

FINAL BUDGET OUTCOME 2002-03

CIRCULATED BY
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FOREWORD

The *Final Budget Outcome 2002-03* 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 Australian Government general government sector fiscal outcomes for the 2002-03 financial year and is based on external reporting standards.

- **Part 1** provides the general government sector budget aggregates for 2002-03 together with an analysis of the 2002-03 final budget outcome. This includes summary analysis of revenue, expenses, net capital investment, cash flows and the balance sheet (net debt and net worth).
- **Part 2** presents the Australian Government financial statements for 2002-03 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 Australian Government public corporations sector.
- **Part 3** presents the 2002-03 Australian Government general government sector financial statements in accordance with Australian Accounting Standards.
- **Part 4** provides details for 2002-03 on Federal Financial Relations, updated from that contained in the *2003-04 Budget Paper No. 3*.
- **Appendix A** contains details of budget concepts and reporting standards. **Appendix B** contains expenses data on a functional and sub-functional basis. Historical fiscal data are presented in **Appendix C**.

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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
-	not available
..	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 1: AUSTRALIAN GOVERNMENT BUDGET OUTCOME

OVERVIEW

In 2002-03, the Australian Government general government sector recorded an underlying cash surplus of \$7.5 billion, \$3.6 billion higher than estimated at the time of the 2003-04 Budget. The 2002-03 accrual fiscal balance was a surplus of \$6.0 billion, \$4.5 billion higher than estimated at the time of the 2003-04 Budget.

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

	2001-02 Outcome	2002-03 Estimate at 2002-03 Budget	2002-03 Estimate at 2003-04 Budget	2002-03 Outcome
Revenue (\$b)	162.4	169.6	171.8	175.0
Per cent of GDP	22.8	22.6	22.8	23.3
Expenses (\$b)	166.5	170.2	170.5	169.2
Per cent of GDP	23.4	22.7	22.6	22.5
Net operating balance (\$b)	-4.1	-0.5	1.3	5.8
Net capital investment (\$b)	-0.4	-0.7	-0.2	-0.2
Fiscal balance (\$b)	-3.8	0.2	1.5	6.0
Per cent of GDP	-0.5	0.0	0.2	0.8
Underlying cash balance (\$b)	-1.0	2.1	3.9	7.5
Per cent of GDP	-0.1	0.3	0.5	1.0
<i>Memorandum item:</i>				
Headline cash balance (\$b)	2.5	4.6	3.6	7.3

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

In relation to revenue, total cash receipts were around \$2.2 billion higher than expected at the 2003-04 Budget. This was predominantly due to higher than expected tax receipts from companies, indicating stronger company profits than anticipated at Budget. Total accrual revenue was \$3.2 billion above the 2003-04 Budget estimates. The higher revenue outcome relative to cash was primarily driven by revenue recognised but not yet paid in relation to other individuals.

With respect to expenditure, total cash payments were around \$1.3 billion lower than expected at the 2003-04 Budget. This largely reflects parameter variations in respect of family and community services and education programmes, along with delays in contracted health expenditure. Similarly, accrual expenses and net capital investment were \$1.3 billion lower than expected at the 2003-04 Budget.

Part 1: Australian Government Budget Outcome

Australian Government general government sector net debt fell by \$8.4 billion in 2002-03 to \$29.7 billion (3.9 per cent of GDP), the lowest in 20 years. This reduction is \$2.8 billion larger than expected at the 2003-04 Budget, primarily reflecting the stronger than expected underlying cash surplus.

REVENUE

Total accrual revenue of \$175.0 billion was \$3.2 billion (1.9 per cent) higher than expected at the 2003-04 Budget. The variation reflected higher than expected revenue from companies and other individuals.

- Revenue from companies in 2002-03 was \$2.1 billion above the 2003-04 Budget estimate. The higher than expected outcome was largely due to stronger than anticipated profitability by early December and small June balancing companies¹.
- Revenue from other individuals was \$1.0 billion higher than anticipated due to an upward revision to expected collections and a reclassification of revenue provisions between other individuals and fringe benefits tax (which has been revised down).

Abstracting from companies and other individuals, revenue was broadly in line with the Budget forecast. The outcome for income tax withholding was in line with the Budget forecast. Expected revenue from the superannuation surcharge and excise was stronger but offset by lower than expected revenue from fringe benefits tax and higher than expected refunds to individuals.

- Superannuation surcharge revenue was \$299 million higher than forecast, largely due to a change in the accounting treatment of unfunded liabilities in defined benefit schemes.
- Revenue from total excise was \$207 million higher than expected, largely reflecting higher revenue from petrol (\$87 million) and stronger collections of tobacco excise (\$72 million), as a result of the Australian Taxation Office enforcement and compliance programmes in relation to the payment of tobacco excise.
- Revenue from fringe benefits tax was \$388 million below the Budget estimate, largely due to a reclassification of revenue provisions between fringe benefits tax and other individuals (which has been revised up).
- Refunds were \$111 million above the Budget estimate as a result of higher than expected refunds in relation to prior income years.

¹ See page 2 of Final Budget Outcome 2000-01 for an explanation of the role of balancing payments in company tax payment arrangements.

Table 2: Australian Government general government sector revenue (accrual basis)

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Taxation revenue		
Income tax		
Individuals and other withholding(a)		
Gross income tax withholding(b)	84,590	84,640
Gross other individuals	17,300	18,314
less Refunds	11,540	11,651
Total individuals and other withholding	90,350	91,303
Companies	31,260	33,365
Superannuation funds		
Contributions and earnings	3,580	3,617
Superannuation surcharge	980	1,279
Total superannuation funds	4,560	4,896
Petroleum resource rent tax	1,720	1,715
Total income tax	127,890	131,278
Indirect tax		
Excise duty		
Petroleum and other fuel products and crude oil	13,250	13,337
Other excise	7,330	7,450
Total excise duty	20,580	20,787
Customs duty	5,630	5,573
Other indirect taxes(c)	900	896
Total indirect tax	27,110	27,255
Fringe benefits tax(d)	3,220	2,832
Agricultural levies	547	586
Other taxes	1,050	1,104
Total tax revenue	159,817	163,055
Non-tax revenue	11,983	11,958
Total revenue	171,800	175,014

(a) Includes Medicare levy revenue of \$5,000 million in 2002-03.

(b) Previously reported as Pay As You Go (Withholding) and other withholding. Other withholding, previously reported under company and other income tax, includes amounts withheld for failure to quote a Tax File Number or an Australian Business Number; interest, dividends and royalty payments to non-residents; and payments to aboriginal groups for the use of land for mineral exploration and mining.

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

(d) Consistent with Government Finance Statistics (GFS) reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$323 million in 2002-03).

EXPENSES

Total accrual expenses were \$169.2 billion in 2002-03, a reduction of \$1.3 billion (0.8 per cent) from the estimate provided in the 2003-04 Budget. This reduction was largely the result of:

- parameter variations relating to personal benefit expenses across a range of family and community services programmes (including lower than expected expenses for the Family Tax Benefit), in total leading to lower expenses of \$315 million;
- a decrease in education grant expenses of \$272 million, including lower than expected grants to non-government schools due to fewer than forecast enrolments, and lower than expected grants to universities, largely reflecting increases in enrolments and revisions to the student profile from that estimated in the 2003-04 Budget;
- slippage in health grant expenses of \$249 million, reflecting delays in the finalisation of contracts and completion of milestones by grantees across a range of health programmes, including medical research grants and integrated and co-ordinated care strategies; and
- lower personal benefit expenses of \$94 million largely associated with lower than anticipated take-up of interim income and farm household support under the drought assistance package.

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

Table 3: Australian Government general government sector expenses by function

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
General public services		
Legislative and executive affairs	781	732
Financial and fiscal affairs	3,187	3,476
Foreign affairs and economic aid	2,364	2,334
General research	1,830	1,790
General services	553	566
Government superannuation benefits	2,095	2,090
Defence	13,143	13,307
Public order and safety	2,104	1,968
Education	12,342	12,109
Health(a)	29,734	29,400
Social security and welfare(a)	71,763	71,263
Housing and community amenities	1,733	1,763
Recreation and culture	2,111	2,062
Fuel and energy(a)	3,474	3,395
Agriculture, forestry and fishing	1,945	1,772
Mining and mineral resources (other than fuels), manufacturing and construction	1,519	1,502
Transport and communications	2,268	2,174
Other economic affairs		
Tourism and area promotion	134	156
Labour and employment affairs	3,151	3,005
Other economic affairs	691	642
Other purposes		
Public debt interest	4,627	4,629
Nominal superannuation interest	5,350	5,409
General purpose intergovernmental transactions	3,638	3,598
Natural disaster relief	141	95
Contingency reserve(b)	-144	11
Total GFS expenses	170,534	169,247

(a) This table reflects the corrigendum numbers issued on 27 May 2003 due to a misclassification between expense functions in the 2003-04 Budget. The misclassification affected the Health, Social security and welfare, and Fuel and energy functions in this table, but did not affect the aggregate budget figures.

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

NET CAPITAL INVESTMENT

Total net capital investment for 2002-03 was -\$219 million, which is broadly in line with the estimate provided in the 2003-04 Budget. A large downward movement in defence inventories was offset by an increase in the purchase of defence non-financial assets.

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

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
General public services	118	22
Defence	-555	-448
Public order and safety	107	115
Education	4	1
Health	23	29
Social security and welfare	78	56
Housing and community amenities	-190	-140
Recreation and culture	-4	45
Fuel and energy	1	0
Agriculture, forestry and fishing	0	15
Mining and mineral resources (other than fuels); manufacturing and construction	10	11
Transport and communications	85	15
Other economic affairs	83	63
Other purposes	3	-4
Net capital investment	-235	-219

CASH FLOWS

The 2002-03 underlying cash balance was a surplus of \$7.5 billion, \$3.6 billion higher than estimated at the 2003-04 Budget. The higher than anticipated outcome was the result of greater operating cash receipts of \$2.2 billion and lower operating cash payments of \$2.0 billion, which was partly offset by higher capital payments of \$0.6 billion.

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

	2002-03 Estimate at 2003-04 Budget \$b	2002-03 Outcome \$b
Cash receipts		
Operating cash receipts	172.6	174.8
Capital cash receipts(b)	1.3	1.3
Total cash receipts	173.9	176.1
Cash payments		
Operating cash payments	167.3	165.3
Capital cash payments(c)	2.7	3.4
Total cash payments	170.0	168.7
Finance leases and similar arrangements(d)	0.0	0.0
Underlying cash balance	3.9	7.5
Per cent of GDP	0.5	1.0
<i>Memorandum items:</i>		
Net cash flows from investments in financial assets for policy purposes(e)		
Major asset sales	0.0	0.0
less Other net advances paid	-0.3	-0.3
Headline cash balance	3.6	7.3

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

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

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

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

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

Total Australian Government general government sector cash receipts were \$176.1 billion in 2002-03, \$2.2 billion (1.3 per cent) higher than estimated at the 2003-04 Budget.² In comparison, total accrual revenue was \$3.2 billion (1.9 per cent) higher than estimated at the 2003-04 Budget. The higher revenue outcome relative to cash was primarily driven by revenue recognised but not yet paid in relation to revenue from other individuals.

The variation from the cash receipts outcome mainly reflects stronger than anticipated tax receipts from companies of \$1.6 billion.

- Income tax withholding was broadly in line with Budget expectations, with final collections only \$164 million higher than expected.
- Receipts from other individuals were \$156 million higher than expected.

² Australian Government receipts on a revenue head basis are provided in Table C3.

Part 1: Australian Government Budget Outcome

- Receipts from superannuation contributions and earnings were \$155 million higher than expected.
- Excise was \$153 million higher than expected.

Total Australian Government general government sector cash payments were \$168.7 billion in 2002-03, \$1.3 billion (0.8 per cent) lower than estimated at the 2003-04 Budget. In the main, the differences in accrual expenses since the 2003-04 Budget were also reflected in similar cash payment differences and are largely explained by the expense variations described earlier in this Part.

The 2002-03 headline cash balance was a surplus of \$7.3 billion, \$3.6 billion higher than estimated at the 2003-04 Budget, primarily due to the higher than expected underlying cash surplus outcome.

NET DEBT AND NET WORTH

The level of Australian Government general government sector net debt has continued to fall, from a peak of 19.1 per cent of GDP in 1995-96 to 3.9 per cent of GDP at the end of 2002-03. Since 1996-97, net debt has been reduced by \$66.6 billion. The fall in net debt in 2002-03 was \$2.8 billion greater than expected at the 2003-04 Budget, primarily reflecting the higher than expected cash surplus outcome.

Net interest payments in 2002-03 were in line with expectations at the 2003-04 Budget. Having peaked at \$8.4 billion in 1996-97, net interest payments have declined to \$3.6 billion in 2002-03, representing annual savings in interest payments of around \$5 billion.

Over 2002-03, Australian Government general government sector net worth declined from -\$47.6 billion to -\$50.4 billion. This decline largely reflects an upward revision of the civilian superannuation liabilities following an actuarial review (\$4.6 billion), a reduction in the Telstra share price over the year to 30 June 2003 (\$2.3 billion) and recording, for the first time, net university superannuation liabilities following the introduction of a new Australian Accounting Standard (\$2.3 billion). However, the Australian Government has no legal obligation to meet this latter liability. These reductions were partly offset by the net operating surplus for 2002-03 (\$5.8 billion).

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

	2002-03 Estimate at 2003-04 Budget \$b	2002-03 Outcome \$b
Financial assets	102.4	103.2
Non-financial assets	36.1	36.2
Total assets	138.5	139.4
Total liabilities	185.7	189.8
GFS net worth	-47.2	-50.4
Net debt(a)	32.4	29.7
Per cent of GDP	4.3	3.9
Net interest payments(b)	3.6	3.6
Per cent of GDP	0.5	0.5

(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) Australian Government cash interest payments less cash interest receipts.

REPORTING STANDARDS

The *Charter of Budget Honesty Act 1998* requires that the Final Budget Outcome be based on external reporting standards, and that departures from applicable external reporting standards be identified.

The major external standards used for Final Budget Outcome reporting purposes are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS), including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31).

Departures from external reporting standards

Final Budget Outcome tables, with the exception of tables in Part 2, do not include goods and services tax (GST) collections and equivalent payments to the States. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST receipts are appropriated to the States and Territories and thus are not available for expenditure by the Australian Government. Because the Australian Taxation Office collects GST as an agent for the States and Territories, GST receipts are not shown as Australian Government revenue. Estimates of GST receipts are provided in Note 15 of Part 3.

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 Australian Government assets in the balance sheet (and would, therefore, be inconsistent with the market valuation principle).

The AAS31 financial statements currently record International Monetary Fund (IMF) Special Drawing Rights (SDRs) as a liability. The GFS statements also record SDRs as a liability. However, IMF SDRs are not treated as a liability in the IMF accrual GFS manual released in December 2001. The current accounting treatment will remain in place pending a review of all financial relationships with international organisations prior to the 2004-05 Budget.

Similarly, the GFS financial statements currently adopt the AAS31 financial statements' treatment for circulating coins, whereby revenue is recognised upon the issue of coins and no liability is recorded. However, in the IMF accrual GFS manual released in December 2001, coins on issue are treated as a liability and no revenue is recognised. The current accounting treatment will remain in place pending further discussions with the ABS prior to the 2004-05 Budget.

Part 1: Australian Government Budget Outcome

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

Public access communication assets, computer software and other intangibles are recorded at historic cost, as market value information, or suitable proxies for market value, are not readily observable for these items.

In order to ensure the reporting of reliable AAS and GFS 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 or the Australian Customs Service. Accordingly, for most categories of taxation revenue, there is a short lag between the time at which the underlying economic activity giving rise to the tax liability occurs and when the revenue is recognised. Longer lags of up to a year occur for some elements of company and superannuation funds taxation.

