



Senator the Hon Nick Minchin

Minister for Finance and Administration
Leader of the Government in the Senate

Media Release

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AUSTRALIAN GOVERNMENT MONTHLY FINANCIAL STATEMENTS FEBRUARY 2006

KEY POINTS

- The underlying cash balance for the 2005-06 year to 28 February 2006 was a surplus of \$4,946 million.
- The fiscal balance for the 2005-06 year to 28 February 2006 was a surplus of \$3,843 million.
- The operating result for the 2005-06 year to 28 February 2006 was a surplus of \$3,771 million.
- The difference between the fiscal and underlying cash balances is largely attributable to increases in education grants payable offset by increases in taxation and other receivables.

AGGREGATES	ACTUAL	ACTUAL	ESTIMATE
	2005-2006 February	2005-2006 Year to Date February	2005-2006 FULL YEAR*
	\$m	\$m	\$m
Underlying Cash Balance	2,146	4,946	11,452
Fiscal Balance	3,881	3,843	10,398
Headline Cash Balance	2,426	5,682	10,245
Income	19,274	145,350	221,604
Expenses	15,577	141,579	209,716
Operating Result	3,697	3,771	11,889
Assets	165,534	165,534	172,740
Liabilities	201,037	201,037	200,666
Net Assets	-35,503	-35,503	-27,926

* As published in the 2005-06 MYEFO.

Care needs to be taken when comparing monthly or cumulative data across years and to full year estimates. Revenues and expenses do vary from month-to-month. Factors such as *The New Tax System*, and the accrual framework including the timing of payments and policy decisions, can have a large impact on fiscal aggregates from one year to the next and on year-to-date outcomes. Further, the February 2006 monthly financial statements were produced under the Australian Equivalents to International Financial Reporting Standards (AEIFRS), with the exception that the Department of Defence is not yet reporting AEIFRS compliant data for monthly reporting purposes and the Defence Materiel Organisation has partially adopted AEIFRS. The move to AEIFRS brings a number of changes including a new financial statement, the 'Statement of Changes in Equity'.

FISCAL OUTCOMES

Underlying Cash Balance

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

The underlying cash balance for the year to 28 February 2006 was a surplus of \$4,946 million. This underlying cash balance is \$2,689 million lower than the February pro-rata (a surplus of \$7,635 million) of the 2005-06 Mid-Year Economic and Fiscal Outlook (MYEFO) estimate of \$11,452 million. The difference reflects a number of individual variations including the following:

Movements in underlying cash receipts:

Lower receipts from:

- Taxation in line with the usual monthly fluctuations in taxation receipts.

Higher receipts from:

- Dividends due to the receipt of the RBA dividend in August each year.

Movements in underlying cash payments:

Lower payments for:

- Grants due to:
 - The AusLink and Natural Disaster Relief Arrangements programmes. Pro-rata comparisons are not necessarily a good indicator for these programmes as the level of expenses does not occur equally each month but when the States and Local Governments make claims for payment;
 - Underspends in a range of health related programmes;
 - Grants payments are lower than the pro-rata MYEFO mainly because negotiations with the States over the detailed provisions of the funding agreements have taken longer than expected.
 - Lower demand than previously anticipated and milestone slippages for the following programmes: Textile, Clothing and Footwear Strategic Investment, Commercial Ready, Assistance to Mitsubishi, Asia Pacific Space Centre, Hismelt, Ethanol Production and Biofuels;
 - Personal Benefits due to lower than anticipated demand for Youth Allowance.
- Suppliers, as Defence traditionally spends a higher proportion of its suppliers in the second six months of the financial year, reflecting lead times to implement processes, and administrative lead times associated with procurement. Some of the variance is due to slippages in contracting activity, invoicing and payment processing, and some savings generated from the favourable currency exchange rate difference, which will be returned to the government at the end of the year.
- Foreign aid, specifically, AusAID's three country and regional programmes (PNG & Pacific; East Asia; and South Asia, Africa and Other) as well as the Emergency, Humanitarian and Refugee Aid and NGO, Volunteer and Community programmes. These payments are not incurred on a pro rata basis, due to the timing of activities, requirements of partner Governments and organisations, and the unpredictable nature of expenditure on emergencies.
- Employees, due to lower Army numbers, an under spend in Reserve salaries and lower than predicted allowance payments. Ongoing recruitment problems in a tighter employment market also contribute to the variance.

