

Uniform Presentation Framework

For the Presentation of
Uniform Financial Information
by Commonwealth, State and
Territory Governments

April 2008

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Foreword

This publication incorporates revisions to the Uniform Presentation Framework (UPF) agreed by the Australian Loan Council in March 2002, March 2003 and March 2008.

Many of the revisions to the framework are a result of a review prompted by the release of the Australian Accounting Standards Board's (AASB) new accounting standard for the public sector in October 2007. The new standard aims to harmonise Government Finance Statistics (GFS)¹ and Generally Accepted Accounting Principles (GAAP) with the objective of improving the clarity and transparency of government financial statements. The revisions to the framework in 2002 and 2003 were also aimed at improving transparency within the framework by the inclusion of more detailed reporting in the operating statement and of expenses by function and the inclusion of new detail on purchases of assets.

The reviews of the UPF in 2002 and 2003, and more recently to consider the impact of the new accounting standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) were undertaken by the UPF Committee, convened by Heads of Treasuries for these tasks. The Committee comprised representatives from Australian, State and Territory Treasuries and the Australian Department of Finance and Deregulation. The Committee consulted

1 This document refers to the ABS accrual GFS publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods* cat. No. 5514.0, which is based on the International Monetary Fund (IMF) accrual GFS framework.

with the Australian Bureau of Statistics (ABS) and the Commonwealth Grants Commission (CGC).

The revised UPF is to be implemented across all jurisdictions prior to 2009-10 budgets.

Introduction

The Uniform Presentation Framework

The May 1991 Premiers' Conference agreed to the introduction of the UPF.

The primary objective of the UPF is to ensure that Commonwealth Government, State and Territory governments provide a common 'core' of financial information in their budget papers. It was recognised that a more uniform approach to the presentation of financial data would facilitate a better understanding of individual governments' budget papers and provide for more meaningful comparisons of each government's financial results and projections.

Subsequent chapters provide a summary of the key financial statements used, and measures available to assess the fiscal position of governments, and sets out the framework for the uniform reporting of government financial information throughout the budget year.

Consistent with previous presentation frameworks, the framework sets out the minimum information to be reported by governments. Governments should continue to publish additional information they consider relevant for users assessing their fiscal position.

While the revised UPF is to be reported by jurisdictions prior to 2009-10 budgets, the order that key financial statements are presented is up to individual jurisdictions.²

Accrual reporting and development of AASB 1049

The adoption of accrual GFS reporting by most Australian governments in 2000-01, and by all remaining governments in 2002-03, represented a major development in public sector financial management and reporting. Accrual measures provide a more comprehensive picture than cash measures of the total activity of government and the long-term effects of current policy, thereby enhancing governments' fiscal transparency and accountability.

Sustainability and sound fiscal management are emphasised under the accrual framework, providing policy makers with information to assist them in making decisions that have regard to the financial effects on future generations. Accrual information also allows markets, business and consumers to more effectively assess governments' fiscal performance over time.

There are two main accrual-based standards for public sector budgeting and reporting in Australia – the AASB GAAP and the ABS GFS. As such, the adoption of accrual accounting also led to two sets of financial statements appearing in many of the budget, mid-year and outcome reports of the Commonwealth, State and Territory governments.

One set of financial statements was being prepared in accordance with GAAP, under which the Australian Accounting Standard *Financial Reporting by Government* (AAS 31) was the relevant accounting standard for financial reporting by governments.

The other reporting standard against which financial reports (including reports prepared in accordance with former versions of the UPF) were

² With the exception of the derivation of the ABS GFS cash surplus/deficit table which must follow the cash flow statement table.

prepared was the ABS GFS standard, an economic reporting standard for governments, based on relevant international standards.

This dual reporting regime caused some confusion for users of these financial reports. As a consequence, following submissions made by governments in Australia and other stakeholders with an interest in public sector financial reporting, the Financial Reporting Council (FRC)³ asked the AASB to develop a framework that harmonised the two existing financial reporting structures – GAAP and the GFS – to achieve an Australian accounting standard for a single set of government reports. AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, is the result of that work and is to apply for reporting periods from 1 July 2008.

Uniform Presentation Framework alignment with AASB 1049

Following the introduction of AASB 1049, the Commonwealth, State and Territory governments consider that the UPF will continue to be an important framework for ensuring comparability of financial information across jurisdictions. There are a number of important areas where the UPF provides either additional information or clearer guidance on the preparation of government financial statements to that of AASB 1049. For example, the Commonwealth, State and Territory governments agree that net debt, a fiscal indicator not required by the new standard, continues to be an important indicator in transparent budget reporting and should continue to be presented on the face of the financial statements as a fiscal aggregate. Further, the UPF shall continue to apply to financial statements produced by government in budgets, mid-year budget updates and final budget outcome reports, whereas the new accounting standard applies only to outcome reports.

3 The FRC is the peak body responsible for the broad oversight of the accounting standard setting process for the private and public sectors. One of the key functions of the FRC is to advise the Commonwealth Government on the accounting standard setting process.

Therefore, rather than replacing the UPF with the new accounting standard, the framework was updated to align with AASB 1049. Commonwealth, State and Territory governments agreed that the updated framework would continue to provide a common core of comparable financial information in their budget papers and comparable data amongst jurisdictions while maintaining at least the current level of transparency.

Aligning the framework with AASB 1049 was not intended to create a UPF that complies with all the reporting requirements of AASB 1049. For example, the UPF does not include the same level of detail in relation to disclosure requirements as AASB 1049. Instead, the revised UPF allows jurisdictions to utilise the framework as the base set of statements and add additional relevant information in order to comply with AASB 1049.

Revisions to the Uniform Presentation Framework

Key principles of AASB 1049

In the development of AASB 1049, the AASB adopted the following approaches:

- Adoption of GAAP definition, recognition and measurement principles in almost all cases;
- Amending presentation requirements to encompass a comprehensive result that retains GAAP classification system but overlays it with a transactions and other economic flows classification system based on GFS; and
- Expanding the disclosure requirements to incorporate key fiscal aggregates required by GFS.

Differences between the GFS and AASB 1049 uniform presentation frameworks

In aligning the UPF with AASB 1049, there have been a number of key reporting changes as outlined below.

Changes to the key aggregates reported in financial statements

- Net worth calculation – the net worth calculation for the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors has changed to be assets less liabilities. Under the previous UPF, net worth for these sectors was defined as per the ABS GFS manual as asset less liabilities less shares and other contributed capital. In addition, recognition and measurement of assets and liabilities now follow GAAP and include items not previously recognised under the former UPF, such as provisions for doubtful debts.
- Cash surplus/deficit – the cash surplus/deficit calculation for all sectors has changed to be net cash flows from operating activities plus net cash flows from investments in non-financial assets (less dividends paid for the PNFC and PFC sectors). Under the previous UPF, the cash surplus/deficit was defined as per the ABS GFS manual as net cash flows from operating activities plus net cash flows from investments in non-financial assets less acquisitions under finance leases and similar arrangements (less dividends paid for the PNFC and PFC sectors). The UPF does however still require the disclosure of the ABS GFS cash surplus/deficit in a separate table following the cash flow statement.

Changes to the presentation of the tables

- The operating statement combines the net result from transactions (net operating balance) and the impact of other economic flows to calculate the comprehensive result (total change in net worth). Neither other economic flows nor the comprehensive result were required under the former UPF.

Back-casting historical information

- The shift from GFS to GAAP basis of reporting has resulted in a change in the recognition and measurement of fiscal aggregates. To ensure a consistent historical series of fiscal aggregates, all

jurisdictions have agreed to back-cast these recognition and measurement differences for any published historical data on a best endeavours basis.⁴

Some of the differences in recognition and measurement between GFS and AASB 1049 are discussed in further detail in Appendix C.

Inclusion of new information

The Loan Council has agreed that jurisdictions would also provide the following additional information as part of UPF:

- The inclusion of tables on grant revenue and expenses (Tables 18 (a and b)).
- The general government sector (GGS) and non-financial public sector (NFPS) balance sheet has also been updated to include a new fiscal aggregate – net financial liabilities. Net financial liabilities comprises total liabilities less financial assets excluding equity investments in the other sectors of the government. For the GGS, this excludes the government's investments in the PNFC/PFC sectors. For the PNFC and PFC sectors, net financial liabilities is equal to negative net financial worth.
- The inclusion of a table on dividends and income tax equivalents income of the GGS. The table separately records dividend and income tax equivalent income of the GGS from the PNFC and PFC sectors along with other dividends.

⁴ With the exception of the ACT. A significant sector and accounting treatment change means that the ACT is unable to present an accurate back-cast series.

2002 and 2003 Loan Council review of the UPF

As part of its review completed in 2003, the Australian Loan Council agreed the following changes to the reporting framework.

