
<b>Net cash flows from financing activities</b>	<b>-16,205</b>	<b>-7,754</b>
<b>Net increase/decrease in cash held</b>	<b>-2,336</b>	<b>-2,493</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>3,932</b>	<b>7,232</b>
<i>plus</i> Finance leases and similar arrangements(c)	4	-59
<i>plus</i> Distributions paid	-1,156	-1,155
<b>Equals surplus(+)/deficit(-)</b>	<b>2,780</b>	<b>6,017</b>

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

(b) 'Distributions paid' comprise Non-Financial Public Sector (NFPS) dividends to external shareholders.

(c) The acquisition of assets under finance leases reduces the surplus/deficit.

**Table 18: Public financial corporations sector operating statement**

	2000-01 Outcome \$m
<b>GFS revenue</b>	
Current grants and subsidies	140
Sales of goods and services	2,069
Interest income	3,130
Other	-4
<b>Total GFS revenue</b>	<b>5,335</b>
<b>GFS expenses</b>	
Gross operating expenses	
Depreciation	22
Other operating expenses	2,132
<i>Total gross operating expenses</i>	<i>2,154</i>
Interest expenses	1,345
Other property expenses	15
Current transfers	
Tax expenses	7
Other current transfers	-1
<i>Total current transfers</i>	<i>7</i>
Capital transfers	0
<b>Total GFS expenses</b>	<b>3,521</b>
<b>Net operating balance</b>	<b>1,815</b>
<b>Net acquisition of non-financial assets</b>	
Gross fixed capital formation	-38
<i>less</i> Depreciation	<i>22</i>
<i>plus</i> Change in inventories	<i>-3</i>
<i>equals</i> Total net capital formation	<i>-62</i>
<i>plus</i> Other movements in non-financial assets	<i>67</i>
<b>Total net acquisition of non-financial assets</b>	<b>5</b>
<b>Net lending/fiscal balance(a)</b>	<b>1,810</b>

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

**Table 19: Public financial corporations sector balance sheet**

	2000-01 Outcome \$m
<b>GFS assets</b>	
Financial assets	
Cash and deposits	828
Advances paid	3,348
Investments, loans and placements	59,419
Other non-equity assets	265
Equity	799
<i>Total financial assets</i>	<i>64,659</i>
Non-financial assets	
Land and fixed assets	317
Other non-financial assets	590
<i>Total non-financial assets</i>	<i>907</i>
<b>Total GFS assets</b>	<b>65,567</b>
<b>GFS liabilities</b>	
Deposits held	44,034
Advances received	0
Borrowing	7,411
Provisions (other than depreciation and bad debts)	3,695
Other non-equity liabilities	274
<b>Total GFS liabilities</b>	<b>55,414</b>
<b>Shares and contributed capital</b>	<b>10,153</b>
<b>Net worth(a)</b>	<b>0</b>
Net financial worth(b)	-907
Net debt(c)	-12,150

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

(b) Net financial worth equals total financial assets less total liabilities less shares and other contributed capital.

(c) Net debt equals the sum of deposits held, advances received and borrowing, less the sum of cash and deposits, advances paid, and investments, loans and placements.

**Table 20: Public financial corporations sector cash flow statement<sup>(a)</sup>**

	2000-01 Outcome \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	2,068
Grants and subsidies received	140
Other receipts	2,717
<b>Total receipts</b>	<b>4,925</b>
<b>Cash payments for operating activities</b>	
Payment for goods and services	-364
Interest paid	-1,150
Other payments for operating activities	-1,576
<b>Total payments</b>	<b>-3,089</b>
<b>Net cash flows from operating activities</b>	<b>1,836</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	15
Less Purchases of new and secondhand non-financial assets	-14
<b>Net cash flows from investments in non-financial assets</b>	<b>1</b>
<b>Cash flows from investments in financial assets for policy purposes</b>	
Net advances paid	153
Net equity acquisitions, disposals and privatisations	0
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>153</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-3,436
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-3,436</b>
<b>Cash flows from financing activities</b>	
Advances received (net)	0
Borrowing (net)	-432
Deposits received (net)	3,104
Distributions paid (net)(b)	-1,493
Other financing (net)	192
<b>Net cash flows from financing activities</b>	<b>1,370</b>
<b>Net increase/decrease in cash held</b>	<b>-76</b>
<b>Net cash from operations and investments in non-financial assets</b>	<b>1,837</b>
plus Finance leases and similar arrangements(c)	0
plus Distributions paid	-1,493
<b>Equals surplus(+)/deficit(-)</b>	<b>344</b>

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

(b) 'Distributions paid' comprise PFC dividends to external shareholders.

(c) The acquisition of assets under finance leases reduces the surplus/deficit.

## LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector cash deficit (made up from the general government and public non-financial corporations sectors deficits);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items. These transactions, though not formally borrowings, have many of the characteristics of borrowing.

LCA 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 2000 the Commonwealth nominated, and the Loan Council endorsed, an LCA surplus for 2000-01 of \$6.9 billion. In the 2000-01 Budget the Commonwealth estimated an increased LCA surplus of \$8.5 billion.

As set out in Table 21, the Commonwealth's 2000-01 LCA outcome is a \$10.9 billion surplus, compared with the 2000-01 Budget estimate of \$8.5 billion. The difference between the 2000-01 Budget estimate and the outcome largely reflects an increase in the general government cash surplus.

**Table 21: Commonwealth Loan Council Allocation**

	Estimate from 2000-01 Budget \$m	2000-01 Outcome \$m
General government sector cash deficit	-2,844	-5,625
PNFC sector cash deficit	-988	-391
Non-financial public sector cash deficit	-3,832	-6,017
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(a)	5,163	5,710
<i>plus</i> Memorandum items(b)	482	815
<b>Loan Council Allocation</b>	<b>-8,513</b>	<b>-10,913</b>

(a) Such transactions involve the transfer or exchange of a financial asset and are not included within the cash 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, memorandum items comprise the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), university borrowings, overfunding of superannuation and an adjustment to exclude the net financing requirements of statutory marketing authorities and Telstra from the LCA.



## Part III: AAS31 Financial Reporting by Governments Primary Financial Statements

This Part presents financial statements that have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards, including *Australian Accounting Standard No. 31 Financial Reporting by Governments* (AAS31), except where departures from the standard are identified in Note 1.

This Part also provides month of June figures consistent with monthly financial statements.

**Table 22: Statement of revenues and expenses for the Commonwealth general government sector — AAS31**

	Note	2000-01 Estimate at 2001-02 Budget \$m	Month of June 2001 \$m	2000-01 Outcome \$m
<b>Revenues</b>				
Taxation				
Income tax	3	120,528	12,326	120,861
Indirect tax	4	25,647	1,816	25,601
Fringe benefits tax		3,290	315	3,456
Other taxes		2,064	405	2,084
<b>Total taxation revenue</b>		<b>151,529</b>	<b>14,862</b>	<b>152,002</b>
Non-taxation				
Sales of goods and services		2,670	445	2,954
Interest and dividends	5	5,745	569	5,788
Net foreign exchange gains		0	49	198
Net gains from sales of assets		1,640	147	1,803
Other sources of non-tax revenue	6	3,582	352	3,334
<b>Total non-tax revenue</b>		<b>13,638</b>	<b>1,563</b>	<b>14,078</b>
<b>Total revenue</b>		<b>165,167</b>	<b>16,426</b>	<b>166,079</b>
<b>Expenses</b>				
Goods and services				
Employees	7	17,269	2,493	18,468
Suppliers	8	12,870	1,583	11,870
Depreciation and amortisation	9	3,071	453	3,092
Net write down of assets		1,922	632	3,538
Net foreign exchange losses		1,896	63	1,929
Net losses from the sale of assets		48	138	164
Other goods and services expenses		5,580	342	5,155
<b>Total goods and services</b>		<b>42,657</b>	<b>5,704</b>	<b>44,215</b>
Subsidies benefits and grants				
Personal benefits		71,653	6,360	71,106
Subsidies		6,877	607	6,666
Grants	10	33,599	4,001	33,733
<b>Total subsidies benefits and grants</b>		<b>112,129</b>	<b>10,969</b>	<b>111,505</b>
Interest and other financing costs				
Interest		8,697	1,123	8,972
Other financing costs(a)		43	-241	-144
<b>Total interest and other financing costs</b>		<b>8,740</b>	<b>882</b>	<b>8,828</b>
<b>Total expenses</b>		<b>163,526</b>	<b>17,554</b>	<b>164,548</b>
<b>Operating result</b>		<b>1,641</b>	<b>-1,128</b>	<b>1,531</b>
Extraordinary items		24	0	0
<b>Operating result after extraordinary items</b>		<b>1,665</b>	<b>-1,128</b>	<b>1,531</b>

(a) Other financing costs are negative because of the amortisation of discounts on the issue of government securities.

**Table 23: Balance sheet for the Commonwealth general government sector — AAS31**

	Note	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Assets</b>			
Financial assets			
Cash		1,400	1,168
Receivables		27,303	26,533
Investments(a)		30,401	44,069
Accrued revenue		497	516
Other financial assets		15	36
<b>Total financial assets</b>		<b>59,617</b>	<b>72,323</b>
Non-financial assets			
Land and buildings	11	15,491	16,669
Infrastructure		41,179	41,955
Intangibles		1,012	1,052
Inventories		2,995	3,491
Other non-financial assets		1,341	1,538
<b>Total non-financial assets</b>		<b>62,018</b>	<b>64,705</b>
<b>Total assets</b>		<b>121,635</b>	<b>137,028</b>
<b>Liabilities</b>			
Debt			
Government securities(a)		56,938	67,338
Loans		6,904	6,550
Leases		309	337
Deposits		11	293
Overdrafts		0	0
Other debt		4,588	5,154
<b>Total debt</b>		<b>68,749</b>	<b>79,673</b>
Provisions and payables			
Employees	12	83,693	85,173
Suppliers		1,427	1,711
Personal benefits payable		2,635	2,458
Subsidies payable		332	252
Grants payable	13	8,320	8,247
Other provisions and payables		4,898	5,820
<b>Total provisions and payables</b>		<b>101,306</b>	<b>103,660</b>
<b>Total liabilities</b>		<b>170,055</b>	<b>183,333</b>
<b>Net assets</b>	14	<b>-48,420</b>	<b>-46,305</b>
<b>Equity</b>			
Accumulated results		-81,187	-81,258
Reserves		32,767	34,953
Capital		0	0
<b>Total equity</b>		<b>-48,420</b>	<b>-46,305</b>

(a) Transactions relating to government securities and financial assets acquired for debt management purposes are netted in the balance sheet and cash flows for the Budget estimates (refer to pages 10-15 of *Budget Paper No. 1 2001-02*). These transactions are grossed up for outcome reporting.

