



MEDIA RELEASE

SENATOR NICK MINCHIN

Minister for Finance and Administration

8 July 2005

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AUSTRALIAN GOVERNMENT MONTHLY FINANCIAL STATEMENTS

MAY 2005

KEY POINTS

- The underlying cash balance for the 2004-05 year to 31 May 2005 was a surplus of \$13,816 million compared with a surplus of \$12,331 million to 30 April 2005.
- The fiscal balance for the 2004-05 year to 31 May 2005 was a surplus of \$11,820 million compared with a surplus of \$11,499 million to 30 April 2005.
- The net operating result for the 2004-05 year to 31 May 2005 was a surplus of \$7,676 million compared with a surplus of \$9,394 million to 30 April 2005.

AGGREGATES	ACTUAL	ACTUAL	ESTIMATE
	2004-2005 May \$m	2004-2005 Year to Date May \$m	2004-2005 FULL YEAR* \$m
Underlying Cash Balance	1,486	13,816	9,221
Fiscal Balance	321	11,820	7,003
Headline Cash Balance	1,510	13,593	7,904
Revenue (a)	19,116	191,911	206,411
Expenses (a)	20,836	184,235	203,858
Operating Result	-1,719	7,676	2,554
Assets	158,347	158,347	152,608
Liabilities	192,852	192,852	192,403
Net Assets (a)	-34,505	-34,505	-39,796

* As published in the 2005-06 Budget.

(a) Revenue, expenses and net assets are on a AAS basis.

Care needs to be taken when comparing monthly or cumulative data across years and to full year estimates. Revenue and expenses vary month-to-month and factors such as *The New Tax System*, and the accrual framework including the timing of payments and policy decisions, can also have a large impact on fiscal aggregates from one year to the next and on year-to-date outcomes. In the 2004-05 financial year, the month of June contains three pension and public service pay days.

8 July 2005

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FISCAL OUTCOMES

Underlying Cash Balance

The main components of the underlying cash balance are cash from operations and cash movements in the net investment in non-financial assets.

The underlying cash balance for the year to 31 May 2005 was a surplus of \$13,816 million. This underlying cash balance is \$5,364 million higher than the May pro-rata (a surplus of \$8,452million) of the 2004-05 Revised Budget estimate, in the 2005-06 Budget, of \$9,221 million. The difference reflects a number of individual variations including the following:

Movements in underlying cash payments:

Lower payments for:

- Grants due to:
 - underspends in several health programmes primarily:
 - : the Information Technology programme due to revised implementation of HealthConnect;
 - : the Medical Indemnity programme due to a lower than anticipated number of doctors participating in the programme;
 - : the Ageing Support and Strategies programme due to delays in reports and contract negotiations; and
 - : the Aboriginal and Torres Strait Islander Health programme due to a delay in capital works and negotiating new funding agreements.
 - delays in projects in a number of transport and regional services programmes. Higher payments are expected in June as states finalise claims for payments; and
- Suppliers due to:
 - Defence who traditionally spends a higher proportion of its suppliers budget in the second six months of the financial year, reflecting lead times to implement budget processes, and administrative lead times associated with procurement.
 - lower than anticipated demand for health programmes including Medicare, the Pharmaceutical Benefits Scheme, National Public Health programme, Medical Indemnity programme, Aboriginal and Torres Strait Islander Health programme and Ageing Support and Strategies programme.
 - delays in the deployment of Australian Federal Police (AFP) officers to Papua New Guinea (PNG), which was initially expected to occur from early 2004. Following signing of a treaty between Australia and PNG, and pending enabling legislation, the deployment was deferred. An advance party was deployed in September 2004 with full deployment expected closer to mid 2005. Despite the withdrawal of personnel from PNG, future expenditure will be ongoing to maintain the AFP's capacity, pending the Government's consideration on the return to PNG.

Higher payments for:

- Non-government schools:
 - Non-Government schools have now been paid 100 per cent of their full 2004-05 entitlements. In line with usual practice, non-government schools were paid 50 per cent of their 2004-05 entitlement around August 2004, and the remaining 50 per cent in January 2005. This is compared to a pro-rata estimate.

