Australian Commonwealth, State and Territory
Government Budgets and the Selective Announcement of
Budget Surplus/Deficit Numbers

by

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ABSTRACT

This paper presents the findings from a case study of the 2004-05 annual budgets prepared by the Australian Commonwealth government and the governments of the six Australian states and the two Australian territories. The study examined the headline financial outcome (general government sector surplus or deficit) announced in the budget papers of each of the nine governments. Findings indicate the adoption of varying measurement bases and a consequent lack of comparability in the headlined budget outcome numbers. Accounting reforms have resulted in a variety of cash and accrual based measurements becoming available for presentation by governments. However, there has been no prescription of the manner in which these alternative measures are to be presented, resulting in a lack of consistency and comparability. It is not surprising in this reporting environment that different governments would choose to headline different budget outcome numbers in their budget announcements.

1. INTRODUCTION

A major aspect of government accountability is the preparation of annual budgets. The annual budget represents the foundation for planning and controlling government financial operations. It is established practice that total government expenditure and appropriations of expenditure for particular purposes must be approved for each financial year by Parliament (Jones and Pendlebury, 1992, p. 50).

Considerable effort is put into budget preparation by governments and government departments, and a major event on any government’s calendar is the release of its annual budget. Budget speeches by treasurers and the analysis of budget figures feature prominently in the media on their release. Government budget papers are considered to be particularly significant as they are ‘the most authoritative, timely, widely distributed and reported statements of each government’s financial results and plans’ (Allan, 1983, p. 77).
Government budgets represent not only a means of reporting government revenues and expenses. A government’s net budget position is used by economic analysts as an indicator of the government’s fiscal position. However, despite the obvious importance of government budgets, there has been a paucity of academic research comparing the basis for the calculation and presentation of budget numbers by Australian governments. While government budget outcomes have received attention from economists from a fiscal policy viewpoint, little attention has been paid to the comparability of the basis for the determination of the headline budget surplus or deficit numbers contained in government budgets from an accounting perspective. This study seeks to address this gap in the literature. In particular, the paper aims to meet the perceived need referred to by Broadbent (1999) for studies in the public sector arena of, *inter alia*, different accounting ‘technologies’.

Government budgets contain a great deal of detail on, and alternative bases for, the various budget numbers. However, a commonality of all government budgets is that they focus on a single budget surplus or deficit number that is *headlined* in the relevant treasurer’s budget speech and in the budget papers themselves. The headline budget surplus or deficit is the number announced by the government as its overall performance outcome. The annual budget statements for the 2004-05 financial year released by the Australian Commonwealth government and the governments of the six Australian states and the two Australian territories announced the following headline budget surplus/deficit figures:

*The General Government Sector budgeted operating result for 2004-05 is a surplus of $7.9m.* (Australian Capital Territory Department of Treasury, 2004a, p. 2).

*...the Budget is still forecast to be in surplus with an underlying cash balance of $2.4 billion in 2004-05.* (Commonwealth Treasury, 2004, p. 1-1)

*The 2004-2005 Budget will deliver a surplus of $52 million.* (Government of South Australia, 2004a, p. 2)

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1 This paper uses the term *headline* outcome in a general sense as indicating the budget deficit or surplus number that is given prominence in the budget papers as the overall budgeted outcome. It should be noted, however, that the term *headline result* has a specific meaning in the context of the Australian Commonwealth’s budget. This distinction will be highlighted later in section 3.3.1 of this paper.
...we have balanced the budget three times, and we will do so again next financial year with a projected surplus of $243 million. (Government of Western Australia, 2004a, p. 1)

...the 2004-05 Budget deficit is now estimated to be $379 million. (New South Wales Treasury, 2004a, p. 17)

The general government sector is expected to be in balance in 2004-05. (Northern Territory Treasury, 2004a, p. 4)

A Fiscal Surplus of $15.2m is forecast for 2004-05. (Parliament of Tasmania, 2004, p. 1)

...the 2004-05 Budget provides for a net operating surplus of $646 million. (Queensland Government, 2004a, p. 15)

A surplus of $545 million is projected for 2004-05. (Victorian Department of Treasury and Finance, 2004a, p. 4)

On the basis of the above statements, the Commonwealth government, not unsurprisingly, announced the highest budget surplus. Of the six states and two territories, Queensland headlined the largest surplus, with Victoria a relatively close second. New South Wales was the only government headlining a budget deficit.

Any meaningful understanding of, and comparisons between, the above budget announcements requires a knowledge of the specific bases used to derive the surplus/deficit numbers. In particular, meaningful comparisons of the headline budget figures are not possible if they have not been prepared on a common basis. The analysis presented in this paper indicates that such a common basis does not exist. Accordingly, the paper addresses one aspect of the call for further debate and research into accrual accounting reforms in Australia (Guthrie, 1998, p. 16).

The remainder of this paper is structured as follows. A background to government annual budgets is firstly provided, followed by a discussion of the alternative bases available for the calculation of an individual government’s surplus or deficit. Findings from an examination of the annual budget surplus or deficit numbers announced in Australian government budgets for the 2004-05 financial year are then presented, followed by a summary and conclusions section.
2. **ALTERNATIVE BASES FOR THE PREPARATION OF GOVERNMENT BUDGETS**

Throughout the past two decades, federal and state governments of varying political persuasions have pursued and implemented significant agendas of reform within the public sector (Carnegie and West, 2003, p. 83; Guthrie, 1998, p. 6). The reforms have involved major strategies such as those of commercialisation and privatisation encompassing ‘market discipline’ and ‘best commercial practices’ (Broadbent and Guthrie, 1992). Not unexpectedly, these reforms have impacted on public sector financial reporting.

Historically, governments in Australia adopted a cash basis of budgeting and accounting involving the recording and reporting of cash transactions in conformity with Parliamentary budget appropriations and approvals. However, when the effects of the various reforms started to impact on budget departments in the early 1990s, a demand arose for performance to be reported in terms of accrual financial information (Guthrie, 1998, p. 7).\(^2\) Ramifications were felt in the budgeting arena as accrual accounting began to impact on government financial reporting, and a number of alternative cash and accrual frameworks have subsequently been developed for government budgeting purposes.

2.1 **Government Finance Statistics (GFS) Framework**

The most significant development in Australian government budget reporting over the past decade and a half has been the adoption of uniform guidelines in the form of the *Government Finance Statistics* (GFS) framework. The GFS reporting framework, the latest version of which was published in October 2003, is ‘a specialised financial reporting system designed to support economic analysis of the public sector’ (Commonwealth Treasury, 2004, p. 8-2). Developed by the Australian Bureau of Statistics, the framework is based on the international equivalent developed by the International Monetary Fund (IMF)\(^3\) and on the United Nations *System of National Accounts* (United Nations, 1993). The aim of the GFS framework is to ‘meet the

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\(^3\) The latest version of the IMF’s GFS framework was issued in 2001 (International Monetary Fund, 2001).
community’s demand for standardised and detailed financial information about the activities of all Australian governments’ (Australian Bureau of Statistics, 2003, para. 1.3). The GFS framework provides for the recording of data on an accruals basis, but with supplementary data recorded on a cash basis (Australian Bureau of Statistics, 2003, para. 2.2). 