References to *Gross Operating Expenses* in the operating statement would be disaggregated to *Depreciation, Employee Expenses* and *Other Operating Expenses*. This change will apply to each sector's operating statement. This revision will make the level of detail included in the operating statement consistent with ABS publications.

Reporting will also be expanded to include more detail reflecting the main components of capital acquisitions. As such, *Gross Fixed Capital Formation* will be disaggregated to show *Purchases of Non-Financial Assets* and *Sales of Non-Financial Assets*.

Tables 20(a and b), which refer to GGS expenses by function, have also been revised to include more disaggregated data and now include expenses by sub-function in outcomes reports. All jurisdictions were to include this information in their financial outcomes reports from 2002-03. However, States and Territories that were unable to meet this timeline were to publish information at a more disaggregated level with full compliance by the 2003-04 outcomes report. The Commonwealth Government already previously included this level of information in its budget documentation.

Timetable for the introduction of the UPF

AASB 1049 applies from 1 July 2008, and the new standard is applicable to all jurisdictions prior to 2009-10 budgets.

UPF reporting

This chapter outlines the key features of the UPF as aligned with AASB 1049. It explains the institutional sectors into which the entities controlled by the Commonwealth, State and Territory governments are classified. This is followed by a discussion of the major differences between the AASB 1049 and GFS methodologies.

The UPF presentation

Details of public sector estimates and outcomes are presented on an accrual basis within three primary statements: the operating statement, including other economic flows; the balance sheet; and the cash flow statement. These statements, along with the Loan Council Allocation statement, form the core reporting requirements of the UPF.

Operating statement

The operating statement presents information on transactions (revenue and expenses) and other economic flows (revaluations and adjustments). This statement is designed to capture the composition of revenues and expenses and the net cost of a government's activities within a fiscal year. It shows the full cost of resources consumed by the government in achieving its objectives, and how these costs are met from various revenue sources. In addition to the net result from transactions (net operating balance), the operating statement also includes total other economic flows which are the total change in net worth driven by economic flows other than through transactions. The total of the net operating balance and other economic flows equal the comprehensive result (total change in net worth).

The operating statement reports three major fiscal measures – the net operating balance, net lending/borrowing (also known as fiscal balance) and the total change in net worth (comprehensive result). The net operating balance is calculated as revenue minus expenses, while net lending (fiscal balance) includes net capital expenditure but excludes depreciation, thereby giving a better measure of a jurisdiction's call on financial markets.

Under the previous UPF, differences arose between the GFS and GAAP operating statement. However, AASB 1049 combines the operating statement and statement of changes in equity into a single statement and items are split between transactions and other economic flows according to GFS.

Balance sheet

The balance sheet records a government's stocks of financial and non-financial assets and liabilities, taken at the end of each financial year. It provides the user with information on the resources at the government's disposal and the type and valuation of its liabilities.

The balance sheet also includes information on the make-up of a government's financial assets, on its holdings of fixed assets, and on the extent of liabilities such as borrowing and unfunded superannuation. This allows for intertemporal and interjurisdictional comparisons of asset and liability levels.

The fiscal aggregates in the balance sheet include net worth, net financial worth and net debt. A new fiscal aggregate, net financial liabilities is also required by the UPF; this aggregate was not required by the previous UPF.

Cash flow statement

The cash flow statement records a government's cash inflows and outflows, allocated between various activities, and their net impact on cash held. The cash flow statement reveals how a government obtains and expends cash.

This statement requires cash flows to be categorised into operating, investing and financing activities. Operating activities are those which relate to the collection of taxes, the distribution of grants, and the provision of goods and services. Investing activities are those which relate to the acquisition and disposal of financial and non-financial assets. Financing activities are those which relate to changing the size and composition of a government's financial structure.

The signing convention within the cash flow statement is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows).

The cash flow statement reports two fiscal measures – net increase in cash held and cash surplus/deficit. Net increase in cash held is the sum of net cash flows from all operating, investing and financing activities. The cash surplus/deficit comprises only net cash from operating activities, plus sales and less purchases of non-financial assets (less dividends paid for the PNFC and PFC sectors).

Under the previous UPF, the cash flow statement included the ABS GFS cash surplus/deficit. This fiscal aggregate is still required by the UPF in a separate table following the cash flow statement. The ABS GFS cash surplus/deficit is obtained by deducting finance leases from the AASB 1049 cash surplus/deficit for all sectors.

Whilst the UPF contains tables to indicate the derivation of the ABS GFS cash surplus/deficit (incorporating finance leases), in keeping with the standard UPF approach jurisdictions are not required to include these tables in their UPF presentations to the extent that they are not applicable (for example, if finance leases are zero and therefore the ABS GFS cash surplus/deficit is equal to the AASB 1049 cash surplus/deficit).

Institutional sectors

The coverage of the UPF extends to the entire Australian public sector (excluding local government entities and universities) comprising units which are owned and/or controlled by the Commonwealth Government, State and Territory governments. These units (such as government departments, authorities and businesses) are grouped into

three institutional subsectors: GGS; the PNFC sector; and the PFC sector (refer Figure 1). In addition, the UPF also includes tables for the consolidated NFPS.

General Government Sector (GGS)

The GGS comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community, and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, other compulsory levies and user charges.

Public Non-Financial Corporations (PNFC) sector⁵

The PNFC sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (for example, Australia Post, port authorities and railways). In general, PNFCs are legally distinguishable from the governments which own them.

Non-Financial Public Sector (NFPS)

The NFPS represents the consolidated transactions and assets and liabilities of the GGS and PNFC sector. In compiling statistics for the NFPS, transactions and debtor-creditor relationships between subsectors are eliminated to avoid double counting as part of a process known as consolidation.

5 The PNFC sector was formerly known as the public trading enterprises or PTE sector.

Public Financial Corporations (PFC) sector⁶

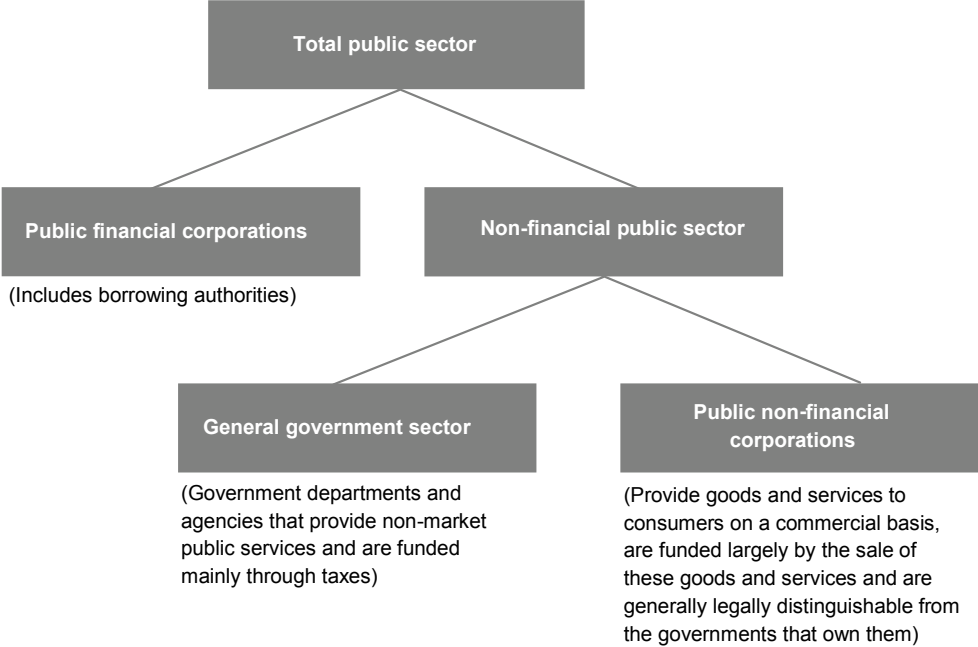
PFCs are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (eg taking deposits, issuing securities or providing insurance services). Central borrowing authorities, including the Reserve Bank of Australia, are part of the PFC sector.

Total public sector

The total public sector consolidates the transactions of all sectors of government – the GGS, the PNFC and PFC sectors (eliminating intersectoral transfers). Total public sector reporting is also known as ‘whole of government’ reporting. The UPF does not prescribe reporting requirements for the total public sector.

⁶ The PFC sector was formerly known as the public financial enterprises or PFE sector.

Figure 1: Institutional structure of the public sector



Fiscal measures

UPF reporting provides a number of measures for evaluating the soundness of a government's fiscal position and the effect of fiscal policy on economic conditions. These include measures on both a stock and flow basis.

Stock measures (including net worth, net debt, net financial worth and net financial liabilities) highlight the fiscal position of a government at a point in time, providing information on the results of past decisions. Stocks reflect holdings of assets and liabilities. Stocks at the beginning of a period plus the cumulative result of flows in the period are equal to stocks at the end of the period.