Fiscal Balance

The fiscal balance for the year to 31 May 2005 was a surplus of \$11,820 million. The main components of the fiscal balance are the GFS net operating balance, which was a surplus of \$11,968 million, and a net capital investment of \$148 million for the year to 30 May 2005 (refer to the Reconciliation of AAS Operating Result to Fiscal Balance on page 8 for further detail).

FINANCIAL OUTCOMES

Actual expenses are \$2,634 million lower when compared with a pro-rata of the Budget estimate. The main reasons for the lower result, provided by function, are due to:

- Health function – lower grants expenses primarily due to lower than expected spending in a number of programmes including: National Public Health, Medical Indemnity programme, Ageing Support and Strategies programme and Aboriginal and Torres Strait Islander Health:
 - The National Public Health programme has lower than expected spending in the National Illicit Drugs Strategy and Avian Influenza components;
 - The Medical Indemnity programme has a lower than anticipated number of doctors participating;
 - The Aboriginal and Torres Strait Islander Health programme has delays in capital works; and
 - The Ageing Support and Strategies programme has delays in reports and contract negotiations.
- Transport Function – lower grants expense as a result of delays in projects in a number of programmes. Higher payments are expected in June as States finalise claims for payments.
- Defence Function – lower employee expense due to lower Army numbers, an underspend in Reserve salaries and lower than predicted allowance payments. Ongoing recruitment problems in a tighter employment market also contribute to the variance.

Assets and Liabilities

The net asset balance within the General Government sector is a negative net asset position of \$34,505 million at 31 May 2005.

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Minister for Finance
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8 July 2005

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Secretary to the Department of
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8 July 2005

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**AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR –
STATEMENT OF FINANCIAL PERFORMANCE**

		ACTUAL 2004-2005 May	ACTUAL 2004-2005 Year to Date May	ESTIMATE 2004-2005 FULL YEAR*
	Note	\$m	\$m	\$m
Revenues				
Taxation				
Income tax	1	14,676	145,865	156,380
Indirect tax	2	2,582	26,351	28,904
GST		0	0	0
Fringe Benefits Tax	1	340	3,028	3,050
Other taxes		243	1,561	1,636
Total Taxation Revenue	3	17,841	176,804	189,970
Non-Taxation				
Sales of goods and services		435	4,342	4,900
Interest and dividends		355	6,230	6,873
Net foreign exchange gains		0	0	0
Proceeds from the sale of assets		66	1,044	823
Other sources of non-tax revenue		420	3,491	3,845
Total Non-Tax Revenue		1,275	15,107	16,442
Total Revenues		19,116	191,911	206,411
Expenses				
Goods and Services				
Employees		1,930	20,360	22,911
Suppliers		1,642	13,873	16,848
Depreciation and amortisation		119	3,728	4,409
Net write down of assets		2,259	4,707	3,434
Net foreign exchange losses		-7	501	384
Value of assets sold		35	913	770
Other goods and services expenses		203	6,346	7,078
Total Goods and Services		6,181	50,427	55,834
Subsidies Benefits and Grants				
Personal benefits		9,242	82,924	91,137
Subsidies		1,286	9,872	11,212
Grants		3,570	35,334	39,474
Total Subsidies Benefits and Grants		14,098	128,130	141,823
Borrowing costs				
Interest		546	5,654	6,186
Other borrowing costs		10	24	15
Total Borrowing costs		556	5,678	6,200
Total Expenses		20,836	184,235	203,858
Operating Result		-1,719	7,676	2,554
Extraordinary items				
		0	0	0
Operating result after extraordinary items		-1,719	7,676	2,554

This table is prepared on a AAS basis.

* As published in the 2005-06 Budget.

**AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR –
STATEMENT OF FINANCIAL POSITION**

Note	ACTUAL 2004-2005 May \$m	ESTIMATE 2004-2005 FULL YEAR* \$m
Assets		
Financial assets		
Cash	1,210	928
Receivables	29,711	29,829
Investments	52,347	47,263
Equity Accounted Investments	401	402
Accrued revenue	750	490
Other financial assets	1	18
Total financial assets	84,421	78,930
Non-financial assets		
Land and buildings	18,640	18,757
Infrastructure	39,806	39,398
Intangibles	1,708	1,693
Heritage and cultural	6,669	6,698
Inventories	5,516	5,299
Other non-financial assets	1,588	1,832
Total non-financial assets	73,927	73,678
Total assets	158,347	152,608
Liabilities		
Debt		
Government securities	55,410	55,705
Loans	4,923	4,537
Leases	155	201
Deposits	490	365
Overdrafts	0	0
Other debt	1,257	1,076
Total debt	62,234	61,885
Provisions and payables		
Employees	99,020	98,676
Suppliers	2,402	2,145
Personal benefits payable	8,166	8,347
Subsidies payable	876	912
Grants payable	10,101	9,842
Other provisions and payables	10,052	10,596
Total provisions and payables	130,617	130,519
Total liabilities	192,852	192,403
Net Assets (a)	-34,505	-39,796
Equity		
Accumulated results	-70,064	-75,156
Reserves	35,560	35,361
Capital	0	0
Total equity	-34,505	-39,796
(a) Opening net assets	-42,207	-45,133
Operating result after extraordinary items	7,676	2,554
Asset revaluation reserve	593	187
Other movements	-566	2,597
Closing net assets	-34,505	-39,796

This table is prepared on a AAS basis.

* As published in the 2005-06 Budget.

**AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR –
STATEMENT OF CASH FLOWS**

	ACTUAL 2004-2005 May	ACTUAL 2004-2005 Year to Date May	ESTIMATE 2004-2005 FULL YEAR*
	\$m	\$m	\$m
Operating Activities			
Cash received			
Taxes	16,117	170,689	186,133
Sales of goods and services	284	4,398	5,087
Interest	266	3,009	3,537
Dividends	7	3,800	3,808
GST receipts	-348	1,988	2,908
Other	21	3,033	2,931
Total operating cash received	16,348	186,916	204,405
Cash used			
Payments to employees	1,593	16,662	19,496
Payments to suppliers	810	16,150	20,255
Subsidies paid	854	8,907	10,127
Personal benefits	6,389	80,687	88,867
Grant payments	3,305	34,553	38,352
Interest and other financing costs	683	5,642	5,995
GST payments	0	59	120
Other	782	6,540	6,859
Total operating cash used	14,416	169,200	190,072
Net Cash from Operating Activities	1,932	17,716	14,333
Investing Activities			
Net Cash received/(used)			
Proceeds from asset sales programme	0	0	0
Proceeds from sales of property, plant and equipment and intangibles	47	382	422
Net loans, advances and HECS	24	-41	-1,135
Purchase of property, plant and equipment and intangibles	-488	-4,479	-5,652
Other investing cash receipts/(payments)	-2,871	-12,884	-7,453
Net Cash from Investing Activities	-3,288	-17,022	-13,818
Financing Activities			
Net Cash received/(used)			
Net repayments of borrowings	231	71	188
Other financing cash receipts/(payments)	-65	-1,145	-1,366
Net cash from Financing Activities	166	-1,074	-1,178
Net increase / (decrease) in cash held	-1,190	-380	-663

This table is prepared on a AAS basis.

* As published in the 2005-06 Budget.

**AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR –
STATEMENT OF FINANCIAL PERFORMANCE BY FUNCTION**

		ACTUAL 2004-2005 May	ACTUAL 2004-2005 Year to Date May	ESTIMATE 2004-2005 FULL YEAR*
	Note	\$m	\$m	\$m
Revenues by Source				
Taxation		17,841	176,804	189,970
Non-taxation		1,275	15,107	16,442
Total revenues		19,116	191,911	206,411
Expenses by Purpose				
General Public Services		3,605	16,304	16,226
Defence		1,132	12,127	14,585
Public Order and Safety		115	2,146	2,496
Education	4	110	13,675	14,917
Health		3,147	32,013	35,714
Social Security and Welfare		8,733	77,882	85,486
Housing and Community Amenities		254	1,850	1,997
Recreation and Culture		215	2,165	2,510
Fuel and Energy		304	3,482	3,984
Agriculture, Forestry and Fishing		137	1,499	2,265
Mining and Mineral Resources (other than fuels); Manufacturing and Construction		449	1,824	1,981
Transport and Communication		326	2,055	2,726
Other Economic Affairs		1,020	4,317	4,886
Other Purposes				
Public Debt Interest		465	5,350	5,935
Nominal Superannuation Interest		369	4,556	4,882
General Purpose Inter- Government Transactions		450	2,923	3,034
Natural Disaster Relief		4	54	84
Contingency Reserve		0	0	25
Asset Sales		1	13	13
Total Expenses		20,836	184,235	203,748
Operating Result		-1,720	7,676	2,664

This table is prepared on a AAS basis.