**Table 24: Statement of cash flows for the Commonwealth general government sector — AAS31**

	Note	2000-01 Estimate at 2001-02 Budget \$m	Month of June 2001 \$m	2000-01 Outcome \$m
<b>Operating activities</b>				
Cash received				
Taxes	15	145,508	14,045	146,890
Sales of goods and services		2,638	426	2,889
Interest		3,597	516	3,501
Dividends		2,891	22	2,902
GST receipts related to purchases/sales		1,702	na	1,876
Other		2,643	202	2,800
<b>Total operating cash received</b>		<b>158,980</b>	<b>15,211</b>	<b>160,858</b>
Cash used				
Payments to employees		15,401	1,440	15,112
Payments to suppliers		12,808	2,005	12,326
Subsidies paid		7,159	830	6,943
Personal benefits		71,246	5,852	70,944
Grant payments		32,457	2,902	32,815
Interest and other financing costs		8,644	782	8,928
GST payments related to purchases/sales		1,836	na	1,995
Other		5,459	-67	5,053
<b>Total operating cash used</b>		<b>155,011</b>	<b>13,746</b>	<b>154,118</b>
<b>Net cash from operating activities</b>		<b>3,969</b>	<b>1,465</b>	<b>6,740</b>
<b>Investing activities</b>				
Cash received				
Proceeds from asset sales program		6,329	12	6,332
Proceeds from sales of property, plant and equipment and intangibles		2,489	403	2,339
Net loans, advances and HECS		133	-207	0
Other net investing cash received		0	1,409	1,425
<b>Total investing cash received</b>		<b>8,951</b>	<b>1,617</b>	<b>10,096</b>
Cash used				
Purchase of property, plant and equipment and intangibles		4,652	835	4,175
Net loans, advances and HECS		0	425	425
Other net investing cash paid(a)		-8,780	-179	6,622
<b>Total investing cash used</b>		<b>-4,128</b>	<b>1,081</b>	<b>11,222</b>
<b>Net cash from investing activities</b>		<b>13,079</b>	<b>535</b>	<b>-1,126</b>
<b>Financing activities</b>				
Cash received				
Net cash received from currency issues		0	0	0
Other		1	-156	61
<b>Total financing cash received</b>		<b>1</b>	<b>-156</b>	<b>61</b>
Cash used				
Net repayments of borrowings(a)		19,012	877	7,929
Other		192	134	134
<b>Total financing cash used</b>		<b>19,204</b>	<b>1,011</b>	<b>8,063</b>
<b>Net cash from financing activities</b>		<b>-19,204</b>	<b>-1,167</b>	<b>-8,002</b>
<b>Net increase/decrease in cash held</b>		<b>-2,156</b>	<b>834</b>	<b>-2,388</b>

(a) Transactions relating to government securities and financial assets acquired for debt management purposes are netted in the balance sheet and cash flows for the Budget estimates (refer to pages 10-15 of *Budget Paper No. 1 2001-02*). These transactions are grossed up for outcome reporting.

## Statistics, concepts and notes to the financial statements

### Note 1: External 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 financial statements included in the Final Budget Outcome have been prepared on an accrual basis in accordance with applicable Australian accounting standards, including *Australian Accounting Standard No. 31 Financial Reporting by Governments* (AAS31). AAS31 is the relevant accounting standard for financial reporting by governments.

AAS31 requires adoption of the full accrual basis of accounting. This means that assets, liabilities, revenues and expenses are recorded in financial statements when they have their economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS31, an operating statement, a balance sheet and a statement of cash flows have been prepared using results for 2000-01.

The accounting policies in this section are generally consistent with the accounting policies in AAS31. While the scope for financial reporting recommended in AAS31 is the Whole of Government (that is, the Commonwealth public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the presentation of financial outcomes covers the general government sector only.

In relation to taxation revenue, AAS31 suggests revenue be recognised at the time the income (or economic activity) giving rise to a tax liability occurs, where this can be measured *reliably*. At this stage, the Commonwealth does not consider its taxation revenues can be reliably measured on this basis for outcome reporting purposes. Taxation revenue in the Final Budget Outcome is therefore recognised at the time a taxpayer makes a self-assessment or when the Australian Taxation Office (ATO) or the Australian Customs Service (ACS) raises a tax assessment.

The Commonwealth collected a number of taxes on an agency basis for the States and Territories, principally 'safety net' surcharge collections until 1 July 2000 (which replaced business franchise fees), mirror taxes on Commonwealth places and from 1 July 2000, the goods and services tax (GST).<sup>1</sup> The revenue from these taxes is passed to State and Territory governments (with an adjustment for administration costs in the case of safety net revenue and mirror taxes). Estimates of taxes collected by the Commonwealth and passed to State and Territory governments are provided in Note 4.

---

1 Some safety net surcharge collections were received early in 2000-01.

In regard to GST revenue, AAS31 and other relevant accounting standards would suggest the gross amount of GST be included in the Commonwealth's financial statements. However, the clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA) is that the GST is a State tax collected by the Commonwealth in an agency capacity. Therefore, accrued GST revenues and associated payments to the States and Territories are not recorded in the financial statements.

In addition, non-accounting standard classifications have been used in some sections of the Final Budget Outcome. Functional classifications used in some tables are based on standards maintained by the Australian Bureau of Statistics (ABS), but have been extended in some cases to provide greater detail.

## Note 2: Reconciliation of cash

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Operating result (revenues less expenses)</b>	<b>1,641</b>	<b>1,531</b>
less <b>Revenues not providing cash</b>		
Foreign exchange gains	0	178
Gains from asset sales programme	0	44
Gains from sale of assets	1,640	1,812
Other	361	532
<b>Total revenues not providing cash</b>	<b>2,001</b>	<b>2,566</b>
plus <b>Expenses not requiring cash</b>		
Increase/(Decrease) in employee entitlements	1,868	3,356
Depreciation/amortisation expense	3,071	3,092
Provision for bad and doubtful debts	274	398
Provision for diminution in value of assets	588	1,579
Losses from asset sales programme	0	0
Losses from sale of assets	48	164
Foreign exchange losses	1,896	1,929
Other	81	-113
<b>Total expenses not requiring cash</b>	<b>7,827</b>	<b>10,405</b>
plus <b>Cash provided by working capital items</b>		
Decrease in inventories	257	0
Decrease in receivables	0	0
Decrease in other financial assets	126	0
Decrease in other non-financial assets	102	0
Increase in benefits, subsidies and grants payable	1,443	1,099
Increase in suppliers' liabilities	0	455
Increase in other provisions and payables	46	871
<b>Total cash provided by working capital items</b>	<b>1,974</b>	<b>2,425</b>
less <b>Cash used by working capital items</b>		
Increase in inventories	0	919
Increase in receivables	5,179	3,762
Increase in other financial assets	0	12
Increase in other non-financial assets	0	260
Decrease in benefits, subsidies and grants payable	283	102
Decrease in other provisions and payables	0	0
Decrease in suppliers' liabilities	10	0
<b>Total cash used by working capital items</b>	<b>5,471</b>	<b>5,056</b>
equals <i>Net cash from/(to) operating activities</i>	3,969	6,740
<i>Net cash from/(to) investing activities</i>	13,079	-1,126
<b>Net cash from operating activities and investment</b>	<b>17,048</b>	<b>5,614</b>
<i>Net cash from/(to) financing activities</i>	-19,204	-8,002
<b>equals Net (decrease)/increase in cash</b>	<b>-2,156</b>	<b>-2,388</b>

**Note 3: Income tax — accrual AAS31**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Individuals		
Gross PAYG withholding	74,572	74,161
Gross other individuals	13,400	13,426
<i>less</i> Refunds	11,165	10,989
Total individuals	76,807	76,599
Companies	34,720	35,136
Superannuation funds	5,210	5,286
Other withholding tax	1,430	1,452
Petroleum resource rent tax	2,360	2,388
<b>Total income tax</b>	<b>120,528</b>	<b>120,861</b>



#### Note 4: Indirect tax — accrual AAS31

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Petroleum excise duty	12,670	12,699
<i>Of which revenue replacement</i>	253	252
<i>less Transfers to States and Territories     in relation to revenue replacement</i>	253	252
<b>Petroleum excise duty revenue</b>	<b>12,417</b>	<b>12,447</b>
Other excise duty	6,611	6,633
<i>Of which revenue replacement</i>	61	61
<i>less Transfers to States and Territories     in relation to revenue replacement</i>	61	61
<b>Other excise duty revenue</b>	<b>6,550</b>	<b>6,572</b>
Total excise duty	19,281	19,332
<i>Of which revenue replacement</i>	315	313
<i>less Transfers to States and Territories     in relation to revenue replacement</i>	314	313
<b>Total excise duty revenue</b>	<b>18,967</b>	<b>19,019</b>
Customs duty	4,675	4,609
<i>Of which revenue replacement</i>	4	4
<i>less Transfers to States and Territories     in relation to revenue replacement</i>	4	4
<b>Customs duty revenue</b>	<b>4,671</b>	<b>4,606</b>
Other indirect taxes	2,127	2,094
<i>Of which revenue replacement</i>	118	118
<i>less Transfers to States and Territories     in relation to revenue replacement</i>	118	118
<b>Other indirect tax revenue</b>	<b>2,009</b>	<b>1,976</b>
GST revenue	23,880	23,854
<i>less Transfers to States and Territories     in relation to GST revenue</i>	23,880	23,854
<b>GST revenue</b>	<b>0</b>	<b>0</b>
Mirror taxes	214	214
<i>less Transfers to States and Territories     in relation to mirror revenue</i>	214	214
<b>Mirror tax revenue</b>	<b>0</b>	<b>0</b>
<b>Indirect tax revenue</b>	<b>25,647</b>	<b>25,601</b>

**Note 5: Interest and dividends**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Interest		
Interest from other governments		
State and Territory debt	75	74
Housing agreements	188	188
<b>Total interest from other governments</b>	<b>263</b>	<b>262</b>
Interest from other sources		
Swap interest	2,357	2,389
Advances	44	20
Deposits	375	29
Bills receivable	6	11
Bank deposits	74	565
Other	411	218
<b>Total interest from other sources</b>	<b>3,267</b>	<b>3,232</b>
<b>Total interest</b>	<b>3,530</b>	<b>3,494</b>
Dividends		
Dividends from associated entities	2,172	2,248
Other dividends	44	46
<b>Total dividends</b>	<b>2,215</b>	<b>2,293</b>
<b>Total interest and dividends</b>	<b>5,745</b>	<b>5,788</b>

**Note 6: Other sources of non-taxation revenue**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Industry contributions	43	32
Indexation of HECS receivable and other student loans	323	412
International Monetary Fund related revenue	83	82
Other	3,133	2,808
<b>Total other sources of non-taxation revenue</b>	<b>3,582</b>	<b>3,334</b>

**Note 7: Employee expenses**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Salaries and wages(a)	9,038	9,355
Leave and other entitlements	337	1,106
Separations and redundancies	32	133
Workers' compensation premiums	0	0
Other (including superannuation)	7,862	7,874
<b>Total employee expenses</b>	<b>17,269</b>	<b>18,468</b>

(a) Salaries and wages do not include superannuation.