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

BUDGET FINANCIAL STATEMENTS

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

Table B1: Australian Government general government sector operating statement

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Revenue		
Taxation revenue	159,817	163,055
Current grants and subsidies	0	0
Sales of goods and services	4,002	3,805
Interest income	1,208	1,185
Dividend income	3,960	3,958
Other	2,813	3,009
Total revenue	171,800	175,014
Expenses		
Gross operating expenses		
Depreciation	1,780	1,795
Superannuation	2,095	2,090
Salaries and wages	10,625	10,324
Payment for supply of goods and services	36,661	36,577
Other operating expenses	2,145	2,633
<i>Total gross operating expenses</i>	<i>53,305</i>	<i>53,420</i>
Nominal superannuation interest expense	5,350	5,409
Other interest expenses	4,843	4,884
Other property expenses	0	0
Current transfers		
Grant expenses	33,506	32,493
Subsidy expenses	5,147	5,217
Personal benefit payments in cash	65,252	64,670
Other current transfers	0	0
<i>Total current transfers</i>	<i>103,905</i>	<i>102,379</i>
Capital transfers	3,131	3,154
Total expenses	170,534	169,247
Net operating balance	1,266	5,767
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,682	3,197
<i>less</i> Sales of non-financial assets	1,304	1,331
<i>less</i> Depreciation	1,780	1,795
<i>plus</i> Change in inventories	104	-443
<i>plus</i> Other movements in non-financial assets	63	153
Total net acquisition of non-financial assets	-235	-219
Net lending/fiscal balance(a)	1,501	5,986

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

Table B2: Australian Government general government sector balance sheet

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Assets		
Financial assets		
Cash and deposits	2,507	2,339
Advances paid	19,050	18,956
Investments, loans and placements	18,220	21,805
Other non-equity assets	13,136	15,701
Equity(a)	49,498	44,381
<i>Total financial assets</i>	<i>102,411</i>	<i>103,182</i>
Non-financial assets		
Land	4,416	4,799
Buildings (excluding heritage)	12,285	13,476
Plant, equipment and infrastructure(b)	12,471	7,555
Inventories	3,903	4,044
Heritage and cultural assets(b)	-	4,765
Other non-financial assets	3,006	1,579
<i>Total non-financial assets</i>	<i>36,082</i>	<i>36,218</i>
Total assets	138,493	139,399
Liabilities		
Deposits held	300	325
Advances received	0	0
Government securities	61,939	62,894
Loans	9,737	9,304
Other borrowing	221	241
Superannuation liability	89,040	89,386
Other employee entitlements and provisions	7,449	7,867
Other non-equity liabilities	17,056	19,823
Total liabilities	185,742	189,842
Net worth(a)(c)	-47,249	-50,442
Net debt(d)	32,420	29,665

(a) The 2002-03 Equity and Net worth outcomes include the Telstra shareholding valued at the closing share price on 30 June 2003.

(b) A separate class of assets, Heritage and cultural assets, was established for 2002-03 in the Finance Minister's Orders for the Preparation of Financial Statements. Heritage and cultural assets were previously included in Plant, equipment and infrastructure.

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

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

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Cash receipts from operating activities		
Taxes received	158,502	160,661
Receipts from sales of goods and services	4,240	3,920
Grants and subsidies received	0	0
Interest receipts	964	982
Dividends	3,960	3,961
GST input credits received by general government	2,277	2,406
Other receipts	2,652	2,903
Total receipts	172,595	174,833
Cash payments for operating activities		
Payments for goods and services	-39,484	-39,850
Grants and subsidies paid	-40,977	-40,358
Interest paid	-4,584	-4,623
Personal benefit payments	-65,248	-65,050
Salaries, wages and other entitlements	-14,739	-14,575
GST payments by general government to taxation authority	-145	-68
Other payments for operating activities	-2,084	-775
Total payments	-167,261	-165,298
Net cash flows from operating activities	5,334	9,535
Cash flows from investments in non-financial assets		
Sales of non-financial assets	1,312	1,314
Purchases of new and secondhand non-financial assets	-2,731	-3,362
Net cash flows from investments in non-financial assets	-1,420	-2,048
Net cash flows from investments in financial assets for policy purposes	-288	-229
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	2,037	-1,743
Net cash flows from investments in financial assets for liquidity purposes	2,037	-1,743
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-5,945	-6,012
Deposits received (net)	0	25
Other financing (net)	559	580
Net cash flows from financing activities	-5,386	-5,406
Net increase/decrease in cash held	277	108
Net cash from operating activities and investments in non-financial assets	3,914	7,487
Finance leases and similar arrangements ^(b)	4	-1
Equals underlying cash balance	3,918	7,486
<i>plus</i> net cash flows from investments in financial assets for policy purposes	-288	-229
Equals headline cash balance	3,630	7,257

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

(b) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

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

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Opening net worth	-46,985	-46,985
Opening net worth adjustments(a)	-2,454	-567
Adjusted opening net worth	-49,440	-47,553
Change in net worth from operating transactions	1,266	5,767
Change in net worth from other economic flows		
Revaluation of equity(b)	5,373	-1,543
Net writedowns of assets (including bad and doubtful debts)	-2,104	-3,049
Assets recognised for the first time	821	1,173
Defence weapon platform adjustment(c)	393	-140
Liabilities recognised for the first time(d)	0	-1,900
Actuarial revaluations	-4,967	-5,654
Net foreign exchange gains	753	786
Net swap interest received	554	556
Market valuation of debt	101	-682
Other economic revaluations(e)	2	1,798
Total other economic flows	924	-8,656
Closing net worth	-47,249	-50,442

(a) Opening net worth adjustments for the 2002-03 outcome reflect the adoption of the market valuation of debt and the removal of dividends payable from the measurement of the general government sector's equity holding in the public financial corporations sector. Following advice from the ABS, these changes have been back-dated to 1999-00.

(b) Revaluations of equity for the 2002-03 outcome reflect changes in the market valuation of commercial entities, including a change in the value of the Telstra shareholding due to a change in the closing share price between 30 June 2002 and 30 June 2003. This line also reflects any equity revaluations at the point of disposal or sale.

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

(d) Includes the initial recording of a liability for net unfunded university superannuation in accordance with a new Australian Accounting Standard. However, the Australian Government has no legal obligation to meet this liability. The Australian Government and States and Territories will assess future costs and possible simplified arrangements. Negotiations on these simplified arrangements with the States and Territories are continuing. The recording of this as a liability is also being adopted for GFS.

(e) Largely reflects revaluations of Land and Buildings.

PART 2: GOVERNMENT FINANCE STATISTICS STATEMENTS

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

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

The Australian Government, States and Territories have an agreed framework – the Accrual Uniform Presentation Framework – for the presentation of government financial information on a basis consistent with the ABS GFS publication. This Part presents Australian Government data on an ABS GFS basis, as required by the Uniform Presentation Framework, except for the departures (other than in relation to the treatment of goods and services tax (GST)) detailed in Attachment A to Part 1.

The only difference between the Australian Government general government sector statements in Part 1 and this Part is the treatment of the GST. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, GST is collected by the Australian Taxation Office, as an agent for the States and Territories, and appropriated to the States and Territories. Consequently, it is not shown as Australian Government revenue in other Parts in this document. However, the tables in this Part show GST as taxation revenue and payments to the States as grant expenses.

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

Transactions between the Australian Government public financial corporations sector and the general government and public non-financial corporations sectors are included

¹ Table A2 in Appendix A shows the difference in the net operating and fiscal balance estimates resulting from the two treatments. The change in expenses when moving between the two GFS presentations of the estimates is less than the change in revenue.

Part 2: Government Finance Statistics Statements

in the relevant tables. These transactions include income transfers (such as dividends paid to general government), net advances paid by general government to public corporations and taxes paid by public corporations.

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

Table 7: Australian Government general government sector operating statement

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
GFS revenue		
Taxation revenue	191,047	194,313
Current grants and subsidies	0	0
Sales of goods and services	4,002	3,805
Interest income	1,208	1,185
Dividend income	3,960	3,958
Other	2,813	3,009
Total GFS revenue	203,030	206,271
GFS expenses		
Gross operating expenses		
Depreciation	1,780	1,795
Superannuation	2,095	2,090
Salaries and wages	10,625	10,324
Payment for supply of goods and services	36,661	36,577
Other operating expenses	2,145	2,633
<i>Total gross operating expenses</i>	<i>53,305</i>	<i>53,420</i>
Nominal superannuation interest expense	5,350	5,409
Other interest expenses	4,843	4,890
Other property expenses	0	0
Current transfers		
Grant expenses	64,176	63,192
Subsidy expenses	5,147	5,217
Personal benefit payments in cash	65,252	64,670
Other current transfers	0	0
<i>Total current transfers</i>	<i>134,575</i>	<i>133,078</i>
Capital transfers	3,161	3,180
Total GFS expenses	201,234	199,978
Net operating balance(a)	1,796	6,293
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,682	3,197
<i>less</i> Sales of non-financial assets	<i>1,304</i>	<i>1,331</i>
<i>less</i> Depreciation	<i>1,780</i>	<i>1,795</i>
<i>plus</i> Change in inventories	<i>104</i>	<i>-443</i>
<i>plus</i> Other movements in non-financial assets	<i>63</i>	<i>153</i>
Total net acquisition of non-financial assets	-235	-219
Net lending/fiscal balance(a)(b)	2,031	6,512

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

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

Table 8: Australian Government general government sector balance sheet

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	2,507	2,339
Advances paid	19,050	18,956
Investments, loans and placements	18,220	21,805
Other non-equity assets	14,398	17,033
Equity(a)	49,498	44,381
<i>Total financial assets</i>	<i>103,674</i>	<i>104,514</i>
Non-financial assets		
Land	4,416	4,799
Buildings (excluding heritage)	12,285	13,476
Plant, equipment and infrastructure(b)	12,471	7,555
Inventories	3,903	4,044
Heritage and cultural assets(b)	-	4,765
Other non-financial assets	3,006	1,579
<i>Total non-financial assets</i>	<i>36,082</i>	<i>36,218</i>
Total GFS assets	139,755	140,731
GFS liabilities		
Deposits held	300	325
Advances received	0	0
Government securities	61,939	62,894
Loans	9,737	9,304
Other borrowing	221	241
Superannuation liability	89,040	89,386
Other employee entitlements and provisions	7,449	7,867
Other non-equity liabilities	17,388	20,237
Total GFS liabilities	186,074	190,255
Net worth(a)(c)(d)	-46,319	-49,524
Net financial worth(e)	-82,400	-85,741
Net debt(f)	32,420	29,665

(a) The 2002-03 Equity and Net worth outcomes include the Telstra shareholding valued at the closing share price on 30 June 2003.

(b) A separate class of assets, Heritage and cultural assets, was established for 2002-03 in the Finance Minister's Orders for the Preparation of Financial Statements. Heritage and cultural assets were previously included in Plant, equipment and infrastructure.

(c) The net worth outcome in this table differs from those presented elsewhere in the Final Budget Outcome reflecting the treatment of the GST as an Australian Government tax.

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

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

(f) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Cash receipts from operating activities		
Taxes received(b)	189,205	191,374
Receipts from sales of goods and services(c)	4,094	3,674
Grants/subsidies received	0	0
Interest receipts	964	982
Dividends	3,960	3,961
GST input credits received by general government(c)	0	0
Other receipts	2,652	2,903
Total receipts	200,874	202,894
Cash payments for operating activities		
Payments for goods and services(c)	-37,238	-37,280
Grants and subsidies paid(d)	-71,647	-71,056
Interest paid	-4,584	-4,623
Personal benefit payments	-65,248	-65,050
Salaries, wages and other entitlements	-14,739	-14,575
GST payments to taxation authority(c)	0	0
Other payments for operating activities	-2,084	-775
Total payments	-195,540	-193,359
Net cash flows from operating activities	5,334	9,535
Cash flows from investments in non-financial assets		
Sales of non-financial assets	1,312	1,314
Purchases of new and secondhand non-financial assets	-2,731	-3,362
Net cash flows from investments in non-financial assets	-1,420	-2,048
Net cash flows from investments in financial assets for policy purposes	-288	-229
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	2,037	-1,743
Net cash flows from investments in financial assets for liquidity purposes	2,037	-1,743
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-5,945	-6,012
Deposits received (net)	0	25
Other financing (net)	559	580
Net cash flows from financing activities	-5,386	-5,406
Net increase/decrease in cash held	277	108
Net cash from operating activities and investments in non-financial assets	3,914	7,487
Finance leases and similar arrangements(e)	4	-1
Equals surplus(+)/deficit(-)	3,918	7,486

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

(b) Includes GST cash receipts on an Australian Government tax basis, which is \$14 million more than GST cash receipts measured on a State tax basis (as shown in Part 3, Note 15).

(c) GST flows are excluded from these categories.

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

(e) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

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

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Opening net worth	-46,480	-46,480
Opening net worth adjustments(a)	-2,454	-567
Adjusted opening net worth	-48,935	-47,048
Change in net worth from operating transactions	1,796	6,293
Change in net worth from other economic flows		
Revaluation of equity(b)	5,373	-1,543
Net writedowns of assets (including bad and doubtful debts)	-2,104	-3,049
Assets recognised for the first time	821	1,173
Defence weapon platform adjustment(c)	393	-140
Liabilities recognised for the first time(d)	0	-1,900
Actuarial revaluations	-4,967	-5,654
Net foreign exchange gains	753	786
Net swap interest received	554	556
Market valuation of debt	101	-682
Other economic revaluations(e)	-103	1,686
Total other economic flows	819	-8,769
Closing net worth	-46,319	-49,524

(a) Opening net worth adjustments for the 2002-03 outcome reflect the adoption of the market valuation of debt and the removal of dividends payable from the measurement of the general government sector's equity holding in the public financial corporations sector. Following advice from the ABS, these changes have been back-dated to 1999-2000.

(b) Revaluations of equity for the 2002-03 outcome reflect changes in the market valuation of commercial entities, including a change in the value of the Telstra shareholding due to a change in the closing share price between 30 June 2002 and 30 June 2003. This line also reflects any equity revaluations at the point of disposal or sale.

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

(d) Includes the initial recording of a liability for net unfunded university superannuation in accordance with a new Australian Accounting Standard. However, the Australian Government has no legal obligation to meet this liability. The Australian Government and States and Territories will assess future costs and possible simplified arrangements. Negotiations on these simplified arrangements with the States and Territories are continuing. The recording of this as a liability is also being adopted for GFS.

(e) Largely reflects revaluations of Land and Buildings.

Table 11: Supplementary table — Australian Government general government sector revenue (accrual basis)

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Taxation revenue		
Income tax		
Individuals and other withholding(a)		
Gross income tax withholding(b)	84,590	84,640
Gross other individuals	17,300	18,314
less Refunds	11,540	11,651
Total individuals and other withholding	90,350	91,303
Companies	31,260	33,365
Superannuation funds		
Contributions and earnings	3,580	3,617
Superannuation surcharge	980	1,279
Total superannuation funds	4,560	4,896
Petroleum resource rent tax	1,720	1,715
Total income tax	127,890	131,278
Indirect tax		
Excise duty		
Petroleum and other fuel products and crude oil	13,250	13,337
Other excise	7,330	7,450
Total excise duty	20,580	20,787
Customs duty	5,630	5,573
Other indirect taxes(c)	900	896
Total indirect tax	27,110	27,255
GST	31,230	31,257
Fringe benefits tax(d)	3,220	2,832
Agricultural levies	547	586
Other taxes	1,050	1,104
Total tax revenue	191,047	194,313
Non-tax revenue	11,983	11,958
Total revenue	203,030	206,271

(a) Includes Medicare levy revenue of \$5,000 million in 2002-03.

(b) Previously reported as Pay As You Go (Withholding) and other withholding. Other withholding, previously reported under company and other income tax, includes amounts withheld for failure to quote a Tax File Number or an Australian Business Number; interest, dividends and royalty payments to non-residents; and payments to aboriginal groups for the use of land for mineral exploration and mining.

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

(d) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$323 million in 2002-03).