Flow measures (including the net operating balance, net lending/borrowing (fiscal balance), cash surplus/deficit and change in net worth) show changes in the fiscal position during the reporting period, reflecting the impact of government decisions and actions, and re-measurement impacts during that time. Flows represent the creation, transformation, exchange, transfer or extinction of economic value.

The fiscal measures in the UPF framework are: net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth, net debt, net financial worth, net financial liabilities, cash surplus/deficit and the ABS GFS cash surplus/deficit.

However, governments need to be able to define a fiscal strategy around fiscal aggregates that suit their particular economic circumstances. Therefore governments may elect to provide additional fiscal aggregates and disclose them in the UPF financial statements. These additional fiscal aggregates must be based on information disclosed in the financial statements.

Net operating balance

The net operating balance is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets, but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation). By including all accruing costs, including depreciation, the net operating balance encompasses the full cost of providing government services. This makes it a good measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

The net operating balance can also be defined as the change in net worth, less the effect of revaluations of assets and liabilities (where revaluations also include changes in the volume of assets which result from discoveries, depletion and destruction of assets). Because revaluations are largely outside a government's control, the net operating balance is a better measure of a government's financial activity in a given period than the change in net worth (described below).

The net operating balance is a flow measure on the operating statement.

Net lending/borrowing (fiscal balance)

Net lending/borrowing, or fiscal balance⁷, measures a government's investment-saving balance. A fiscal surplus indicates that a government is saving more than is required to finance all of its investment spending and is therefore not contributing directly to the current account deficit.

The fiscal balance (which is recorded in the operating statement) differs from the net operating balance in its treatment of capital expenditure. Unlike the net operating balance, the fiscal balance includes net capital expenditure, but not the use of capital (that is, depreciation). In a year in

⁷ The term 'fiscal balance' is not used by the ABS.

which a government undertakes major infrastructure works, other things being equal, a fiscal surplus will be significantly lower (or a fiscal deficit significantly larger) compared with the net operating balance. Because it includes the full amount of investment by a government in a particular period, the fiscal balance is a better measure of the impact of a government's budget on the economy in a given period.

The fiscal balance is the accrual counterpart of the cash surplus/deficit in the cash flow statement. Both measures provide estimates of a government's investment-saving balance and hence their contribution to the current account deficit. However, the two measures are unlikely to coincide because of the differences arising when transactions are recorded in cash and accrual terms. The fiscal balance has the advantage of aligning more closely with the accrual-based Australian National Accounts. The equivalent of the cash surplus/deficit continues to be available in the accrual framework from the cash flow statement (see below).

Change in net worth

Change in net worth (comprehensive result) measures the variation in a government's accumulated assets and liabilities, and is the most inclusive measure of the change in a government's financial position over a given period.

Change in net worth comprises two flows: change in net worth due to transactions (that is, the net operating balance), and change in net worth due to revaluations and other factors (where revaluations include changes in the volume of assets which result from discoveries, depletion and destruction of assets). Changes in net worth due to revaluations and other factors (other economic flows) also encompass changes in liabilities (for example, revaluations of liabilities due to changes in the exchange rate or from actuarial reassessments).

A problem with the change in net worth measure is that changes in asset values generally reflect factors external to a government's control. Thus favourable changes in asset valuations arising from external factors could obscure deterioration in a government's fiscal position resulting from policy decisions.

The total change in net worth can be measured by comparing successive end-of-year balance sheets. That part of change in net worth due to transactions can also be seen in the operating statement, as the net operating balance.

Net worth

The net worth measure provides a more comprehensive picture of a government's overall financial position than the net debt measure. It is calculated as total assets (both financial and non-financial) less total liabilities. Net worth incorporates a government's non-financial assets such as land, buildings and other fixed assets, as well as certain financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities, accrued long service leave benefits, debtors and creditors.

The sale of physical assets impacts on net debt as an increase in financial assets, and hence a fall in net debt. Net worth incorporates both sides of the story, showing the decrease in non-financial assets and the increase in financial assets. Net worth also shows asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.

However, the net worth measure is not without limitations. For example, the ability to reliably value government assets (such as national parks and government buildings) is an issue. Also, a government may not necessarily be in a position to sell non-financial assets on its balance sheet to meet liabilities (for example, for policy reasons), or might find that to do so may involve selling at prices below the balance sheet valuation.

The net worth measure can be obtained from the balance sheet.

Net debt

Net debt comprises the stock of selected gross financial liabilities less selected financial assets. The stock of net debt is a common measure used to assess the overall strength of a jurisdiction's fiscal position. High levels of net debt impose a call on future revenue flows to service that

debt and can therefore limit government flexibility to adjust expenditure. Excessive net debt can call into question the ability of government to service that debt.

The net debt measure is limited in that it does not include certain financial assets or provisions such as accrued employee liabilities or outstanding claims associated with insurance type activities, which can be substantial. In addition, net debt does not provide information on whether this debt has been incurred to finance fixed asset accumulation or current expenditure. This additional information is important in gauging the strength of a government's fiscal position as well as the sustainability of policy.

Despite these limitations, net debt provides useful information for examining the soundness of a government's fiscal position.

Net debt is reported in the balance sheet and is the sum of deposits held, advances received and borrowing, less the sum of cash and deposits, advances paid, and investments, loans and placements.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets less liabilities.

Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the government. For

the GGS, its investment in the PNFC and PFC sectors are excluded. For the PNFC and PFC sectors, net financial liabilities is equal to negative net financial worth.

Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities (for example, accrued employee liabilities such as superannuation and long service leave entitlements). Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Cash surplus/deficit

The cash surplus/deficit has two components. The first is the net cash flows from operating activities (including tax receipts plus grant receipts plus receipts from sales of goods and services, less payments for goods and services, interest costs and grants). To this is added the cash inflow from sales less the cash outflow from purchases of non-financial assets (less dividends paid for the PNFC and PFC sectors).

Recording of cash transactions remains important for cash management purposes. In addition, cash measures provide the most useful indication of a government's need to call on financial markets to meet its budget obligations.

ABS GFS cash surplus/deficit

The additional information provided in the table following the cash flow statement shows the derivation of the ABS GFS cash surplus/deficit. The ABS GFS cash surplus/deficit adds a fourth component to the AASB 1049 cash surplus/deficit definition by removing the initial increase in liability accruing at the beginning of finance leases and similar arrangements. Financial leases have a similar impact as cash on the macroeconomy, therefore disclosing finance leases as part of the ABS GFS cash surplus/deficit is important from a fiscal policy perspective. These payments are considered to be cash outlays and

therefore must form part of the surplus/deficit calculation, as per the ABS GFS Manual.

The ABS GFS cash surplus/deficit, a flow measure reported in the table following the cash flow statement, is similar in concept to the old cash-based measure, but uses a different sign convention, that is, a positive sign now indicates a surplus. However, due to methodological and data-source changes associated with the move to an accrual accounting framework, the surplus/deficit aggregate contained in the cash flow statement is not directly comparable with the surplus/deficit measure obtained under the cash UPF. Time series data should therefore be used with caution.

Use of underlying Budget results

As agreed by the Australian Loan Council in 2003, in exceptional circumstances jurisdictions may believe that it assists readers and analysts if their Budget targets or outcomes are discussed in 'underlying' or 'adjusted' terms. If this happens, it is important to preserve the intent of the UPF agreement. Jurisdictions that choose to discuss Budget outcomes in 'underlying' or 'adjusted' terms agree to implement the following protocols:

- To avoid confusion, the modifiers 'underlying', 'adjusted' or similar will be used in conjunction with the non-standard aggregate to the maximum extent practicable;
- To the maximum extent practicable, jurisdictions will footnote non-standard aggregates to indicate how the non-standard aggregate can be reconciled to the standard aggregate;
- The use of non-standard aggregates should be avoided in the standard UPF tables, but it is permissible to include footnotes to indicate the impact of the exceptional item;
- In the section of the budget papers or other documents used for publishing UPF data, there will be included in textual or tabular format a reconciliation of the standard and non-standard aggregate, including where practicable the item(s) comprising the difference and the dollar amount of each item. Jurisdictions are permitted to exclude

from this reconciliation the dollar amount of pending asset sales or similar transactions where such disclosure could prejudice ongoing negotiations. The intent of this reconciliation is to allow a user of the data to readily relate the standard and non-standard aggregate; and

- Accompanying the reconciliation outlined above, jurisdictions will include an explanation of the reasons for using the non-standard aggregate.

Loan Council reporting

This chapter looks briefly at the role of the Australian Loan Council, discusses Loan Council Allocations and the Timetable for Loan Council Reporting.

The Australian Loan Council

The Australian Loan Council is a Ministerial Council – comprising the Commonwealth Government Treasurer as Chairman and his/her counterparts from the States and Territories. It was established in 1927 to coordinate public sector borrowings in Australia.