A number of separate financial statements are produced pursuant to the GFS conceptual framework, these being an operating statement, a cash flow statement, a balance sheet and a statement of other economic flows. Alternative budget surplus or deficit numbers can be drawn from the budgeted operating statement and cash flow statement, as explained below.

The operating statement presents details of revenue and expense transactions and the net acquisition of non-financial assets for an accounting period. The format of the operating statement results in two measures that can be considered as alternative budget surplus/deficit outcomes. The first section of the operating statement comprises GFS revenues less GFS expenses arising from transactions, this resulting in the **GFS net operating balance**. The revenues and expenses are calculated on an accruals basis, with depreciation included as an expense. The GFS net operating balance represents the ‘change in net worth due to transactions’ (Australian Bureau of Statistics, 2003, para. 2.111).

This net operating balance (surplus or deficit) is conceptually the most similar GFS budget outcome measure to conventional net income (profit or loss) calculated pursuant to Australian accounting standards and generally accepted accounting principles. However there are some notable differences, which will be referred to later.

The second section of the GFS operating statement deducts the net acquisition of non-financial assets from the net operating balance, resulting in the **GFS net lending/borrowing balance**. The net acquisition of non-financial assets, also referred to as net capital investment, measures the change in the government’s stock of non-financial assets due to transactions. Hence, in general terms, the net

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4 When originally introduced, the GFS adopted an economic cash-based approach rather than an accounting accruals-based approach (Allan, 1993, p. 79).
lending/borrowing balance comprises the net operating balance less net acquisitions of non-financial assets, with depreciation expense added back to avoid double counting.\(^5\)

To illustrate these calculations, Table 1 presents a summary of the Australian Commonwealth government’s 2004-05 operating statement.

[Insert Table 1 about here]

Also prepared pursuant to the GFS framework is a cash flow statement, indicating the budgeted net increase or decrease in cash held (Australian Bureau of Statistics, 2003, para. 2.119). The GFS cash flow statement is similar in concept to the parallel private sector cash flow statement prescribed by AASB 1026 *Statement of Cash Flows* (Australian Accounting Standards Board, 1997). Like AASB 1026, the GFS cash flow statement prescribes that cash flows be dissected between operating, investment and financing activities. A difference under the GFS framework is that cash flows from investment activities are further dissected according to whether they are investments in a) non-financial assets, b) financial assets for policy purposes, or c) financial assets for liquidity management purposes.\(^6\)

In summary, the GFS framework specifies three measures that can be considered as budget outcome measures, these being a) the net operating balance (GFS operating statement), b) the net lending/borrowing balance (GFS operating statement) and c) the net increase or decrease in cash held (GFS cash flow statement).

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5 A positive (surplus) net lending/borrowing balance indicates that the government is budgeting, on a net basis, to ‘purchase financial assets and/or repay liabilities in order to defray surplus funds’ (Australian Bureau of Statistics, 2003, para. 2.112). A negative (deficit) net lending/borrowing balance indicates that the government is budgeting to ‘liquidate financial assets, incur liabilities and/or increase equity in order to finance current operations and capital acquisition’ (Australian Bureau of Statistics, 2003, para. 2.112).

6 The distinction between investments in financial assets for policy and liquidity management purposes is based on the government’s motivation for acquiring the assets. The acquisition of a financial asset is treated as being for policy purposes when the acquisition is for the purpose of implementing or promoting government policy. When a financial asset is acquired for the purpose of managing a government’s cash reserves, the acquisition is treated as being for liquidity management purposes (Australian Bureau of Statistics, 2003, para. 2.119).
2.2 Australian Accounting Standards

In parallel with the Australian Bureau of Statistics GFS framework, the Australian accounting profession has developed a number of public sector accounting standards. The most important of these standards are AAS 27 *Financial Reporting by Local Governments* (Public Sector Accounting Standards Board, 1996), AAS 29 *Financial Reporting by Government Departments* (Public Sector Accounting Standards Board, 1998a) and AAS 31 *Financial Reporting by Governments* (Public Sector Accounting Standards Board, 1998b). It is the latter of these standards that is applicable to Australian Commonwealth, state and territory governments (Public Sector Accounting Standards Board, 1998b, para. 3.1).\(^7\)

As AAS 31 considers Commonwealth, state and territory governments to be reporting entities, they are required to prepare general purpose financial reports ‘because there are users who depend on the financial information contained in them for making and evaluating decisions about the allocation of resources’ (Public Sector Accounting Standards Board, 1998b, para. 3.2). Financial report users are specified to include ‘parliamentarians, the public, providers of finance, the media and other analysts’ (Public Sector Accounting Standards Board, 1998b, para. 3.2).\(^8\)

Accounting standard AAS 31 requires the adoption of the full accrual basis of accounting (Micallef, 1997; Public Sector Accounting Standards Board, 1998b, para. 3.2.1). While the standard applies for financial reporting purposes, the same basis of accounting can be used for preparing budgeted financial information, and several governments have provided such information in their budget papers.

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\(^7\) AAS 31 is based on exposure draft ED 62 issued in March 1995 (Public Sector Accounting Standards Board, 1995) and an original version of the standard issued in November 1996 (Public Sector Accounting Standards Board, 1996). The current version of the standard was issued in June 1998 (Public Sector Accounting Standards Board, 1998b). The commencement date for AAS 31 was 30 June 1999.

\(^8\) For a discussion of the manner in which general purpose financial reporting became a significant issue for governments in Australia, see Ryan (1998). Using an agenda setting framework, Ryan highlights that the political and economic environment existed in Australia since the late 1970s for the promotion of techniques which favoured reporting on the financial performance of governments and their agencies. Further, these techniques were promoted by many influential public sector *policy entrepreneurs*, often aligned with the organised accounting profession, operating from within government institutions. These policy entrepreneurs principally comprised accounting policy units which formed in the central agencies of Treasuries and Departments of Finance.
As noted earlier, the GFS net operating balance is conceptually the most similar GFS budget outcome to conventional net income calculated pursuant to Australian accounting standards, principally AAS 31 for governments. Both measures are derived by deducting expenses from revenues, but there are some notable differences between the two frameworks in the manner in which items are recognised. In brief, major differences relate to accounting for assets writedowns (treated as operating expenses pursuant to AAS 31 but as negative equity revaluations pursuant to the GFS framework), other gains and losses on assets (not included as revenues/expenses under GFS), bad and doubtful debts expense (not recognised under the GFS framework), swap interest revenue and expense (not recognised under GFS), and the acquisition of defence weapons platforms (capitalised and depreciated under AAS 31 but treated as an expense at the time of acquisition under GFS rules).