Table 12: Supplementary table — Australian Government general government sector indirect tax (accrual basis)

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Excise duty		
Petroleum and other fuel products		
Petrol(a)	7,230	7,296
Diesel	5,420	5,493
Other(b)	150	130
Total petroleum and other fuel products	12,800	12,920
Crude oil	450	417
Other excise		
Beer	1,640	1,680
Potable spirits	550	558
Tobacco products	5,140	5,212
Total other excise	7,330	7,450
Total excise duty	20,580	20,787
Customs duty(c)	5,630	5,573
Other indirect taxes		
Wine equalisation tax(d)	670	673
Luxury car tax	250	261
Wholesale sales tax(e)	-20	-39
Total other indirect taxes	900	896
Total	27,110	27,255

(a) Includes unleaded petrol and lead replacement petrol.

(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, final liabilities, net of refunds, continue to be recognised.

Table 13: Australian Government public non-financial corporations sector operating statement

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
GFS revenue		
Current grants and subsidies	384	352
Sales of goods and services	24,098	23,641
Interest income	85	127
Other	67	53
Total GFS revenue	24,633	24,172
GFS expenses		
Gross operating expenses		
Depreciation	3,336	3,057
Salaries, wages and other entitlements	4,996	4,658
Other operating expenses	11,144	8,772
<i>Total gross operating expenses</i>	<i>19,476</i>	<i>16,487</i>
Interest expenses	962	884
Other property expenses	1,669	3,682
Current transfers		
Tax expenses	1,633	1,698
Other current transfers	0	0
<i>Total current transfers</i>	<i>1,633</i>	<i>1,698</i>
Capital transfers	0	0
Total GFS expenses	23,741	22,750
Net operating balance	893	1,422
Net acquisition of non-financial assets		
Purchases of non-financial assets	3,998	3,356
<i>less</i> Sales of non-financial assets	809	862
<i>less</i> Depreciation	3,336	3,057
<i>plus</i> Change in inventories	12	38
<i>plus</i> Other movements in non-financial assets	-5	-28
Total net acquisition of non-financial assets	-141	-553
Net lending/fiscal balance(a)	1,034	1,975

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

Table 14: Australian Government public non-financial corporations sector balance sheet

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	987	1,205
Advances paid	0	0
Investments, loans and placements	763	1,743
Other non-equity assets	5,071	4,796
Equity	132	170
<i>Total financial assets</i>	<i>6,954</i>	<i>7,914</i>
Non-financial assets		
Land and fixed assets	21,251	22,850
Other non-financial assets	6,739	4,802
<i>Total non-financial assets</i>	<i>27,991</i>	<i>27,651</i>
Total GFS assets	34,944	35,565
GFS liabilities		
Deposits held	0	0
Advances received	0	0
Borrowing	11,071	12,583
Provisions (other than depreciation and doubtful bad debts)	8,439	8,024
Other non-equity liabilities	1,435	1,485
Total GFS liabilities	20,946	22,092
Shares and other contributed capital	69,165	58,206
Net worth(a)	-55,166	-44,733
Net financial worth(b)	-83,157	-72,385
Net debt(c)	9,321	9,635

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

Table 15: Australian Government public non-financial corporations sector cash flow statement^(a)

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	26,266	25,879
Grants and subsidies received	384	352
GST input credit receipts	13	141
Other receipts	184	151
Total receipts	26,848	26,524
Cash payments for operating activities		
Payment for goods and services	-9,174	-9,463
Interest paid	-946	-882
Salaries, wages and other entitlements	-5,465	-5,439
GST payments to taxation authority	-1,539	-1,446
Other payments for operating activities	-4,201	-1,836
Total payments	-21,325	-19,067
Net cash flows from operating activities	5,523	7,456
Cash flows from investments in non-financial assets		
Sales of non-financial assets	809	862
Purchases of new and secondhand non-financial assets	-3,998	-3,356
Net cash flows from investments in non-financial assets	-3,189	-2,494
Cash flows from investments in financial assets for policy purposes		
Net advances paid	0	-33
Net equity acquisitions, disposals and privatisations	0	3
Net cash flows from investments in financial assets for policy purposes	0	-30
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	6	-53
Net cash flows from investments in financial assets for liquidity purposes	6	-53
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1,737	-1,173
Deposits received (net)	0	0
Distributions paid (net)	-1,669	-3,682
Other financing (net)	723	260
Net cash flows from financing activities	-2,683	-4,595
Net increase/decrease in cash held	-343	284
Net cash from operations and investments in non-financial assets	2,334	4,962
Finance leases and similar arrangements(b)	0	0
Distributions paid	-1,669	-3,682
Equals surplus(+)/deficit(-)	665	1,280

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

(b) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

Table 16: Australian Government total non-financial public sector operating statement

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
GFS revenue		
Taxation revenue	189,415	192,529
Current grants and subsidies	0	0
Sales of goods and services	27,616	26,872
Interest income	1,293	1,260
Dividend income	1,939	1,953
Other	2,880	3,036
Total GFS revenue	223,142	225,649
GFS expenses		
Gross operating expenses		
Depreciation	5,117	4,852
Superannuation	2,111	2,147
Salaries and wages	15,621	14,952
Payment for supply of goods and services	44,818	44,058
Other operating expenses	2,610	3,253
<i>Total gross operating expenses</i>	<i>70,276</i>	<i>69,263</i>
Nominal superannuation interest expense	5,350	5,409
Other interest expenses	5,805	5,722
Other property expenses	1,669	1,675
Current transfers		
Grant expenses	64,176	63,192
Subsidy expenses	4,763	4,865
Personal benefit payments in cash	65,252	64,670
Other current transfers	0	0
<i>Total current transfers</i>	<i>134,191</i>	<i>132,726</i>
Capital transfers	3,161	3,180
Total GFS expenses	220,453	217,975
Net operating balance(a)	2,689	7,674
Net acquisition of non-financial assets		
Purchases of non-financial assets	6,680	6,553
<i>less</i> Sales of non-financial assets	<i>2,113</i>	<i>2,193</i>
<i>less</i> Depreciation	<i>5,117</i>	<i>4,852</i>
<i>plus</i> Change in inventories	<i>116</i>	<i>-405</i>
<i>plus</i> Other movements in non-financial assets	<i>58</i>	<i>125</i>
Total net acquisition of increase in net non-financial assets	-376	-772
Net lending/fiscal balance(a)(b)(c)	3,065	8,445

(a) The fiscal balance and net operating balance outcomes differ from those presented elsewhere in the Final Budget Outcome reflecting the treatment of the GST as an Australian Government tax.

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

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

Table 17: Australian Government total non-financial public sector balance sheet

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	3,495	3,544
Advances paid	19,050	18,956
Investments, loans and placements	18,983	23,548
Other non-equity assets	19,427	21,768
Equity	14,173	14,594
<i>Total financial assets</i>	<i>75,127</i>	<i>82,411</i>
Non-financial assets		
Land and fixed assets	54,326	57,829
Other non-financial assets	9,746	5,726
<i>Total non-financial assets</i>	<i>64,072</i>	<i>63,555</i>
Total GFS assets	139,199	145,965
GFS liabilities		
Deposits held	300	325
Advances received	0	0
Government securities	61,939	62,894
Loans	9,737	21,867
Other borrowing	11,293	261
Superannuation liability	89,040	89,386
Other employee entitlements and provisions	15,889	15,891
Other non-equity liabilities	18,780	18,926
Total GFS liabilities	206,977	209,551
Shares and other contributed capital	33,707	28,250
Net worth(a)(b)	-101,485	-91,836
Net financial worth(b)(c)	-165,557	-155,390
Net debt(d)	41,740	39,300

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

Table 18: Australian Government total non-financial public sector cash flow statement^(a)

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Cash receipts from operating activities		
Taxes received	187,572	189,590
Receipts from sales of goods and services(b)	27,635	27,073
Grants and subsidies received	0	0
Interest receipts	964	1,066
Dividends	1,939	1,955
GST input credit receipts(b)	0	0
Other receipts	2,836	2,892
Total receipts	220,946	222,576
Cash payments for operating activities		
Payments for goods and services(b)	-45,213	-45,554
Grants and subsidies paid	-71,263	-70,704
Interest paid	-5,530	-5,454
Personal benefit payments	-65,248	-65,050
Salaries, wages and other entitlements	-20,204	-19,959
GST payments to taxation authority(b)	0	0
Other payments for operating activities	-2,632	-871
Total payments	-210,090	-207,593
Net cash flows from operating activities	10,856	14,984
Cash flows from investments in non-financial assets		
Sales of non-financial assets	2,121	2,176
Purchases of new and secondhand non-financial assets	-6,729	-6,718
Net cash flows from investments in non-financial assets	-4,609	-4,542
Net cash flows from investments in financial assets		
for policy purposes	-288	-259
Cash flows from investments in financial assets		
for liquidity purposes		
Increase in investments	2,044	-1,796
Net cash flows from investments in financial assets		
for liquidity purposes	2,044	-1,796
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-7,683	-7,184
Deposits received (net)	0	25
Distributions paid (net)(c)	-1,669	-1,675
Other financing (net)	1,282	840
Net cash flows from financing activities	-8,070	-7,994
Net increase/decrease in cash held	-66	393
Net cash from operating activities and investments		
in non-financial assets	6,248	10,442
Finance leases and similar arrangements(d)	4	-1
Distributions paid	-1,669	-1,675
Equals surplus(+)/deficit(-)	4,583	8,766

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

(b) GST flows are excluded from these categories.

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

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

Table 19: Australian Government public financial corporations sector operating statement

	2002-03 Outcome \$m
GFS revenue	
Current grants and subsidies	126
Sales of goods and services	2,317
Interest income	2,520
Other	4
Total GFS revenue	4,967
GFS expenses	
Gross operating expenses	
Depreciation	21
Other operating expenses	2,544
<i>Total gross operating expenses</i>	<i>2,564</i>
Interest expenses	1,060
Other property expenses	1,899
Current transfers	
Tax expenses	0
Other current transfers	0
<i>Total current transfers</i>	<i>0</i>
Capital transfers	0
Total GFS expenses	5,523
Net operating balance	-556
Net acquisition of non-financial assets	
Purchases of non-financial assets	33
<i>less</i> Sales of non-financial assets	<i>6</i>
<i>less</i> Depreciation	<i>21</i>
<i>plus</i> Change in inventories	<i>5</i>
<i>plus</i> Other movements in non-financial assets	<i>0</i>
Total net acquisition of non-financial assets	12
Net lending/fiscal balance(a)	-568

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

Table 20: Australian Government public financial corporations sector balance sheet

	2002-03 Outcome \$m
GFS assets	
Financial assets	
Cash and deposits	1,724
Advances paid	0
Investments, loans and placements	69,812
Other non-equity assets	443
Equity	433
<i>Total financial assets</i>	<i>72,412</i>
Non-financial assets	
Land and fixed assets	322
Other non-financial assets	34
<i>Total non-financial assets</i>	<i>356</i>
Total GFS assets	72,768
GFS liabilities	
Deposits held	46,908
Advances received	0
Borrowing	12,392
Provisions (other than depreciation and bad and doubtful debts)	1,109
Other non-equity liabilities	81
Total GFS liabilities	60,491
Shares and other contributed capital	12,277
Net worth(a)	0
Net financial worth(b)	-356
Net debt(c)	-12,235

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

(b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

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

Table 21: Australian Government public financial corporations sector cash flow statement^(a)

	2002-03 Outcome \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	2,338
Grants and subsidies received	125
GST input credit receipts	0
Other receipts	2,329
Total receipts	4,792
Cash payments for operating activities	
Payment for goods and services	-2,234
Interest paid	-932
Salaries, wages and other entitlements	-238
GST payments to taxation authority	0
Other payments for operating activities	-32
Total payments	-3,437
Net cash flows from operating activities	1,354
Cash flows from investments in non-financial assets	
Sales of non-financial assets	6
Purchases of new and secondhand non-financial assets	-33
Net cash flows from investments in non-financial assets	-28
Cash flows from investments in financial assets for policy purposes	
Net advances paid	-206
Net equity acquisitions, disposals and privatisations	0
Net cash flows from investments in financial assets for policy purposes	-206
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-117
Net cash flows from investments in financial assets for liquidity purposes	-117
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-333
Deposits received (net)	-1
Distributions paid (net)	-1,899
Other financing (net)	1,055
Net cash flows from financing activities	-1,177
Net increase/decrease in cash held	-174
Net cash from operations and investments in non-financial assets	1,327
Finance leases and similar arrangements(b)	0
Distributions paid	-1,899
Equals surplus(+)/deficit(-)	-572

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

(b) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

Table 22: Australian Government general government sector purchases of non-financial assets by function

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
General public services	691	588
Defence	581	1,368
Public order and safety	195	230
Education	15	10
Health	85	78
Social security and welfare	199	182
Housing and community amenities	346	373
Recreation and culture	222	57
Fuel and energy	2	1
Agriculture, forestry and fishing	15	36
Mining and mineral resources (other than fuels); manufacturing and construction	25	28
Transport and communications	124	49
Other economic affairs	179	196
Other purposes	3	2
General government purchases of non-financial assets	2,682	3,197

LOAN COUNCIL ALLOCATION

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

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

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

As set out in Table 23, the Australian Government's 2002-03 Loan Council Allocation outcome is a \$6,828 million surplus. This compares with the Australian Government's 2002-03 Budget estimate of a \$6,034 million surplus.

Table 23: Australian Government Loan Council Allocation

	2002-03 Budget Estimate \$m	2002-03 Outcome \$m
General government sector cash deficit(+)/surplus(-)	-2,094	-7,486
PNFC sector cash deficit(+)/surplus(-)	-1,968	-1,280
Non-financial public sector cash deficit(+)/surplus(-)	-4,063	-8,766
<i>minus</i> Net cash flows from investments		
in financial assets for policy purposes(a)	2,465	-259
<i>plus</i> Memorandum items(b)	494	1,679
Loan Council Allocation	-6,034	-6,828

(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 Australian Government, 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 Loan Council Allocation.

PART 3: AAS 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.

A reconciliation between the Australian Government's general government AAS31 and Government Finance Statistics (GFS) revenue, expenses and operating result is provided in Appendix A.

Table 24: Statement of financial performance for the Australian Government general government sector — AAS31

	Note	2002-03 Estimate at 2003-04 Budget \$m	Month of June 2003 \$m	2002-03 Outcome \$m
Revenues				
Taxation				
Income tax	3	128,723	10,053	132,111
Indirect tax	4	27,110	2,451	27,255
Fringe benefits tax(a)		3,220	-504	2,832
Other taxes		1,502	170	1,595
Total taxation revenue		160,556	12,170	163,793
Non-taxation				
Sales of goods and services		3,894	400	3,901
Interest and dividends	5	7,053	290	7,043
Net foreign exchange gains		753	61	786
Proceeds from the sale of assets		1,278	908	2,994
Other sources of non-tax revenue	6	4,640	1,814	5,143
Total non-tax revenue		17,619	3,473	19,866
Total revenue		178,175	15,643	183,659
Expenses				
Goods and services				
Employees	7	24,863	2,001	25,362
Suppliers	8	13,722	1,352	13,878
Depreciation and amortisation	9	3,836	424	3,986
Net write down of assets		2,480	2,080	3,498
Net foreign exchange losses		0	0	0
Value of assets sold		1,224	871	2,868
Other goods and services expenses		6,208	624	6,113
Total goods and services		52,333	7,352	55,705
Subsidies benefits and grants				
Personal benefits		76,666	6,441	76,259
Subsidies		8,689	797	8,811
Grants	10	35,358	2,149	34,834
Total subsidies benefits and grants		120,713	9,387	119,904
Borrowing costs				
Interest		6,572	462	6,617
Other borrowing costs		24	29	42
Total interest and other borrowing costs		6,597	491	6,658
Total expenses		179,643	17,230	182,268
Net result		-1,468	-1,587	1,391
Extraordinary items		0	0	0
Operating result after extraordinary items		-1,468	-1,587	1,391

(a) The fringe benefits tax result for June is largely due to a reclassification of revenue provisions between fringe benefits tax and other individuals (which has been revised up).