* As published in the 2005-06 Budget.

**AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR –
RECONCILIATION OF AAS OPERATING RESULT TO FISCAL BALANCE**

	ACTUAL 2004-2005 May \$m	ACTUAL 2004-2005 Year to Date May \$m	ESTIMATE 2004-2005 FULL YEAR* \$m
AAS Operating result	-1,719	7,676	2,554
less assets recognised for the first time	75	341	623
plus actuarial revaluations	0	805	937
plus writedown of assets/bad and doubtful debts	2,260	4,707	3,434
less mutually agreed writedowns	187	488	408
plus net foreign exchange losses	-7	501	384
plus other economic revaluations (a)	251	301	1,977
less profit (loss) on the sale of assets	34	143	53
plus Defence weapons platform depreciation	187	1,941	2,517
less Defence weapons platform investment	195	2,991	3,064
GFS Net Operating Balance	482	11,968	7,654
less purchase of property plant and equipment and intangibles	440	4,697	5,550
less net assets acquired under finance leases	1	2	7
less other non-financial assets	4	85	99
less increase in inventories	-113	550	374
plus proceeds from sales of property, plant and equipment	44	408	422
plus Defence weapons platform investment	195	2,991	3,064
plus depreciation and amortisation excl weapons #	-68	1,787	1,892
Fiscal Balance (GFS Net Lending)	321	11,820	7,003

* Data in this table are consistent with that published in the 2005-06 Budget.

Negative movement due to an adjustment for prior month data to Depreciation for Buildings, and Other infrastructure, plant and equipment

(a) Net repurchase premia (accruals basis), net losses/gains on swap transactions, cost of asset sales and International Development Association/Asian Development Fund payments.

**AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR –
DERIVATION OF UNDERLYING AND HEADLINE BALANCE**

	ACTUAL 2004-2005 May \$m	ACTUAL 2004-2005 Year to Date May \$m	ESTIMATE 2004-2005 FULL YEAR* \$m
Net cash from operating activities	1,932	17,716	14,333
<i>Plus: Payments classified as GFS adjustments</i>	-4	200	125
<i>Plus: Net cash from investments in non-financial assets</i>			
Proceeds from sales of property, plant and equipment and intangibles	47	382	422
<i>Less: Purchase of property, plant and equipment and intangibles</i>	488	4,479	5,652
<i>Less: Finance leases and similar arrangements</i>	1	2	7
Underlying Cash Balance	1,486	13,816	9,221
<i>Plus: Net Advances</i>			
Proceeds from asset sales program	0	0	0
Net advance receipts/(payments) (a)	24	-223	-1,317
<i>Equals Headline Cash Balance</i>	<i>1,510</i>	<i>13,593</i>	<i>7,904</i>

* Data in this table are consistent with that published in the 2005-06 Budget.

(a) Includes transactions classified as net advances for GFS purposes such as Higher Education Contribution Scheme loans and loans to other levels of Government (State, Local and Multi-jurisdictional) for policy purposes.

NOTES:

The accounting policies in this part are generally consistent with the requirements of AAS. While the scope for financial reporting recommended in AAS 31 is the whole of government (that is, the Australian Government public sector), in accordance with the Charter of Budget Honesty Act 1998, this presentation covers the general government sector only. This publication does not include full note disclosures.

With the introduction of Business Activity Statements and Instalment Activity Statements in 2000-2001, taxpayers provide information on payments associated with several types of tax when lodging the statement and paying the aggregate net tax amount. Thus, while total tax collections are known with certainty at the end of each month, the distribution across the relevant heads of revenue cannot be finalised until all statements are received and processed. The outcomes for some revenue items provided in this statement are thus estimates, in accordance with the best judgement of the Taxation Commissioner, and subject to revision. The taxation revenue items not affected are: Petroleum Resource Rent Tax, Excise duty, Customs duty, Other Taxes and Individuals Refunds.