Higher payments for:

- Grants, due to a number of education grants being expensed once a year around January being only partially offset by an increase in grants payable.
- Personal Benefits as personal benefits claimed through the tax system are typically higher in the first half of the year as tax returns are lodged.

Fiscal Balance

The fiscal balance for the year to 28 February 2006 was a surplus of \$3,843 million. The main components of the fiscal balance are the GFS net operating balance, which was a surplus of \$4,100 million, and a net capital investment of \$257 million for the year to 28 February 2006 (refer to the Reconciliation of the Operating Result to Fiscal Balance on page 10 for further detail).

FINANCIAL OUTCOMES

Actual expenses are \$1,769 million higher when compared with a pro-rata of the MYEFO estimate. The main reasons for the lower result, provided by function, are due to:

- Education Function – higher grant expenses as education grants are expensed once a year in January.
- Social Security and Welfare Function – higher personal benefits expenses which are typically higher in the first half of the financial year as tax returns are lodged.

Partially offset by:

- Transport Function – lower expenses mainly attributable to AusLink and other transport programmes as the level of these expenses does not occur equally each month but when State and/or Local Governments make claims for payment.
- Defence Function – lower supplier expenses as traditionally a higher proportion of the suppliers budget is used in the second six months of the financial year, reflecting lead times associated with procurement.
- Health Function – lower grant expenses due to underspends in a range of health programmes.

Assets and Liabilities

The net asset balance within the General Government sector is a negative net asset position of \$35,503 million at 28 February 2006.

Nick Minchin
Minister for Finance and Administration
7 April 2006

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AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR – INCOME STATEMENT

		ACTUAL 2005-2006 February	ACTUAL 2005-2006 Year to Date February	ESTIMATE 2005-2006 FULL YEAR*
	Note	\$m	\$m	\$m
Revenues				
Taxation				
Income tax	1	14,341	109,666	169,700
Indirect tax	2	2,309	19,149	28,152
GST		0	0	0
Fringe Benefits Tax	1	72	2,218	3,470
Other taxes		156	1,502	2,244
Total Taxation Revenue	3	16,877	132,535	203,566
Non-Taxation				
Sales of goods and services		343	2,919	4,900
Interest and dividends		1,615	6,754	8,620
Other sources of non-tax revenue		358	2,583	3,519
Total Non-Tax Revenue		2,316	12,257	17,039
Total Revenue		19,193	144,792	220,605
Gains				
Net foreign exchange gains		-2	102	86
Net gains from sale of assets		-5	74	47
Other gains		88	382	867
Total Gains		81	558	999
Income		19,274	145,350	221,604
Expenses				
Goods and Services				
Employees		1,856	15,231	23,114
Suppliers		1,400	10,890	18,868
Depreciation and amortisation		361	2,791	4,593
Net write-down and impairment of assets and fair value losses		582	2,504	2,183
Net foreign exchange losses		0	0	0
Net losses from sale of assets		0	0	0
Other goods and services expenses		677	4,746	7,682
Total Goods and Services		4,876	36,162	56,439
Subsidies Benefits and Grants				
Personal benefits		6,528	61,766	94,142
Subsidies		759	7,239	11,302
Grants		3,003	32,503	42,052
Total Subsidies Benefits and Grants		10,289	101,508	147,496
Borrowing costs				
Interest		445	3,897	5,764
Other borrowing costs		-34	12	16
Total Borrowing costs		412	3,909	5,780
Total Expenses		15,577	141,579	209,716
Operating Result		3,697	3,771	11,889

* As published in the 2005-06 MYEFO.

AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR – BALANCE SHEET

	Note	ACTUAL 2005-2006 February \$m	ESTIMATE 2005-2006 FULL YEAR* \$m
Assets			
Financial assets			
Cash		3,441	1,228
Receivables		33,658	32,510
Investments		51,705	60,639
Equity Accounted Investments		399	399
Accrued revenue		472	561
Other financial assets		60	4
Total financial assets		89,736	95,342
Non-financial assets			
Land and buildings		20,053	19,408
Infrastructure		39,558	40,638
Intangibles		1,830	1,946
Heritage and cultural		7,711	7,743
Investment Property		21	811
Biological Assets		0	0
Inventories		3,953	4,884
Other non-financial assets		1,784	1,897
Assets held for sale		889	70
Total non-financial assets		75,798	77,398
Total assets		165,534	172,740
Liabilities			
Debt			
Government securities		58,955	59,822
Loans		4,218	4,236
Leases		140	221
Deposits		282	405
Overdrafts		0	0
Other debt		1,075	1,085
Total debt		64,670	65,768
Provisions and payables			
Employees		102,285	102,662
Suppliers		2,252	2,574
Personal benefits payable		4,362	6,270
Subsidies payable		1,546	1,339
Grants payable		13,365	10,200
Other provisions and payables		12,559	11,852
Total provisions and payables		136,367	134,898
Liabilities associated with assets held for sale		0	0
Total liabilities		201,037	200,666
Net Assets		-35,503	-27,926
Equity			
Accumulated results		-73,357	-66,110
Reserves		37,853	38,184
Capital		0	0
Total equity		-35,503	-27,926
Opening net assets **		-36,831	-36,490
Operating Result		3,771	11,889
Asset revaluation reserve		-162	-250
Other movements		-2,280	-3,074
Closing net assets		-35,503	-27,926

* As published in the 2005-06 MYEFO.

** For February, FBO 2004-05 net asset position adjusted for AEIFRS impacts as disclosed in the FBO 2004-05 notes.

AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR - STATEMENT OF CHANGES IN EQUITY

	Accumulated Results		Asset Revaluation Reserve		0
	ACTUAL 2005-2006 Year to Date February \$m	ESTIMATE 2005-2006 FULL YEAR* \$m	ACTUAL 2005-2006 Year to Date February \$m	ESTIMATE 2005-2006 FULL YEAR* \$m	
Opening Balance					
Balance carried forward from previous period ***	-74,934	-74,934	16,586	16,939	2
Adjustment for errors / Entity Adjustments	210	235	-119	-205	
Adjustment for changes in accounting policy	-2,674	-3,204			
Adjusted Opening Balance	-77,398	-77,904	16,466	16,734	2
Income and Expense					
Revenues and Expenses Recognised Directly in Equity					
Currency Translation gain (loss)					
Financial Asset Revaluations			-85	-15	
Non-Financial Asset Revaluations			7	-29	
Total Revenues and Expenses Recognised Directly in Equity	0	0	-77	-44	
Net Operating Result	3,771	11,889			
Total Income and Expenses	3,771	11,889	-77	-44	
Transfers between reserves	1	1	0	-1	
Dividends	0	0	0	0	
Other movements	270	-97	35	0	
Closing balance	-73,357	-66,110	16,423	16,689	2

* As published in the 2005-06 MYEFO.