The effect of the above accounting policy differences can result in material variations between the budgeted GFS net operating balance and the AAS 31 budgeted result. For example, the Commonwealth government’s 2004-05 budgeted GFS net operating balance amounted to a surplus of $1 496m, while the AAS 31 accounting policies resulted in a budget deficit of $355m deficit. This material difference highlights the conflict between the alternative frameworks in their attempt to derive a measure, comprising total revenues less total expenses, summarising a government’s budgeted financial performance.

A major observation at this point is that a structure exists for various budget statements to be prepared under alternative frameworks. However, there is no prescription of the priority to be given in an individual government’s budget papers to the alternative statements or to the order in which they are to be presented. Further, there is no prescription of which framework (or frameworks) should be used as the basis for the government’s headlined budget surplus or deficit number. This is particularly a problem where the alternative frameworks provide materially different budget outcome numbers. Taking the Commonwealth government budget for the 2004-05 financial year as an example, alternative budgeted surplus/deficit outcomes under the various frameworks are: a) GFS net operating balance surplus of $1 496m,

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9 See Australian Bureau of Statistics (2003, chapter 7) for a detailed discussion of the accounting policy differences between the GFS framework and AAS 31.
b) GFS net lending/borrowing surplus of $1,348m, c) GFS cash flow statement cash surplus of $2,391m, and d) AAS 31 budget deficit of $355m.

3. Case Study of Australian Commonwealth, State and Territory 2004-05 Budgets

3.1 Budget headline measurement methods

The aim in this section is to examine the headline financial result (government surplus or deficit) presented in each of the 2004-05 budgets of the Australian Commonwealth government, the six Australian states and the two Australian territories. Such an examination will shed light on the comparability of the headline measurement bases adopted in the respective budgets across the nine government budget settings.

A listing of the measurement bases adopted for the headline surplus or deficit in each of the nine government budgets is presented in Table 2. In the 2004-05 budgets of the Australian Commonwealth and the Northern Territory, the headlined surplus was presented on a cash basis. The Australian Capital Territory and Victoria each presented their headline surplus calculated on an accrual basis in accordance with Australian accounting standards (including AAS 31) and generally accepted accounting principles. Two governments, Queensland and Western Australia, headlined Government Finance Statistics (GFS) net operating balance (NOB) budget figures. The final three governments, New South Wales, South Australia and Tasmania, headlined Government Finance Statistics (GFS) net lending/borrowing budget numbers.

[Insert Table 2 about here]

In summary, and as indicated in Table 3, four different methods were adopted for the headlined 2004-05 budget surplus/deficit across the nine governments in Australia. Further, no single method had been adopted by a majority of the governments. This suggests that there was a considerable lack of comparability in the headlined government budget results for the 2004-05 financial year.

[Insert Table 3 about here]
To put the presentation of the various GFS and accounting standard (AAS 31) measurement bases into perspective, Table 4 summarises the bases for government surplus/deficit outcomes presented in each of the nine government budgets. The table presents the four major measurement bases (GFS cash, GFS net operating balance, GFS net lending/borrowing and accounting standards/AAS 31) for each of the governments according to whether or not they have been presented in the budget papers and whether they have been used as the basis for the headlined budget outcome. The table highlights two major points. First, the table graphically emphasises the earlier finding of governments adopting different measurement bases for their headlined budget outcomes. Second, the table shows inconsistency with respect to presentation of government budget outcomes pursuant to Australian professional accounting standards including AAS 31. This measurement basis was presented in the budgets of six governments, with two of these also using it for their headlined budget outcome number. Three governments did not present their budget outcome according to the AAS 31 basis at all.

3.2 Comparison of headline and GFS measurement methods

Despite the observations in the above section, the lack of a common basis for measurement of the headlined surplus or deficit by the nine governments may not represent a significant problem if the effects of the different bases did not have material financial reporting effects. Obviously, determination of whether the effects of the adoption of different measurement bases have been material requires comparison with some common measurement base. Fortunately, and as explained earlier, the Commonwealth government and all state and territory governments present budget figures in accordance with the Government Finance Statistics (GFS) framework. However, it is important to emphasise that, in most cases, such figures are only observable by a careful examination of the detail within the budget papers. In most cases, the figures calculated on a GFS basis were only disclosed in later chapters or in appendices within the various government budget papers.

Table 5 presents a comparison of the headlined surplus or deficit figures for each of the nine governments with the parallel budgeted GFS net operating balance budget
results. Of the two GFS measures (*net operating balance* and *net lending/borrowing*), the net operating balance method is selected here as the most appropriate for comparison purposes as it is the one which is consistent with the accrual basis of accounting.

[Insert Table 5 about here]

Table 5 indicates no difference in the headlined and GFS net operating balance budget numbers for Queensland or Western Australia, as these two governments had adopted this GFS method as the basis for their headlined budget result.

In the case of Victoria, the headline budget surplus calculated pursuant to Australian accounting standards and generally accepted accounting principles of $545m was not greatly different from the GFS net operating balance of $529m. However, for the six remaining governments, material differences were observable.

The Australian Capital Territory, the Northern Territory and Tasmania adopted headline budget methods that resulted in materially more favourable portrayals of their budget position in comparison to those under the GFS net operating balance method. For the Northern Territory, the balanced budget result headlined would have been a deficit of $12m if presented on a GFS net operating balance basis. For the Australian Capital Territory and Tasmania, surpluses of $8m and $15m respectively would have been deficits of $17m and $45m if presented on a GFS net operating balance basis. The $25m difference in these two bases for the Australian Capital Territory represents 147.1 percent of the GFS net operating balance result. For Tasmania, the $60m difference between the two bases amounts to 133.3 percent of the GFS net operating balance result.

In contrast to the Australian Capital Territory and Tasmania, New South Wales and South Australia headlined budget numbers that portrayed their position far less favourably than under the GFS net operating balance method. Both these states headlined GFS net lending/borrowing budget numbers. In the case of New South Wales, this resulted in the headlining of a $379m budget deficit when the GFS net
operating balance signified an $836m surplus, a considerably material difference of $1 215m (or 145.3 percent of the GFS net operating balance). South Australia’s headlined surplus of $52m was $64m less than its GFS net operating balance surplus of $116m, this difference representing 55.2 percent of the headlined surplus.