**Note 8: Suppliers expenses**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Supply of goods and services	9,925	10,389
Operating lease rental expenses	954	1,309
Other	1,991	171
<b>Total suppliers</b>	<b>12,870</b>	<b>11,870</b>

**Note 9: Depreciation and amortisation**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Depreciation		
Specialist military equipment	1,653	1,628
Buildings	474	524
Other infrastructure, plant and equipment	741	689
<b>Total depreciation</b>	<b>2,868</b>	<b>2,841</b>
<b>Total amortisation</b>	<b>203</b>	<b>251</b>
<b>Total depreciation and amortisation</b>	<b>3,071</b>	<b>3,092</b>

**Note 10: Grants**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
State and Territory governments	22,688	22,956
Non-profit organisations	988	1,578
Overseas	575	587
Private sector	881	992
Local governments	280	109
Other	8,187	7,511
<b>Total grants</b>	<b>33,599</b>	<b>33,733</b>

**Note 11: Total non-financial assets**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Land and buildings		
Land	4,241	4,553
Buildings	11,250	12,116
<b>Total land and buildings</b>	<b>15,491</b>	<b>16,669</b>
Infrastructure		
Specialist military equipment	31,253	31,090
Other	9,926	10,865
<b>Total infrastructure</b>	<b>41,179</b>	<b>41,955</b>
Intangibles		
Computer software	895	909
Other	117	143
<b>Total intangibles</b>	<b>1,012</b>	<b>1,052</b>
Inventories	2,995	3,491
<b>Total inventories</b>	<b>2,995</b>	<b>3,491</b>
Other non-financial assets		
Prepayments	1,160	1,221
Other	181	317
<b>Total other non-financial assets</b>	<b>1,341</b>	<b>1,538</b>
<b>Total non-financial assets</b>	<b>62,018</b>	<b>64,705</b>

**Note 12: Employee liabilities**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Superannuation	77,905	78,725
Leave and other entitlements	3,014	3,215
Accrued salaries and wages	254	287
Workers' compensation claims	1,148	1,246
Separations and redundancies	29	53
Workers compensation premiums	0	0
Other	1,343	1,647
<b>Total employee entitlements</b>	<b>83,693</b>	<b>85,173</b>

**Note 13: Grants payable**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
State and Territory governments	3,043	3,080
Non-profit organisations	34	11
Private sector	0	68
Overseas	1,159	1,164
Local governments	1	1
Other	4,083	3,923
<b>Total grants payable</b>	<b>8,320</b>	<b>8,247</b>

**Note 14: Net asset movements**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Opening net assets</b>	<b>-52,890</b>	<b>-52,890</b>
Operating result after extraordinary items	1,665	1,531
Asset revaluation reserve	25	2,239
Other movements	2,780	2,815
<b>Closing net assets</b>	<b>-48,420</b>	<b>-46,305</b>

**Note 15: Taxes — cash AAS31**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
Total taxes	170,142	171,120
<i>less</i> Payments to States and Territories in relation to revenue replacement	436	435
<i>less</i> Payments to States and Territories in relation to GST revenue	24,180	23,777
<i>less</i> Payments to States and Territories in relation to mirror tax revenue	18	18
<b>Taxes</b>	<b>145,508</b>	<b>146,890</b>

## Part IV: Federal Financial Relations

This Part provides information concerning goods and services tax (GST) revenue, general revenue assistance, revenue replacement payments, general purpose assistance to local government and Specific Purpose Payments to the States and Territories (the States) in 2000-01. The information supplements material provided in *Budget Paper No. 3, Federal Financial Relations, 2001-02*.

On 1 July 2000, a new system of Commonwealth-State Financial Relations commenced as part of *The New Tax System*. A key element of *The New Tax System* is the provision of all GST revenue to the States, which provides them with a secure, broad-based revenue source with which to fund community services, such as schools, hospitals and the police.

The new system of Commonwealth-State financial relations has also provided for the abolition of a range of narrow and inefficient State taxes and the introduction of a First Home Owners Scheme.

In addition, the Commonwealth has made a commitment to provide assistance to the States in the transitional years to ensure that each individual State will be no worse off than it would have been had the reforms not been implemented. To meet its guarantee, the Commonwealth pays the States Budget Balancing Assistance (BBA) to cover any shortfall of GST revenue below the Guaranteed Minimum Amount (GMA) (a calculation of the amount of funding each State would have had available to it under the previous system of financial relations).

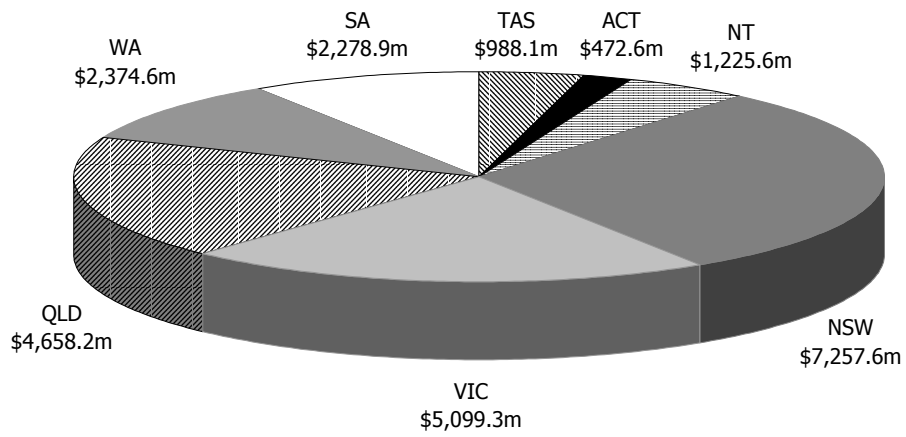
### **GST REVENUE PROVISION**

The *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* (the Act) provides that the States receive all GST revenue. The distribution of GST revenue among the States is based on horizontal fiscal equalisation principles (discussed in detail in *Budget Paper No. 3, Federal Financial Relations, 2001-02*).

In accordance with the final determination of GST revenue made by the Commissioner of Taxation under the Act, a total of \$24,354.9 million in GST revenue was provided to the States in 2000-01.

The final provision of GST revenue to the States in 2000-01 is illustrated in Chart 1.

**Chart 1: GST revenue provision to the States and Territories**



The calculation of the distribution of GST revenue to the States is shown in Table 25. The distribution differs marginally from estimates shown in *Budget Paper No. 3, Federal Financial Relations, 2001-02*, reflecting final determinations made under the Act.



**Table 25: GST revenue provision to the States and Territories**

	Population as at 31 December 2000	Per capita relativities	Weighted population (1) x (2)	Share of weighted population (%)	GST revenue/HCGs pool according to (4) (\$m)	Unquarantined HCGs (\$m)	Distribution of GST revenue (5) - (6) (\$m)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,502,615	0.90913	5,911,722	30.7	9,360.3	2,102.7	7,257.6
VIC	4,797,366	0.87049	4,176,059	21.7	6,612.1	1,512.8	5,099.3
QLD	3,597,203	1.01830	3,663,032	19.0	5,799.8	1,141.6	4,658.2
WA	1,897,381	0.98365	1,866,359	9.7	2,955.1	580.5	2,374.6
SA	1,500,491	1.18258	1,774,451	9.2	2,809.6	530.7	2,278.9
TAS	470,142	1.51091	710,342	3.7	1,124.7	136.6	988.1
ACT	312,384	1.11289	347,649	1.8	550.4	77.9	472.6
NT	196,308	4.16385	817,397	4.2	1,294.2	68.6	1,225.6
Total	19,273,890	n/a	19,267,011	100.0	30,506.2	6,151.3	24,354.9

## **GENERAL REVENUE ASSISTANCE**

In 2000-01, general revenue assistance to the States comprised Budget Balancing Assistance (BBA), National Competition Policy Payments (NCPPs) and Special Revenue Assistance(SRA).

### **Budget Balancing Assistance**

As previously noted, the Commonwealth has guaranteed that in each of the transitional years following the introduction of tax reform, each State's budgetary position will be no worse off than had reforms not been implemented. This is given effect to by the payment of transitional assistance in the form of BBA.

In 2000-01, a total of \$2,818.1 million in BBA was paid to the States. The calculation and distribution of BBA is shown in Table 26, and is broadly consistent with estimates at Budget.