The Loan Council is now mainly concerned with enhancing the transparency and accountability of public sector finances rather than, as in the past, securing adherence to strict borrowing limits. The present arrangements, introduced in 1993-94, are designed to enhance the role of financial market scrutiny as a discipline on borrowings by the public sector. The UPF complements these arrangements by assisting Parliaments, financial markets and the public to make informed judgements about each government's financial performance.

Loan Council usually meets once a year, otherwise conducting business by correspondence. Each jurisdiction nominates to Loan Council its intended borrowing allocation for the forthcoming financial year, known as its Loan Council Allocation (LCA). The LCA provides an indication of a government's probable cash call on financial markets over the year. LCA nominations are then considered by Loan Council having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, as well as to the macroeconomic implications of the aggregate figure. Since 1993-94, Loan Council has approved all jurisdictions' LCA nominations without change.

Each jurisdiction is required to take into account its Loan Council approved LCA in formulating its budget. Significant departures from Loan Council approved LCAs and budget time LCA estimates are required to be reported and explained to Loan Council and the public.

Loan Council Allocations

The focus of Loan Council reporting in the accrual reporting framework remains on cash measures. A government's cash position will determine the extent to which it must call on financial markets in a given year to meet its budget obligations. Table 1 shows the derivation of a jurisdiction's LCA.

Table 1: LCA format

	Loan Council Allocation \$m	Budget-time Estimate \$m
	x	x
	x	x
	x	x
	x	x
<i>equals</i>	x	x
<i>minus</i>		
	x	x
<i>plus</i>		
	x	x
	x	x

(a) The sum of the surplus/deficits of the GGS and PNFC sector may not equal the NFPS surplus/deficit due to intersectoral transfers, which are netted out in the calculation of the NFPS figure.

(b) Cash surplus/deficits and finance leases are displayed with the opposite sign to that under which they are reported in cash flow statements. That is, a surplus is displayed as a negative number and vice versa.

(c) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as which they are reported in cash flow statements.

The cash surplus/deficit reported in the UPF cash flow statements form the basis of a jurisdiction's LCA.

The item 'net cash flows from investments in financial assets for policy purposes' is from the NFPS cash flow statement. It comprises net lending by governments with the aim of achieving government policy, as well as net equity sales (for example, privatising a PNFC through the sale of equity rather than assets) and net lending to other sectors or jurisdictions. Such transactions involve the transfer or exchange of a financial asset and are not included within the ABS GFS cash surplus/deficit. However, the cash flow from investments in financial

assets for policy purposes has implications for a government's call on financial markets. Therefore it is included as part of a jurisdiction's LCA.

Memorandum items are used to include in LCAs certain transactions (such as operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the cash surplus/deficit certain transactions that Loan Council has agreed should not be included in LCAs (for example, the funding of more than emerging costs under public sector superannuation schemes, or borrowings by certain PNFC sector entities such as statutory marketing authorities). Refer to Appendix D for a description of memorandum items.

A jurisdiction's LCA nomination is made on the basis of data in the previous year's mid-year report. The nomination is updated at budget-time to incorporate any parameter and policy changes reflected in the aggregates presented in the budget, and the LCA outcome is reported in the budget outcome document. A tolerance limit applies between the nomination and budget-time LCA, and between the budget-time LCA and the LCA outcome. Tolerance limits recognise that LCAs are nominated at an early stage of budget processes and that estimates are likely to change as a result of policy and parameter changes before and after budgets are brought down.

A tolerance limit is calculated at nomination as two per cent of estimated NFPS cash receipts from operating activities, and applies either side of a jurisdiction's LCA estimate. A new tolerance limit is calculated at the time of a jurisdiction's budget and the LCA outcome is measured against this tolerance limit.

Jurisdictions are required to explain expectations of breaches of tolerance limits to Loan Council and to make the explanations public.

Timetable for Loan Council reporting

The timetable for the nomination and reporting of LCAs remains unchanged.

- Governments will continue to nominate an LCA for the forthcoming financial year for Loan Council consideration in March/ April.
- Agreed LCAs nominations will continue to be released publicly following Loan Council consideration, along with an updated estimate of the expected LCA outcome for the current financial year.
- Budget reporting throughout the year will include a government's current LCA estimate, with reasons for any significant changes.
- The Loan Council Secretariat will also publish a compilation of full year LCA outcomes.

Details of the reporting framework

This chapter outlines the information to be presented under the UPF.

No distinction is made between the information required from governments presenting early budgets (that is, those brought down before the start of the budget year), and that required from governments with late budgets.

Jurisdictions should provide full explanations for any departures from the UPF in the presentation of their data.

As was the case with the previous UPF, the focus remains on the GGS, with most tables requiring jurisdictions to provide GGS information for the budget year, the preceding year and for three forward years. This allows users to make assessments of the fiscal soundness and economic impact of a government's policies by providing information on the future impact of those policies. PNFC and NFPS reporting is required for the past year and budget year, while data availability restricts PFC reporting to jurisdictions' outcome statements.

Budget reporting

All governments are required to present, as part of their budget documentation, Tables 1 to 3, 5 to 7, 9 to 14, 17(a or b) to 20 and 21. The budget-time Loan Council Allocation (LCA) estimate should also be presented at this time, as set out in Table 22.

Governments producing late budgets will, where available, include final budget outcomes for the year just completed. LCA outcomes for the

year just completed, as set out in Table 23, are to be presented concurrently with other outcomes data.

Outcomes report

Governments producing early budgets, and other governments unable to present outcomes information in their budget documentation, should publish a separate outcomes report presenting Tables 1 to 19, 20(a or b), and 21 but only provide information for the financial year just completed.

Governments should provide this information by the end of October each year.

The full year LCA outcome (compared with the relevant budget-time LCA), as set out in Table 23, will also be presented in the outcomes report if not included in late budgets.

Mid-year report

Each government is to publish a mid-year report consisting of Tables 1 to 3, 5 to 7, 9 to 14, but only for the budget and forward estimates. These revised estimates will take into account fiscal and economic developments since the commencement of the budget year.

The mid-year report will also include a revised estimate of the full year LCA estimate compared with the budget time LCA, as set out in Table 24.

Governments should provide this information by the end of February each year.

Glossary of terms

The UPF allows jurisdictions flexibility in the naming but not the data relating to items listed in the UPF, as long as they explain the differences within their jurisdiction's UPF glossary of terms.

ABS GFS cash surplus/deficit

Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less distributions paid for the PNFC and PFC sectors) less value of assets acquired under finance leases and similar arrangements.

ABS GFS Manual

The ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* as updated from time to time.

Advances paid

Loans acquired for policy rather than liquidity management purposes. Included are long and short term loans, non marketable debentures and long and short term promissory agreements (bond and bills) issued to public sector units for achieving government policy objectives.

Capital grants

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred for which no economic benefits of equal value are receivable or payable in return.

Cash surplus/deficit

Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less dividends paid for the PNFC and PFC sectors).

Change in net worth

Change in net worth (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in a government's accumulated assets and liabilities.

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Fiscal aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 prescribes: net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth, and cash surplus/deficit. The UPF prescribes additional fiscal aggregates not included in AASB 1049: these are net debt, net financial worth, net financial liabilities and ABS GFS cash surplus/deficit.

General Government Sector (GGS)

Institutional sector comprising all government units and non-profit institutions controlled and mainly financed by government.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be of a current or capital nature (see *current grants* and *capital grants*).

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to

receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as *general purpose grants* which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be paid as *specific purpose grants* which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing

All grants paid to one institutional sector (for example, a State general government) to be passed on to another institutional sector (for example, local government or a non-profit institution).

Interest expense

Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Memorandum items — Loan Council

Memorandum items are used to adjust the cash surplus/deficit to include in the Loan Council Allocation certain transactions that may have the characteristics of public sector borrowings but do not constitute formal borrowings. Examples include operating leases (refer Appendix D).

Net acquisition of non-financial assets

Purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets.

Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items.

Purchases exclude non-produced assets and valuables which are included in other movements in non-financial assets.

Net debt

Net debt equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements.

Net financial liabilities

Total liabilities less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net lending/borrowing

The financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance

This is calculated as revenue from transactions less expenses from transactions.

Net worth

Assets less liabilities. It is an economic measure of wealth and reflects the contribution of jurisdictions to the wealth of Australia.

Non-Financial Public Sector (NFPS)

The NFPS is a subsector formed by the consolidation of the GGS and PNFC sector.

Non-profit institution

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions (that is, revaluations and other changes in the volume of assets).

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Public Financial Corporations (PFC) sector

Institutional sector comprising resident government controlled corporations and quasi-corporations mainly engaged in financial intermediation or provision of auxiliary financial services.

Public Non-Financial Corporations (PNFC) sector

Institutional sector comprising resident government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.

Quasi-corporation

An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.

Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

Sale of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.

Superannuation interest cost

The expense resulting from the increase in the liability due to the fact that, for all participants in the scheme, retirement (and death) is one year nearer, and so one fewer discount factors must be used to calculate the present value of the benefits for each future year. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement, as per the relevant accounting standard. The cost is measured net of the actuarial return on plan assets of defined benefit schemes calculated using an actuarially determined long term rate of return.