As an overall conclusion, the above discussion indicates that the differences caused by the adoption of the different measurement bases had material financial effects. Moreover the directional effects, in terms of whether the headlined result was more or less favourable than the GFS net operating balance result, differed for different governments. In the cases of the Commonwealth, the Australian Capital Territory, the Northern Territory and Tasmania, their headlined surpluses considerably exceeded the surplus or deficit numbers that would have been reported had the GFS net operating balance figure been reported as the headline result. In fact, for the Australian Capital Territory and Tasmania, the headline method adopted enabled a surplus rather than a deficit to be emphasised. For New South Wales and South Australia, the directional effects were the reverse of the above, in that deficit and surplus results respectively were headlined that were considerably below the surpluses that could have been highlighted had the GFS net operating balance basis been headlined.

The observations above can be emphasised by noting the ranking of individual state and territory budget results under the headlined and under uniform GFS methods.10 These rankings are presented in Table 6.

[Insert Table 6 about here]

When ranking the headliner government budget results for the states and territories from highest surplus to highest deficit, perusal of Table 6 indicates that Queensland is ranked first with the highest surplus. Victoria, Western Australia, South Australia, Tasmania and the Australian Capital Territory are ranked second to sixth respectively

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10 Given the difference in the nature and scale of the Australian Commonwealth government in comparison to the states and territories, this level of government is excluded from this analysis. Under both the headline and GFS net operating balance methods, the Australian Commonwealth budget had the highest surplus of the nine governments.
with their headlined budget surpluses. The Northern Territory is ranked seventh with its balanced budget, while New South Wales is ranked eighth with its $379m deficit.

However, there are major changes in the rank order when the common GFS net operating balance method is used as the basis for ranking, as indicated in column 3 of Table 6. New South Wales, which was ranked eighth by reference to its headlined budget deficit, is ranked in first place with the highest surplus under the GFS net operating balance method. This highlights that New South Wales had adopted a basis for its headline budget result that did not result in a fair basis for comparison with the other states and territories. The GFS net operating balance method ranks New South Wales above Queensland, the previously highest ranked state. Queensland’s ranking on a GFS net operating balance basis, which is the basis it had adopted for its headline result, is second.

The other major change in ranking revealed in Table 6 is for Tasmania. Using a GFS net lending/borrowing basis for its headline result, Tasmania was ranked fifth with a $15m surplus. However, on a common GFS net operating balance method, Tasmania’s ranking fell to eighth (i.e. last) with a $45m deficit. This again highlights the case of a state adopting a basis for its headline budget result that does not result in a fair basis for comparison with the other states and territories.

The final column of Table 6 shows the budget outcomes, and state and territory rankings, on a GFS net lending/borrowing basis. These indicate that South Australia has the highest net lending/borrowing surplus, followed by Tasmania and the Northern Territory. New South Wales is ranked seventh with the second highest deficit, while Victoria is ranked last on this basis with the highest deficit. Accordingly, the rankings of the states and territories are completely different under the two GFS (net operating balance and net lending/borrowing) bases. A corollary of this is that the headlining by different governments of budget outcomes on different measurement bases can only serve to obfuscate between-government comparisons in the absence of a detailed and extensive examination of the assumptions underlying the reported headline numbers, given that different methods do result in major differences
in reported outcomes. Further, this lack of comparability may present a distorted view of an individual government’s financial position when the government’s selected headline figure is used as a basis for commentary and analysis.

3.3 Further observations on individual government budgets

Consistent with the case study nature of the present research, some further pertinent observations on individual government budgets are presented in this section. These observations elaborate on particular issues of note surrounding the specific basis for the headline surplus or deficit outcome presented, including the manner in which that method had been applied or presented. These additional observations are presented in the following sub-sections for the budgets of the Australian Commonwealth, the Northern Territory and the states of New South Wales, Tasmania and Victoria.

3.3.1 Commonwealth of Australia

The first relevant observation on the Australian Commonwealth government’s headlined 2004-05 surplus of $2.4bn is that it was prepared on a cash basis. This is despite the recommendation of the Commonwealth government’s own Department of Finance (1996, 1997) for the use of a full accrual accounting framework for budgeting, resource management and financial reporting. Also, various statements since, such as the government’s Charter of Budget Honesty, have endorsed an accrual accounting framework. For example, the Commonwealth government specifically states that accrual accounting is at the heart of its budgeting and reporting framework (Department of Finance and Administration, 2003), and further that ‘as part of its public service reform agenda, the Australian Government has implemented an accruals-based, outcome and outcome focussed resources management framework for the Commonwealth’ (Department of Finance and Administration, 2004, emphasis added). Hence, while various accruals-based figures are presented in the budget papers, the government has chosen to headline a cash-based surplus.

The cash surplus of $2.4bn, referred to as the ‘underlying cash balance’, is the single surplus figure initially headlined in Budget Paper No. 1 (Commonwealth Treasury, 2004 p. 1-1). However, two ‘budget aggregates’ are presented in the budget papers
two pages later, these being the originally headlined underlying cash surplus and a ‘fiscal balance’ of $0.7bn (Commonwealth Treasury, 2004 p. 1-3). However, there is no explanation of the basis for this fiscal balance, except to disclose that it is in ‘accrual terms’ (Commonwealth Treasury, 2004 p. 1-3). While this fiscal balance number is referred to at various times within Budget Paper No. 1, it is only some 194 pages later in chapter 8 that it is explained that this fiscal balance is actually the GFS net lending/borrowing surplus (Commonwealth Treasury, 2004, p. 8-4). However, and as noted earlier, reference to the actual detailed operating statement in the budget papers shows that the net lending/borrowing surplus is actually $1 348m. The $698m ($0.7bn) fiscal balance is disclosed in a table in chapter 2 that does not show the individual revenue and expense items comprising the balance (Commonwealth Treasury, 2004, p. 2-3). Rather, the table commences with the 2003-04 budget fiscal balance and adds and subtracts various effects of policy decisions and effects of parameter and other variations to derive the $698m fiscal balance. These various effects are only dissected between total ‘revenue’, ‘expense’ and ‘net capital investment’ categories, and it is therefore impossible to reconcile the $698m fiscal balance in chapter 2 with the $1 348m net lending/borrowing surplus shown in the detailed operating statement in chapter 8.

To add to the confusion in the Commonwealth budget, some 27 pages after initially headlining the $2.4bn underlying cash surplus, a $1.0bn surplus titled ‘Memorandum item: Headline cash balance’ was presented (Commonwealth Treasury, 2004, p. 2-2). A subsequent table in that section reveals that this figure represents the $2.4bn underlying cash balance less $1.4bn ‘net cashflows from investments in financial assets for policy purposes’ (Commonwealth Treasury, 2004, p. 2-8).11 Hence, the government has included a further ‘headline’ cash balance in the budget that is not actually headlined in the budget announcement or the budget papers at all. This terminology reflects that this had been the basis for the headlined outcome in prior periods.