*** For February, FBO 2004-05 closing balance adjusted to reflect AEIFRS impacts as disclosed in the FBO 2004-05 notes.

AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR – CASH FLOW STATEMENT

	ACTUAL 2005-2006 February \$m	ACTUAL 2005-2006 Year to Date February \$m	ESTIMATE 2005-2006 FULL YEAR* \$m
Operating Activities			
Cash received			
Taxes	16,317	127,514	200,457
Sales of goods and services	322	3,307	5,144
Interest	396	2,576	4,201
Dividends	34	2,916	4,318
GST receipts	205	1,801	2,955
Other (a)	274	2,250	3,164
Total operating cash received	17,547	140,364	220,239
Cash used			
Payments to employees	1,518	12,592	19,994
Payments to suppliers	1,997	13,455	22,018
Subsidies paid	777	6,725	10,693
Personal benefits	6,733	61,361	93,462
Grant payments	2,774	29,178	41,734
Interest and other financing costs	813	4,004	6,563
GST payments	4	73	122
Other	381	4,789	7,857
Total operating cash used	14,997	132,177	202,442
Net Cash from (used by) Operating Activities	2,550	8,187	17,797
Investing Activities			
Net Cash received/(used)			
Proceeds from asset sales programme	0	0	0
Proceeds from sales of property, plant and equipment and intangibles	11	108	301
Net loans, advances and HECS	280	877	-1,266
Purchase of property, plant and equipment and intangibles	-397	-3,392	-6,404
Other investing cash receipts/(payments)	447	-388	-9,715
Net Cash from (used by) Investing Activities	341	-2,795	-17,084
Financing Activities			
Net Cash received/(used)			
Net repayments of borrowings	-885	2	0
Other financing cash receipts/(payments)	290	-3,750	-1,284
Net cash from (used by) Financing Activities	-595	-3,748	-1,284
Net increase / (decrease) in cash held	2,296	1,644	-571

* As published in the 2005-06 MYEFO.

(a) Negative movement due to reclassification of receipts by a number of agencies.

AUSTRALIAN GOVERNMENT GENERAL GOVERNMENT SECTOR – INCOME STATEMENT BY FUNCTION

		ACTUAL 2005-2006 February	ACTUAL 2005-2006 Year to Date February	ESTIMATE 2005-2006 FULL YEAR
	Note	\$m	\$m	\$m
Income by Source				
Taxation		16,877	132,535	203,566
Non-taxation		2,316	12,257	17,039
Gains		81	558	999
Income		19,274	145,350	221,604
Expenses by Purpose				
General Public Services		1,348	11,247	14,159
Defence		801	8,690	15,104
Public Order and Safety		221	1,729	2,719
Education	4	857	16,297	16,071
Health		2,743	24,484	37,989
Social Security and Welfare		6,768	57,685	87,646
Housing and Community Amenities		167	1,314	2,235
Recreation and Culture		187	1,635	2,701
Fuel and Energy		305	2,636	4,031
Agriculture, Forestry and Fishing		151	1,421	3,186
Mining and Mineral Resources (other than fuel); Manufacturing and Construction		100	1,087	2,023
Transport and Communication		247	1,412	3,027
Other Economic Affairs		400	3,187	4,299
Other Purposes				
Public Debt Interest		402	3,688	5,488
Nominal Superannuation Interest		296	2,366	5,793
General Purpose Inter- Government Transactions		579	2,658	3,639
Natural Disaster Relief		3	21	100
Contingency Reserve		0	0	-491
Asset Sales		3	22	-2
Total Expenses		15,576	141,579	209,716
Operating Result		3,697	3,771	11,889

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

	ACTUAL 2005-2006 February \$m	ACTUAL 2005-2006 Year to Date February \$m	ESTIMATE 2005-2006 FULL YEAR* \$m
<i>Operating result</i>	3,697	3,771	11,889
less assets recognised for the first time	17	147	257
plus actuarial revaluations	0	0	0
plus writedown of assets/bad and doubtful debts	583	2,504	2,183
less mutually agreed writedowns	242	897	536
plus net foreign exchange losses	2	-102	-86
plus other economic revaluations (a)	-82	-367	-726
less profit (loss) on the sale of assets	-5	76	69
plus Defence weapons platform depreciation	186	1,427	2,513
less Defence weapons platform investment	289	2,013	3,328
GFS Net Operating Balance	3,843	4,100	11,584
less purchase of property plant and equipment and intangibles	474	3,318	6,378
less net assets acquired under finance leases	8	15	23
less other non-financial assets	-67	85	92
less increase in inventories	22	325	402
plus proceeds from sales of property, plant and equipment	11	108	301
plus Defence weapons platform investment	289	2,013	3,328
plus depreciation and amortisation excl weapons	175	1,365	2,080
Fiscal Balance (GFS Net Lending)	3,881	3,843	10,398