Other superannuation expense

Includes all superannuation expenses from transactions except superannuation interest cost; generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.

Transactions

Interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions.

Whole of government financial report

A financial report prepared by a government that is prepared in accordance with Australian Accounting Standards, including AASB 127 *Consolidated and Separate Financial Statements*, and thereby separately recognises assets, liabilities, income, expenses and cash flows of all entities under the control of the government, on a line-by-line basis.

Uniform Presentation Framework tables

Table 1: General Government Sector operating statement

	-1 Budget		Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
Revenue					
Taxation revenue	x	x	x	x	x
Grant revenue	x	x	x	x	x
Sales of goods and services revenue	x	x	x	x	x
Interest income	x	x	x	x	x
Dividend and income tax equivalent income	x	x	x	x	x
Other revenue	x	x	x	x	x
Total revenue	x	x	x	x	x
less Expenses					
Employee expenses	x	x	x	x	x
Superannuation expenses					
Superannuation interest cost	x	x	x	x	x
Other superannuation expenses	x	x	x	x	x
Depreciation and amortisation expenses	x	x	x	x	x
Interest expenses	x	x	x	x	x
Other property expenses	x	x	x	x	x
Other operating expenses	x	x	x	x	x
Grant expenses	x	x	x	x	x
Total expenses	x	x	x	x	x
equals Net operating balance	x	x	x	x	x
plus Other economic flows	x	x	x	x	x
equals Comprehensive result - total change in net worth	x	x	x	x	x
Net operating balance	x	x	x	x	x
less Net acquisition of non-financial assets (a)					
Purchases of non-financial assets	x	x	x	x	x
less Sales of non-financial assets	x	x	x	x	x
less Depreciation	x	x	x	x	x
plus Change in inventories	x	x	x	x	x
plus Other movements in non-financial assets	x	x	x	x	x
equals Total net acquisition of non-financial assets	x	x	x	x	x
equals Net lending / borrowing (fiscal balance)	x	x	x	x	x

(a) The break-up of net acquisition of non-financial assets can be shown on the face of the operating statement or in a separate table.

Table 3: Non-Financial Public Sector operating statement

	-1	Budget
	\$m	\$m
Revenue		
Taxation revenue	x	x
Grant revenue	x	x
Sales of goods and services	x	x
Interest income	x	x
Dividend and income tax equivalent income	x	x
Other revenue	x	x
Total revenue	x	x
less Expenses		
Employee expenses	x	x
Superannuation expenses		
Superannuation interest cost	x	x
Other superannuation expenses	x	x
Depreciation and amortisation expenses	x	x
Interest expenses	x	x
Other property expenses	x	x
Other operating expenses	x	x
Grant expenses	x	x
Total expenses	x	x
equals Net operating balance	x	x
plus Other economic flows	x	x
equals Comprehensive result - total change in net worth	x	x
less Net operating balance	x	x
less Net acquisition of non-financial assets (a)		
Purchases of non-financial assets	x	x
less Sales of non-financial assets	x	x
less Depreciation	x	x
plus Change in inventories	x	x
plus Other movements in non-financial assets	x	x
equals Total net acquisition of non-financial assets	x	x
equals Net lending / borrowing (fiscal balance)	x	x

(a) The break-up of net acquisition of non-financial assets can be shown on the face of the operating statement or in a separate table.

Table 4: Public Financial Corporations Sector operating statement

		Outcome
		\$m
	Revenue	
	Grant revenue	
	Sales of goods and services revenue	x
	Interest income	x
	Other revenue	x
	Total revenue	x
less	Expenses	
	Employee expenses	x
	Superannuation expenses	x
	Depreciation and amortisation expenses	x
	Interest expenses	x
	Other property expenses	x
	Other operating expenses	x
	Grant expenses	x
	Total expenses	x
equals	Net operating balance	x
plus	Other economic flows	x
equals	Comprehensive result - total change in net worth	x
	Net operating balance	x
less	Net acquisition of non-financial assets (a)	
	Purchases of non-financial assets	x
	<i>less</i> Sales of non-financial assets	x
	<i>less</i> Depreciation	x
	<i>plus</i> Change in inventories	x
	<i>plus</i> Other movements in non-financial assets	x
	<i>equals</i> Total net acquisition of non-financial assets	x
equals	Net lending / borrowing (fiscal balance)	x

(a) The break-up of net acquisition of non-financial assets can be shown on the face of the operating statement or in a separate table.

Table 5: General Government Sector balance sheet

	-1	Budget	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	x	x	x	x	x
Advances paid	x	x	x	x	x
Investments, loans and placements	x	x	x	x	x
Receivables	x	x	x	x	x
Equity					
Investments in other public sector entities	x	x	x	x	x
Investments - other	x	x	x	x	x
Other financial assets	x	x	x	x	x
<i>Total financial assets</i>	x	x	x	x	x
Non-financial assets					
Land and other fixed assets	x	x	x	x	x
Other non-financial assets	x	x	x	x	x
<i>Total non-financial assets</i>	x	x	x	x	x
Total assets	x	x	x	x	x
Liabilities					
Deposits held	x	x	x	x	x
Advances received	x	x	x	x	x
Borrowing	x	x	x	x	x
Superannuation	x	x	x	x	x
Other employee benefits	x	x	x	x	x
Payables	x	x	x	x	x
Other liabilities	x	x	x	x	x
Total liabilities	x	x	x	x	x
Net worth	x	x	x	x	x
Net financial worth	x	x	x	x	x
Net financial liabilities	x	x	x	x	x
Net debt	x	x	x	x	x

Table 6: Public Non-Financial Corporations Sector balance sheet

	-1	Budget
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	x	x
Advances paid	x	x
Investments, loans and placements	x	x
Receivables	x	x
Equity	x	x
Other financial assets	x	x
<i>Total financial assets</i>	x	x
Non-financial assets		
Land and other fixed assets	x	x
Other non-financial assets	x	x
<i>Total non-financial assets</i>	x	x
Total assets	x	x
Liabilities		
Deposits held	x	x
Advances received	x	x
Borrowing	x	x
Superannuation	x	x
Other employee benefits	x	x
Payables	x	x
Other liabilities	x	x
Total liabilities	x	x
Net worth	x	x
Net financial worth	x	x
Net debt	x	x

Table 7: Non-Financial Public Sector balance sheet

	-1	Budget
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	x	x
Advances paid	x	x
Investments, loans and placements	x	x
Receivables	x	x
Equity		
Investments in other public sector entities	x	x
Investments - other	x	x
Other financial assets	x	x
<i>Total financial assets</i>	x	x
Non-financial assets		
Land and other fixed assets	x	x
Other non-financial assets	x	x
<i>Total non-financial assets</i>	x	x
Total assets	x	x
Liabilities		
Deposits held	x	x
Advances received	x	x
Borrowing	x	x
Superannuation	x	x
Other employee benefits	x	x
Payables	x	x
Other liabilities	x	x
Total liabilities	x	x
Net worth	x	x
Net financial worth	x	x
Net financial liabilities	x	x
Net debt	x	x

Table 8: Public Financial Corporations balance sheet

	Outcome
	\$m
Assets	
Financial assets	
Cash and deposits	x
Advances paid	x
Investments, loans and placements	x
Receivables	x
Equity	x
Other financial assets	x
<i>Total financial assets</i>	x
Non-financial assets	
Land and other fixed assets	x
Other non-financial assets	x
<i>Total non-financial assets</i>	x
Total assets	x
Liabilities	
Deposits held	x
Advances received	x
Borrowing	x
Superannuation	x
Other employee benefits	x
Payables	x
Other liabilities	x
Total liabilities	x
Net worth	x
Net financial worth	x
Net debt	x

Table 9: General Government Sector cash flow statement¹

	-1	Budget	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
Cash receipts from operating activities					
Taxes received	x	x	x	x	x
Receipts from sales of goods and services	x	x	x	x	x
Grants received	x	x	x	x	x
Interest receipts	x	x	x	x	x
Dividends and income tax equivalents	x	x	x	x	x
Other receipts	x	x	x	x	x
Total operating receipts	x	x	x	x	x
Cash payments for operating activities					
Payments for employees	x	x	x	x	x
Payments for goods and services	x	x	x	x	x
Grants paid	x	x	x	x	x
Interest paid	x	x	x	x	x
Other payments	x	x	x	x	x
Total operating payments	x	x	x	x	x
Net cash flows from operating activities	x	x	x	x	x
Cash flows from investments					
in non-financial assets					
Sales of non-financial assets	x	x	x	x	x
Purchases of non-financial assets	x	x	x	x	x
Net cash flows from investments					
in non-financial assets	x	x	x	x	x
Net cash flows from investments in financial					
assets for policy purposes	x	x	x	x	x
Net cash flows from investments in financial					
assets for liquidity purposes	x	x	x	x	x
Net cash flows from financing activities					
Advances received (net)	x	x	x	x	x
Borrowing (net)	x	x	x	x	x
Deposits received (net)	x	x	x	x	x
Other financing (net)	x	x	x	x	x
Net cash flows from financing activities	x	x	x	x	x
Net increase/decrease in cash held	x	x	x	x	x
Net cash flows from operating activities	x	x	x	x	x
Net cash flows from investments					
in non-financial assets	x	x	x	x	x
Cash surplus(+)/deficit(-)	x	x	x	x	x