11 These ‘net cashflows from investments in financial assets for policy purposes’ are later explained to mainly comprise equity injections into controlled businesses and privatisations of government businesses, and net loans to the states, net loans to students under the Higher Education Contribution Scheme and contributions to international organisations that increase the Australian government’s financial assets (Commonwealth Treasury, 2004, pp. 8-6 to 8-7).
Further confusion is caused by the Commonwealth government’s treatment of goods and services tax (GST). The government’s view is that GST is a state tax, and hence that the GST revenue raised and the related distributions to the states do not need to appear in the Commonwealth government’s budget (Bassanese, 2004; Dodd, 2003; Harris, 2003; Simes, 2003). It has been highlighted that such a treatment means that the Commonwealth government’s stated objective that tax as a percentage of gross domestic product (GDP) will not exceed its 1996-97 level is readily met (Dodd, 2003; Simes, 2003).

However, despite the government’s protestations, the GFS documentation issued by the Australian Bureau of Statistics makes it clear that the government’s preferred accounting treatment for GST is not the correct one. In accordance with the principle of attributing tax revenue to the appropriate level of government, the GFS framework states that:

*In the case of the Goods and Services Tax...the tax is levied under the authority of the Commonwealth, the Commonwealth has the final discretion to set and vary the rate of tax and the Commonwealth has the final discretion over the use of the funds. Therefore..the GST is treated as a Commonwealth tax in GFS.* (Australian Bureau of Statistics, 2003, para. 2.66)

Despite this guidance, and in accordance with the government’s preferred accounting treatment for GST, the Government Finance Statistics summary GFS revenue and expense totals exclude GST when first presented in *Budget Paper No. 1* (Commonwealth Treasury, 2004, p. 2-2). Hence, total revenue of $193.2bn is disclosed at this point, and this is specified to represent 22.5 percent of GDP. However, when detailed, disaggregated GFS figures are presented later in *Budget Paper No. 1* (Commonwealth Treasury, 2004, p. 9-4), revenue calculated according to GFS principles includes GST revenue of $35.1bn, resulting in total revenue of $228.3bn, and the related GST grants to the states are included as payments. Hence, GST revenue representing 15.4 percent of total revenue, an obviously material amount, is excluded in the first presentation of the summary GFS figures when revenue as a percentage of GDP is disclosed. If the GST revenue of $35.1bn had been included in this earlier total, recalculation reveals that revenue as a percentage of GDP

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12 This accounting treatment has the obvious effect of understating both total revenue (receipts) and total expenses (payments). The policy has been adopted despite the fact that GST is levied subject to Commonwealth legislation, is collected by a federal agency, and is recorded in the government’s consolidated revenue fund (Bassanese, 2004; Dodd, 2003; Harris, 2003).
would have been 26.6 percent rather than the 22.5 percent disclosed. A reasonable conclusion to be drawn is that the government was deliberately attempting to minimise the amount reported for Commonwealth revenue as a percentage of GDP. A further observation is that, despite the government’s protestations that GST is a state tax and should therefore not be included in budget figures, an alternative treatment in which GST was included was actually presented within one section of the budget, recognising that this was required to comply with the GFS rules.

3.3.2 New South Wales

The New South Wales headline deficit, on a GFS net lending/borrowing basis, amounted to $379 million. In announcing this deficit, the treasurer’s budget speech referred to the ‘continuing short-changing of New South Wales by the Federal Government’ (New South Wales Treasury, 2004a, p. 1). The treasurer argued that New South Wales was not receiving its fair share of grants from the Commonwealth, including those representing GST revenue. It was pointed out in the treasurer’s speech that the other states and territories had benefited over the previous three years with a nominal increase of 19 percent in Commonwealth grants while New South Wales had received an increase of less than half of a percent, and that the subsidy from New South Wales to the other states in this respect amounted to almost $3bn per year (New South Wales Treasury, 2004a, p. 1). The treasurer also highlighted recent Industrial Relations Commission decisions granting wage rises to nurses and teachers ‘in excess of the Government’s wages policy’, and also emphasised a decline in ‘underlying revenues from transfer duties’ (New South Wales Treasury, 2004a, p. 2). Various commentators noted the government’s blaming of the Commonwealth, the Industrial Relations Commission and the declining property market for the New South Wales deficit (see, for example, Mellish, 2004; Mitchell, 2004; Steketee, 2004; Wood, 2004).

However, as noted earlier in section 4.1 and in Tables 3 and 4, New South Wales actually had the highest surplus of all the Australian states and territories when budget outcomes were measured on a comparable GFS net operating balance basis. On such a basis, the surplus of $836m for New South Wales compared to the second highest surplus of $646m for Queensland, the third highest of $545m for Victoria, and the fourth highest of $243m for Western Australia.
The large difference for New South Wales between the net operating balance surplus of $836m and the net lending/borrowing deficit of $379 million represented $1.215m of net non-financial asset acquisitions. Hence, despite the New South Wales government in its budget papers blaming the deficit result on an unfair share of Commonwealth grant distributions, wage rises for nurses and teachers and the decline in the property market, the large difference between the net operating surplus and net lending/borrowing deficit indicates that the principal cause was the government’s own decisions regarding asset acquisitions. Reflecting the political aspects of the decision by New South Wales to headline the GFS net lending/borrowing deficit, one commentator observed that selection of this more ‘stringent’ measure ‘can help put a damper on future pay claims and the spending wish-lists of ministers and lobby groups’ (Skulley, 2004).

3.3.3 Northern Territory

In the budget speech for the Northern Territory, the only statement made with respect to the budget result for the 2004-05 year was that ‘the general government sector is expected to be in balance…’ (Northern Territory Treasury, 2004a, p. 4). Reference to the detail contained in chapter 1 of Budget Paper No. 2 revealed the main presentation of two estimated outcomes, the ‘cash outcome’ of a balanced budget as headlined in the budget speech, followed by a GFS net operating balance deficit of $12m (Northern Territory Treasury, 2004b, p. 2). When the first details on total revenues and expenses were provided in chapter 3 of Budget Paper No. 2, the figures were for only the GFS net operating balance basis and not for the headlined cash basis (Northern Territory Treasury, 2004b, pp. 13-18). The only clue to the balanced ‘cash outcome’ result was in the final chapter of Budget Paper No. 2 where a small deficit of $370,000 was disclosed in the general government sector cash flow statement. This small deficit was obviously rounded off to indicate a balanced budget by the government. No other detail on the ‘cash outcome’ was provided in the budget papers.

