

1.4 BUDGET POSITION - ACCRUAL ACCOUNTING BASIS

INTRODUCTION

Consistent with the rest of this Chapter, this section and the tables within cover the General Government Sector.

For the first time, the Budget Papers include accrual statements for both the General Government Sector as a whole and for individual agencies. The aggregate information follows below, with the statements for individual agencies contained within Budget Paper No. 3 "Budget Estimates".

1998-99 BUDGET PROJECTIONS

Operating Statement

The surplus before extraordinary items is projected to be \$1,084 million for 1997-98, increasing to \$1,966 million for 1998-99.

The increased surplus arises from a decrease of \$392 million (1.7 per cent) in net cost of services and a \$490 million (2.1 per cent) increase in State revenues.

Extraordinary items of \$1,012 million, comprising a gain on sale of major assets and the TAB, contributed to an overall surplus of \$2,096 million.

The main reason for the decrease in net cost of services is a reduction of \$533 million in finance costs. This reduction has arisen because the expense in 1997-98 included the costs of a major debt restructure that had a one-off cost in excess of \$300 million. This restructure is aimed, inter alia, at reducing future debt costs.

A major factor for the increase in State revenues is an increase of \$605 million (5.9 per cent) in Commonwealth grants - from \$10,290 million in 1997-98 to \$10,895 million in 1998-99. This is primarily due to increases in Hospital Grants and National Landcare initiatives.

Statement of Financial Position

Net Assets (Net Worth) of the General Government Sector are projected to increase by 7.2 per cent (\$1,931 million) from \$26,954 million at 30 June 1998 to \$28,885 million at 30 June 1999.

Total assets are projected to increase by 2.2 per cent (\$1,434 million), from \$65,192 million at 30 June 1998 to \$66,626 million at 30 June 1999.

The major component of the change in total assets is an increase in infrastructure systems of \$1,354 million (5.0 per cent), from \$27,189 million at 30 June 1998 to \$28,543 million at 30 June 1999. The principal reasons for the increases are -

- the ongoing investment in the State's infrastructure generally;

- the Olympic Co-ordination Authority's expenditure on Olympic facilities and sporting venues;
- the Roads and Traffic Authority's investment in the improvement of the State's road network; and
- the Department of Health's expenditure to enhance the State's hospital infrastructure.

Total liabilities are projected to decrease by 1.3 per cent (\$497 million) from \$38,238 million at 30 June 1998 to \$37,741 million at 30 June 1999.

The primary factor in the change in total liabilities is a decrease in employee entitlements of \$574 million (3.8 per cent) from \$15,301 million at 30 June 1998 to \$14,727 million at 30 June 1999. This is a reflection of the continuing reduction in the State's unfunded superannuation liability.

Table 1.13: Consolidated Operating Statement

	1997-98 (Revised)	1998-99
	\$m	\$m
Operating Expenses		
Employee Related	11,900	11,805
Other operating	4,381	4,432
Maintenance	1,033	1,093
Depreciation and amortisation	790	825
Grants and subsidies	4,732	4,708
Finance costs	1,815	1,282
Other	1,666	1,820
Total Operating Expenses	26,317	25,965
Operating Revenues		
Sales of goods and services	2,396	2,430
Investment income	400	398
Grants and contributions	237	238
Other	458	337
Total Operating Revenues	3,491	3,403
Gain/ (loss) on sale of Non Current Assets	28	156
Net Cost of Services	22,798	22,406
State Revenues		
Taxation, Fines and Regulatory Fees	11,628	11,849
Commonwealth Grants	10,290	10,895
Financial Distributions	1,488	1,319
Other	476	309
Total State Revenues	23,882	24,372
SURPLUS/ (DEFICIT) FOR YEAR BEFORE EXTRAORDINARY ITEMS	1,084	1,966
Extraordinary Items	1,012	...
SURPLUS/ (DEFICIT) FOR YEAR AFTER EXTRAORDINARY ITEMS	2,096	1,966