¹ A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

Table 10: Derivation of ABS GFS cash surplus/deficit

Cash surplus(+)/deficit(-)	x	x	x	x	x
Acquisitions under finance leases and similar arrangements (a)	x	x	x	x	x
ABS GFS cash surplus(+)/deficit (-) including finance leases and similar arrangements	x	x	x	x	x

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

Table 11: Public Non-Financial Corporations Sector cash flow statement¹

	-1 \$m	Budget \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	x	x
Grants received	x	x
Interest receipts	x	x
Other receipts	x	x
Total operating receipts	x	x
Cash payments for operating activities		
Payments for employees	x	x
Payments for goods and services	x	x
Grants paid	x	x
Interest paid	x	x
Other payments	x	x
Total operating payments	x	x
Net cash flows from operating activities	x	x
Cash flows from investments in non-financial assets		
Sales of non-financial assets	x	x
Purchases of non-financial assets	x	x
Net cash flows from investments in non-financial assets	x	x
Net cash flows from investments in financial assets for policy purposes	x	x
Net cash flows from investments in financial assets for liquidity purposes	x	x
Net cash flows from financing activities		
Advances received (net)	x	x
Borrowing (net)	x	x
Dividends paid	x	x
Deposits received (net)	x	x
Other financing (net)	x	x
Net cash flows from financing activities	x	x
Net increase/decrease in cash held	x	x
Net cash flows from operating activities	x	x
Net cash flows from investments in non-financial assets	x	x
Dividends paid	x	x
Cash surplus(+)/deficit(-)	x	x

¹ A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

Table 12: Derivation of ABS GFS cash surplus/deficit

Cash surplus(+)/deficit(-)	x	x
Acquisitions under finance leases and similar arrangements (a)	x	x
ABS GFS cash surplus(+)/deficit (-) including finance leases and similar arrangements	x	x

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

Table 13: Non-Financial Public Sector cash flow statement¹

	-1 \$m	Budget \$m
Cash receipts from operating activities		
Taxes received	x	x
Receipts from sales of goods and services	x	x
Grants received	x	x
Interest receipts	x	x
Dividends and income tax equivalents	x	x
Other receipts	x	x
Total operating receipts	x	x
Cash payments for operating activities		
Payments for employees	x	x
Payments for goods and services	x	x
Grants paid	x	x
Interest paid	x	x
Other payments	x	x
Total operating payments	x	x
Net cash flows from operating activities	x	x
Cash flows from investments in non-financial assets		
Sales of non-financial assets	x	x
Purchases of non-financial assets	x	x
Net cash flows from investments in non-financial assets	x	x
Net cash flows from investments in financial assets for policy purposes	x	x
Net cash flows from investments in financial assets for liquidity purposes	x	x
Net cash flows from financing activities		
Advances received (net)	x	x
Borrowing (net)	x	x
Dividends paid	x	x
Deposits received (net)	x	x
Other financing (net)	x	x
Net cash flows from financing activities	x	x
Net increase/decrease in cash held	x	x
Net cash flows from operating activities	x	x
Net cash flows from investments in non-financial assets	x	x
Dividends paid	x	x
Cash surplus(+)/deficit(-)	x	x

¹ A positive number denotes a cash inflow, a negative sign denotes a cash outflow.

Table 14: Derivation of ABS GFS cash surplus/deficit

Cash surplus(+)/deficit(-)	x	x
Acquisitions under finance leases and similar arrangements (a)	x	x
ABS GFS cash surplus (+)/deficit (-) including finance leases and similar arrangements	x	x

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

Table 15: Public Financial Corporations cash flow statement¹

	Outcome \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	x
Grants received	x
Interest receipts	x
Other receipts	x
Total operating receipts	x
Cash payments for operating activities	
Payments for employees	x
Payments for goods and services	x
Interest paid	x
Other payments	x
Total operating payments	x
Net cash flows from operating activities	x
Cash flows from investments in non-financial assets	
Sales of non-financial assets	x
Purchases of non-financial assets	x
Net cash flows from investments in non-financial assets	x
Net cash flows from investments in financial assets for policy purposes	x
Net cash flows from investments in financial assets for liquidity purposes	x
Net cash flows from financing activities	
Advances received (net)	x
Borrowing (net)	x
Dividends paid	x
Deposits received (net)	x
Other financing (net)	x
Net cash flows from financing activities	x
Net increase/decrease in cash held	x
Net cash flows from operating activities	x
Net cash flows from investments in non-financial assets	x
Dividends paid	x
Cash surplus(+)/deficit(-)	x

¹ A positive number denotes a cash inflow, a negative sign denotes a cash outflow.

Table 16: Derivation of ABS GFS cash surplus/deficit

Cash surplus(+)/deficit(-)	x
Acquisitions under finance leases and similar arrangements (a)	x
ABS GFS cash surplus (+)/deficit (-) including finance leases and similar arrangements	x

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

Table 17(a): Commonwealth Government General Government Sector taxes

	-1	Budget
	\$m	\$m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	x	x
Income and capital gains levied on enterprises	x	x
Income taxes levied on non-residents	x	x
<i>Total</i>	x	x
Taxes on employers' payroll and labour force	x	x
Taxes on property	x	x
Taxes on the provision of goods and services		
Excises and levies	x	x
Taxes on international trade	x	x
<i>Total</i>	x	x
Taxes on use of goods and performance of activities	x	x
Total taxation revenue	x	x

Table 17(b): State and Territory General Government Sector taxes

	-1	Budget
	\$m	\$m
Taxes on employers' payroll and labour force	x	x
Taxes on property		
Land taxes	x	x
Stamp duties on financial and capital transactions	x	x
Financial institutions' transactions taxes	x	x
Other	x	x
<i>Total</i>	x	x
Taxes on the provision of goods and services		
Excises and levies	x	x
Taxes on gambling	x	x
Taxes on insurance	x	x
<i>Total</i>	x	x
Taxes on use of goods and performance of activities		
Motor vehicle taxes	x	x
Franchise taxes	x	x
Other	x	x
<i>Total</i>	x	x
Total taxation revenue	x	x

Table 18(a): State and Territory General Government Sector grant revenue

	-1	Budget
	\$m	\$m
Current grant revenue		
Current grants from the Commonwealth		
General purpose grants	x	x
Specific purpose grants	x	x
Specific purpose grants for on-passing	x	x
<i>Total</i>	x	x
Other contributions and grants	x	x
Total current grant revenue	x	x
Capital grant revenue		
Capital grants from the Commonwealth		
General purpose grants	x	x
Specific purpose grants	x	x
Specific purpose grants for on-passing	x	x
<i>Total</i>	x	x
Other contributions and grants	x	x
Total capital grant revenue	x	x
Total grant revenue	x	x

Table 18(b): General Government Sector grant expense

	-1	Budget
	\$m	\$m
Current grant expense		
State/Territory Government	x	x
Local Government	x	x
Local Government on-passing	x	x
Private and Not-for-profit sector	x	x
Private and Not-for-profit sector on-passing	x	x
Grants to other sectors of Government	x	x
Other	x	x
Total current grant expense	x	x
Capital grant expense		
State Government	x	x
Local Government	x	x
Local Government on-passing	x	x
Private and Not-for-profit sector	x	x
Private and Not-for-profit sector on-passing	x	x
Grants to other sectors of Government	x	x
Other	x	x
Total capital grant expense	x	x
Total grant expense	x	x

Table 19: General Government Sector dividend and income tax equivalent income

	-1	Budget
	\$m	\$m
Dividend and income tax equivalent income from PNFC sector	x	x
Dividend and income tax equivalent income from PFC sector	x	x
Other dividend income	x	x
Total dividend and income tax equivalent income	x	x

Table 20: General Government Sector expenses by function (Budget presentation)

	-1	Budget
	\$m	\$m
General public services	x	x
Defence	x	x
Public order and safety	x	x
Education	x	x
Health	x	x
Social security and welfare	x	x
Housing and community amenities	x	x
Recreation and culture	x	x
Fuel and energy	x	x
Agriculture, forestry, fishing and hunting	x	x
Mining and mineral resources other than fuels; manufacturing; and construction	x	x
Transport and communications	x	x
Other economic affairs	x	x
Other purposes	x	x
Total expenses	x	x

Table 20(a): Commonwealth Government General Government Sector expenses by function (Outcome presentation)