Table 25: Statement of financial position for the Australian Government general government sector — AAS31

		2002-03 Estimate at 2003-04 Budget	2002-03 Outcome
	Note	\$m	\$m
Assets			
Financial assets			
Cash		2,507	2,339
Receivables		27,301	28,159
Investments		34,977	37,517
Equity accounted investments		0	451
Accrued revenue		565	517
Other financial assets		25	23
Total financial assets		65,374	69,006
Non-financial assets			
Land and buildings (excluding heritage assets)	11	16,700	18,275
Heritage and cultural assets(a)		-	4,765
Infrastructure		43,972	38,938
Intangibles		1,327	1,357
Inventories		3,903	4,044
Other non-financial assets		1,680	1,936
Total non-financial assets		67,582	69,315
Total assets		132,957	138,321
Liabilities			
Debt			
Government securities		57,963	57,953
Loans		5,169	5,130
Leases		197	213
Deposits		300	325
Overdrafts		0	0
Other debt		2,355	1,709
Total debt		65,984	65,331
Provisions and payables			
Employees	12	96,489	97,253
Suppliers		2,017	2,317
Personal benefits payable		2,954	2,892
Subsidies payable		406	414
Grants payable	13	8,848	7,815
Other provisions and payables		6,010	9,445
Total provisions and payables		116,725	120,137
Total liabilities		182,709	185,468
Net assets	14	-49,752	-47,147
Equity			
Accumulated results		-81,225	-80,527
Reserves		31,474	33,380
Capital		0	0
Total equity		-49,752	-47,147

(a) A separate class of assets, Heritage and cultural assets, was established for 2002-03 in the Finance Minister's Orders for the Preparation of Financial Statements. Heritage and cultural assets were previously included in Infrastructure.

Table 26: Statement of cash flows for the Australian Government general government sector — AAS31

	Note	2002-03 Estimate at 2003-04 Budget \$m	Month of June 2003 \$m	2002-03 Outcome \$m
Operating activities				
Cash received				
Taxes	15	158,408	14,693	160,565
Sales of goods and services		4,132	439	4,015
Interest		3,241	335	3,267
Dividends		3,960	113	3,961
GST input credit receipts		2,277	370	2,406
Other		2,875	147	2,923
Total operating cash received		174,893	16,097	177,138
Cash used				
Payments to employees		17,131	1,352	16,967
Payments to suppliers		16,227	1,344	15,875
Subsidies paid		8,119	759	8,236
Personal benefits		76,662	6,308	76,598
Grant payments		35,448	1,485	34,698
Interest and other financing costs		6,407	268	6,448
GST payments to taxation authority		145	-11	68
Other		6,147	541	5,952
Total operating cash used		166,287	12,046	164,841
Net cash from operating activities		8,605	4,052	12,296
Investing activities				
Cash received				
Proceeds from asset sales program		0	0	0
Proceeds from sales of property, plant and equipment and intangibles		1,312	554	1,314
Other net investing cash received		1,990	294	1,646
Total investing cash received		3,302	848	2,960
Cash used				
Purchase of property, plant and equipment and intangibles		5,897	1,527	6,010
Net loans, advances and HECS		64	625	5
Other net investing cash paid		0	521	3,437
Total investing cash used		5,961	2,673	9,452
Net cash from investing activities		-2,659	-1,825	-6,492
Financing activities				
Cash received				
Net cash received from currency issues		0	0	0
Other		276	-1,467	333
Total financing cash received		276	-1,467	333
Cash used				
Net repayments of borrowings		5,945	49	6,012
Other		0	17	17
Total financing cash used		5,945	66	6,029
Net cash from financing activities		-5,670	-1,533	-5,696
Net increase/decrease in cash held	2	277	693	108

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 requires governments to prepare accrual based general purpose financial reports. 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, a statement of financial performance, a statement of financial position and a statement of cash flows have been prepared using results for 2002-03.

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 Australian Government public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the presentation of financial outcomes covers the general government sector only.

AAS31 and other relevant accounting standards would suggest the gross amount of goods and services tax (GST) be included in the Australian Government's financial statements. However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, GST is collected by the Australian Taxation Office as an agent for the States and Territories, and appropriated to the States and Territories. Therefore, accrued GST revenues and associated payments to the States and Territories are not recorded in the financial statements.

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 Australian Government does not consider its taxation revenues can be reliably measured on this basis for outcome reporting purposes. Under AAS31, an inability to reliably measure tax revenues when the underlying transactions or events occur means, in some cases, they may need to be recognised at a later time. Taxation revenue in the Final Budget Outcome is, therefore, recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Tax Office or the Australian Customs Service.

Part 3: AAS Financial Statements

The Australian Government is continuing its processing of claims for asbestos related injuries for military and civilian personnel, including former waterside workers. The Australian Government is currently undertaking processes to measure the extent of its exposure for asbestos related claims, including the use of external actuarial experts. However, at the date of this report, a reliable actuarial measure is not available.

Note 2: Reconciliation of cash

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Operating result (revenues less expenses)	-1,468	1,391
less Revenues not providing cash		
Foreign exchange gains	753	786
Gains from asset sales programme	0	0
Gains from sale of assets	1,278	2,993
Other	1,594	2,117
Total revenues not providing cash	3,625	5,897
plus Expenses not requiring cash		
Increase/(decrease) in employee entitlements	7,732	8,459
Depreciation/amortisation expense	3,836	3,986
Provision for bad and doubtful debts	488	577
Provision for diminution in value of assets	577	503
Losses from asset sales programme	0	0
Losses from sale of assets	1,224	2,833
Foreign exchange losses	0	0
Other	0	342
Total expenses not requiring cash	13,857	16,701
plus Cash provided by working capital items		
Decrease in inventories	0	694
Decrease in receivables	440	0
Decrease in other financial assets	4	49
Decrease in other non-financial assets	0	0
Increase in benefits subsidies and grants payable	882	565
Increase in suppliers liabilities	0	276
Increase in other provisions and payables	0	0
Total cash provided by working capital items	1,326	1,584
less Cash used by working capital items		
Increase in inventories	4	0
Increase in receivables	0	163
Increase in other financial assets	0	0
Increase in other non-financial assets	542	728
Decrease in benefits subsidies and grants payable	0	3
Decrease in other provisions and payables	783	588
Decrease in suppliers liabilities	157	0
Total cash used by working capital items	1,485	1,483
equals <i>Net cash from/(to) operating activities</i>	8,605	12,296
<i>Net cash from/(to) investing activities</i>	-2,659	-6,492
Net cash from operating activities and investment	5,946	5,804
<i>Net cash from/(to) financing activities</i>	-5,670	-5,696
equals Net (decrease)/increase in cash	277	108

Note 2(a): Consolidated Revenue Fund

The cash balance reflected in the statement of financial position for the Australian Government general government sector (Table 25) includes the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997* and the reported cash balances controlled and administered by entities, subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

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

	2002-03 \$m
Total General Government Sector Cash	2,339
<i>less</i> CAC Agency cash balances	-955
<i>plus</i> Special public monies	77
Balance of Consolidated Revenue Fund at 30 June	1,461

Note 3: Income tax revenue — accrual AAS31

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Individuals and other withholding		
Gross income tax withholding	84,590	84,640
Gross other individuals	17,300	18,314
<i>less</i> Refunds	11,540	11,651
Total individuals and other withholding	90,350	91,303
Companies	32,093	34,198
Superannuation funds		
Contributions and earnings	3,580	3,617
Superannuation surcharge	980	1,279
Total superannuation funds	4,560	4,896
Petroleum resource rent tax	1,720	1,715
Total income tax revenue	128,723	132,111

Note 4: Indirect tax revenue — accrual AAS31

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Excise duty		
Petroleum and other fuel products and crude oil	13,250	13,337
Other excise	7,330	7,450
Total excise duty	20,580	20,787
Customs duty	5,630	5,573
Other indirect tax	900	896
GST	31,230	31,257
<i>less</i> transfers to States and Territories in relation to GST revenue	31,230	31,257
GST revenue	0	0
Mirror taxes	271	295
<i>less</i> transfers to States and Territories in relation to mirror tax revenue	271	295
Mirror tax revenue	0	0
Indirect tax revenue	27,110	27,255

Part 3: AAS Financial Statements

Note 5: Interest and dividend revenue

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Interest		
Interest from other governments		
State and Territory debt	50	47
Housing agreements	181	181
Total interest from other governments	232	228
Interest from other sources		
Swap interest	2,198	2,219
Advances	18	21
Deposits	15	12
Bills receivable	6	6
Bank deposits	152	517
Other	473	83
Total interest from other sources	2,861	2,857
Total interest	3,093	3,085
Dividends		
Dividends from associated entities	3,922	3,958
Other dividends	38	0
Total dividends	3,960	3,958
Total interest and dividends	7,053	7,043

Note 6: Other sources of non-taxation revenue

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Industry contributions	108	126
International Monetary Fund related revenue	55	52
Other	4,477	4,965
Total other sources of non-taxation revenue	4,640	5,143

Note 7: Employees expenses

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Salaries and wages(a)	10,625	10,324
Leave and other entitlements	1,327	1,143
Separations and redundancies	65	68
Workers compensation premiums	0	0
Other including superannuation	12,847	13,827
Total employee expenses	24,863	25,362

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Supply of goods and services	12,010	12,098
Operating lease rental expenses	1,487	1,643
Other	225	138
Total suppliers	13,722	13,878

Note 9: Depreciation and amortisation expenses

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Depreciation		
Specialist military equipment	2,056	2,191
Buildings	519	581
Other infrastructure, plant and equipment	952	868
Heritage and cultural assets	-	42
Total depreciation	3,527	3,682
Total amortisation	310	304
Total depreciation and amortisation	3,836	3,986

Note 10: Grants expenses

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
State and territory governments	23,233	23,016
Non-profit organisations	1,579	1,939
Overseas	737	710
Private sector	794	995
Local governments	290	279
Other	8,726	7,896
Total grants	35,358	34,834

Note 11: Total non-financial assets

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Land and buildings		
Land	4,416	4,799
Buildings	12,285	13,476
Total land and buildings	16,700	18,275
Infrastructure		
Specialist military equipment	31,501	31,383
Other	12,471	7,555
Total infrastructure	43,972	38,938
Intangibles		
Computer software	1,227	1,249
Other	99	107
Total intangibles	1,327	1,357
Heritage and cultural assets	-	4,765
Total heritage and cultural assets	-	4,765
Inventories	3,903	4,044
Total inventories	3,903	4,044
Other non-financial assets		
Prepayments	1,461	1,714
Other	219	222
Total other non-financial assets	1,680	1,936
Total non-financial assets	67,582	69,315

Note 12: Employee liabilities

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Superannuation	89,040	89,386
Leave and other entitlements	3,556	3,710
Accrued salaries and wages	332	403
Workers compensation claims	1,387	1,393
Separations and redundancies	19	39
Workers compensation premiums	1,425	1,596
Other	730	726
Total employee entitlements	96,489	97,253

Note 13: Grants payable

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
State and territory governments	3,375	3,279
Non-profit organisations	27	102
Private sector	36	110
Overseas	1,089	1,094
Local governments	2	2
Other	4,319	3,228
Total grants payable	8,848	7,815

Note 14: Net asset movements

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Opening net assets	-48,457	-48,457
Operating result after extraordinary items	-1,468	1,391
Asset revaluation reserve	24	1,631
Other movements	150	-1,711
Closing net assets	-49,752	-47,147

Part 3: AAS Financial Statements

Note 15: Tax receipts — cash AAS31

	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Total tax receipts	189,393	191,559
less payments to States and Territories in relation to GST revenue	30,670	30,699
less payments to States and Territories in relation to mirror tax revenue	315	295
Tax receipts	158,408	160,565

PART 4: 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 2002-03. The information supplements material provided in Budget Paper No. 3, *Federal Financial Relations 2003-04*.

Under The New Tax System, which came into effect on 1 July 2000, Commonwealth-State financial relations have been substantially reformed. All GST revenue collected is received by the States. This provides the States with access to a secure, growing and broad based revenue source. States can spend the GST revenue according to their own budget priorities.

The implementation of The New Tax System has also enabled the abolition of a range of narrow and inefficient State taxes. This includes Financial Institutions Duty and stamp duty on quoted marketable securities which were abolished from 1 July 2001.

The new system of Commonwealth-State financial relations has also provided for the introduction of the First Home Owners Scheme.

In addition, the Australian Government 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 this guarantee, the Australian Government pays the States Budget Balancing Assistance (BBA) to cover any shortfall of GST revenue below the Guaranteed Minimum Amount (GMA) which is 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 GST revenue pool is distributed to the States on the basis of recommendations of the Commonwealth Grants Commission (CGC), which applies the principles of Horizontal Fiscal Equalisation to help determine State revenue shares. Budget Paper No. 3, *Federal Financial Relations 2003-04* provides more details on Horizontal Fiscal Equalisation.

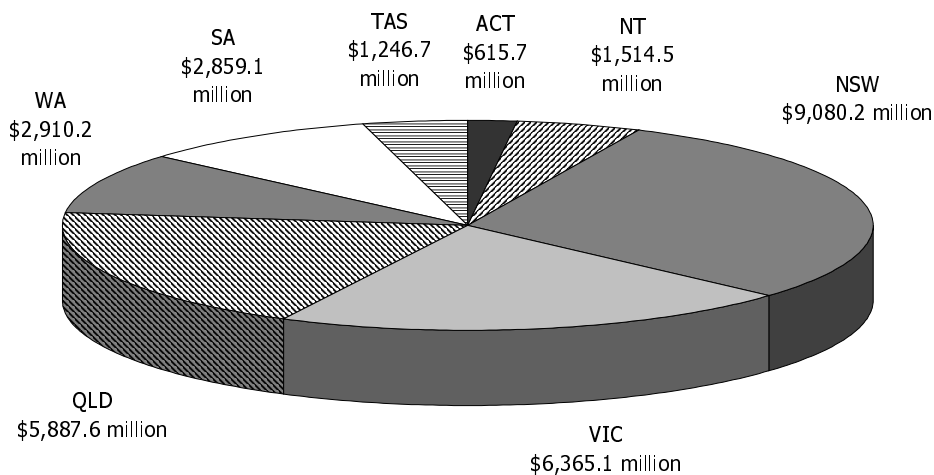
Under the Act, the Commissioner of Taxation is required to make a determination by 15 June each year of the estimated GST revenue collections for the year. In accordance with the Commissioner of Taxation's determination of GST revenue on 11 June 2003, a total of \$30,479.1 million in GST revenue was provided to the States in 2002-03. This reflects a GST revenue estimate for 2002-03 of \$30,690.0 million less a \$210.9 million adjustment for the difference between the Commissioner's 2001-02 determination and

Part 4: Federal Financial Relations

the 2001-02 GST revenue outcome. The Commissioner's estimate of GST for 2002-03 was broadly consistent with both the estimate at Budget, and the final GST revenue outcome as reported in Appendix A and in Note 15 in Part 3.

The final provision of GST revenue to the States in 2002-03 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 27. The distribution differs marginally from estimates shown in Budget Paper No. 3, *Federal Financial Relations 2003-04*, reflecting final determinations made under the Act.

The 2002-03 GST revenue was distributed, in accordance with the Act, using GST relativities recommended in the *CGC Report on State Revenue Sharing Relativities 2002 Update*.

Table 27 shows the per capita relativities applied to the States' populations (as at 31 December each year) in order to arrive at a weighted population share for each State. A State's share of GST revenue is equal to its weighted population share of the combined GST revenue and unquarantined Health Care Grants (HCGs), less the unquarantined HCGs it receives.