**Table 26: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance to the States and Territories**

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
<b>Guaranteed Minimum Amount:</b>									
<b>State revenues forgone</b>									
Financial Assistance Grants	5,224.2	3,659.8	3,428.7	1,623.2	1,798.3	824.1	371.8	1,130.0	18,060.1
Revenue replacement payments	2,109.6	1,412.3	1,279.4	878.7	551.7	188.2	93.7	119.7	6,633.4
Accommodation taxes	72.4	na	na	na	na	na	na	7.0	79.4
<b>plus Reduced revenues</b>									
Gambling taxes	481.7	366.8	181.9	53.3	71.3	19.4	18.4	12.5	1,205.3
<b>plus Interest costs</b>									
Interest costs	3.3	7.5	11.7	2.3	4.0	2.2	1.2	3.0	35.2
<b>plus Additional expenditures</b>									
First Home Owners Scheme	287.7	232.0	205.8	110.5	100.0	30.2	21.0	8.9	996.1
Additional First Home Owners Scheme	18.4	15.3	9.4	7.3	5.9	1.7	1.4	0.6	60.0
GST administration costs	335.2	247.3	185.4	97.8	77.3	24.2	16.1	10.1	993.5
<b>plus Other items</b>									
Wholesale sales tax payments	38.0	5.0	18.0	19.0	12.7	13.0	4.0	3.0	112.7
<b>minus Reduced expenditures</b>									
Off-road diesel subsidies	116.3	48.5	101.4	145.8	31.4	1.9	0.0	3.4	448.7
Savings from tax reform	147.3	100.4	83.6	50.1	36.4	12.2	8.5	12.5	451.0
<b>minus Growth dividend</b>									
Remaining State taxes	42.2	27.2	14.3	8.5	6.8	1.7	1.3	0.9	103.0
<b>Total Guaranteed Minimum Amount (1)</b>	<b>8,264.7</b>	<b>5,769.8</b>	<b>5,121.1</b>	<b>2,587.6</b>	<b>2,546.7</b>	<b>1,087.2</b>	<b>517.8</b>	<b>1,278.0</b>	<b>27,173.0</b>
<b>GST revenue provision (2)</b>	<b>7,257.6</b>	<b>5,099.3</b>	<b>4,658.2</b>	<b>2,374.6</b>	<b>2,278.9</b>	<b>988.1</b>	<b>472.6</b>	<b>1,225.6</b>	<b>24,354.9</b>
<b>Budget Balancing Assistance (1) - (2)</b>	<b>1,007.2</b>	<b>670.5</b>	<b>462.9</b>	<b>213.0</b>	<b>267.8</b>	<b>99.1</b>	<b>45.2</b>	<b>52.5</b>	<b>2,818.1</b>

## National Competition Policy Payments

National Competition Policy Payments are distributed between the States on an equal per capita basis. Payment is subject to satisfactory progress in implementing specified reforms under the *Agreement to Implement the National Competition Policy and Related Reforms*. Details of NCPPs are shown in Table 27.

**Table 27: National Competition Policy Payments**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2000-01 (a)	155.9	114.7	73.0	45.5	35.9	11.2	7.5	4.5	448.0

(a) Payments to Queensland and the Northern Territory were influenced by payment suspensions resulting from the Commonwealth accepting National Competition Council recommendations. These suspensions, potentially, could be reimbursed in 2001-02.

## Special Revenue Assistance

In 2000-01, in accordance with the recommendations of the Commonwealth Grants Commission, SRA of \$13.5 million was paid to the Australian Capital Territory.

## REVENUE REPLACEMENT PAYMENTS

In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Arrangements*, taxation of petroleum, alcohol and tobacco under the 'safety net' arrangements ceased on 1 July 2000. However, due to collections being received which relate to taxable dealings that occurred before 1 July 2000, lagged payments continued to be made in 2000-01.

Details of revenue replacement payments under 'safety net' arrangements for 2000-01 are shown in Table 28. This distribution is lower than estimates shown in *Budget Paper No. 3, Federal Financial Relations, 2001-02* resulting from an increased number of refunds.

**Table 28: Revenue replacement payments to the States and Territories**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Tobacco</b>									
Share	0.32492	0.21803	0.19065	0.11100	0.08988	0.03226	0.01456	0.01870	
Amount (\$m)	20.9	14.1	12.3	7.2	5.8	2.1	0.9	1.2	64.5
<b>Petroleum</b>									
Share	0.30039	0.20153	0.19593	0.17118	0.07549	0.02453	0.01291	0.01804	
Amount (\$m)	75.7	50.8	49.4	43.2	19.0	6.2	3.3	4.5	252.1
<b>Alcohol</b>									
Share	0.33796	0.22332	0.19314	0.11147	0.07857	0.02415	0.01569	0.01569	
Amount (\$m)	40.0	26.4	22.8	13.2	9.3	2.9	1.9	1.9	118.3
<b>Total (\$m)</b>	<b>136.6</b>	<b>91.3</b>	<b>84.5</b>	<b>63.5</b>	<b>34.1</b>	<b>11.1</b>	<b>6.0</b>	<b>7.6</b>	<b>434.9</b>

## **LOCAL GOVERNMENT GENERAL PURPOSE ASSISTANCE**

Table 29 provides details of the Commonwealth payments to local government authorities in 2000-01 for each of the six States and the Northern Territory, and an analogous payment made to the Australian Capital Territory.

In 2000-01, local government general purpose assistance was increased on the basis of an annual escalation factor determined by the Treasurer and reflects the underlying real per capita growth. The payments made to the States and shown in *Budget Paper No. 3, Federal Financial Relations, 2001-02* were based on an estimated escalation factor of 1.0389 and took into account an underpayment of \$1.7 million in 1999-2000.

On 22 June 2001, the Treasurer determined the final 2000-01 escalation factor of 1.0446 on the basis of the Australian Statistician's determination of population and ongoing CPI (which excludes the estimated impact of the tax reform measures in *The New Tax System*). This has resulted in an overpayment of around \$7.2 million in 2000-01 for which there will an adjustment in 2001-02, as provided for under the *Local Government (Financial Assistance) Act 1995*.

**Table 29: General purpose assistance to local government**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assistance Grants	309.7	227.6	170.0	90.0	71.9	22.6	14.9	9.3	916.0
Identified road grants	117.9	83.8	76.2	62.1	22.3	21.5	13.0	9.5	406.5
<b>Total general purpose assistance(a)</b>	<b>427.7</b>	<b>311.4</b>	<b>246.2</b>	<b>152.1</b>	<b>94.2</b>	<b>44.1</b>	<b>28.0</b>	<b>18.9</b>	<b>1,322.5</b>

(a) Total general purpose assistance was the actual payment that the States received on behalf of local governments in 2000-01. It is equal to the estimated entitlement for 2000-01, adjusted for an underpayment from 1999-2000.

## **SPECIFIC PURPOSE PAYMENTS**

Tables 30 and 31 provide information on Commonwealth Specific Purpose Payments (SPPs) to the States and local government together with details of repayments and interest on advances (loans) to the States. The majority of these advances were funded from borrowings made on behalf of the States.

Details are classified as follows:

- SPPs
  - current;
  - capital;
- repayments of advances;
- details of new advances made; and
- interest on Commonwealth advances.

SPP information is presented on a functional basis, which aggregates payments directed toward like objectives and purposes. SPPs are further divided into those paid 'to' the States (by far the larger group by number) and those judged to be paid 'through' the States to other groups. Payments in the latter group are indicated within the table by (\*) and separate totals for 'to' and 'through' are provided in the summary at the end of the table.



**Table 30: Specific Purpose Payments to the States, repayments of advances, advances and interest payments (\$'000)**

**Table 31: Specific Purpose Payments direct to Local Government Authorities (\$'000)**



## Appendix A: External Reporting Standards and Budget Concepts

### EXTERNAL REPORTING STANDARDS

The Commonwealth *Charter of Budget Honesty Act 1998* requires that the Final Budget Outcome be based on external reporting standards. In accordance with the Charter, the major external standards used in the Final Budget Outcome are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian accounting standards, including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31). The Charter also requires that departures from applicable external reporting standards be identified.

The major fiscal aggregates (including the fiscal and underlying cash balances) are based on the accrual GFS framework. The next section of this Appendix provides an overview of the operation of the GFS framework and a discussion of the GFS financial statements, including the major fiscal aggregates. It also includes some brief information on AAS31.

### ACCRUAL GFS FRAMEWORK

The GFS reporting framework is a specialised statistical system designed to support economic analysis of the public sector. It allows comprehensive assessments to be made of the economic impact of government and is consistent with international statistical standards (the *System of National Accounts 1993* (SNA93) and the draft accrual version of the IMF's *A Manual on Government Finance Statistics*). Additional information on the Australian accrual GFS framework is available in the ABS publication *Information Paper: Accruals-based Government Finance Statistics, 2000* (Cat. No. 5517.0).

#### Nature of the GFS framework

The accrual GFS framework is based on an integrated recording of flows and stocks. Flows reflect the creation, transformation, exchange, transfer or extinction of economic value. They involve changes in the volume, composition or value of a unit's assets, liabilities and net worth. Stocks refer to a unit's holdings of assets, liabilities and net worth at a point in time.

Two types of flows are distinguished: transactions and other economic flows.

- **Transactions** represent flows that come about as a result of mutually agreed interactions between units or within a single unit. Despite their compulsory nature, taxes are transactions that are deemed to occur by mutual agreement between the government and the taxpayer.

- **Other economic flows** represent changes to stocks that do not result from a transaction. Other economic flows arise from changes to stocks caused by price movements (revaluations), including interest and exchange rate movements, and phenomena such as discoveries, depletion and destruction.

The GFS conceptual framework is divided into a number of separate statements, each of which is designed to draw out analytical aggregates or balances of particular economic significance. Taken together, these aggregates provide for a thorough understanding of the financial position of the public sector entities. The GFS statements reported in the Final Budget Outcome are the operating statement, balance sheet and the cash flow statement. A discussion of each of these statements follows.

### **GFS operating statement**

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

GFS **revenues** are broadly defined as transactions that increase net worth (effectively inflows) and GFS **expenses** as transactions that decrease net worth (effectively outflows) – net worth is defined in the balance sheet section below.

GFS revenues less GFS expenses gives the GFS **net operating balance**. Conceptually, the net operating balance measures government saving plus capital transfers.

The net acquisition of non-financial assets (**net capital investment**) measures the change in non-financial assets owned by the government. As such, it measures the net effect of purchases, sales and consumption (eg 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. Each of these items is briefly expanded upon below:

- Gross fixed capital formation comprises purchases *less* sales of fixed assets (such as buildings).
- Depreciation measures consumption of fixed assets, such as through physical deterioration or normal obsolescence, as they are used in production.
- Changes in inventories measures investment in new inventory stocks *less* use of current inventories.
- Other transactions in non-financial assets mainly comprises (for the Commonwealth general government sector) changes in the value of work-in-progress and software assets and transactions in non-reproducible, intangible assets (such as telecommunications spectrum).

### **Fiscal balance**

The fiscal balance (or GFS net lending/borrowing) is the net operating balance *minus* net capital investment.

The fiscal balance 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 Commonwealth general government sector to the balance on the current account in the balance of payments.

A fiscal balance **surplus** indicates that the Commonwealth is placing financial resources at the disposal of other sectors (that is, the Commonwealth is lending to other sectors). A fiscal balance **deficit** indicates that the Commonwealth is utilising the financial resources of other sectors. Thus, fiscal balance can be viewed as a global indicator of the financial impact of Commonwealth Government operations on the rest of the economy.