3.3.4 Tasmania

In its budget papers, the Tasmanian government states that the ‘fiscal surplus is the Government’s headline Budget measure’ (Parliament of Tasmania, 2004, p. 70, emphases added). However, there are no reasons or justifications provided at this
point or anywhere else in the budget papers for this choice of headline budget measure. Further confusion is caused by the use of the term ‘fiscal surplus’. As noted earlier (refer Table 2), this headline measure adopted by Tasmania is actually the GFS net/lending borrowing balance. However, despite claiming to have prepared its budget information in accordance with the Uniform (GFS) Presentation Framework (Parliament of Tasmania, 2004, p. 70), the usage of this alternative terminology can only cause confusion in any attempts at between-government comparison of the budget detail.

3.3.5 Victoria

Victoria and the Australian Capital Territory are the only governments to present their headline budget surpluses in accordance with Australian accounting standards. The budget papers indicate that the budgeted financial statements had been prepared in accordance with ‘applicable pronouncements issued by the Australian Accounting Standards Board (AASB), Urgent Issues Group consensus views and other authoritative pronouncements and…Australian generally accepted accounting principles’ (Victorian Department of Treasury and Finance, 2004b, p. 14). However, with respect to the presentation of the actual budgeted financial statements, the following was stated in the relevant budget papers:

Their presentation is based on New Zealand Financial Reporting Standard Prospective Financial Information (FRS 29) as there are no specific Australian authoritative pronouncements which prescribe the preparation and presentation of prospective financial statements...The requirements of FRS 29 have been modified to achieve consistency in the presentation of the Estimated Financial Statements with AASB 1018 Statement of Financial Performance, AAS 36 Statement of Financial Position and AAS 37 Financial Report Presentation and Disclosures. (Victorian Department of Treasury and Finance, 2004b, p. 14)

Hence, in adopting a basis for its headline measure that moves away from the uniform GFS framework, the Victorian government has looked, in part, to the reporting guidelines of another country to develop its own presentation format. This serves to emphasise two points. First, the adoption of an alternative presentation format for the headline budget outcome cannot assist with between-government comparability. Second, it emphasises that more thought needs to be given to the development of a more standardised reporting format for the budgets presented by Australian Commonwealth, state and territory budgets.
4. DISCUSSION

Over a decade ago, it was claimed that budgetary, accounting and financial reporting formats and standards varied between Australian governments and that a lack of consistency in approach was a serious problem (Allan, 1993, p. 77). Since that time, substantial developments have occurred with moves to accrual-based systems and more standardised rules in the form of the Government Finance Statistics (GFS) uniform framework issued by the Australian Bureaus of Statistics and accounting standards, such as AAS 31, issued by the accounting profession.

However, a problem has been that these accounting reforms have resulted in a proliferation of information in Australian Commonwealth, state and territory government budgets. Detailed financial information prepared under alternative assumptions and methodologies is now presented. Budget surplus/deficit information for the general government sector has been provided on various cash and accrual bases, including in accordance with alternative bases under the GFS rules and Australian accounting standards. However, there has been no detailed prescription of the manner in which these alternative measures should be presented in government budget papers. This has allowed different governments to give prominence to alternative budget outcomes and to be selective in the headline budget surplus/deficit outcomes they announce.

Guthrie (1998, p. 14) alluded to the political impacts and ramifications of government budget statements with the following statement:

*Terms such as ‘budget surplus’ or ‘budget deficit’ are potent political symbols. Politicians claim success if they have ‘reigned in’ a deficit or ‘returned’ a surplus, or ‘balanced’ a budget... The calculation of deficit or surplus may be affected by the way that the government earmarks expenditure as ‘capital’ or ‘recurrent’ and also the type of accounting system they report with.*

Robinson (1996, p. 28) referred to the propensity of politicians to exploit weaknesses in public sector accounting to misrepresent the state of public finances, and observed that the main target of misrepresentation was the budget bottom line (i.e. the deficit or surplus number). Despite efforts to implement more uniform government accounting principles since the time of the above observations, the findings of the present study of the 2004-05 annual budgets of the nine Australian governments suggest the
potential for confusion due to the adoption of varying measurement bases for the announcement of budget outcomes.

It was stated over a decade ago that ‘for all but the expert public sector financial analyst, government finances remain a mystery, despite the detailed reporting provided under various existing requirements’ (Australian Society of Certified Practising Accountants, 1993, p. 3). The findings from this study suggest that this still tends to be the case, and highlights that a great deal of the ‘mystery’ now is caused by alternative governments not reporting the budget information pursuant to the various rules in a consistent manner, particularly with respect to the announcement of the overall budgeted outcome.

A major cause of this problem has been the move towards accrual accounting principles in the public sector and debates on the applicability of such a basis of accounting. As a result, a number of different cash and accrual based measurement systems have become available for presentation in government budgets. In the absence of any rules to standardise the manner in which these alternative measures are to be presented, it is not surprising that different governments have chosen to headline different budget outcome numbers in their budget announcements and in their budget papers. The present research, therefore, highlights what could be construed as ‘unevaluated reforms…being implemented with impunity and using the name of accounting as legitimation’ (Broadbent and Guthrie, 1992, p. 26).

Guthrie (1990, p. 243) acknowledged the contest in the late 1980s between the ‘players’ involved in public sector accounting standard developments for ‘control over certain issues, knowledge and expertise.’ The battle between the accounting profession and the public sector regulators for control over the financial reporting agenda has also been noted by Parker (1993, p. 154), although Ryan (1998, 1999) describes this as having developed into more of a ‘network’ and an ‘active partnership’ between the accounting professionals in the central governmental agencies and the accounting profession, including the Public Sector Accounting Standards Board. Nevertheless, irrespective of the manner in which the relationship between the accountants in the central government agencies and the accounting profession is viewed, the alternative frameworks for government budget preparation and a lack of prescription of the manner in which the measures under the alternative
frameworks are to be presented has allowed different governments to have a free rein in selecting the basis for their announced budget outcomes.

This lack of prescription was highlighted in a report reviewing fiscal policy rules in Australia (Simes, 2003). With respect to accounting rules and transparency at the Commonwealth government level, the report highlighted that ‘despite the considerable efforts to introduce accounting practices that better reflect the underlying state of the Government’s finances, confusion persists’ (Simes, 2003, p. 3). The report specifically mentioned the scope for confusion arising from the alternative GFS and AAS 31 bases, stating:

*Both approaches represent attempts to depict the financial position of the Government and require judgements on numerous difficult conceptual issues. Neither could be legitimately claimed to fully represent changes in all of the Commonwealth’s contingent liabilities and assets.* (Simes, 2003, p. 27)

Also highlighting the Commonwealth government’s accounting policy for GST, the report argued that decisions over accounting treatments needed to be removed from the government as far as possible. The report recommended that the Australian Bureau of Statistics be used as the arbiter of the accounting treatment within the budget papers (Simes, 2003, p. 28).