Table 27: GST revenue provision to the States and Territories

	Population as at 31 December 2002	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	6,671,426	0.90631	6,046,380	30.6	11,492.2	2,412.0	9,080.2
VIC	4,902,920	0.86824	4,256,911	21.5	8,091.0	1,726.0	6,365.1
QLD	3,750,543	1.01174	3,794,574	19.2	7,212.3	1,324.6	5,887.6
WA	1,940,485	0.97592	1,893,758	9.6	3,599.4	689.2	2,910.2
SA	1,524,136	1.19447	1,820,535	9.2	3,460.3	601.2	2,859.1
TAS	474,388	1.55419	737,289	3.7	1,401.4	154.7	1,246.7
ACT	322,680	1.15216	371,779	1.9	706.6	90.9	615.7
NT	197,374	4.24484	837,821	4.2	1,592.4	77.9	1,514.5
Total	19,783,952	na	19,759,048	100.0	37,555.6	7,076.5	30,479.1

GENERAL REVENUE ASSISTANCE

In 2002-03, 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 Australian Government 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 the reforms not been implemented. This is given effect to by the payment of transitional assistance in the form of BBA.

In June 2002-03, it was determined that the States were entitled to a total of \$994.0 million of BBA. Queensland and the Northern Territory did not require BBA in 2002-03 as their respective shares of GST revenue exceeded their Guaranteed Minimum Amounts by a combined total of \$86.0 million.

The calculation of BBA entitlements for 2002-03 is shown in Table 28 and is broadly consistent with estimates at Budget.

Consistent with the terms of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Australian Government advanced BBA to the States in four quarterly instalments in 2002-03. These advances were based on the estimated BBA entitlements of the States at the time of each advance. The upward revision to GST revenue estimates in the Budget resulted in lower than previously estimated BBA entitlements of the States. On the basis of the determined BBA entitlements, the advances to the States in 2002-03 exceeded the States' final entitlements to BBA in 2002-03 by \$544.9 million. This is shown in Table 29.

Consistent with the provisions of the Act, the Australian Government will deduct the amount of excess BBA paid in 2002-03 from payments to be made to the States under the Act in 2003-04.

Table 28: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance to the States and Territories

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
State revenues forgone									
Financial Assistance Grants	5,386.9	3,830.0	3,975.6	1,759.1	2,071.0	974.5	439.2	1,323.8	19,760.1
Revenue Replacement Payments	2,460.6	1,646.7	1,493.4	1,030.9	640.5	217.6	109.4	139.1	7,738.3
Financial Institutions Duty	671.0	386.7	na	145.8	96.6	23.6	19.5	15.3	1,358.5
Marketable Securities Duty	429.0	223.1	27.0	27.6	14.7	0.7	24.2	1.1	747.4
Marketable Securities Duty Needs	-21.6	11.3	12.9	2.6	2.9	2.4	-11.0	0.5	0.0
Accommodation taxes	77.0	na	na	na	na	na	na	8.5	85.5
plus Reduced revenues									
Gambling taxes	573.8	380.7	224.7	60.2	92.2	24.6	22.5	17.4	1,396.1
plus Interest costs									
Interest costs	3.9	4.2	5.0	1.2	1.4	0.6	0.5	0.9	17.7
plus Additional expenditures									
First Home Owners Scheme	287.4	225.4	209.2	108.7	67.0	27.4	16.0	8.3	949.4
GST administration costs	188.4	138.4	105.9	54.8	43.0	13.4	9.1	5.6	558.6
plus Other items									
WST payments	38.0	5.0	18.0	19.0	12.7	13.0	4.0	3.0	112.7
minus Reduced expenditures									
Off-road diesel subsidies	138.2	57.5	132.3	172.8	37.0	2.2	0.0	3.9	543.9
Savings from tax reform	167.9	115.0	95.3	56.9	41.4	13.9	9.5	14.0	514.0
Low alcohol beer subsidies	24.7	17.1	4.8	7.8	4.6	1.7	1.0	1.2	62.9
minus Growth dividend									
Remaining State taxes	77.4	49.9	26.2	15.6	12.5	3.2	2.4	1.7	189.0
plus Adjustments									
2001-02 BBA adjustment	-7.2	-20.4	-1.7	-2.4	0.3	2.7	-0.7	2.0	-27.3
Total	9,678.9	6,591.7	5,811.6	2,954.3	2,946.8	1,279.4	619.7	1,504.6	31,387.1
GST revenue provision	9,080.2	6,365.1	5,887.6	2,910.2	2,859.1	1,246.7	615.7	1,514.5	30,479.1
Budget Balancing Assistance	598.7	226.6	0.0	44.1	87.7	32.8	4.0	0.0	994.0

Table 29: Overpayment of Budget Balancing Assistance

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Payments in 2002-03	810.6	361.5	37.9	93.9	144.5	56.7	16.2	17.5	1,538.8
BBA entitlement	598.7	226.6	0.0	44.1	87.7	32.8	4.0	0.0	994.0
BBA overpayment	211.9	134.9	37.9	49.7	56.8	24.0	12.2	17.5	544.9

National Competition Policy Payments

National Competition Policy Payments are distributed between the States on an equal per capita basis. Payment is subject to States achieving satisfactory progress in implementing specified reforms under the *Agreement to Implement the National Competition Policy and Related Reforms*. The amount of NCPPs paid is shown in Table 30.

Table 30: National Competition Policy Payments

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2002-03	251.8	182.4	138.9	72.0	57.1	17.7	12.4	7.5	739.9

Special Revenue Assistance

In 2002-03, in accordance with the recommendations of the Commonwealth Grants Commission, SRA of \$14.7 million was paid to the Australian Capital Territory.

FINANCIAL ASSISTANCE GRANTS TO LOCAL GOVERNMENT

Table 31 provides details of the Australian Government payments to local government authorities in 2002-03 for each of the six States and the Northern Territory, and an analogous payment made to the Australian Capital Territory.

In 2002-03, local government financial assistance grants were increased on the basis of an annual escalation factor determined by the Treasurer. The payments made to the States in 2002-03 and shown in Budget Paper No. 3, *Federal Financial Relations 2003-04* were based on an estimated escalation factor of 1.0392, estimated in June 2002, and take into account an underpayment of \$19.5 million in 2001-02.

On 26 June 2003, the Treasurer determined the final 2002-03 escalation factor to be 1.0435 on the basis of the Australian Statistician's determination of population and Treasury's estimate of the ongoing CPI. The difference between the estimate and the final escalation factor for 2002-03 has resulted in an underpayment of \$6.0 million in 2002-03 for which there will be an adjustment in 2003-04, as provided for under the *Local Government (Financial Assistance) Act 1995*.

Table 31: Financial Assistance Grants to local government

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
General Purpose Assistance	346.6	250.6	190.0	99.0	79.0	24.6	17.0	10.4	1,017.2
Untied local road funding	131.0	93.1	84.6	69.0	24.8	23.9	14.5	10.6	451.4
Total Financial Assistance Grants(a)	477.6	343.6	274.6	168.0	103.8	48.5	31.5	21.0	1,468.6

(a) Total General Purpose Assistance is the actual cash payment that the State receives on behalf of local government. It is equal to the estimated entitlement for a given year adjusted for an over or under payment from the previous year.

SPECIFIC PURPOSE PAYMENTS

Tables 32 and 33 provide information on Australian Government 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 Australian Government 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 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)

<i>Function</i>										
Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total	
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES										
<i>Public Order and Safety</i>										
Legal aid	38,956	0	0	10,919	10,476	4,161	3,221	2,139	69,872	
Film and literature classifications	80	80	80	79	80	78	79	77	633	
Gun Buyback Scheme	0	0	0	0	0	0	0	0	0	
<i>Public Order and Safety - total</i>	39,036	80	80	10,998	10,556	4,239	3,300	2,216	70,505	
<i>Education</i>										
Government schools	476,158	340,049	286,088	144,005	105,411	39,555	26,115	17,352	1,434,733	
*Non-government schools	1,165,674	941,808	646,780	339,502	268,760	70,356	75,062	29,878	3,537,820	
Vocational Education and Training Funding Act(a)	359,269	262,213	183,516	99,261	86,399	31,362	20,503	15,948	1,058,471	
Targeted programmes - government schools and joint	117,811	72,895	52,151	27,490	26,671	9,072	3,069	5,949	315,108	
*Targeted programmes - non-government schools	61,752	51,204	23,812	14,016	13,824	2,650	2,501	2,440	172,199	
Indigenous Education Strategic Initiatives										
Programme - government	25,616	5,965	24,812	18,423	8,509	2,799	1,128	26,009	113,261	
*Indigenous Education Strategic Initiatives										
Programme - non-government	14,538	3,058	9,427	13,302	2,837	1,021	705	13,653	58,541	
<i>Education - total</i>	2,220,818	1,677,192	1,226,586	655,999	512,411	156,815	129,083	111,229	6,690,133	
<i>Health</i>										
Blood transfusion services(b)	25,595	19,215	15,101	9,212	7,290	1,860	1,386	891	80,550	
Health Programme Grants	0	2,103	0	0	1,077	0	0	334	3,514	
Health Care Grants	2,411,665	1,725,070	1,348,407	694,929	605,634	156,076	92,077	79,096	7,112,954	
National Health Development Fund	20,500	38,574	3,540	22,960	6,571	3,392	1,118	0	96,655	
Highly specialised drugs	125,558	92,284	60,826	27,078	27,355	6,518	5,227	4,142	348,988	
Youth health services	776	650	403	208	190	59	53	53	2,392	
National public health	63,063	46,887	35,039	18,002	17,263	7,061	4,747	4,632	196,694	
Essential vaccines	63,674	45,113	35,367	18,642	13,916	4,730	2,300	2,629	186,371	
Repatriation general hospitals	2,032	2,451	0	0	304	0	0	0	4,787	
Fringe Benefits Tax transitional grants for public and not-for-profit hospitals	1,235	40,477	2,273	10,351	9,405	1	1,287	234	65,263	
<i>Health - total</i>	2,714,098	2,012,824	1,500,956	801,382	689,005	179,697	108,195	92,011	8,098,168	

**Table 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)
(continued)**

<i>Function</i>									
Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Social Security and Welfare</i>									
Aged care assessment	14,171	10,732	6,899	3,885	3,778	1,171	430	721	41,787
Home and community care	209,522	177,000	131,222	66,289	58,556	17,245	7,779	4,559	672,172
Disabilities services(c)	167,672	120,302	102,256	42,558	59,587	18,680	7,396	5,534	523,985
Children's services	1,306	1,052	1,053	1,118	6,457	215	54	760	12,015
Supported accommodation assistance	53,927	35,843	27,744	16,523	15,873	7,108	5,662	4,728	167,408
Unaccompanied humanitarian minors	74	100	81	19	834	0	0	0	1,108
Exceptional circumstances	17,131	10,732	5,921	8,601	182	60	0	0	42,627
Extension of fringe benefits	61,994	44,320	30,946	15,583	17,631	5,662	1,259	863	178,258
National Illicit Drugs Strategy	0	0	0	0	0	0	0	4,875	4,875
Native Title	0	0	0	0	0	0	0	0	0
Concessions for CwIth Seniors Health Card Holders(d)	0	0	0	0	0	0	0	0	0
State Senior's Card Reciprocal Transport Concessions(d)	0	0	0	0	0	0	0	0	0
<i>Social Security and Welfare - total</i>	525,797	400,081	306,122	154,576	162,898	50,141	22,580	22,040	1,644,235
<i>Housing and Community Amenities</i>									
Assistance for housing	0	0	0	0	0	0	0	0	0
Assistance for water and sewerage	0	0	0	0	0	0	8,675	0	8,675
Natural Heritage Trust of Australia - Bushcare(e)	362	505	580	10	126	2,710	0	85	4,378
Natural Heritage Trust of Australia - Coastcare(e)	2,776	1,909	2,935	1,363	2,214	7,676	44	151	19,068
Natural Heritage Trust of Australia - Landcare(e)	1	10	0	0	22	0	26	0	59
Natural Heritage Trust of Australia - Rivercare(e)	166	513	0	474	417	243	51	131	1,995
Natural Heritage Trust of Australia - Air Pollution in Major Cities(e)	25	25	25	550	25	22	25	0	697
<i>Housing and Community Amenities - total</i>	3,330	2,962	3,540	2,397	2,804	10,651	8,821	367	34,872
<i>Recreation and Culture</i>									
Natural Heritage Trust of Australia - Bushcare(e)	2,672	3,655	7,641	1,372	912	10,806	95	482	27,635
Natural Heritage Trust of Australia - Coastcare(e)	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Landcare(e)	146	0	117	0	0	0	0	142	405
Natural Heritage Trust of Australia - Rivercare(e)	124	67	85	81	174	15	0	61	607
<i>Recreation and Culture - total</i>	2,942	3,722	7,843	1,453	1,086	10,821	95	685	28,647

**Table 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)
(continued)**

<i>Function</i>									
Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Fuel and Energy</i>									
Snowy Hydro Ltd - company tax compensation	2,229	1,114	0	0	0	0	0	0	3,343
<i>Fuel and Energy - total</i>	2,229	1,114	0	0	0	0	0	0	3,343
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - Bushcare(e)	0	318	0	28	0	96	354	0	796
Natural Heritage Trust of Australia - Coastcare(e)	0	34	0	0	0	84	21	0	139
Natural Heritage Trust of Australia - Landcare(e)	2,061	25,093	6,141	20,809	9,667	1,514	267	4,196	69,748
Natural Heritage Trust of Australia - Rivercare(e)	361	670	1,512	0	127	1,478	389	0	4,537
Tasmanian Wheat Freight - shipping	0	0	0	0	0	1,200	0	0	1,200
Exotic Disease Preparedness	750	490	2,999	98	922	13	9	663	5,944
National Landcare Programme (NLP)	7,189	3,323	5,346	0	2,054	664	44	1,053	19,673
Regional Assistance	891	1	100	1,299	733	0	0	0	3,024
Natural Heritage Trust of Australia - Waste Management Awareness(e)	3	167	0	0	0	0	0	82	252
Great Artesian Basin Sustainability Initiative	0	0	0	0	480	0	0	0	480
Forest Industry Structural Adjustment Package	8,612	2,015	0	0	0	0	0	0	10,627
Skilling Farmers for the Future	3,708	3,120	1,049	1,506	2,559	398	0	223	12,563
War Service Land Settlement Scheme	0	0	0	0	1,438	0	0	0	1,438
Eradication of Red Imported Fire Ant	0	0	18,734	0	0	0	0	0	18,734
National Action Plan for Salinity and Water Quality	0	0	0	0	0	0	0	0	0
Agricultural Development Partnerships	0	0	0	0	0	0	0	0	0
Plant Disease and Eradication	0	0	-5	86	1,146	0	0	500	1,727
<i>Agriculture, Forestry and Fishing - total</i>	23,575	35,231	35,876	23,826	19,126	5,447	1,084	6,717	150,882
<i>Transport and Communication</i>									
Interstate road transport	17,040	9,915	3,511	1,467	4,488	185	185	185	36,976
Petroleum Products Freight Subsidy Scheme	252	0	1,571	33	201	0	0	1,128	3,185
Roads to Recovery - Unincorporated areas	950	50	0	0	1,000	0	0	0	2,000
Gold Coast light rail	0	0	273	0	0	0	0	0	273
<i>Transport and Communication - total</i>	18,242	9,965	5,355	1,500	5,689	185	185	1,313	42,434