The sum of the revenue accrued in the month and the revisions to prior periods equals the revenue reported in the Statement of Revenue and Expenses.

All taxation items in these notes are reported on a AAS basis, unless otherwise indicated.

NOTE 1: INCOME TAX

	ACTUAL 2004-2005 May \$m	ACTUAL 2004-2005 Year to Date May \$m	ESTIMATE 2004-2005 FULL YEAR* \$m
INDIVIDUALS AND OTHER WITHHOLDING TAX			
Gross income tax withholding	8,626	89,774	97,990
Gross other individuals	3,457	22,588	23,640
<i>Less refunds</i>	755	13,170	13,700
Total individuals and other withholding tax	11,328	99,192	107,930
OTHER SOURCES			
Companies	3,075	38,997	40,610
Superannuation funds (a)	260	6,216	6,380
Petroleum Resource Rent Tax	13	1,460	1,460
Total income tax from other sources	3,348	46,672	48,450
Total income tax	14,676	145,865	156,380
Fringe Benefits tax	340	3,028	3,050

* As published in the 2005-06 Budget.

(a) Includes superannuation contributions surcharge.

NOTE 2: INDIRECT TAX

	ACTUAL 2004-2005 May \$m	ACTUAL 2004-2005 Year to Date May \$m	ESTIMATE 2004-2005 FULL YEAR* \$m
Excise duty	2,124	20,240	22,010
Customs duty	386	5,206	5,714
Other indirect tax	71	905	1,180
Total indirect tax revenue	2,582	26,351	28,904

* As published in the 2005-06 Budget.

NOTE 3: GOODS AND SERVICES TAX

In regard to GST revenue, AAS would suggest the gross amount of GST be included in the Australian Government's Financial Statements. However, the clear policy intent of the Intergovernmental Agreement on the Reform of Australian Government-State Financial Relations is that the GST is a State tax collected by the Australian Government in an agency capacity. Therefore, accrued GST revenues and associated payments to the States and Territories are not disclosed in these statements.

	ACTUAL 2004-2005 May \$m	ACTUAL 2004-2005 Year to Date May \$m	ESTIMATE 2004-2005 FULL YEAR* \$m
GST Revenue (a) (collected on behalf of the States)	2,558	34,611	36,300

* As published in the 2005-06 Budget.

(a) GST revenue is presented in this note on an accrual basis. This differs from GST cash receipts, on which payments to the States and Territories are based.

NOTE 4: ADJUSTMENT FOR EDUCATION GRANT EXPENDITURE

In regard to education grant expenditure, adherence to AAS results in few education expenses being reported until the signing of the Ministerial determination, which normally occurs between December and February each year. This produces a bunching of expenses such that the full year's expense is recognised at that time and remains relatively constant until June. The table below provides details of the cash paid by DEST and ANTA and attributable to the Education function for the year to date.

	ACTUAL 2004-2005 Year to Date May \$m
Opening grants payable for DEST and ANTA	5,870
<i>less</i> closing grants payable for DEST and ANTA	6,737
<i>plus</i> grant expenses for DEST and ANTA	11,576
Cash payments for grants attributable to the Education function	10,710

NOTE:

Style Conventions

(1) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding.

International Monetary Fund (IMF) Special Data Dissemination Standards (SDDS)

- (2) In accordance with the IMF's SDDS, quarter ahead notice of the date of release of the data on central government operations, which is contained in the Australian Government Financial Statements, is given on the IMF's Data Dissemination Bulletin Board at <http://dsbb.imf.org>.
- (3) Monthly and quarterly data on debt guaranteed by the Australian Government (central) government that meet the coverage and timeliness requirements of the SDDS are published on the AOFM website at <http://www.aofm.gov.au/content/borrowing/commonwealth.asp?NavID=32>. In accordance with the IMF SDDS, the approximate date of release of the data on debt guaranteed by the Australian Government (central) government, is given on the IMF's Data Dissemination Advance Release Calendar <http://dsbb.imf.org>.