Table 1.14: Consolidated Statement of Financial Position

	1997-98 (Revised)	1998-99
	\$m	\$m
Current Assets		
Cash	1,131	1,106
Investments	1,274	1,315
Receivables	1,643	1,556
Inventories	127	139
Other	195	197
Total Current Assets	4,370	4,313
Non Current Assets		
Land and Buildings	25,722	25,839
Infrastructure Systems	27,189	28,543
Plant and Equipment	2,246	2,137
Investments	3,823	3,773
Receivables	1,164	1,344
Inventories	128	107
Other	550	570
Total Non Current Assets	60,822	62,313
Total Assets	65,192	66,626
Current Liabilities		
Payables	1,541	1,525
Borrowings	3,903	4,279
Employee entitlements	2,025	2,083
Other	833	856
Total Current Liabilities	8,302	8,743
Non Current Liabilities		
Borrowings	12,865	12,523
Employee entitlements	13,276	12,644
Other	3,795	3,831
Total Non Current Liabilities	29,936	29,888
Total Liabilities	38,238	37,741
NET ASSETS	26,954	28,885
Equity		
Capital	440	440
Reserves	5,315	5,321
Accumulated funds	21,199	23,124
TOTAL EQUITY	26,954	28,885

Table 1.15: Consolidated Cash Flow Statement

	1997-98 (Revised)	1998-99
	\$m	\$m
Cash Flows from Operating Activities -		
Receipts		
Taxation, Fines and Regulatory Fees	13,013	13,744
Sale of Goods and Services	2,502	2,528
Investment Income	296	276
Other	10,873	10,643
Total Receipts	26,684	27,191
Payments		
Employee Related	11,873	12,417
Grants and Subsidies	4,656	4,602
Finance Costs	1,529	1,280
Other	6,982	7,113
Total Payments	25,040	25,412
Net Cash Flows from Operating Activities	1,644	1,779
Cash Flows from Investing Activities -		
Proceeds from Sale of Property, Plant and Equipment	105	659
Proceeds from Sale of Investments	1,115	416
Extraordinary Proceeds of Sale	1,057	...
Advance Repayments Received	142	49
Purchases of Property, Plant and Equipment	(-) 2,689	(-) 2,716
Purchase of Investments	(-) 207	(-) 259
Advances Made	(-) 8	(-) 52
Other	7	115
Net Cash Flows from Investing Activities	(-) 221	(-) 1,788
Cash Flows from Financing Activities -		
Proceeds from Borrowings and Advances	720	444
Repayment of Borrowings and Advances	(-) 1,806	(-) 512
Other	(-) 5	...
Net Cash Flows from Financing Activities	(-) 1,091	(-) 68
Net Increase/ (Decrease) in Cash	332	(-) 77
Opening Cash and Cash Equivalents	(-) 53	279
Closing Cash Balance	279	356
Cash Flow Reconciliation		
Surplus/ (Deficit) for year	2,096	1,966
Non cash items added back	954	688
Change in operating assets and liabilities	1,406	875
Net Cash Flow from Operating Activities	1,644	1,799

Accounting Principles and Policies

The accrual presentation of the Budget, comprising the above consolidated Operating Statement, Statement of Financial Position, and Cash Flow Statement, has been prepared in accordance with generally accepted accounting principles as set out in Australian accounting standards, except as discussed below.

The present lack of reliable information means that the accrual presentation of the Budget does not fully comply with generally accepted accounting principles, as follows -

- Valuation of School Buildings

The Department of Education and Training is currently developing, but has not finalised, a database of its school buildings. This database is necessary to support the valuation and depreciation of school buildings.

- Undeveloped Crown Land

Undeveloped Crown Land is not recognised pending the completion of an extensive identification and valuation program.

- School Bank Accounts

School bank account balances have not been brought to account in the statement of financial position due to difficulties in reliably identifying the portion of account balances that are provided by the State.

- Recognition of Cash in the Cash Flow Statement

Certain agencies have not classified some investments in Treasury Corporation's Hour-Glass Facilities as 'cash' to comply with a revised definition of 'cash' in Australian Accounting Standard AAS28 "Statement of Cash Flows". It is intended that the audited Public Accounts for the year ended 30 June 1998 and future Budgets will comply with the revised definition when this information is provided by the agencies.