**Table 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)
(continued)**

<i>Function</i>										
Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total	
Other Purposes										
Debt Redemption Assistance	9,770	5,119	3,856	3,134	3,751	2,786	0	1,384	29,800	
*Financial Assistance Grants for local government										
<i>Financial Assistance Grants</i>	341,070	249,588	189,108	98,771	78,226	24,365	16,529	10,235	1,007,892	
<i>Untied Local Roads Grants</i>	129,751	92,200	83,792	68,380	24,577	23,699	14,340	10,476	447,215	
Compensation - companies regulation	46,226	40,411	22,758	14,008	10,419	3,227	12,645	2,059	151,753	
Natural Disaster Relief	69,577	3	5,695	21	0	0	3,353	1,738	80,387	
National Aerial Firefighting Strategy	0	6,633	0	273	227	0	0	0	7,133	
*Natural Disaster Risk Management Studies	1,021	513	883	83	12	46	0	0	2,558	
Bushfire recovery appeals	1,000	1,000	0	0	0	0	500	0	2,500	
Royalties	0	0	0	424,491	0	0	0	2,435	426,926	
ACT National Capital influences	0	0	0	0	0	0	21,571	0	21,571	
Special Revenue Assistance to the ACT	0	0	0	0	0	0	14,700	0	14,700	
Assistance to ACT Softwood Sawmill	0	0	0	0	0	0	0	0	0	
Other Purposes - total	598,415	395,467	306,092	609,161	117,212	54,123	83,638	28,327	2,192,435	
TOTAL CURRENT	6,148,482	4,538,638	3,392,450	2,261,292	1,520,787	472,119	356,981	264,905	18,955,654	
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES										
Education										
Government schools	81,850	56,309	62,618	23,735	24,007	6,560	4,018	6,013	265,110	
*Non-government schools	30,949	25,290	16,332	9,000	6,998	2,067	2,089	793	93,518	
Education - total	112,799	81,599	78,950	32,735	31,005	8,627	6,107	6,806	358,628	
Health										
Blood transfusion services(b)	3,527	2,207	468	1,071	1,226	189	131	118	8,937	
Health - total	3,527	2,207	468	1,071	1,226	189	131	118	8,937	
Social Security and Welfare										
Home and community care	0	1,703	153	0	0	58	0	0	1,914	
Crisis accommodation assistance	13,439	9,821	7,426	3,882	3,073	957	653	404	39,655	
Social Security and Welfare - total	13,439	11,524	7,579	3,882	3,073	1,015	653	404	41,569	

**Table 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)
(continued)**

<i>Function</i>										
Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total	
<i>Housing and Community Amenities</i>										
Housing assistance for indigenous people	17,777	3,638	27,764	17,621	8,712	696	0	23,792	100,000	
Community housing	21,687	15,847	11,983	6,264	4,959	1,545	1,053	652	63,990	
Commonwealth-State Housing Agreement (CSHA)										
Block Assistance/Base Funding	266,763	193,125	154,539	78,944	65,253	24,127	22,887	18,551	824,189	
Social Housing Subsidy Programme	1,926	0	0	0	0	0	121	0	2,047	
*Federal flood mitigation	4,511	610	1,821	1,268	300	195	0	49	8,754	
*Disaster Mitigation Package	0	0	0	0	0	0	0	0	0	
*Additional First Home Owners Scheme	15,514	25,201	3,314	5,506	4,472	929	1,206	388	56,530	
<i>Housing and Community Amenities - total</i>	328,178	238,421	199,421	109,603	83,696	27,492	25,267	43,432	1,055,510	
<i>Fuel and Energy</i>										
*Photovoltaic Rebate Programme (PVRP)	1,917	1,640	309	95	3,051	191	58	-10	7,251	
Renewable Remote Power Generation	0	0	5,156	8,702	1,729	600	0	2,118	18,305	
<i>Fuel and Energy - total</i>	1,917	1,640	5,465	8,797	4,780	791	58	2,108	25,556	
<i>Agriculture, Forestry and Fishing</i>										
Natural Heritage Trust of Australia - Landcare(e)	0	0	0	0	2,658	2,339	0	0	4,997	
Natural Heritage Trust of Australia - Rivercare(e)	0	334	0	0	0	0	0	0	334	
Warner Creek Dam and Northern Midlands Water Project	0	0	0	0	0	0	0	0	0	
Great Artesian Basin Sustainability Initiative	3,000	0	5,050	0	0	0	0	0	8,050	
<i>Agriculture, Forestry and Fishing - total</i>	3,000	334	5,050	0	2,658	2,339	0	0	13,381	
<i>Transport and Communication</i>										
Alice Springs Darwin Railway	0	0	0	0	0	0	0	13,900	13,900	
Road programmes	357,563	202,278	234,922	81,083	48,323	23,509	1,796	27,709	977,183	
Road safety blackspots	14,287	10,428	9,304	4,982	3,200	1,116	602	581	44,500	
Federation Fund Projects - Tasmania	0	0	0	0	0	50	0	0	50	
Federation Fund Projects - Queensland	0	0	5,334	0	0	0	0	0	5,334	
Federation Fund Projects - New South Wales/Victoria	0	0	0	0	0	0	0	0	0	
<i>Transport and Communication - total</i>	371,850	212,706	249,560	86,065	51,523	24,675	2,398	42,190	1,040,967	

**Table 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)
(continued)**

<i>Function</i>									
Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Other Purposes</i>									
Sinking Fund on State Debt	440	129	593	23	178	146	0	0	1,509
Natural Disaster Relief	0	0	0	0	0	0	0	0	0
<i>Other Purposes - total</i>	440	129	593	23	178	146	0	0	1,509
TOTAL CAPITAL	835,150	548,560	547,086	242,176	178,139	65,274	34,614	95,058	2,546,057
REPAYMENTS									
Supplementary Contributions	0	0	28,439	0	0	383	0	0	28,822
Payments to Debt Sinking Funds	1,774	521	2,393	92	720	589	0	0	6,089
Total	1,774	521	30,832	92	720	972	0	0	34,911
<i>Repayments of Australian Government Loans</i>									
ACT Debt Repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - Housing Nominations	5,060	0	1,861	3,227	3,030	1,357	0	1,684	16,219
<i>Repayments of Australian Government Loans - total</i>	5,060	0	1,861	3,227	3,030	1,357	4,647	1,684	20,866
<i>Defence</i>									
Housing for servicemen	694	0	426	139	30	0	0	0	1,289
<i>Defence - total</i>	694	0	426	139	30	0	0	0	1,289
<i>Housing and Community Amenities</i>									
CSHA loans	30,658	0	8,393	8,011	9,182	3,498	0	467	60,209
Other housing	0	0	0	0	0	0	5,847	2,400	8,247
Urban water supply and treatment	0	0	0	0	352	0	0	0	352
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Growth centres	276	0	0	0	0	0	0	0	276
Urban rehabilitation	0	205	0	0	0	0	0	0	205
Community facilities - Townsville	0	0	36	0	0	0	0	0	36
Captains Flat (Abatement of Pollution) Agreement	6	0	0	0	0	0	0	0	6
Sewerage	2,465	0	616	4	0	0	0	0	3,085
<i>Housing and Community Amenities - total</i>	33,405	205	9,045	8,015	9,534	3,498	5,847	3,003	72,552

**Table 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)
(continued)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<i>Agriculture, Forestry and Fishing</i>									
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	5	5
Rural Adjustment Scheme	1,603	0	0	0	0	0	0	170	1,773
War Service Land Settlement Scheme	428	854	0	0	58	0	0	0	1,340
<i>Agriculture, Forestry and Fishing - total</i>	2,031	854	0	0	58	0	0	175	3,118
<i>Transport and Communication</i>									
Railway projects	96	96	0	378	0	0	0	0	570
<i>Transport and Communication - total</i>	96	96	0	378	0	0	0	0	570
<i>Other Purposes</i>									
Natural Disaster Relief	334	0	1,724	0	0	0	0	0	2,058
<i>Other Purposes - total</i>	334	0	1,724	0	0	0	0	0	2,058
TOTAL REPAYMENTS	43,394	1,676	43,888	11,851	13,372	5,827	10,494	4,862	135,364
	ADVANCES								
<i>Other Purposes</i>									
Natural Disaster Relief	7,027	0	48	0	0	0	0	0	7,075
<i>Other Purposes - total</i>	7,027	0	48	0	0	0	0	0	7,075
TOTAL ADVANCES	7,027	0	48	0	0	0	0	0	7,075
	INTEREST								
Interest on Loan Council and NT Government Borrowings	9,072	2,445	6,079	428	3,532	5,136	0	0	26,692
Total	9,072	2,445	6,079	428	3,532	5,136	0	0	26,692
<i>Interest on Australian Government Loans</i>									
ACT Government Debt	0	0	0	0	0	0	5,209	0	5,209
Housing nominations	21,652	0	7,805	13,362	13,090	5,750	0	7,518	69,177
<i>Interest on Australian Government Loans - Total</i>	21,652	0	7,805	13,362	13,090	5,750	5,209	7,518	74,386
<i>Defence</i>									
Housing for servicemen	2,487	0	1,416	299	104	0	0	0	4,306
<i>Defence - total</i>	2,487	0	1,416	299	104	0	0	0	4,306

**Table 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)
(continued)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<i>Housing and Community Amenities</i>									
CSHA loans	45,433	0	12,610	12,071	18,844	6,122	0	1,516	96,596
Other housing	0	0	0	0	0	0	10,674	4,148	14,822
Urban water supply and treatment	0	0	0	0	1,137	0	0	0	1,137
NT - water and sewerage assistance	0	0	0	0	0	0	0	637	637
Growth centres	82	0	0	0	0	0	0	0	82
Urban rehabilitation	0	21	0	0	0	0	0	0	21
Sewerage	5,862	0	1,540	10	0	0	0	0	7,412
Community facilities - Townsville	0	0	10	0	0	0	0	0	10
Captains Flat (Abatement of Pollution) Agreement	6	0	0	0	0	0	0	0	6
<i>Housing and Community Amenities - total</i>	51,383	21	14,160	12,081	19,981	6,122	10,674	6,301	120,723
<i>Agriculture, Forestry and Fishing</i>									
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	0	0
Rural Adjustment Scheme	226	0	0	0	0	0	0	21	247
War Service Land Settlement Scheme	164	173	0	0	9	0	0	0	346
<i>Agriculture, Forestry and Fishing - total</i>	390	173	0	0	9	0	0	21	593
<i>Transport and Communication</i>									
Railway projects	44	43	0	335	0	0	0	0	422
<i>Transport and Communication - total</i>	44	43	0	335	0	0	0	0	422
<i>Other Purposes</i>									
Natural Disaster Relief	85	0	402	0	0	0	0	53	540
<i>Other Purposes - total</i>	85	0	402	0	0	0	0	53	540
TOTAL INTEREST	85,113	2,682	29,862	26,505	36,716	17,008	15,883	13,893	227,662
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	6,983,632	5,087,198	3,939,536	2,503,468	1,698,926	537,393	391,595	359,963	21,501,711
Total 'To'	5,216,935	3,696,086	2,963,958	1,953,545	1,295,869	411,874	279,105	292,061	16,109,433
Total 'Through'	1,766,697	1,391,112	975,578	549,923	403,057	125,519	112,490	67,902	5,392,278

Table 32: Specific Purpose Payments to the States, repayments of advances and interest payments, 2002-03 (\$'000)
(continued)

* Items so marked are classified as payments 'through' the States.

- (a) The allocation of funds to the States and Territories for each year, as per the Authority's Directions and Resource Allocations, is subject to agreement by the Australian National Training Authority Ministerial Council. The total level of funding is subject to the amendment of the *Vocational Education and Training Funding Act 1992*.
- (b) New arrangements for the provision of blood and blood-related products come into effect from 1st July 2003. As a result, the Australian Government's contribution to the costs of Australian Red Cross Blood Service will no longer be made directly to states and territories. Instead, payments will be made by the the Australian Government and the States and Territories to the new National Blood Authority. From 2003-04 onwards these payments will no longer be reported as specific purpose payments.
- (c) The amount paid to NSW excludes 2002-03 indexation and growth funding of \$10.2 million, which has been withheld pending agreement by the NSW State Government to the terms of the new Commonwealth State Territory Disability Agreement (CSTDA).
- (d) The Australian Government made no contribution to the States and Territories in 2002-03 as they have not agreed to the terms of the Australian Government's offer.
- (e) These programmes are funded under NHT Phase 2 which commenced in 2002-03.

Table 33: Specific Purpose Payments direct to local government authorities, 2002-03 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Aged care services	9,114	9,394	1,338	3,199	2,698	2,487	0	1,171	29,401
Disability services	401	86	351	0	0	0	0	0	838
Children's services	15,780	17,944	5,492	3,154	1,113	2,211	0	1,053	46,747
Roads to Recovery Programme	57,969	40,242	40,985	29,043	18,108	6,640	3,333	3,680	200,000
Weipa Structural Adjustment Package	0	0	0	0	0	0	0	0	0
TOTAL CURRENT	83,264	67,666	48,166	35,396	21,919	11,338	3,333	5,904	276,986
DIRECT PAYMENTS - CAPITAL									
Aged care services	0	0	0	0	0	0	0	0	0
Children's services	218	249	76	44	15	31	0	15	648
Natural Heritage and Water Park, Goondiwindi	0	0	320	0	0	0	0	0	320
Bert Hinkler Hall of Aviation	0	0	50	0	0	0	0	0	50
Development of Sewerage Schemes for Boat Harbour Beach and Sisters Beach	0	0	0	0	0	1,000	0	0	1,000
TOTAL CAPITAL	218	249	446	44	15	1,031	0	15	2,018
TOTAL DIRECT PAYMENTS	83,482	67,915	48,612	35,440	21,934	12,369	3,333	5,919	279,004

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

EXTERNAL REPORTING STANDARDS

The *Charter of Budget Honesty Act 1998* requires that the Final Budget Outcome be based on external reporting standards. Accordingly, 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 (AAS), including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31). The major fiscal aggregates (including the fiscal and underlying cash balances) are based on the accrual GFS framework.

The Charter also requires that departures from applicable external reporting standards be identified. These are disclosed in Attachment A to Part 1 and Note 1 in Part 3.

The next section provides a brief overview of the GFS and AAS reporting framework. Further information can be found in *Budget Strategy and Outlook 2003-04, Statement 8: Financial Reporting Standards and Budget Concepts*.

ACCRUAL GFS FRAMEWORK

The GFS reporting framework is a specialised accounting 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 International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*).¹

The GFS conceptual framework is divided into a number of separate statements, each of which draws out analytical aggregates or balances of particular economic significance. Together, these aggregates provide for a thorough understanding of the financial position of the public sector. The GFS statements reported in the Final Budget Outcome are the operating statement, balance sheet, cash flow statement and statement of other economic flows.

All GFS data are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows).

1 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)

Appendix A: Financial Reporting Standards and Budget Concepts

A transaction is an interaction between two economic entities by mutual agreement. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets minus liabilities) are reported as revenues and expenses respectively in the operating statement.²

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

Under the accrual GFS framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the effected periods and can be reliably assigned to the relevant period(s).

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

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

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

Fiscal balance

The fiscal balance (or GFS net lending/borrowing) is the net operating balance less net capital investment. Thus fiscal balance includes the impact of net expenditure

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

(effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.³

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

Balance sheet

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

Net debt

Net debt is defined as the sum of selected financial liabilities (deposits held; advances received; government securities; loans; and other borrowing) minus the sum of selected financial assets (cash and deposits; advances paid; and investments, loans and placements). Net debt does not include superannuation or superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Net worth

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, reflecting the Australian Government's contribution to the wealth of Australia.

Cash flow statement

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

³ The net operating balance includes consumption of non-financial assets, as depreciation is a GFS expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Underlying cash balance

The underlying cash balance (GFS surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. The underlying cash balance measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the general government sector, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁴
<i>equals</i>
Underlying cash balance

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 include equity transactions and net advances.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Contribution Scheme (HECS), and contributions to international organisations that increase the Australian Government's financial assets.

Statement of other economic flows (reconciliation of net worth)

The statement of other economic flows outlines changes in net worth driven by economic flows other than GFS revenues and GFS expenses. GFS revenues, GFS expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government general government sector arise from price movements in its assets and liabilities.