	Outcome \$m
General public services	
Legislative and executive affairs	x
Financial and fiscal affairs	x
Foreign affairs and economic aid	x
General research	x
General services	x
Government superannuation benefits	x
Defence	
Public order and safety	
Courts and legal services	x
Other public order and safety	x
Education	
Higher education	x
Vocational and other education	x
Non-government schools	x
Government schools	x
Student assistance	x
General administration	x
School education - specific funding	x
Health	
Medical services and benefits	x
Hospital services	x
Health care agreements	x
Pharmaceutical services and benefits	x
Aboriginal and Torres Strait Islander health	x
Health services	x
Other health services	x
General administration	x
Health assistance to the aged	x
Social security and welfare	
Assistance to the aged	x
Assistance to veterans and dependants	x
Assistance to people with disabilities	x
Assistance to families with children	x
Assistance to the unemployed	x
Assistance to the sick	x
Common youth allowance	x
Other welfare programmes	x
Aboriginal advancement n.e.c	x
General administration	x
Housing and community amenities	
Housing	x
Urban and regional development	x
Environment protection	x

Table 20(a): Commonwealth Government General Government Sector expenses by function (Outcome presentation) (continued)

	Outcome \$m
Recreation and culture	
Broadcasting	x
Arts and cultural heritage	x
Sport and recreation	x
National estate and parks	x
Fuel and energy	
Agriculture, forestry, and fishing	
Wool industry	x
Grains industry	x
Dairy industry	x
Cattle, sheep and pig industry	x
Fishing, horticulture and other agriculture	x
General assistance not allocated to specific industries	x
Rural assistance	x
Natural resources development	x
General administration	x
Mining, manufacturing and construction	x
Transport and communication	
Communication	x
Rail transport	x
Air transport	x
Road transport	x
Sea transport	x
Other transport and communication	x
Other economic affairs	
Tourism and area promotion	x
Vocational and industry training	x
Labour market assistance to job seekers and industry	x
Industrial relations	x
Immigration	x
Other economic affairs n.e.c	x
Other purposes	
Interest on Australian Government's behalf	x
Interest on behalf of states and territories	x
Interest received on Australian Government stock	x
Nominal superannuation interest	x
General revenue assistance - states and territories	x
General capital assistance - states and territories	x
Debt assistance	x
Local government assistance	x
Revenue assistance to the states and territories	x
Assistance to other governments	x
Natural disaster relief	x
Contingency reserve	x
Total expenses	x

Table 20(b): State and Territory General Government Sector expenses by function (Outcome presentation)

	Outcome \$m
General public services	
Government superannuation benefits	x
Other general public services	x
Defence	x
Public order and safety	
Police and fire protection services	
<i>Police services</i>	x
<i>Fire protection services</i>	x
Law courts and legal services	x
Prisons and corrective services	x
Other public order and safety	x
Education	
Primary and secondary education	
<i>Primary education</i>	x
<i>Secondary education</i>	x
<i>Primary and secondary education n.e.c</i>	x
Tertiary education	
<i>University education</i>	x
<i>Technical and further education</i>	x
<i>Tertiary education n.e.c</i>	x
Preschool education and education not definable by level	
<i>Preschool education</i>	x
<i>Special education</i>	x
<i>Other education not definable by level</i>	x
Transportation of students	
<i>Transportation of non-urban school children</i>	x
<i>Transportation of other students</i>	x
Education n.e.c	x
Health	
Acute care institutions	
<i>Admitted patient services in acute care institutions</i>	x
<i>Non-admitted patient services in acute care institutions</i>	x
Mental health institutions	x
Nursing homes for the aged	x
Community health services	
<i>Community mental health services</i>	x
<i>Patient transport</i>	x
<i>Other community health services</i>	x
Public health services	x
Pharmaceuticals, medical aids and appliances	x
Health research	x
Health administration n.e.c	x

Table 20(b): State and Territory General Government Sector expenses by function (Outcome presentation) (continued)

	Outcome \$m
Social security and welfare	
Social security	x
Welfare services	
<i>Family and child welfare services</i>	x
<i>Welfare services for the aged</i>	x
<i>Welfare services for people with a disability</i>	x
<i>Welfare services n.e.c</i>	x
Social security and welfare services n.e.c	x
Housing and community amenities	
Housing and community development	
<i>Housing</i>	x
<i>Aboriginal community development</i>	x
<i>Other community development</i>	x
Water supply	
<i>Aboriginal community water supply</i>	x
<i>Other water supply</i>	x
Sanitation and protection of the environment	
<i>Aboriginal community sanitation services</i>	x
<i>Other sanitation and protection of the environment</i>	x
Other community amenities	
<i>Aboriginal community amenities</i>	x
<i>Other community amenities</i>	x
Recreation and culture	
Recreation facilities and services	
<i>National parks and wildlife</i>	x
<i>Recreation facilities and services n.e.c</i>	x
Cultural facilities and services	x
Broadcasting and film production	x
Recreation and culture n.e.c	x
Fuel and energy	
Fuel affairs and services	
<i>Gas</i>	x
<i>Fuel affairs and services n.e.c.</i>	x
Electricity and other energy	
<i>Aboriginal community electricity services</i>	x
<i>Other electricity</i>	x
<i>Other energy</i>	x
Fuel and energy n.e.c	x
Agriculture, forestry, fishing and hunting	
Agriculture	x
Forestry, fishing and hunting	x
Mining and mineral resources other than fuels; manufacturing; and construction	
Mining and mineral resources other than fuels	x
Manufacturing	x
Construction	x

Table 20(b): State and Territory General Government Sector expenses by function (Outcome presentation) (continued)

	Outcome \$m
Transport and communications	
Road transport	
<i>Aboriginal community road transport services</i>	x
<i>Road maintenance</i>	x
<i>Road rehabilitation</i>	x
<i>Road construction</i>	x
<i>Road transport n.e.c</i>	x
Water transport	
<i>Aboriginal community water transport services</i>	x
<i>Urban water transport services</i>	x
<i>Non-urban water transport services</i>	x
Rail transport	
<i>Urban rail transport services</i>	x
<i>Non-urban rail transport freight services</i>	x
<i>Non-urban rail transport passenger services</i>	x
Air transport	
<i>Aboriginal community air transport services</i>	x
<i>Other air transport</i>	x
Pipelines	x
Other transport	
<i>Multi-mode urban transit systems</i>	x
<i>Other transport n.e.c</i>	x
Communications	x
Other economic affairs	
Storage, saleyards and markets	x
Tourism and area promotion	x
Labour and employment affairs	
<i>Vocational training</i>	x
<i>Other labour and employment affairs</i>	x
Other economic affairs	x
Other purposes	
Public debt transactions	x
General purpose inter-government transactions	x
Natural disaster relief	x
Other purposes n.e.c	x
Total expenses	x

Table 21: General Government Sector purchases of non-financial assets by function

	-1 \$m	Budget \$m
General public services	x	x
Defence	x	x
Public order and safety	x	x
Education	x	x
Health	x	x
Social security and welfare	x	x
Housing and community amenities	x	x
Recreation and culture	x	x
Fuel and energy	x	x
Agriculture, forestry, fishing and hunting	x	x
Mining and mineral resources other than fuels; manufacturing; and construction	x	x
Transport and communications	x	x
Other economic affairs	x	x
Other purposes	x	x
Total purchases	x	x

Table 22: Loan Council Allocation (Budget presentation)

	Loan Council Allocation \$m	Budget-time Estimate \$m
GGs cash surplus/deficit	x	x
PNFC sector cash surplus/deficit	x	x
NFPS cash surplus/deficit (a)	x	x
Acquisitions under finance leases and similar arrangements (b)	x	x
<i>equals</i> ABS GFS cash surplus(+)/deficit(-)	x	x
Net cash flows from investments in financial assets for policy purposes	x	x
<i>plus</i> Memorandum items (c)	x	x
Loan Council Allocation	x	x

(a) May not directly equate to the sum of the GGS and PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.

(b) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit

(c) Memorandum items are used to adjust the ABS GFS cash surplus/deficit to include in LCAs certain transactions — such as operating leases — that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS GFS cash surplus/deficit certain transactions that Loan Council has agreed should not be included in LCAs — for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities. Refer Appendix D.

Table 23: Loan Council Allocation (Outcome report presentation)^(a)

		Budget-time	
		Estimate	Outcome
		\$m	\$m
	GGs cash surplus/deficit	x	x
	PNFC sector cash surplus/deficit	x	x
	NFPS cash surplus/deficit (b)	x	x
	Acquisitions under finance leases and similar arrangements (c)	x	x
<i>equals</i>	ABS GFS cash surplus(+)/deficit(-)	x	x
	Net cash flows from investments		
	in financial assets for policy purposes	x	x
<i>plus</i>	Memorandum items (d)	x	x
	Loan Council Allocation	x	x

(a) Should be included in late budget documentation where data are available.

(b) May not directly equate to the sum of the GGS and PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.