However, that proposal ignores two facts. First, the Australian Bureau of Statistics is an agency involved in the collection, collation and analysis of government and economic statistics; it is not an accounting standard-setting body. Second, as the report recognised, the confusion and inconsistencies that have arisen have been caused by the presence of the two accounting frameworks; the GFS rules set by the Australian Bureau of Statistics, a government body, and the rules specified in accounting standards such as AAS 31 set by the accounting profession. Hence, further prescription of rules for the accounting information contained in government budgets should be determined by the ‘active partnership’ between the central government agencies and the accounting profession referred to by Ryan (1998, 1999) if closure is to occur.

A further point of relevance is that Simes (2003) only examined budget reporting at the Commonwealth government level. Given the findings of the present study, further guidance needs to also encompass budget reporting at the state and territory
government levels. Simes (2003, p. 27) pointed to the debate over whether the ‘fiscal balance’ or the ‘underlying cash balance’ was more appropriate for an assessment of the impact of fiscal policy on the economy, and noted that the Commonwealth budget papers now reported both. However, in not also examining Australian state and territory budgets, it was not emphasised that various other alternative bases were used at these other Australian government levels for their budget announcements.

The findings from this study also have implications for Australia’s current developments in implementing international accounting standards. In addition to Australia’s adoption of international accounting standards from 1 January 2005 for private-sector entities reporting pursuant to the *Corporations Act 2001*, the Australian Financial Reporting Council (FRC) also has a similar strategic direction for public sector financial reporting. This strategy aims for the Australian Accounting Standards Board (AASB) to ‘pursue as an urgent priority the harmonisation of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting’ (Financial Reporting Council, 2004, p. 1). The first phase of the strategy will focus on whole-of-government financial reporting by Commonwealth, state and territory governments, commencing for full year reporting periods ending on 30 June 2006 (Financial Reporting Council, 2004).

However, the FRC’s strategy ‘does not direct the AASB to develop standards for budgetary reporting’ (Financial Reporting Council, 2004, p. 1). Given the findings from the present study, this could be problematic. This study has highlighted that the GFS rules currently represent the only common reference point for comparing the budget numbers of the various governments. If the revised reporting rules developed pursuant to the FRC’s convergence strategy are not also implemented for budgetary purposes, even greater problems than presently exist in attempting between-government comparisons of budget outcomes could well arise.

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13 GAAP reporting includes the rules prescribed in Australian professional accounting standards, including AAS 31.

14 Although it was found that only detailed, careful and lengthy examination of the budget papers enabled such a comparison.
5. **Summary and Conclusions**

The original contribution of this study has been to document the manner in which the Australian Commonwealth, state and territory governments have been inconsistent in the measurement basis selected for the announcement of their *headline* budget surplus or deficit outcome, and to highlight the effects of this inconsistency.

A lack of critical research into the role of accounting thinking in the formation of regulatory processes, such as within the economy, government and politics, has been highlighted by Laughlin (1999, p. 75). Addressing this deficiency, the subject matter of the present paper is precisely within the economic, governmental and political fields. In highlighting the conflicts between alternative frameworks for the reporting of government budget outcomes, it becomes clear that the headlining by different governments of budgeted surplus/deficit numbers calculated by way of different methodologies has the potential to garble the economic and political signals contained therein.

The lack of comparability and potential for confusion highlighted by this paper has been caused by accounting reform developments providing a variety of cash and accrual based measurement frameworks. Various budget outcome numbers for the general government sector can be calculated pursuant to alternative measurement bases under the government finance statistics (GFS) rules and under professional accounting standards such as AAS 31. However, as there has been no prescription of the manner in which these alternative measures are to be presented, it is not surprising that different governments have chosen to headline different outcome numbers in their budget announcements and budget papers.

Further rules for presentation of the accounting information contained in government budgets are required to avoid continuation of this state of affairs. Given the source of the alternative reporting frameworks, these further rules need to be determined cooperatively by the relevant central government agencies and the accounting profession. Also, they should apply equally to all Australian Commonwealth, state and territory governments.
REFERENCES


Government of Western Australia. 2004b. Economic and Fiscal Outlook, *Budget Paper No. 3*, 6 May, Department of Treasury and Finance, State of Western Australia, Perth.


Victorian Department of Treasury and Finance. 2004a. 2004-05 Treasurer’s speech, *Budget Paper No. 1*, 4 May, Department of Treasury and Finance, State of Victoria, Melbourne


Table 1
Summary of Australian Commonwealth Government 2004-05 GFS Operating Statement

<table>
<thead>
<tr>
<th></th>
<th>Sm</th>
</tr>
</thead>
<tbody>
<tr>
<td>GFS revenue</td>
<td>228 341</td>
</tr>
<tr>
<td>GFS expenses (including $1 933 depreciation)</td>
<td>226 845</td>
</tr>
<tr>
<td><strong>Net operating balance</strong> (surplus)</td>
<td><strong>1 496</strong></td>
</tr>
<tr>
<td>Less net acquisition of non-financial assets:</td>
<td></td>
</tr>
<tr>
<td>Purchase of non-financial assets</td>
<td>2 856</td>
</tr>
<tr>
<td>less sales of non-financial assets</td>
<td>(727)</td>
</tr>
<tr>
<td>less depreciation</td>
<td>(1 933)</td>
</tr>
<tr>
<td>less change in inventories</td>
<td>(42)</td>
</tr>
<tr>
<td>less other movements in non-financial assets</td>
<td>(6)</td>
</tr>
<tr>
<td><strong>Total net acquisition of non-financial assets</strong></td>
<td><strong>148</strong></td>
</tr>
<tr>
<td><strong>Net lending/borrowing balance</strong> (surplus)</td>
<td><strong>1 348</strong></td>
</tr>
</tbody>
</table>

(GFS = Government Finance Statistics)

Table 2
Bases for Headline 2004-05 Budget Surplus/Deficit Outcome Measurement

<table>
<thead>
<tr>
<th>Government</th>
<th>Budget Headline Reported</th>
<th>Basis for Calculation of Headline Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commonwealth:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commonwealth of Australia</td>
<td>$2 400m surplus</td>
<td>Cash</td>
</tr>
<tr>
<td><strong>States and Territories:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>$8m surplus</td>
<td>Australian accounting standards (inc. AAS 31) and generally accepted accounting principles</td>
</tr>
<tr>
<td>New South Wales</td>
<td>$379m deficit</td>
<td>GFS Net Lending/Borrowing</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>$0m surp/def</td>
<td>Cash</td>
</tr>
<tr>
<td>Queensland</td>
<td>$646m surplus</td>
<td>GFS Net Operating Balance</td>
</tr>
<tr>
<td>South Australia</td>
<td>$52m surplus</td>
<td>GFS Net Lending/Borrowing</td>
</tr>
<tr>
<td>Tasmania</td>
<td>$15m surplus</td>
<td>GFS Net Lending/Borrowing</td>
</tr>
<tr>
<td>Victoria</td>
<td>$545m surplus</td>
<td>Australian accounting standards (inc. AAS 31) and generally accepted accounting principles</td>
</tr>
<tr>
<td>Western Australia</td>
<td>$243m surplus</td>
<td>GFS Net Operating Balance</td>
</tr>
</tbody>
</table>