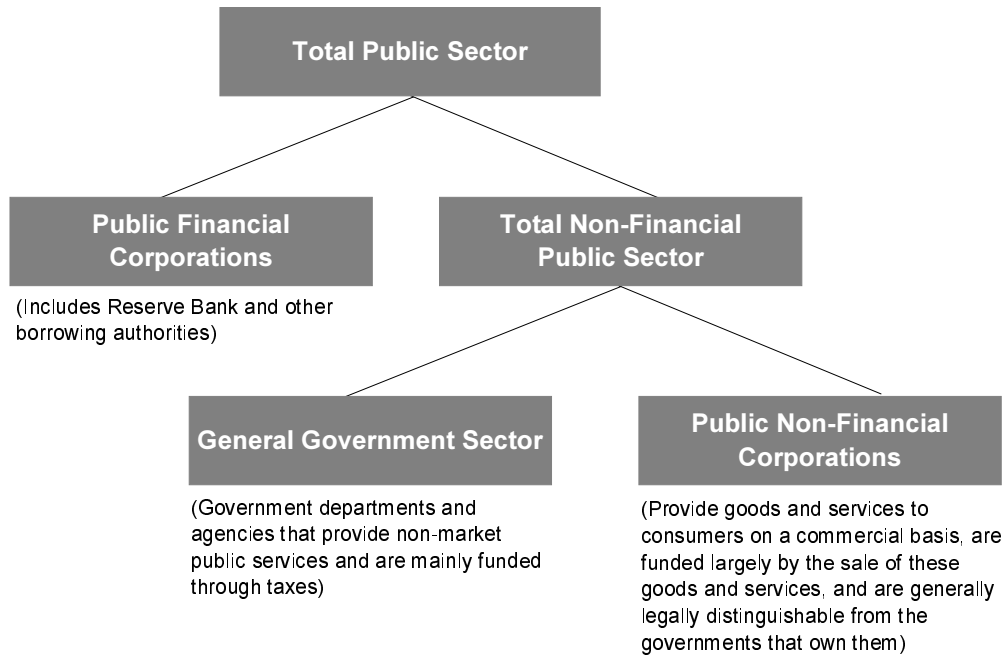
4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease — acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases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

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

Sectoral classifications

To assist in analysing the public sector, GFS data are presented by institutional sector. GFS distinguishes between the general government sector, the public non-financial corporations sector and the public financial corporations sector, as shown in Figure A1.

Figure A1: Institutional structure of the Public Sector



Budget reporting focuses on the general government sector. The general government 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.

In preparing financial statements for the sectors all material transactions and balances between entities within the sectors are eliminated.

AUSTRALIAN ACCOUNTING STANDARD NO. 31 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

Appendix A: Financial Reporting Standards and Budget Concepts

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 financial performance, which includes an operating result;
- a statements of financial position, which shows net assets; and
- a statement of cash flows, which includes net increase/decrease in cash held.

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 3. These statements are derived from audited financial statements with the exception of the Department of Defence, for which an audit opinion is pending, and for the liability relating to asbestos related claims for which a reliable actuarial measure is not yet available.

RECONCILIATION OF GFS AND AAS31 AGGREGATES

There is a general consistency of treatment of the elements of financial statements between GFS and accounting standards. Both frameworks are based on the concept of economic events that give rise to stocks and flows. As a result, the definitions of stocks are broadly similar under the two frameworks and relate to the control of economic benefits, while flows are defined with reference to changes in stocks.

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

Appendix A: Financial Reporting Standards and Budget Concepts

certain items. This differing treatment relates predominantly to the definitions of revenues and expenses under the two frameworks.

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 gains and losses due to changes in foreign exchange rates and interest rates.

Under AAS31 reporting, valuation changes generally affect revenues or expenses and therefore the operating result. 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. However, revaluations still impact on GFS assets and liabilities, as can be seen in the statement of other economic flows.

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, 2000* (Cat. No. 5517.0).

Appendix A: Financial Reporting Standards and Budget Concepts

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 (other economic flows), 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 (other economic flows) 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. The Australian Government departs from this latter requirement (see Part 2).
Interest flows related to swaps and other financial derivatives	Treated as operating revenues and expenses.	Treated as other economic flows 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.
Valuation of assets and liabilities	Classes of assets and liabilities are measured using a range of methods. The predominant methods for valuing different asset classes include historic cost and market value.	Individual assets and liabilities are measured at current market value based on current market prices or a suitable proxy where market prices are not available.
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. 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).

Following the broad strategic direction of the Financial Reporting Council, the Australian Accounting Standards Board is currently pursuing harmonisation of GFS and Australian Accounting Standards. A converged financial reporting framework will reduce confusion associated with the publication of two sets of financial statements and improve the readability of government budget and outcome reports.

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

Table A2: Reconciliation of GFS and AAS31 revenue and expenses

	2002-03 Outcome \$m
GFS revenue (Part 2)	206,271
<i>less</i> GST revenue for States and Territories	31,257
GFS revenue (Part 1)	175,014
<i>plus</i> asset revenue recognised first time	1,173
<i>plus</i> foreign exchange gains	786
<i>plus</i> other economic revaluations	1,475
<i>plus</i> proceeds from the sale of assets	2,994
<i>plus</i> swap interest revenue	2,219
AAS31 revenue (Part 3)	183,659
GFS expenses (Part 2)	199,978
<i>less</i> GST grants to States and Territories	30,699
<i>less</i> GST interest on overpayments	6
<i>less</i> GST mutually agreed writedowns	26
GFS expenses (Part 1)	169,247
<i>plus</i> actuarial revaluations	5,654
<i>plus</i> net writedown of assets/bad and doubtful debts	3,049
<i>plus</i> foreign exchange losses	0
<i>plus</i> other economic adjustments	54
<i>plus</i> value of assets sold	2,833
<i>plus</i> swap interest expense	1,663
<i>plus</i> defence weapons platforms depreciation	2,191
<i>less</i> defence weapons platforms investment	2,697
<i>plus</i> AusAid IDA/ADF expenses	274
AAS31 expenses (Part 3)	182,268

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

AAS31 revenues less expenses equal the AAS31 net operating result. Similarly, GFS revenues less expenses calculate the GFS net operating balance. Consequently, the reconciliation between the AAS31 operating result before extraordinary items and the GFS net operating balance relates directly to differences in the definitions of revenues and expenses which are shown in Table A2.

The second part of the Table A3 reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance.

As discussed previously, fiscal balance is calculated as the net operating balance less net capital investment. This is a useful economic indicator as it represents the gap between government saving (less capital transfers) and investment, and so is included at the end of the GFS operating statement. In AAS31 there is no equivalent measure to the fiscal balance. That is, the AAS31 statement of financial performance stops at the

Appendix A: Financial Reporting Standards and Budget Concepts

operating result and includes no information on net capital investment. Under the accounting standards framework, the equivalent indicator to the fiscal balance would measure the extent to which profits (that is, the net operating result) are sufficient to fund net capital investment.

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

	2002-03 Outcome \$m
AAS31 operating result before extraordinary items (Part 3)	1,391
Net differences from revenue and expense definitions	4,902
GFS net operating balance (Part 2)	6,293
<i>less</i> purchase of property, plant and equipment and intangibles	5,839
<i>less</i> assets acquired under finance leases	1
<i>less</i> other non-financial assets	188
<i>less</i> increase in inventories	-443
<i>plus</i> defence weapons platforms investment	2,697
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	1,312
<i>plus</i> depreciation and amortisation	3,986
<i>less</i> weapons depreciation	2,191
Fiscal balance (GFS net lending)(Part 2)(a)	6,512
<i>Impact of GST</i>	-526
Fiscal balance (GFS net lending)(Part 1)(a)	5,986

(a) The fiscal balance in Part 2 is higher than the fiscal balance presented in Part 1, as explained in the following section.

ACCOUNTING FOR GST AND BUDGET ASSISTANCE TO STATES

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), all goods and services tax (GST) receipts are appropriated to the States and Territories and thus are not available for expenditure by the Australian Government. As such, the GST is a State tax, with the Australian Taxation Office acting as the States' agent in the collection of the tax. Consequently, collections of GST from taxpayers and payments of the GST revenue to the States are not recorded as revenues and expenses of the Australian Government in Part 1.

Under the IGA, the Australian Government has guaranteed that the budgetary position of each individual State and Territory will be no worse off than it would have been had the GST reforms not been implemented (referred to as the Guaranteed Minimum Amount (GMA)). Grants to the States to meet this no worse off funding benchmark are given the notional accounting title of 'general budget assistance to the States' (GBA) and are recorded as expenses of the Australian Government.⁶ GBA comprises Budget Balancing Assistance (BBA) grants paid in accordance with the provisions of the IGA (based on mid-June estimates) and adjustments to account for any divergence between this amount and the amount required to meet the GMA (given actual GST cash collections).⁷

GBA to the States in 2002-03 was broadly consistent with the Budget estimate.

In Part 2 the accounts are presented including GST as Australian Government revenue.

The different accounting approaches (applied in Part 1 and Part 2 respectively) result in different net impacts on the fiscal balance in 2002-03. In Part 1, the total net impact on the fiscal balance equals GBA to the States. In Part 2, the fiscal balance impact is the difference between GST revenue and the grant payments to the States comprising BBA 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 sector operating statement in Part 2 being \$526 million greater than the fiscal balance reported in Part 1

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- 6 The term 'general budget assistance to the States' explains aggregate changes in Australian Government expenses under a States' agent accounting arrangement and does not appear in the IGA, which governs the actual payments from the Australian Government to the States. For States receiving BBA grants, GBA is calculated as the GMA less actual GST cash collections. For States no longer receiving BBA grants, GBA relates to the difference between actual GST cash receipts and the Commissioner of Taxation's mid-June determination of cash GST receipts.
- 7 The Australian Government finalises payment of the annual GST revenue and BBA grants to the States in mid-June. As a result, if the final outcome for GST collections for the year differs from the Commissioner of Taxation's mid-June determination then GBA will not equal BBA grants paid.

Appendix A: Financial Reporting Standards and Budget Concepts

and elsewhere in the Final Budget Outcome. A reconciliation of GFS revenue and GFS expenses in Part 1 and Part 2 is presented in Table A2.

The different accounting approaches also flow through to differences in GFS net worth, resulting in GFS net worth in Part 2 being \$919 million greater than GFS net worth reported in Part 1 and elsewhere. This difference results from the inclusion of GST receivables and payables in the GFS balance sheet in Part 2.

The different accounting approaches have the same net impact on cash flows. Therefore the underlying cash balance is the same whether it is calculated on the basis that the GST is a State tax or an Australian Government tax.

Further information on accounting for GST and budget assistance to the States can be found on page 10 of the *Final Budget Outcome 2000-01*.

APPENDIX B: EXPENSES BY FUNCTION AND SUB-FUNCTION

Table B1 sets out Australian Government general government sector expenses by function and sub-function for 2002-03. This table has been prepared in accordance with the GFS accounting framework.

Appendix B: Expenses by Function and Sub-function

Table B1: Australian Government general government sector expenses by function and sub-function

	2001-02 Outcome \$m	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
General public services			
Legislative and executive affairs	778	781	732
Financial and fiscal affairs	3,567	3,187	3,476
Foreign affairs and economic aid	2,151	2,364	2,334
General research	1,698	1,830	1,790
General services	550	553	566
Government superannuation benefits	1,497	2,095	2,090
Total general public services	10,241	10,810	10,988
Defence	12,017	13,143	13,307
Public order and safety			
Courts and legal services	545	567	589
Other public order and safety	1,311	1,538	1,378
Total public order and safety	1,856	2,104	1,968
Education			
Higher education	4,004	4,162	4,017
Vocational and other education	1,217	1,360	1,323
Non-government schools	3,737	3,975	3,869
Government schools	2,058	2,140	2,143
<i>Schools</i>	<i>5,795</i>	<i>6,115</i>	<i>6,013</i>
Student assistance	567	578	641
General administration	44	2	0
School education - specific funding	134	126	115
Total education	11,761	12,342	12,109
Health			
Medical services and benefits(a)	11,107	11,944	11,726
Hospital services	1,408	1,577	1,537
Health care agreements	6,709	7,244	7,240
<i>Hospital services and health care agreements</i>	<i>8,117</i>	<i>8,820</i>	<i>8,776</i>
Pharmaceutical services and benefits	5,078	5,704	5,732
Aboriginal and Torres Strait Islander health	202	231	209
Health services	578	674	667
Other health services	1,343	963	892
<i>Other health services</i>	<i>1,920</i>	<i>1,636</i>	<i>1,559</i>
General administration	1,126	1,329	1,333
Health assistance to the aged	65	69	64
Total health(a)	27,614	29,734	29,400
Social security and welfare			
Assistance to the aged	23,218	24,851	24,834
Assistance to veterans and dependents	5,499	5,578	5,579
Assistance to people with disabilities	8,915	9,625	9,551
Assistance to families with children(a)	19,774	19,914	19,595
Assistance to the unemployed	5,808	5,569	5,565
Assistance to the sick	94	85	86

Table B1: Australian Government general government sector expenses by function and sub-function (continued)

	2001-02 Outcome \$m	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Social security and welfare (continued)			
<i>Assistance to the unemployed and the sick</i>	5,902	5,655	5,651
Common youth allowance	2,214	2,239	2,235
Other welfare programmes	313	325	309
Aboriginal advancement nec	1,268	1,297	1,275
General administration	1,979	2,280	2,233
Total social security and welfare(a)	69,081	71,763	71,263
Housing and community amenities			
Housing	1,619	1,358	1,381
Urban and regional development	188	132	113
Environment protection	403	244	268
Total housing and community amenities	2,210	1,733	1,763
Recreation and culture			
Broadcasting	1,004	1,040	1,030
Arts and cultural heritage	704	692	671
Sport and recreation	137	147	151
National estate and parks	190	232	210
Total recreation and culture	2,036	2,111	2,062
Fuel and energy(a)	3,052	3,474	3,395
Agriculture, forestry and fishing			
Wool industry	80	71	76
Grains industry	111	123	115
Dairy industry	266	281	276
Cattle, sheep and pig industry	135	100	121
Fishing, horticulture and other agriculture	150	171	178
General assistance not allocated to specific industries	295	306	299
Rural assistance	219	381	224
Natural resources development	318	339	318
General administration	117	173	164
Total agriculture, forestry and fishing	1,691	1,945	1,772
Mining and mineral resources (other than fuels), manufacturing and construction	1,686	1,519	1,502
Transport and communication			
Communication	443	461	429
Rail transport	174	18	17
Air transport	163	161	153
Road transport	1,596	1,293	1,271
Sea transport	193	229	203
Other transport and communication	78	107	100
Total transport and communication	2,647	2,268	2,174

Appendix B: Expenses by Function and Sub-function

Table B1: Australian Government general government sector expenses by function and sub-function (continued)

	2001-02 Outcome \$m	2002-03 Estimate at 2003-04 Budget \$m	2002-03 Outcome \$m
Other economic affairs			
Tourism and area promotion	142	134	156
Vocational and Industry training	440	505	491
Labour market assistance to job seekers and industry	1,445	1,592	1,539
Industrial relations	621	314	270
Immigration	738	740	705
<i>Total labour and employment affairs</i>	<i>3,243</i>	<i>3,151</i>	<i>3,005</i>
Other economic affairs nec	513	691	642
Total other economic affairs	3,899	3,976	3,803
Other purposes			
Interest on Australian Government behalf	5,007	4,597	4,602
Interest on behalf of States and Territories	31	30	27
Interest received on Australian Government stock	0	0	0
<i>Public debt interest</i>	<i>5,038</i>	<i>4,627</i>	<i>4,629</i>
Nominal superannuation interest	4,987	5,350	5,409
General revenue assistance - States and Territories	4,576	1,554	1,537
General capital assistance - States and Territories	0	0	0
Debt assistance	0	0	0
Local government assistance	1,394	1,454	1,457
Revenue assistance to the States and Territories	148	152	166
Assistance to other governments	443	478	438
<i>General purpose inter-government transactions</i>	<i>6,561</i>	<i>3,638</i>	<i>3,598</i>
Natural disaster relief	87	141	95
Contingency reserve(b)	64	-144	11
Total other purposes	16,736	13,612	13,743
Total expenses	166,525	170,534	169,247

- (a) This table reflects the corrigendum numbers issued on 27 May 2003 due to a misclassification between expense functions in the 2003-04 Budget. The misclassification affected the Health, Social security and welfare, and Fuel and energy functions in this table, but did not affect the aggregate budget figures.
- (b) Asset sale related expenses are treated as a component of the Contingency reserve.