### **Balance sheet**

The balance sheet shows stocks of assets, liabilities and GFS net worth. Net debt is also reported in the balance sheet.

**Assets** represent instruments or entities over which ownership rights are enforced by a unit, from which economic benefits may be derived by holding them, or using them, over a period of time. **Liabilities** represent obligations to provide economic value to other institutional units.

The **net worth** of the general government sector is defined as assets less liabilities. For the public financial corporations and public non-financial corporations sectors, the formula becomes assets *less* liabilities *less* shares and other contributed capital. Net worth is an economic measure of wealth. It reflects the contribution of the Commonwealth to the wealth of Australia.

**Net debt** is defined as the sum of selected financial liabilities (deposits held; advances received; and borrowing) *minus* the sum of selected financial assets (cash and deposits; advances paid; and investments, loans and placements). Net debt is a common measure of the strength of a government's financial position.

### **Cash flow statement**

The cash flow statement identifies how cash is generated and applied in a single accounting period. 'Cash' means cash on hand (notes and coins held and deposits held at call with a bank or other financial institution) and cash equivalents (highly liquid investments that are readily convertible to cash on hand at the investor's option and overdrafts considered integral to the cash management function).

The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where the information has been 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 (GFS surplus/deficit) is the cash counterpart of the fiscal balance. For the general government sector it is calculated as shown below.

Net cash flows from operating activities  
*plus*  
Net cash flows from investments in non-financial assets  
*less*  
Acquisitions of assets acquired under finance leases and similar arrangements  
*equals*  
**Underlying cash balance**

The underlying cash balance is a broad indicator of the Commonwealth's cash flow requirements. An underlying cash **surplus** reflects the extent to which cash is available to the Commonwealth to either increase its financial assets or decrease its liabilities (assuming no revaluations and other changes occur). An underlying cash **deficit** is a measure of the extent to which the Commonwealth requires cash, either by running down its financial assets or by drawing on the cash reserves of other sectors.

### ***Headline cash balance***

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

Cash flows from investments in financial assets for policy purposes<sup>1</sup> include equity transactions (such as privatisations of government businesses) and net advances (major examples for the Commonwealth relate to cash flows from loans to the States, loans to students under the Higher Education Contribution Scheme (HECS), and contributions to international organisations that increase the Commonwealth's financial assets).

---

1 These cash flows used to be known as *net advances* under the cash budgeting framework.

## SECTORAL CLASSIFICATIONS

GFS data are presented by institutional sector, distinguishing between the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFCs) sector.

Budget reporting focuses on the general government sector. This sector 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, although user charging and external funding have increased in recent years. This sector comprises all government departments, offices and some other bodies.

The PNFC sector comprises bodies that provide goods and services that are mainly market, non-regulatory and non-financial in nature, financed predominantly through sales to the consumers of these goods and services. In general, PNFCs are legally distinguishable from the governments that own them. A list of major Commonwealth PNFCs is provided in Box 1 below.

### **Box 1: List of major Commonwealth public non-financial corporations at September 2001**

Airservices Australia	Albury-Wodonga Development Corporation
Australian Dairy Corporation	Australian Government Solicitor
Australian Hearing Services	Australian Postal Commission
Australian Rail Track Corporation	Australian Submarine Corporation
Employment National	Snowy Mountains Hydro Electric Authority
National Rail Corporation Limited	Telstra Corporation Limited
Sydney Airports Corporation Limited	

Together the general government sector and the PNFC sector comprise the non-financial public sector.

The GFS coverage of the public sector also includes PFCs. PFCs are bodies engaged in financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account. This sector includes the Reserve Bank of Australia.

The total public sector comprises all sectors of government – general government, the PNFC sector and the PFC sector.



## **AUSTRALIAN ACCOUNTING STANDARD NO. 31 (AAS31) REPORTING FRAMEWORK**

*Australian Accounting Standard No. 31 Financial Reporting by Governments* (AAS31) requires governments to prepare accrual-based general purpose financial reports, including in relation to the assets they control and any liabilities incurred, their revenues and expenses, and cash flows. Reporting under this framework is intended to provide a consolidated overview of the financial performance and position of government, including in the area of financing and investing activities.

There are three main general purpose statements that must be prepared in accordance with the AAS31 framework. These are:

- a statement of revenue and expenses;
- a balance sheet; and
- a statement of cash flows.

In addition to these general purpose statements, the standard requires notes to the financial statements to be prepared which report disaggregated information in relation to the financial performance and financial position of the government. The notes should also include other information seen as relevant to users.

While AAS31 provides a general framework for accrual budgeting and financial reporting by governments, compliance with all other applicable accounting standards is required. Exceptions to this rule are explicitly stated in AAS31.

A full set of AAS31 financial statements and accompanying notes prepared for the general government sector can be found in Part III. These statements are derived from audited financial statements with the exception of the Department of Defence, where an audit opinion is pending.

## **RECONCILIATION OF GFS AND AAS31 AGGREGATES**

There is a general consistency of treatment between GFS and accounting standards. The GFS and AAS31 definitions of the scope of the public sector agree in almost all cases, with AAS31 recommending the same segmentation of the public sector into general government, public non-financial corporations and public financial corporations sectors.

Transactions are generally treated in a similar manner by GFS and accounting standards; however, where GFS is a framework designed to facilitate macro-economic analysis, AAS31 is designed as a standard for general purpose financial reporting. The different objectives of the two systems lead to some variation in the treatment of certain items.

In particular, revaluations of assets and liabilities are classified differently under the AAS31 and GFS standards. Major revaluations include: writedowns of bad and doubtful debts (excluding those that are mutually agreed); changes in the valuation of superannuation liabilities; and foreign exchange gains and losses.

Under AAS31 reporting, valuation changes may affect revenues or expenses. However, under GFS reporting revaluations are not considered to be transactions (that is, they are considered to be other economic flows) and accordingly do not form part of revenues or expenses. Therefore, most revaluations are not taken into account in the calculation of the GFS net operating balance or fiscal balance.

Some of the major differences between the GFS and AAS31 treatments of transactions are outlined in Table A1. Further information on the differences between the two systems is provided in the ABS publication *Information Paper: Accruals-based Government Finance Statistics* (Cat. No. 5517.0).

**Table A1: Selected differences between AAS31 and GFS reporting standards**

Issue	AAS31 Treatment	GFS Treatment
Asset writedowns	Treated as part of operating expenses.	Treated as revaluations, except for mutually agreed writedowns, and therefore removed from expenses.
Gains and losses on assets	Treated as part of operating revenues/expenses.	Treated as revaluations and therefore removed from revenues/expenses.
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Act of creating provisions is not considered an economic event and is therefore not considered an expense or included in the balance sheet. * Commonwealth does not comply with this requirement (see Part I, Attachment B).
Interest flows related to swaps and other financial derivatives	Treated as operating revenues and expenses.	Treated as financing transactions and so not included in revenues and expenses.
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. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement.
Commonwealth general government sector investments in public corporations	Investments in public corporations are valued at historic cost in the balance sheet.	Investments in public corporations are valued at current market value. For publicly listed corporations, the share price is used to calculate market value. For non-listed corporations, the current value of net assets is used.
Public debt net interest	Premiums and discounts on the repurchase of debt are included in public debt net interest expenses at the time of repurchase, regardless of whether the stock is cancelled at that time. Issue premiums and discounts are amortised over the life of the stock.	Repurchase premiums and discounts are treated as economic revaluations at the time the debt is repurchased (provided it is valued at historical cost). The GFS cash flow statement includes repurchase premiums or discounts in the year that the repurchased stock is cancelled or matures.
Finance leases	Treats finance leases as if an asset were purchased from borrowings. That is, the lease payment is split into an interest component (which is shown as an operating expense) and a principal component.  The asset and the liability are recorded on the balance sheet.  However, this convention does not apply to the cash flow statement, which does not record the acquisition of the asset or the liability.	As per the accounting standard, except that the GFS cash flow statement includes the acquisition of the asset as a supplementary item for the calculation of the surplus/deficit (underlying cash balance).

Table A2 reconciles GFS revenue and expenses with their AAS31 counterparts.

**Table A2: Reconciliation of GFS and AAS31 revenue and expenses**

	2000-01 Outcome \$m
<b>GFS revenue (Part II)</b>	<b>185,379</b>
<i>less</i> GST revenue for States and Territories	23,854
<b>GFS revenue (Part I)</b>	<b>161,526</b>
<i>plus</i> defence asset revenue recognised first time	0
<i>plus</i> foreign exchange gains	198
<i>plus</i> other economic revaluations	52
<i>plus</i> profit on the sale of assets	1,803
<i>plus</i> swap interest received	2,389
<i>plus</i> revenue allocated to GFS expenses	111
<b>AAS31 revenue (Part III)</b>	<b>166,079</b>
<b>GFS expenses (Part II)</b>	<b>180,573</b>
<i>less</i> GST grants to States and Territories	23,777
<i>less</i> GST mutually agreed writedowns	3
<i>less</i> interest on GST overpayments	11
<b>GFS expenses (Part I)</b>	<b>156,783</b>
<i>plus</i> revaluations/writedowns from superannuation	664
<i>plus</i> net writedown of assets/bad and doubtful debts	3,305
<i>plus</i> foreign exchange losses	1,929
<i>plus</i> other economic revaluations	173
<i>plus</i> loss on the sale of assets	164
<i>less</i> costs of asset sales	0
<i>less</i> other property expenses	0
<i>plus</i> swap interest paid	2,431
<i>plus</i> defence weapons platforms depreciation	1,628
<i>less</i> defence weapons platforms investment	2,804
<i>plus</i> revenue allocated to GFS expenses	111
<i>plus</i> AusAid IDA/ADF expenses	291
<i>less</i> reversal of interest capitalisation	126
<b>AAS31 expenses (Part III)</b>	<b>164,548</b>

Table A3 reconciles the accounting operating result to the GFS net operating balance and the fiscal balance (GFS net lending).

The reconciliation can be divided into two parts. The first part shows classification differences between the AAS31 operating result before extraordinary items and the GFS net operating balance (these classification differences are simply the sum of those shown in Table A2 above).

The second part of the reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance.