(c) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit

(d) Memorandum items are used to adjust the ABS GFS cash surplus/deficit to include in LCAs certain transactions — such as operating leases — that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS GFS cash surplus/deficit certain transactions that Loan Council has agreed should not be included in LCAs — for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities. Refer Appendix D.

Table 24: Loan Council Allocation (mid-year report presentation)

		Budget-time	
		Estimate MYR	Estimate
		\$m	\$m
	GGs cash surplus/deficit	x	x
	PNFC sector cash surplus/deficit	x	x
	NFPS cash surplus/deficit (a)	x	x
	Acquisitions under finance leases and similar arrangements (b)	x	x
<i>equals</i>	ABS GFS cash surplus(+)/deficit(-)	x	x
	Net cash flows from investments		
	in financial assets for policy purposes	x	x
<i>plus</i>	Memorandum items (c)	x	x
	Loan Council Allocation	x	x

- (a) May not directly equate to the sum of the GGS and PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.
- (b) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit
- (c) Memorandum items are used to adjust the ABS GFS cash surplus/deficit to include in LCAs certain transactions — such as operating leases — that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS GFS cash surplus/deficit certain transactions that Loan Council has agreed should not be included in LCAs — for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities. Refer Appendix D.

Timetable for UPF

April	Early Budgets (before start of budget year) Accrual tables and LCA information for upcoming budget year	
May		
June		
July		Late Budgets (after start of budget year) Accrual tables and LCA information for current budget year
August	Outcomes Reports (by end of October) Accrual tables and LCA information for the past budget year	
September		
October		
November		
December	Mid-year Reports (by end of February) Updated accrual tables and LCA information for current budget year	
January		
February		
March		
		Loan Council Consider Allocations(a)
April		Loan Council Allocation Press Release(a)

(a) The Loan Council may consider allocations as late as July, depending primarily on the timing of the Commonwealth Government Budget.

Comparison of GFS and AASB 1049

The Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* was issued in 2007. It replaced the former whole of government accounting standard AAS31 and is the relevant accounting standard for financial reporting by governments, and it requires the adoption of a full accrual basis of accounting.

There is a general consistency between the AASB 1049 accounting standard and the GFS economic reporting standard. GFS and AASB 1049 definitions of the scope of the public sector agree in most cases, and both standards allow for the division of the public sector into the institutional sectors of general government, PNFCs and PFCs.

Nevertheless, there are differences between GFS and AASB 1049 with regard to the treatment of a number of items. Consequently, the fiscal aggregates measured in accordance with GFS and those measured in accordance with AASB 1049 can be expected to diverge. The major differences between the two reporting standards are set out in the table below.

Differences between AASB 1049 and ABS GFS

Issue	AASB 1049 treatment	ABS GFS treatment	Impact
Measurement differences			
Provision for doubtful debts	Included in the balance sheet as an offset to assets.	Act of creating provisions is not considered an economic event and is therefore not included in the balance sheet.	ABS GFS net worth will be greater than AASB 1049 net worth as provision for doubtful debts is not recognised in GFS balance sheet.
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 at the time of acquisition. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement. ABS is updating its treatment to align with IMF SNA (and subsequently AAS).	ABS GFS net operating balance will be lower than AASB 1049 net operating balance.
Interest (borrowing costs)	Recognised as capital in certain circumstances.	Recognised as an expense.	ABS GFS net operating balance will be lower than AASB 1049 net operating balance as capitalised interest is treated as an expense.
Dividends from the PNFC and PFC sectors to the GGS	Recognised as an equity transaction.	Recognised as an expense.	ABS GFS net operating balance will be lower than AASB 1049 net operating balance.
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as there is not considered to be a secondary market.	ABS GFS net worth will be higher than AASB 1049 net worth.
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of cash surplus/deficit.	Deducts finance leases in the derivation of cash surplus/deficit.	ABS GFS cash surplus/deficit will be lower than AASB 1049 cash surplus/deficit.
Net worth	Assets less liabilities.	Assets less liabilities less shares and other contributed capital.	ABS GFS net worth will be lower than AASB 1049 net worth.
Classification differences			
Prepayments	Currently treated as a non-financial asset.	Treated as a financial asset.	ABS GFS net financial worth will be higher than AASB 1049 net financial worth.

Description of Loan Council Allocation memorandum items

Memorandum items are used to adjust the NFPS cash surplus/deficit so that LCAs include certain transactions that have the characteristics of public sector borrowings but do not constitute formal borrowings.

Private sector involvement in public sector infrastructure

On the basis of a 1996 Loan Council decision, a government's contingent exposure to public infrastructure projects with private sector involvement is measured by its full contractual liability in the event of default by the private sector resulting in termination of the project, and disclosed as a footnote to LCAs. These disclosures are made only during the reporting year in which a government enters into the new financing arrangement and apply to projects which operate for 10 years or longer and involve a gross project cost of \$5 million or greater. This item is not a memorandum item – it is listed as a footnote but not added to the LCA.

Operating leases

Operating leases have been included in Loan Council coverage since 1993-94. For administrative simplicity only those leases with a net present value of payments greater than \$5 million are to be included in Loan Council coverage as a memorandum item.

The figure for operating leases included in LCA memorandum items is the aggregate of the net present values of all operating leases above the \$5 million net present value threshold that are expected to be in place at the end of the financial year, less the corresponding figure at the end of the previous financial year (that is, memorandum item = NPV end of financial year – NPV beginning of financial year)

Recourse asset sales

All securitisation transactions involving the sale of receivables should fall within Loan Council coverage. As some securitisation transactions are financing transactions rather than asset sales, Loan Council agreed that these should also be counted. At the same time there was no desire to discourage the use of securitisation and so Loan Council agreed that future limits would be set in recognition of this wider coverage:

- Transactions involving the sale of financial assets that are financed on a totally non-recourse basis are exempt from inclusion in any measure of public sector borrowing; and
- The sale of real assets that are financed on a totally non-recourse basis remain as an offset to capital outlays and therefore reduce the deficit as such, while recourse sales of real assets are accorded treatment similar to recourse sales of financial assets and acknowledged in the calculation of a jurisdiction's LCA.

In practice this means that for transactions involving either the sale of financial or real assets that are financed on a recourse basis, a memorandum item would be included in the LCA to illustrate the continued linkage of the asset with the government.

Public sector superannuation funds

Government funding of future superannuation liabilities should be seen as a form of saving – that is, an addition to financial assets. Thus for a scheme outside the GGS funding of more than the emerging employer costs in a given year should be treated as a form of saving – as if they were held within the GGS, and not as an addition to the deficit. This would be effected through the use of a negative memorandum item. Conversely, funding less than the annual emerging employer costs would be treated as a borrowing and incorporated in the LCA through a positive memorandum item.

Local government

Local government is the constitutional responsibility of the States who are responsible for setting their borrowing allocations. Consequently it would be appropriate for States to make an allowance for local government when nominating their LCA.

In recognition of the difficulties State governments would experience in monitoring the quarterly borrowings of their local government sectors, their gross new borrowings are included in the States' LCAs as a memorandum item.

Home finance schemes

Home finance schemes are the constitutional responsibility of the States, who are responsible for setting their borrowing allocations. Consequently it would be appropriate for States to make an allowance for home finance schemes when nominating their LCA.

In recognition of the difficulties State governments would experience in monitoring the quarterly borrowings of their home finance schemes, their gross new borrowings are included in the States' LCAs as a memorandum item.

Statutory Marketing Authorities (SMAs)

Generally, the borrowing requirements of SMAs are tied to primary product market conditions, are short term and are backed by compulsory levies on the commodity producers concerned. Because of these characteristics, they were excluded from the global limits. They are however treated by the ABS as part of the PNFC sector and would therefore show up in the surplus/deficit and LCA.

In order to be consistent with the previous exemption of SMAs from the Global Approach, the surplus/deficit financing level for SMAs is to appear as a negative memorandum item in the development of a jurisdiction's LCA.

PNFCs meeting the Loan Council commerciality criteria

Since 1991 Loan Council has provided scope for PNFCs operating in a competitive environment to be exempted from the global limits where they satisfy certain strict commerciality criteria. It is intended that this scope for exemption be retained in the new arrangements.

However, under ABS classifications, a PNFC which is exempted under these criteria will generally continue to be counted as part of the PNFC sector. It will therefore be necessary to include the surplus/deficit of

exempt PNFCs as a negative memorandum item in the development of a jurisdiction's LCA.

Universities

Borrowings by universities effectively constitute a call on financial markets and their net financing requirements are therefore included as a positive memorandum item.

Central Borrowing Authorities (CBAs)

These used to be excluded from Loan Council coverage by treating the GFS surplus/deficit of CBAs as a negative memorandum item. However this is no longer required since the 1998-99 ABS reclassification of CBAs from the general government to the PFC sector which removes CBAs from the Loan Council surplus/deficit measure.

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