APPENDIX C: HISTORICAL FISCAL DATA

This appendix provides historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporation and non-financial public sectors.

Under the accrual Government Finance Statistics (GFS) framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the effected periods and can be reliably assigned to the relevant period(s).

Estimates up to and including 1998-99 are calculated on cash terms, while estimates from 1999-2000 onwards are 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 encompass 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.

Specific factors that affect the comparability of data between years include:

- classification differences in the data relating to the period prior to 1976-77 (which means 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 sector in 1998-99 and subsequent backcasting to account for this change;
- consistent with the revised GFS treatment announced by the Australian Bureau of Statistics (Cat. No. 5501.0, released October 2002), the general government surplus measures in this appendix, from 1998-99 onwards, incorporate the interest component of superannuation related payments by the Australian Government general government sector in respect of accumulated public non-financial corporations' superannuation liabilities;
- transfers of taxing powers between the Australian Government and the States;
- other changes in financial arrangements between the Australian Government and the State/local government sector; and

Appendix C: Historical fiscal data

- 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 receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts.

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 more difficult the task becomes.

Table C1: Australian Government general government sector receipts, payments and surplus^(a)

	Receipts			Payments			Cash surplus	
	\$m	Per cent		\$m	Per cent		\$m	Per cent of GDP
		real growth	Per cent of GDP		real growth	Per cent of GDP		
1970-71	8,000	5.9	20.9	7,176	10.0	18.7	824	2.1
1971-72	8,827	3.2	20.9	7,987	4.1	18.9	840	2.0
1972-73	9,414	0.4	19.8	9,120	7.5	19.2	294	0.6
1973-74	11,890	10.9	20.7	10,829	4.3	18.9	1,061	1.8
1974-75	15,325	5.5	22.6	15,275	15.5	22.6	50	0.1
1975-76	18,316	3.4	23.0	19,876	12.6	25.0	-1,560	-2.0
1976-77	21,418	4.1	23.4	22,657	1.5	24.7	-1,239	-1.4
1977-78	23,491	0.8	23.4	25,489	3.4	25.4	-1,998	-2.0
1978-79	25,666	3.5	22.7	27,753	3.1	24.6	-2,087	-1.8
1979-80	29,780	5.6	23.1	31,041	1.8	24.1	-1,261	-1.0
1980-81	35,148	6.8	24.1	35,260	2.8	24.2	-112	-0.1
1981-82	40,831	3.1	24.4	40,394	1.7	24.1	437	0.3
1982-83	44,675	-1.9	24.7	47,907	6.4	26.5	-3,232	-1.8
1983-84	49,102	3.2	24.1	55,966	9.7	27.5	-6,864	-3.4
1984-85	57,758	11.6	25.6	63,639	7.9	28.2	-5,881	-2.6
1985-86	64,845	5.7	26.1	69,838	3.3	28.1	-4,993	-2.0
1986-87	73,145	5.3	26.9	75,392	0.8	27.7	-2,247	-0.8
1987-88	81,217	3.4	26.2	79,440	-1.8	25.6	1,777	0.6
1988-89	88,369	0.4	25.1	82,202	-4.5	23.4	6,167	1.8
1989-90	95,517	1.8	24.8	88,882	1.8	23.1	6,635	1.7
1990-91	97,705	-2.4	24.6	97,333	4.5	24.5	372	0.1
1991-92	92,966	-6.8	22.9	104,551	5.2	25.7	-11,585	-2.9
1992-93	94,448	0.5	22.2	111,484	5.5	26.2	-17,036	-4.0
1993-94	100,142	5.1	22.4	117,252	4.2	26.2	-17,110	-3.8
1994-95	109,720	8.7	23.3	122,901	4.0	26.1	-13,181	-2.8
1995-96	121,105	7.6	24.1	131,182	4.0	26.1	-10,077	-2.0
1996-97	129,845	5.1	24.5	135,126	1.0	25.5	-5,281	-1.0
1997-98	135,779	3.1	24.2	134,608	-1.8	24.0	1,171	0.2
1998-99	146,496	7.4	24.7	142,159	5.1	24.0	4,337	0.7
1999-00	165,806	na	26.4	152,747	na	24.3	13,059	2.1
2000-01	160,829	-6.8	24.0	154,858	-2.6	23.1	5,970	0.9
2001-02	162,524	-0.9	22.8	163,507	3.5	23.0	-983	-0.1
2002-03	176,147	5.2	23.4	168,661	0.1	22.4	7,486	1.0

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

na Not applicable, due to a structural break in the series.

Appendix C: Historical fiscal data

Table C2: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts^(a)

	Taxation receipts			Non-taxation receipts			Total receipts		
	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP
		real growth			real growth			real growth	
1970-71	7,148	5.9	18.6	852	5.9	2.2	8,000	5.9	20.9
1971-72	7,887	3.2	18.6	940	3.2	2.2	8,827	3.2	20.9
1972-73	8,411	0.4	17.7	1,003	0.5	2.1	9,414	0.4	19.8
1973-74	10,832	13.1	18.9	1,058	-7.3	1.8	11,890	10.9	20.7
1974-75	14,141	6.9	20.9	1,184	-8.4	1.7	15,325	5.5	22.6
1975-76	16,920	3.5	21.3	1,396	2.0	1.8	18,316	3.4	23.0
1976-77	19,714	3.7	21.5	1,704	8.7	1.9	21,418	4.1	23.4
1977-78	21,428	-0.1	21.4	2,063	11.3	2.1	23,491	0.8	23.4
1978-79	23,409	3.5	20.7	2,257	3.6	2.0	25,666	3.5	22.7
1979-80	27,473	6.8	21.3	2,307	-7.0	1.8	29,780	5.6	23.1
1980-81	32,641	7.5	22.4	2,507	-1.7	1.7	35,148	6.8	24.1
1981-82	37,880	3.0	22.6	2,951	4.5	1.8	40,831	3.1	24.4
1982-83	41,025	-2.9	22.7	3,650	10.9	2.0	44,675	-1.9	24.7
1983-84	44,849	2.6	22.0	4,253	9.4	2.1	49,102	3.2	24.1
1984-85	52,970	12.0	23.5	4,788	6.8	2.1	57,758	11.6	25.6
1985-86	58,841	4.6	23.7	6,004	18.1	2.4	64,845	5.7	26.1
1986-87	66,467	5.5	24.4	6,678	3.9	2.5	73,145	5.3	26.9
1987-88	75,076	5.2	24.2	6,141	-14.3	2.0	81,217	3.4	26.2
1988-89	83,452	2.6	23.7	4,917	-26.1	1.4	88,369	0.4	25.1
1989-90	90,773	2.4	23.6	4,744	-9.1	1.2	95,517	1.8	24.8
1990-91	92,739	-2.5	23.3	4,966	-0.1	1.2	97,705	-2.4	24.6
1991-92	87,364	-7.7	21.5	5,602	10.5	1.4	92,966	-6.8	22.9
1992-93	88,760	0.5	20.8	5,688	0.4	1.3	94,448	0.5	22.2
1993-94	93,362	4.2	20.9	6,780	18.1	1.5	100,142	5.1	22.4
1994-95	104,921	11.5	22.3	4,799	-29.8	1.0	109,720	8.7	23.3
1995-96	115,700	7.5	23.0	5,405	9.7	1.1	121,105	7.6	24.1
1996-97	124,559	5.6	23.5	5,286	-4.1	1.0	129,845	5.1	24.5
1997-98	130,984	3.7	23.3	4,795	-10.6	0.9	135,779	3.1	24.2
1998-99	141,105	7.2	23.8	5,391	11.9	0.9	146,496	7.4	24.7
1999-00	150,695	na	24.0	15,111	na	2.4	165,806	na	26.4
2000-01	146,056	-6.9	21.8	14,774	-6.0	2.2	160,829	-6.8	24.0
2001-02	147,544	-1.0	20.7	14,980	-0.6	2.1	162,524	-0.9	22.8
2002-03	160,661	5.7	21.4	15,487	0.4	2.1	176,147	5.2	23.4

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

na Not applicable, due to a structural break in the series.

Table C3: Australian Government general government sector receipts (cash basis)

	2001-02 \$m	2002-03 \$m
Taxation receipts		
Income tax		
Individuals and other withholding(a)		
Gross income tax withholding(b)	78,983	84,134
Gross other individuals	16,290	17,436
less Refunds	10,637	11,651
Total individuals and other withholding	84,636	89,919
Companies	27,230	32,752
Superannuation funds		
Contributions and earnings	3,550	3,865
Superannuation surcharge	824	975
Total superannuation funds	4,373	4,840
Petroleum resource rent tax	1,361	1,712
Total income tax	117,601	129,222
Indirect tax		
Excise duty		
Crude oil	393	417
Petroleum and other fuel products	12,386	12,866
Other excise	6,837	7,450
Total excise duty	19,616	20,733
Customs duty	4,625	4,982
Other indirect taxes(c)	785	858
Total indirect tax	25,026	26,573
Fringe benefits tax(d)	3,272	3,103
Agricultural levies	550	586
Other taxes	1,095	1,176
Total tax receipts	147,544	160,661
Non-tax receipts	14,980	15,487
Total receipts	162,524	176,147

(a) Includes Medicare levy receipts (\$4,970 million in 2001-02 and \$5,000 million in 2002-03).

(b) Previously reported as Pay As You Go (Withholding) and other withholding. Other withholding, previously reported under company and other income tax, includes amounts withheld for failure to quote a Tax File Number or an Australian Business Number; interest, dividends and royalty payments to non-residents; and payments to aboriginal groups for the use of land for mineral exploration and mining.

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

(d) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$360 million in 2001-02 and \$355 million in 2002-03).

Appendix C: Historical fiscal data

Table C4: Australian Government general government sector net debt and net interest payments^(a)

	Net debt(b)		Net interest payments(c)	
	\$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	4.8	290	0.2
1980-81	6,356	4.4	444	0.3
1981-82	5,919	3.5	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	9.7	2,462	1.1
1985-86	26,889	10.8	3,626	1.5
1986-87	29,136	10.7	4,387	1.6
1987-88	27,359	8.8	4,019	1.3
1988-89	21,982	6.2	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	15.7	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	57,560	9.2	6,014	1.0
2000-01	42,651	6.4	4,855	0.7
2001-02	38,024	5.3	4,238	0.6
2002-03	29,665	3.9	3,641	0.5

(a) There is a break in the net debt and net interest series between 1998-99 and 1999-2000 (the first year of accrual budgeting). Up to 1998-99, Australian Government general government sector debt instruments are valued at historic cost. From 1999-2000 onwards, Australian Government general government sector debt instruments are valued at market prices, consistent with accrual GFS standards. These changes are discussed further in Statement 8 of 2003-04 Budget Paper No. 1.

(b) Source: ABS Cat. No. 5501.0, 5513.0, Australian Government Final Budget Outcomes and Treasury estimates.

(c) Excludes superannuation related interest flows.

Table C5: Australian Government general government sector revenue, expenses, net capital investment, fiscal balance and net worth^(a)

	Revenue		Expenses		Net capital investment		Fiscal balance		Net worth(b)(c)	
		Per cent		Per cent		Per cent		Per cent		Per cent
	\$m	of GDP	\$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	-74,354	-14.0
1997-98	146,820	26.2	148,646	26.5	147	0.0	-1,973	-0.4	-68,544	-12.2
1998-99	151,897	25.7	146,620	24.8	1,433	0.2	3,844	0.6	-76,150	-12.9
1999-00	166,595	26.5	154,481	24.6	-1,225	-0.2	13,339	2.1	-39,105	-6.2
2000-01	161,508	24.1	156,817	23.4	-1,168	-0.2	5,859	0.9	-41,769	-6.2
2001-02	162,370	22.8	166,525	23.4	-369	-0.1	-3,786	-0.5	-47,553	-6.7
2002-03	175,014	23.3	169,247	22.5	-219	0.0	5,986	0.8	-50,442	-6.7

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net worth is calculated as assets minus liabilities minus shares and other contributed capital.

(b) There is a break in the net worth series between 1998-99 and 1999-2000. Data up to 1998-99 are sourced from the Australian Government's Consolidated Financial Statements based on Australian accounting standards. Data beginning in 1999-2000 are based on the GFS framework. For the general government sector, the major change across the break in the series is an improvement in net worth. This is primarily due to the move from valuing investments in public corporations at historic cost to current market value (which is calculated using the share price for listed corporations). This is partly offset by defence weapons platforms no longer being recorded as assets and valuing debt at current market value.

(c) Following advice from the ABS, the net worth series has been back-dated to 1999-2000 to remove dividends payable from the measurement of the general government sector's equity holding in the public financial corporations sector.

Table C6: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue

	Taxation revenue			Non-taxation revenue			Total revenue		
	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP
		real growth			real growth			real growth	
1999-00	152,576	na	24.3	14,020	na	2.2	166,595	na	26.5
2000-01	151,156	-4.8	22.6	10,352	-29.0	1.5	161,508	-6.8	24.1
2001-02	149,848	-2.8	21.1	12,522	18.6	1.8	162,370	-1.4	22.8
2002-03	163,055	5.6	21.7	11,958	-7.3	1.6	175,014	4.6	23.3

na Data not available.

Table C7: Australian Government general government sector revenue (accrual basis)

	2001-02 \$m	2002-03 \$m
Tax revenue		
Income tax		
Individuals and other withholding(a)		
Gross income tax withholding(b)	79,822	84,640
Gross other individuals	17,237	18,314
less Refunds	10,637	11,651
Total individuals and other withholding	86,422	91,303
Companies	27,133	33,365
Superannuation funds		
Contributions and earnings	3,341	3,617
Superannuation surcharge	830	1,279
Total superannuation funds	4,171	4,896
Petroleum resource rent tax	1,306	1,715
Total income tax	119,032	131,278
Indirect tax		
Excise duty		
Crude oil	393	417
Petroleum and other fuel products	12,400	12,920
Other excise	6,837	7,450
Total excise duty	19,630	20,787
Customs duty	5,214	5,573
Other indirect taxes(c)	791	896
Total indirect tax	25,634	27,255
Fringe benefits tax(d)	3,675	2,832
Agricultural levies	550	586
Other taxes	956	1,104
Total tax revenue	149,848	163,055
Non-tax revenue	12,522	11,958
Total revenue	162,370	175,014

(a) Includes Medicare levy (\$4,970 million in 2001-02 and \$5,000 million in 2002-03).

(b) Previously reported as Pay As You Go (Withholding) and other withholding. Other withholding, previously reported under company and other income tax, includes amounts withheld for failure to quote a Tax File Number or an Australian Business Number; interest, dividends and royalty payments to non-residents; and payments to aboriginal groups for the use of land for mineral exploration and mining.

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

(d) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$357 million in 2001-02 and \$323 million in 2002-03).

Table C8: Australian Government cash receipts, payments and cash surplus by institutional sector^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus	Receipts	Payments	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	146,496	142,159	4,337	na	na	-353	na	na	3,984
1999-00	165,806	152,747	13,059	na	na	-2,594	na	na	10,465
2000-01	160,829	154,858	5,970	na	na	391	na	na	6,362
2001-02	162,524	163,507	-983	na	na	1,210	na	na	227
2002-03	176,147	168,661	7,486	na	na	1,280	na	na	8,766

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to associated methodological and data-source changes, time series data which encompasses measures derived under both cash and accrual accounting should be used with caution.

na Data not available.

Table C9: Australian Government accrual revenue, expenses and fiscal balance by institutional sector^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance(b)
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	151,897	146,620	3,844	27,687	26,088	-816	175,682	168,806	3,028
1999-00	166,595	154,481	13,339	25,270	23,327	1,062	188,347	173,134	14,400
2000-01	161,508	156,817	5,859	25,640	24,533	-826	183,000	177,202	5,034
2001-02	162,370	166,525	-3,786	26,461	25,164	793	184,577	187,435	-2,993
2002-03	175,014	169,247	5,986	24,172	22,750	1,975	194,391	187,244	7,919

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

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

na Data not available.