**Table A3: Reconciliation of AAS31 net operating result and fiscal balance**

	2000-01 Outcome \$m
<b>AAS31 operating result before extraordinary items (Part III)</b>	<b>1,531</b>
Net classification differences	3,275
<b>GFS net operating balance (Part II)</b>	<b>4,806</b>
<i>less</i> purchase of property, plant and equipment and intangibles	4,291
<i>less</i> assets acquired under finance leases	59
<i>less</i> other non-financial assets	94
<i>less</i> increase in inventories	1,042
<i>plus</i> defence weapons platforms investment	2,804
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	2,261
<i>plus</i> depreciation and amortisation	3,092
<i>less</i> weapons depreciation	1,628
<i>plus</i> reversal of interest capitalisation	126
<b>Fiscal balance (GFS net lending)(Part II)(a)</b>	<b>5,974</b>

(a) The fiscal balance and net operating balance outcomes in this table are \$63 million greater than the fiscal balance and net operating balance outcomes elsewhere in the Final Budget Outcome. Attachment A to Part I provides an explanation.

## Appendix B: Expenses by Function and Sub-function

Table B1 sets out Commonwealth general government expenses by function and sub-function for 2000-01. This table has been prepared in accordance with the GFS accounting framework.

**Table B1: Commonwealth general government expenses by function and sub-function**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>General Public Services</b>		
Legislative and executive affairs	695	691
Financial and fiscal affairs	3,066	3,980
Foreign economic aid	2,021	1,978
General research	1,568	1,523
General services	575	739
Government superannuation benefits	1,477	1,453
<b>Total General Public Services</b>	<b>9,402</b>	<b>10,364</b>
<b>Defence</b>	<b>11,599</b>	<b>11,360</b>
<b>Public Order and Safety</b>		
Courts and legal services	481	469
Other Public order and safety	1,111	1,090
<b>Total Public Order and Safety</b>	<b>1,592</b>	<b>1,559</b>
<b>Education</b>		
Higher education	3,823	3,844
Vocational and other education	1,157	1,103
Non-government schools	3,359	3,405
Government schools	1,949	1,893
<i>Schools</i>	<i>5,307</i>	<i>5,297</i>
Student assistance	558	568
General administration	43	42
School education - specific funding	109	111
<b>Total Education</b>	<b>10,998</b>	<b>10,966</b>
<b>Health</b>		
Medical services and benefits	10,375	10,465
Hospital services	1,270	1,158
Health care agreements	6,341	6,299
<i>Hospital services and health care agreements</i>	<i>7,611</i>	<i>7,457</i>
Pharmaceutical services and benefits	4,729	5,050
Aboriginal and Torres Strait Islander health	179	160
Health services	484	493
Other health services	770	557
<i>Other health services</i>	<i>1,254</i>	<i>1,049</i>
General administration	953	999
Health assistance to the aged(a)	61	61
<b>Total Health</b>	<b>25,162</b>	<b>25,242</b>
<b>Social Security and Welfare</b>		
Assistance to the aged(a)	25,489	25,051
Assistance to veterans and dependents	5,566	5,415
Assistance to people with disabilities	7,322	7,351
Assistance to families with children	17,788	17,969
Assistance to the unemployed	5,762	5,575
Assistance to the sick	94	96

**Table B1: Commonwealth general government expenses by function and sub-function (continued)**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Social Security and Welfare (continued)</b>		
<i>Assistance to the unemployed and the sick</i>	5,856	5,671
Common youth allowance	2,097	2,102
Other welfare programmes	282	297
Aboriginal advancement nec	1,181	1,157
General administration	2,107	1,887
<b>Total Social Security and Welfare</b>	<b>67,688</b>	<b>66,898</b>
<b>Housing and Community Amenities</b>		
Housing	1,292	1,323
Urban and regional development	67	50
Environment protection(b)	452	390
<b>Total Housing and Community Amenities</b>	<b>1,811</b>	<b>1,763</b>
<b>Recreation and Culture</b>		
Broadcasting	935	1,008
Arts and cultural heritage	834	700
Sport and recreation	209	187
National estate and parks(b)	172	147
<b>Total Recreation and Culture</b>	<b>2,150</b>	<b>2,043</b>
<b>Fuel and Energy</b>	<b>2,729</b>	<b>2,614</b>
<b>Agriculture, Forestry and Fishing</b>		
Wool industry	183	189
Grains industry	112	117
Dairy industry	294	237
Cattle, sheep and pig industry	131	93
Fishing, horticulture and other agriculture	144	115
General assistance not allocated to specific industries	296	296
Rural assistance	303	269
Natural resources development(b)	360	297
General administration	101	104
<b>Total Agriculture, Forestry and Fishing</b>	<b>1,924</b>	<b>1,718</b>
<b>Mining and Mineral Resources (other than fuels), Manufacturing and Construction</b>	<b>881</b>	<b>821</b>
<b>Transport and Communication</b>		
Communication	252	270
Rail transport	156	61
Air transport	151	149
Road transport	1,067	947
Sea transport	193	169
Other transport and communication	139	129
<b>Total Transport and Communication</b>	<b>1,959</b>	<b>1,724</b>



**Table B1: Commonwealth general government expenses by function and sub-function (continued)**

	2000-01 Estimate at 2001-02 Budget \$m	2000-01 Outcome \$m
<b>Other Economic Affairs</b>		
Tourism and area promotion	130	125
Vocational and Industry training	391	400
Labour market assistance to job seekers and industry	1,508	1,391
Industrial relations	166	141
Immigration	680	594
<i>Total Labour and Employment Affairs</i>	<i>2,745</i>	<i>2,527</i>
Other Economic Affairs nec	438	411
<b>Total Other Economic Affairs</b>	<b>3,312</b>	<b>3,063</b>
<b>Other Purposes</b>		
Interest on Commonwealth behalf	5,619	5,784
Interest on behalf of States and Territories	53	52
Interest received on Commonwealth stock	0	0
<i>Public debt interest</i>	<i>5,672</i>	<i>5,836</i>
Nominal Superannuation Interest	4,480	4,878
General revenue assistance - States and Territories	3,432	3,848
General capital assistance - States and Territories	0	0
Debt assistance	0	0
Local government assistance	1,330	1,328
Revenue assistance to the States and Territories	139	139
Assistance to other governments	494	495
<i>General purpose inter-government transactions</i>	<i>5,395</i>	<i>5,809</i>
Natural disaster relief	116	92
Contingency reserve(b)	670	0
Asset sales	34	31
<b>Total Other Purposes</b>	<b>16,367</b>	<b>16,646</b>
<b>Total expenses</b>	<b>157,573</b>	<b>156,783</b>

- (a) Expenses for assistance to the aged have been reclassified from *Health* to *Social security and welfare*.
- (b) The estimates for the extension of the National Heritage Trust, whilst formally in *Contingency Reserve* expenses, have been allocated to *Housing and community amenities, Recreation and culture* and *Agriculture, forestry and fishing* functions.

## Appendix C: Historical Fiscal Data

This appendix provides historical data for Commonwealth fiscal aggregates.

Estimates up to, and including, 1998-99 are on cash terms, while those for 1999-2000 are cash proxies derived from an accrual framework. Due to methodological and data-source changes associated with the move to an accrual accounting framework, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

There are other structural breaks within the data set, prior to the shift to accrual reporting. Classification differences and revisions, as well as changes to the structure of the budget, can impact on comparisons over such an extended period.

Following changes to the Australian National Accounts standards, the general government surplus measures in this appendix, from 1998-99 onwards, incorporate payments by the Commonwealth general government sector in respect of accumulated public non-financial corporations (PNFC) superannuation liabilities. Figures for the years prior to 1998-99 do not incorporate these payments.

Other factors which affect the comparability of data between years include:

- classification differences in the data relating to the period prior to 1976-77 (which mean that earlier data may not be entirely consistent with data for 1976-77 onwards);
- adjustments in the coverage of agencies included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations (PFC) sector in 1998-99, and subsequent backcasting to account for this change;
- the revaluation of Telstra, in 1999-2000, from book value to market value (which only impacts on net worth);
- transfers of taxing powers between the Commonwealth and the States;
- other changes in financial arrangements between the Commonwealth and the State/local government sector; and
- changes in arrangements for transfer payments, where tax concessions or rebates are replaced by payments through the social security system. This has the effect of increasing both cash revenues and outlays, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing outlays) reduce both cash outlays and revenue.

While approximate adjustments can be made to identify trends in budget aggregates on a generally consistent basis, the further back the analysis is taken, the less manageable becomes the task.

**Table C1: Commonwealth general government sector cash revenue, outlays and surplus<sup>(a)</sup>**

	Revenue			Outlays			Cash surplus(b)	
	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP	\$m	Per cent of GDP
		real growth			real growth			
1962-63	3,569	1.5	20.3	3,133	4.6	17.9	436	2.5
1963-64	3,952	8.5	20.3	3,450	7.9	17.7	502	2.6
1964-65	4,590	11.8	21.5	3,728	4.0	17.5	862	4.0
1965-66	5,064	6.4	22.6	4,234	9.6	18.9	830	3.7
1966-67	5,051	-3.7	20.3	4,774	8.9	19.2	277	1.1
1967-68	5,538	5.4	20.7	5,275	6.2	19.7	263	1.0
1968-69	6,170	6.8	20.5	5,670	3.1	18.8	500	1.7
1969-70	7,097	8.8	20.9	6,131	2.3	18.0	966	2.8
1970-71	8,000	6.1	21.4	7,176	10.1	19.2	824	2.2
1971-72	8,827	3.5	21.4	7,987	4.4	19.3	840	2.0
1972-73	9,414	0.2	20.2	9,120	7.2	19.6	294	0.6
1973-74	11,890	10.5	21.2	10,829	3.9	19.3	1,061	1.9
1974-75	15,325	5.3	22.9	15,275	15.2	22.9	50	0.1
1975-76	18,316	3.3	23.3	19,876	12.5	25.3	-1,560	-2.0
1976-77	21,418	4.4	23.6	22,657	1.8	25.0	-1,239	-1.4
1977-78	23,491	0.9	23.7	25,489	3.5	25.7	-1,998	-2.0
1978-79	25,666	3.2	22.9	27,753	2.8	24.7	-2,087	-1.9
1979-80	29,780	5.6	23.3	31,041	1.8	24.3	-1,261	-1.0
1980-81	35,148	6.7	24.3	35,260	2.7	24.4	-112	-0.1
1981-82	40,831	3.5	24.6	40,394	2.1	24.4	437	0.3
1982-83	44,675	-1.8	25.0	47,907	6.4	26.8	-3,232	-1.8
1983-84	49,102	3.3	24.4	55,966	9.7	27.8	-6,864	-3.4
1984-85	57,758	11.2	25.8	63,639	7.5	28.5	-5,881	-2.6
1985-86	64,845	5.6	26.3	69,838	3.2	28.3	-4,993	-2.0
1986-87	73,145	5.6	27.0	75,392	1.0	27.8	-2,247	-0.8
1987-88	81,217	3.2	26.3	79,440	-2.1	25.7	1,777	0.6
1988-89	88,369	0.6	25.3	82,202	-4.3	23.5	6,167	1.8
1989-90	95,517	1.6	25.0	88,882	1.7	23.2	6,635	1.7
1990-91	97,705	-2.1	24.7	97,333	4.8	24.6	372	0.1
1991-92	92,966	-6.8	23.0	104,551	5.2	25.9	-11,585	-2.9
1992-93	94,448	0.1	22.3	111,484	5.0	26.3	-17,036	-4.0
1993-94	100,142	4.8	22.5	117,252	4.0	26.3	-17,110	-3.8
1994-95	109,720	9.2	23.3	122,901	4.4	26.1	-13,181	-2.8
1995-96	121,105	7.3	24.1	131,182	3.8	26.1	-10,077	-2.0
1996-97	129,845	5.3	24.5	135,126	1.2	25.5	-5,281	-1.0
1997-98	135,779	3.2	24.2	134,608	-1.7	24.0	1,171	0.2
1998-99	146,521	7.6	24.8	141,033	4.5	23.8	4,190	0.7
1999-00	165,828	na	26.3	153,157	na	24.3	12,671	2.0
<b>2000-01</b>	<b>160,847</b>	<b>-6.6</b>	<b>24.0</b>	<b>155,221</b>	<b>-2.5</b>	<b>23.1</b>	<b>5,625</b>	<b>0.8</b>