(GFS = Government Finance Statistics)
Table 3
Frequency Distribution of Bases for Headline 2004-05 Budget Surplus/Deficit Outcome Measurement

<table>
<thead>
<tr>
<th>Basis for Calculation of Headline Outcome</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>2</td>
</tr>
<tr>
<td>Australian accounting standards (inc. AAS 31) and generally accepted accounting principles</td>
<td>2</td>
</tr>
<tr>
<td>GFS Net Operating Balance</td>
<td>2</td>
</tr>
<tr>
<td>GFS Net Lending/Borrowing</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total number of government budgets:</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

(GFS = Government Finance Statistics)

Table 4
Measurement Bases for General Government Sector Surplus/Deficit Outcomes Presented in Budget Papers

<table>
<thead>
<tr>
<th>Basis of Budget Outcome</th>
<th>C/W</th>
<th>ACT</th>
<th>NSW</th>
<th>NT</th>
<th>Qld</th>
<th>SA</th>
<th>Tas</th>
<th>Vic</th>
<th>WA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (GFS cash flow statement)</td>
<td><strong>H</strong></td>
<td>p</td>
<td>p</td>
<td><strong>H</strong></td>
<td>p</td>
<td>p</td>
<td>p</td>
<td>p</td>
<td>p</td>
</tr>
<tr>
<td>GFS net operating balance</td>
<td>p</td>
<td>p</td>
<td>p</td>
<td><strong>H</strong></td>
<td>p</td>
<td>p</td>
<td>p</td>
<td>p</td>
<td><strong>H</strong></td>
</tr>
<tr>
<td>GFS net lending/borrowing</td>
<td>p</td>
<td>p</td>
<td><strong>H</strong></td>
<td>p</td>
<td>p</td>
<td><strong>H</strong></td>
<td><strong>H</strong></td>
<td>p</td>
<td>p</td>
</tr>
<tr>
<td>Accounting standards/AAS 31</td>
<td>p</td>
<td><strong>H</strong></td>
<td>p</td>
<td>X</td>
<td>p</td>
<td>X</td>
<td>X</td>
<td><strong>H</strong></td>
<td>p</td>
</tr>
</tbody>
</table>

**H** = Presented in budget papers and used as the basis for the headlined budget outcome.

**p** = Presented in budget papers but not used as the basis for the headlined budget outcome.

**X** = Not presented in budget papers.
### Table 5
Comparison of Headline and Government Finance Statistics Net Operating Balance Budget Outcomes

<table>
<thead>
<tr>
<th>State Government</th>
<th>Budget Headline Reported (1)</th>
<th>GFS NOB Outcome (2)</th>
<th>Difference (1) – (2)</th>
<th>Difference as % of GFS NOB Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commonwealth:</strong> Commonwealth of Australia</td>
<td>$2,391m surplus</td>
<td>$1,496m surplus</td>
<td>+$895m</td>
<td>+59.8%</td>
</tr>
<tr>
<td><strong>States and Territories:</strong> Australian Capital Territory</td>
<td>$8m surplus</td>
<td>$17m deficit</td>
<td>+$9m</td>
<td>+147.1%</td>
</tr>
<tr>
<td>New South Wales</td>
<td>$379m deficit</td>
<td>$836m surplus</td>
<td>-$457m</td>
<td>-145.3%</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>$0m surplus/deficit</td>
<td>$12m deficit</td>
<td>+$12m</td>
<td>+100.0%</td>
</tr>
<tr>
<td>Queensland</td>
<td>$646m surplus</td>
<td>$646m surplus</td>
<td>Nil</td>
<td>0.0%</td>
</tr>
<tr>
<td>South Australia</td>
<td>$52m surplus</td>
<td>$116m surplus</td>
<td>-$64m</td>
<td>-55.2%</td>
</tr>
<tr>
<td>Tasmania</td>
<td>$15m surplus</td>
<td>$45m deficit</td>
<td>+$30m</td>
<td>+133.3%</td>
</tr>
<tr>
<td>Victoria</td>
<td>$545m surplus</td>
<td>$529m surplus</td>
<td>+$16m</td>
<td>+3.0%</td>
</tr>
<tr>
<td>Western Australia</td>
<td>$243m surplus</td>
<td>$243m surplus</td>
<td>Nil</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

(GFS NOB = Government Finance Statistics net operating balance)

### Table 6
Comparison of Rankings of Headline and Government Finance Statistics (Net Operating Balance) Budget Outcomes for the States and Territories

<table>
<thead>
<tr>
<th>State/Territory Government</th>
<th>Budget Headline Reported</th>
<th>Rank</th>
<th>GFS NOB Outcome</th>
<th>Rank</th>
<th>GFS Net Lend/Borrow Outcome</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Capital Territory</td>
<td>$8m surplus</td>
<td>6</td>
<td>$17m deficit</td>
<td>7</td>
<td>$128m deficit</td>
<td>5</td>
</tr>
<tr>
<td>New South Wales</td>
<td>$379m deficit</td>
<td>8</td>
<td>$836m surplus</td>
<td>1</td>
<td>$379m deficit</td>
<td>7</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>$0m surplus/deficit</td>
<td>7</td>
<td>$12m deficit</td>
<td>6</td>
<td>$29m deficit</td>
<td>3</td>
</tr>
<tr>
<td>Queensland</td>
<td>$646m surplus</td>
<td>1</td>
<td>$646m surplus</td>
<td>2</td>
<td>$243m deficit</td>
<td>6</td>
</tr>
<tr>
<td>South Australia</td>
<td>$52m surplus</td>
<td>4</td>
<td>$116m surplus</td>
<td>5</td>
<td>$52m surplus</td>
<td>1</td>
</tr>
<tr>
<td>Tasmania</td>
<td>$15m surplus</td>
<td>5</td>
<td>$45m deficit</td>
<td>8</td>
<td>$15m surplus</td>
<td>2</td>
</tr>
<tr>
<td>Victoria</td>
<td>$545m surplus</td>
<td>2</td>
<td>$529m surplus</td>
<td>3</td>
<td>$658m deficit</td>
<td>8</td>
</tr>
<tr>
<td>Western Australia</td>
<td>$243m surplus</td>
<td>3</td>
<td>$243m surplus</td>
<td>4</td>
<td>$120m deficit</td>
<td>4</td>
</tr>
</tbody>
</table>

(GFS NOB = Government Finance Statistics net operating balance)