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

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

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

	ACTUAL 2005-2006 February \$m	ACTUAL 2005-2006 Year to Date February \$m	ESTIMATE 2005-2006 FULL YEAR* \$m
Net cash from operating activities	2,550	8,187	17,797
Plus: Payments classified as GFS adjustments	-10	58	-7
Plus: Net cash from investments in non-financial assets			
Proceeds from sales of property, plant and equipment and intangibles	11	108	301
Less: Purchase of property, plant and equipment and intangibles	397	3,392	6,404
Less: Finance leases and similar arrangements	8	15	23
GFS cash surplus/deficit	2,146	4,946	11,664
Less: Future Fund Earnings	0	0	212
Underlying Cash Balance	2,146	4,946	11,452
Plus: Net Advances	0	0	0
Proceeds from asset sales program	0	0	0
Net advance receipts/(payments) (a)	280	736	-1,419
Plus: Future Fund Earnings	0	0	212
Equals Headline Cash Balance	2,426	5,682	10,245

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

NOTES:

The accounting policies in this part are generally consistent with the requirements of AEIFRS. While the scope for financial reporting recommended by AEIFRS and AAS 31 is the whole of government

(that is, the Australian Government public sector), the Financial Management and Accountability Act 1997 requires monthly financial statements to be consistent with the budget estimates. Accordingly and pursuant to the Charter of Budget Honesty Act 1998, this presentation covers the general government sector only. This publication does not include full note disclosures.

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

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

All taxation items in these notes are reported on an AEIFRS basis, unless otherwise indicated.

NOTE 1: INCOME TAX

	ACTUAL 2005-2006 February \$m	ACTUAL 2005-2006 Year to Date February \$m	ESTIMATE 2005-2006 FULL YEAR+ \$m
INDIVIDUALS AND OTHER WITHHOLDING TAX			
Gross income tax withholding	10,514	68,522	102,030
Gross other individuals	1,795	13,605	25,110
<i>Less refunds</i>	582	12,592	15,000
Total individuals and other withholding tax	11,727	69,534	112,140
OTHER SOURCES			
Companies	2,432	33,880	48,740
Superannuation funds (a)	57	4,716	6,690
Petroleum Resource Rent Tax (b)	125	1,536	2,130
Total income tax from other sources	2,613	40,132	57,560
Total income tax	14,341	109,666	169,700
Fringe Benefits tax	72	2,218	3,470

* As published in the 2005-06 MYEFO.

(a) Includes superannuation contributions surcharge.

NOTE 2: INDIRECT TAX

	ACTUAL 2005-2006 February \$m	ACTUAL 2005-2006 Year to Date February \$m	ESTIMATE 2005-2006 FULL YEAR+ \$m
Excise duty	1,860	14,994	21,900
Customs duty	283	3,321	5,062
Other indirect tax	166	834	1,190
Total indirect tax revenue	2,309	19,149	28,152

* As published in the 2005-06 MYEFO.

NOTE 3: GOODS AND SERVICES TAX

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

statements.

	ACTUAL 2005-2006 February \$m	ACTUAL 2005-2006 Year to Date February \$m	ESTIMATE 2005-2006 FULL YEAR+ \$m
GST Revenue (a) (collected on behalf of the States)	5,858	27,140	37,920

* As published in the 2005-06 MYEFO.

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

NOTE 4: ADJUSTMENT FOR EDUCATION GRANT EXPENDITURE

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

	ACTUAL 2005-2006 Year to Date February \$m
Opening grants payable for DEST	7,145
<i>less closing grants payable for DEST</i>	10,635
<i>plus grant expenses for DEST</i>	14,487
Cash payments for grants attributable to the Education function	10,997

NOTE:

Style Conventions

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

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

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

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