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to, and including, 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 onwards, data are derived from an accrual ABS GFS reporting framework. Revenues are proxied by receipts from operating activities and sales of non-financial assets. Outlays are proxied by payments for operating activities, purchases of non-

- financial assets and acquisitions of assets under financial leases. Due to methodological and data-source changes associated with the transition to accruals, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.
- (b) Following changes to the Australian National Accounts standards, the surplus measures in this table, from 1998-99 onwards, incorporate payments by the general government sector in respect of accumulated PNFC superannuation liabilities. These payments are not incorporated prior to 1998-99.

**Table C2: Commonwealth general government sector cash taxation revenue, non-taxation revenue and total revenue<sup>(a)</sup>**

	Taxation revenue			Non-taxation revenue			Total revenue		
	\$m	Per cent		\$m	Per cent		\$m	Per cent	
		real growth	Per cent of GDP		real growth	Per cent of GDP		real growth	Per cent of GDP
1962-63	2,882	0.5	16.4	687	5.8	3.9	3,569	1.5	20.3
1963-64	3,219	9.4	16.5	733	4.5	3.8	3,952	8.5	20.3
1964-65	3,788	13.2	17.8	802	5.3	3.8	4,590	11.8	21.5
1965-66	4,187	6.6	18.7	877	5.5	3.9	5,064	6.4	22.6
1966-67	4,455	2.7	17.9	596	-34.4	2.4	5,051	-3.7	20.3
1967-68	4,916	6.0	18.4	622	0.3	2.3	5,538	5.4	20.7
1968-69	5,488	7.0	18.2	682	5.1	2.3	6,170	6.8	20.5
1969-70	6,341	9.3	18.6	756	4.9	2.2	7,097	8.8	20.9
1970-71	7,148	6.1	19.1	852	6.1	2.3	8,000	6.1	21.4
1971-72	7,887	3.5	19.1	940	3.4	2.3	8,827	3.5	21.4
1972-73	8,411	0.1	18.1	1,003	0.2	2.2	9,414	0.2	20.2
1973-74	10,832	12.7	19.3	1,058	-7.7	1.9	11,890	10.5	21.2
1974-75	14,141	6.6	21.2	1,184	-8.6	1.8	15,325	5.3	22.9
1975-76	16,920	3.4	21.5	1,396	1.9	1.8	18,316	3.3	23.3
1976-77	19,714	4.1	21.7	1,704	9.0	1.9	21,418	4.4	23.6
1977-78	21,428	0.0	21.6	2,063	11.4	2.1	23,491	0.9	23.7
1978-79	23,409	3.1	20.9	2,257	3.3	2.0	25,666	3.2	22.9
1979-80	27,473	6.8	21.5	2,307	-6.9	1.8	29,780	5.6	23.3
1980-81	32,641	7.4	22.5	2,507	-1.7	1.7	35,148	6.7	24.3
1981-82	37,880	3.4	22.9	2,951	4.9	1.8	40,831	3.5	24.6
1982-83	41,025	-2.8	22.9	3,650	11.0	2.0	44,675	-1.8	25.0
1983-84	44,849	2.7	22.2	4,253	9.5	2.1	49,102	3.3	24.4
1984-85	52,970	11.6	23.7	4,788	6.4	2.1	57,758	11.2	25.8
1985-86	58,841	4.5	23.8	6,004	18.0	2.4	64,845	5.6	26.3
1986-87	66,467	5.7	24.6	6,678	4.1	2.5	73,145	5.6	27.0
1987-88	75,076	5.0	24.3	6,141	-14.5	2.0	81,217	3.2	26.3
1988-89	83,452	2.8	23.8	4,917	-26.0	1.4	88,369	0.6	25.3
1989-90	90,773	2.3	23.7	4,744	-9.3	1.2	95,517	1.6	25.0
1990-91	92,739	-2.2	23.5	4,966	0.2	1.3	97,705	-2.1	24.7
1991-92	87,364	-7.7	21.6	5,602	10.5	1.4	92,966	-6.8	23.0
1992-93	88,760	0.1	20.9	5,688	0.0	1.3	94,448	0.1	22.3
1993-94	93,362	4.0	21.0	6,780	17.9	1.5	100,142	4.8	22.5
1994-95	104,921	12.0	22.3	4,799	-29.5	1.0	109,720	9.2	23.3
1995-96	115,700	7.2	23.0	5,405	9.5	1.1	121,105	7.3	24.1
1996-97	124,559	5.8	23.5	5,286	-3.9	1.0	129,845	5.3	24.5
1997-98	130,984	3.8	23.3	4,795	-10.4	0.9	135,779	3.2	24.2
1998-99	141,105	7.4	23.9	5,416	12.6	0.9	146,521	7.6	24.8
1999-00	150,695	na	23.9	15,133	na	2.4	165,828	na	26.3
<b>2000-01</b>	<b>146,056</b>	<b>-6.7</b>	<b>21.8</b>	<b>14,791</b>	<b>-5.9</b>	<b>2.2</b>	<b>160,847</b>	<b>-6.6</b>	<b>24.0</b>

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to, and including, 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 onwards, data are derived from an accrual ABS GFS reporting framework. Revenues are proxied by receipts from operating activities and sales of non-financial assets. Due to methodological and data-source changes associated with the transition to accruals, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

**Table C3: Commonwealth revenue (cash basis)**

	1999-00 \$m	2000-01 \$m
<b>Tax revenue</b>		
Income tax		
Individuals(a)		
Gross PAYG(W)	76,506	73,555
Gross other individuals	13,370	13,226
Gross PPS(b)	3,120	0
less Refunds	10,946	10,989
Total individuals	82,050	75,792
Companies	24,345	31,582
Superannuation funds	3,820	4,800
Other withholding tax	1,428	1,454
Petroleum resource rent tax	1,184	2,379
<b>Total income tax</b>	<b>112,828</b>	<b>116,006</b>
Indirect tax(c)		
Excise duty		
Crude oil and LPG	219	526
Petroleum products(d)	11,189	11,919
Other excise duty	2,670	6,572
Total excise duty	14,078	19,017
Customs duty	3,771	4,584
Sales taxes(e)	15,532	1,929
<b>Total indirect tax</b>	<b>33,381</b>	<b>25,530</b>
Fringe benefits tax(f)	3,373	3,207
Other taxes	1,113	1,312
<b>Total tax revenue</b>	<b>150,695</b>	<b>146,056</b>
Non-tax revenue		
Interest received	995	1,140
Dividends and other	14,138	13,651
<b>Total non-tax revenue</b>	<b>15,133</b>	<b>14,791</b>
<b>Total revenue</b>	<b>165,828</b>	<b>160,847</b>
<i>Memorandum items:</i>		
Medicare levy receipts	4,350	4,605
Diesel fuel rebate expense(g)	1,514	1,942
Fuel sales grant scheme(g)		221
Diesel and alternative fuels grants(g)		558

(a) Includes Medicare levy revenue. See memorandum item for Medicare levy outcomes.

(b) PPS denotes prescribed payments system (which was replaced by the new PAYG system from 1 July 2000).

(c) These items are reported net of Revenue Replacement Payments (RRPs) to the States.

(d) Excludes the diesel fuel rebate (DFR) offset to revenue, which is classified as an expense.

(e) This item includes the wine equalisation tax and the luxury car tax from 2000-01.

(f) Consistent with GFS reporting standards, Fringe Benefits Tax (FBT) is no longer classified as an income tax.

(g) Reported for informational purposes only.

**Table C4: Commonwealth general government sector net debt<sup>(a)</sup> and net interest outlays**

	Net debt		Net interest outlays	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1974-75	-1,901	-2.8	-267	-0.4
1975-76	-341	-0.4	-389	-0.5
1976-77	898	1.0	-161	-0.2
1977-78	2,896	2.9	-106	-0.1
1978-79	4,983	4.4	126	0.1
1979-80	6,244	4.9	290	0.2
1980-81	6,356	4.4	444	0.3
1981-82	5,919	3.6	475	0.3
1982-83	9,151	5.1	654	0.4
1983-84	16,015	7.9	1,327	0.7
1984-85	21,896	9.8	2,462	1.1
1985-86	26,889	10.9	3,626	1.5
1986-87	29,136	10.8	4,387	1.6
1987-88	27,359	8.9	4,019	1.3
1988-89	21,982	6.3	3,722	1.1
1989-90	16,121	4.2	3,848	1.0
1990-91	16,936	4.3	2,834	0.7
1991-92	31,132	7.7	2,739	0.7
1992-93	55,218	13.0	2,912	0.7
1993-94	70,223	15.8	4,549	1.0
1994-95	83,492	17.7	6,310	1.3
1995-96	95,831	19.1	7,812	1.6
1996-97	96,281	18.2	8,449	1.6
1997-98	82,935	14.8	7,381	1.3
1998-99	70,402	11.9	6,901	1.2
1999-00	53,106	8.4	6,326	1.0
<b>2000-01</b>	<b>39,258</b>	<b>5.8</b>	<b>5,082</b>	<b>0.8</b>

(a) The net debt series used in this table incorporates Treasury estimates for the period 1974-75 to 1986-87 and published ABS data for the period 1987-88 to 1997-98 (*Public Sector Financial Assets and Liabilities*, Cat. No. 5513.0). Comparable net debt data have been collected by the ABS only since 1988. Treasury estimates were constructed by deducting annual net borrowing — defined as the ABS cash deficit — from the ABS measure of the stock of net debt at end June 1998.

**Table C5: Commonwealth general government sector accrual revenue, expenses, net capital investment and fiscal balance<sup>(a)</sup>**

	GFS Revenue		GFS Expenses		Net Capital Investment		Fiscal Balance	
		Per cent		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP	\$m	of GDP
1996-97	141,688	26.7	145,809	27.5	90	0.0	-4,211	-0.8
1997-98	146,820	26.2	148,646	26.5	147	0.0	-1,973	-0.4
1998-99	151,922	25.7	146,620	24.8	1,433	0.2	3,869	0.7
1999-00	166,617	26.5	154,373	24.5	-1,225	-0.2	13,469	2.1
<b>2000-01(b)</b>	<b>161,526</b>	<b>24.1</b>	<b>156,783</b>	<b>23.4</b>	<b>-1,168</b>	<b>-0.2</b>	<b>5,911</b>	<b>0.9</b>

(a) The fiscal balance is equal to revenue less expenses less net capital investment.

(b) The fiscal balance outcome in this table for 2000-01 is \$63 million less than the fiscal balance outcome reported in Part II. Attachment A to Part I provides an explanation.

**Table C6: Commonwealth general government sector accrual taxation revenue, non-taxation revenue and total revenue**

	Taxation revenue			Non-taxation revenue			Total revenue		
		Per cent	Per cent of GDP		Per cent	Per cent of GDP		Per cent	Per cent of GDP
	\$m	real growth		\$m	real growth		\$m	real growth	
1999-00	152,576	na	24.2	14,041	na	2.2	166,617	na	26.5
<b>2000-01</b>	<b>151,156</b>	<b>-4.7</b>	<b>22.5</b>	<b>10,369</b>	<b>-28.9</b>	<b>1.5</b>	<b>161,526</b>	<b>-6.7</b>	<b>24.1</b>

na data not available.



**Table C7: Commonwealth revenue (accrual basis)**

	1999-00 \$m	2000-01 \$m
<b>Tax revenue</b>		
Income tax		
Individuals(a)		
Gross PAYG(W)	76,679	74,161
Gross other individuals	14,232	13,426
Gross PPS(b)	3,159	0
less Refunds	10,909	10,989
Total individuals	83,161	76,599
Companies	24,815	35,136
Superannuation funds	3,912	5,286
Other withholding tax	1,428	1,452
Petroleum resource rent tax	1,205	2,388
<b>Total income tax</b>	<b>114,520</b>	<b>120,861</b>
Indirect tax(c)		
Excise duty		
Crude oil and LPG	219	526
Petroleum products(d)	11,199	11,921
Other excise duty	2,674	6,572
Total excise duty	14,091	19,019
Customs duty	3,799	4,606
Sales taxes(e)	15,644	1,976
<b>Total indirect tax</b>	<b>33,534</b>	<b>25,601</b>
Fringe benefits tax(f)	3,424	3,456
Other taxes	1,097	1,238
<b>Total tax revenue</b>	<b>152,576</b>	<b>151,156</b>
Non-tax revenue		
Interest received	967	1,105
Dividends and other	13,074	9,264
<b>Total non-tax revenue</b>	<b>14,041</b>	<b>10,369</b>
<b>Total revenue</b>	<b>166,617</b>	<b>161,526</b>
<i>Memorandum items:</i>		
Medicare levy revenue	4,350	4,605
Diesel fuel rebate expense(g)	1,634	1,849
Fuel sales grant scheme(g)		203
Diesel and alternative fuels grants(g)		574

(a) Includes Medicare levy revenue. See memorandum item for Medicare levy outcomes.

(b) PPS denotes prescribed payments system (which was replaced by the new PAYG system from 1 July 2000).

(c) These items are reported net of RRP's to the States.

(d) Excludes the DFR offset to revenue, which is classified as an expense.

(e) This item includes the wine equalisation tax and the luxury car tax from 2000-01.

(f) Consistent with GFS reporting standards, FBT is no longer classified as an income tax.

(g) Reported for informational purposes only.

**Table C8: Commonwealth cash revenue, outlays and cash surplus by institutional sector<sup>(a)</sup>**

	General government(b)			Public non-financial corporations			Non-financial public sector		
	Revenue	Outlays	Cash surplus	Revenue	Outlays	Cash surplus	Revenue	Outlays	Cash surplus
1987-88	81,217	79,440	1,777	4,129	5,006	944	84,333	83,439	2,721
1988-89	88,369	82,202	6,167	4,177	6,035	257	91,544	87,188	6,424
1989-90	95,517	88,882	6,635	3,926	11,322	-5,261	98,387	99,081	1,374
1990-91	97,705	97,333	372	4,804	9,351	-2,139	101,315	105,476	-1,767
1991-92	92,966	104,551	-11,585	3,899	7,713	101	95,063	110,448	-11,484
1992-93	94,448	111,484	-17,036	4,385	7,819	-196	97,327	117,775	-17,232
1993-94	100,142	117,252	-17,110	5,178	6,476	1,482	103,065	121,457	-15,628
1994-95	109,720	122,901	-13,181	5,262	7,318	1,956	113,013	128,247	-11,225
1995-96	121,105	131,182	-10,077	4,927	8,190	-527	123,269	136,607	-10,604
1996-97	129,845	135,126	-5,281	4,782	7,373	473	131,512	139,385	-4,808
1997-98	135,779	134,608	1,171	6,238	7,923	1,119	139,560	140,006	2,290
1998-99	146,521	141,033	4,190	na	na	-353	na	na	3,837
1999-00	165,828	153,157	12,671	na	na	-2,594	na	na	10,077
<b>2000-01</b>	<b>160,847</b>	<b>155,221</b>	<b>5,625</b>	<b>na</b>	<b>na</b>	<b>391</b>	<b>na</b>	<b>na</b>	<b>6,017</b>

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to, and including, 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 onwards, data are derived from an accrual ABS GFS reporting framework. Revenues are proxied by receipts from operating activities and sales of non-financial assets. Outlays are proxied by payments for operating activities, purchases of non-financial assets and the acquisition of assets under finance leases. Due to methodological and data-source changes associated with the transition to accruals, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

(b) Following changes to the Australian National Accounts standards, the general government surplus measures in this table, from 1998-99 onwards, incorporate payments by the Commonwealth general government sector in respect of accumulated PNFC superannuation liabilities. Prior to 1998-99 these payments are not incorporated.

na data not available.

**Table C9: Commonwealth accrual revenue, expenses and fiscal balance by institutional sector<sup>(a)</sup>**

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	141,688	145,809	-4,211	27,431	26,015	-331	na	na	-4,542
1997-98	146,820	148,646	-1,973	29,618	26,999	2,360	na	na	387
1998-99	151,922	146,620	3,869	27,687	26,088	-816	175,707	168,806	3,053
1999-00	166,617	154,373	13,469	25,270	23,327	1,062	188,368	173,026	14,530
<b>2000-01(b)</b>	<b>161,526</b>	<b>156,783</b>	<b>5,911</b>	<b>25,640</b>	<b>24,533</b>	<b>-826</b>	<b>183,018</b>	<b>177,167</b>	<b>5,086</b>

(a) The fiscal balance is equal to revenue less expenses less net capital investment which is not shown in this table.

(b) The general government and non-financial public sector fiscal balance outcomes in this table for 2000-01 are \$63 million less than the fiscal balance outcomes reported in Part II. Attachment A to Part I provides an explanation.

na data not available

**Table C10: Commonwealth net worth by institutional sector<sup>(a)</sup>**

	General Government		PNFCs		Non-financial Public Sector	
	\$b	Per cent of GDP	\$b	Per cent of GDP	\$b	Per cent of GDP
1996-97	-74,354	-14.0	18,104	3.4	-56,250	-10.6
1997-98	-68,544	-12.2	18,081	3.2	-50,463	-9.0
1998-99	-76,150	-12.9	7,397	1.3	-68,753	-11.6
1999-00	-39,922	-6.3	-75,634	-12.0	-115,556	-18.4
<b>2000-01(b)</b>	<b>-41,210</b>	<b>-6.1</b>	<b>-55,501</b>	<b>-8.3</b>	<b>-96,710</b>	<b>-14.4</b>

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

(b) The general government and non-financial public sector net worth outcomes in this table for 2000-01 are \$63 million less than the net worth outcomes reported in Part II. Attachment A to Part I provides an explanation.

## Acronyms

AAS31	Australian Accounting Standard No. 31
ABC	Australian Broadcasting Corporation
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACS	Australian Customs Service
AEMP	Advanced English For Migrants Programme
ANTA	Australian National Training Authority
ATO	Australian Taxation Office
BBA	Budget Balancing Assistance
CSHA	Commonwealth State Housing Authority
DFR	diesel fuel rebate
EC	Exceptional circumstances
FAGs	financial assistance grants
FarmBis	Farm Business Improvement Programme
FBT	Fringe Benefits Tax
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GMA	Guaranteed Minimum Amount
GST	goods and services tax
HCGs	health care grants
IGA	Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations
LCA	Loan Council Allocation
NCPPs	national competition policy payment
NFPS	non-financial public sector
NLP	National Landcare Programme

### **Acronyms (continued)**

NPV	net present value
PFC	public financial corporations
PNFC	public non-financial corporations
PRP	Photovoltaic Rebate Programme
RRPs	revenue replacement payments
SOCOG	Sydney Organising Committee for the Olympic Games
SPPs	specific purpose payments
SRA	special revenue assistance
TFN	Tax File Number
UN	United Nations
UPF	The Accrual Uniform Presentation Framework
WET	wine equalisation tax
WST	wholesale sales tax