



**Australian Government**

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**Commonwealth Grants Commission**

**2010 REVIEW**

**THE ADJUSTED BUDGET**

**COMMISSION POSITION PAPER  
CGC 2008/30**

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## BACKGROUND

- 1 In 2005, the Heads of Treasury undertook a review of horizontal fiscal equalisation. A conclusion of that review was that Commission processes could be simplified. The 2010 Review terms of reference ask the Commission to simplify its assessments, provided to do so is consistent with the principle of equalisation.
- 2 We believe simplification and equalisation can both be achieved and that simplification will improve the reliability and robustness of the processes and the acceptability of the outcomes. We consider this can best be achieved through a rigorous application of our assessment guidelines. These guidelines require the 2010 Review assessment methods to:
  - establish a conceptual case for the assessment;
  - support the conceptual case with evidence, which is both comparable and reliable;
  - develop a reliable assessment method; and
  - demonstrate such an assessment would be material<sup>1</sup>.
- 3 Our intention is to develop these methods jointly with States. For that reason, we have chosen an iterative process. This approach provides States with opportunities to contribute to the development of the final assessments.
- 4 In May 2007, we released Information Paper 2007/12 *Principles, Interpretation and Scope of Horizontal Fiscal Equalisation*. We said that equalisation should be comprehensive, covering the full range of State general government revenues and expenses, reflecting what States do. We also said that equalisation was about State capacity, it should be policy neutral, practical and as contemporaneous as possible. We added that disaggregation of what States do should be minimised and consistent with horizontal fiscal equalisation.
- 5 In September and October 2008, we released a series of position papers setting out our preliminary decisions on the assessment for each category.
- 6 This paper provides the Commission's views on the adjusted budget. It is in two parts. The main part summarises the Commission's position on the scope and structure of the adjusted budget for the 2010 Review. These are drawn from the *Principles* paper and position papers sent to the States.
- 7 Attachment A discusses implementation issues relating to the adjusted budget. It covers data sources, classification issues and ABS GFS adjustments.
- 8 States are invited to comment on any matters of concern raised in this paper. Some information to assist the Commission in implementing its decisions is also sought.

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<sup>1</sup> For a category to be deemed material, the average expense or revenue is greater than \$50 per capita, or the assessment is likely to redistribute more than \$30 per capita for any State.

## SCOPE OF THE ADJUSTED BUDGET

### Background

- 9 The adjusted budget is a representation of State budgets used by the Commission to calculate the Australian average per capita revenues and expenses. In the 2004 Review, it covered all operating transactions (revenues and expenses) of the general government sector in State public accounts, except those excluded by terms of reference or the Commission's SPP guidelines. Other adjustments were also made for reasons of comparability between States and over time. Expenses for services provided by the Australian Government or local government were not included. The adjusted budget was dissected into revenue, expense and user charges categories and the data required to construct it were derived from the Australian Bureau of Statistics Government Finance Statistics (GFS), State budgets and other sources.
- 10 In Information paper 2007/12 *Principles, Interpretation and Scope of Horizontal Fiscal Equalisation*, May 2007, we concluded that the scope of equalisation for the 2010 Review should be similar to that adopted in the 2004 Review. This means that the activities of individuals, communities, the Australian Government and local governments will not be included, nor will the business activities of State trading enterprises and financial enterprises (GBEs). However, transactions between these entities and the State general government sector, such as subsidies paid to trading enterprises and taxes and dividends raised from them, will be included<sup>2</sup>.
- 11 To facilitate some assessments or to take into account the views of States, we have considered some changes. For example, in the 2004 Review, the equalisation framework included only transactions that contributed to net operating balance. State capital needs were assessed through net debt charges and depreciation. In position paper CGC 2008/29 *Capital*, September 2008, the Commission said that it preferred the direct method of assessing State capital needs. Implementation of this assessment will involve extending the equalisation framework to transactions that contribute to net lending. How this will be done and other changes are discussed below.
- 12 The Commission will again use the ABS Government Finance Statistics (GFS) framework as the starting point for the adjusted budget. Although GFS covers all the economic activities of the Australian public sector, the Commission will include only the activities of the State general government sectors (see Table 1).

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<sup>2</sup> For this review, as advised in CGC 2008/21, we have changed the treatment of transactions of housing GBEs. In the 2004 Review, we included the detailed revenues and expenses of housing GBEs. For the 2010 Review, we intend to include only the net impact of the housing GBEs on State general governments in the 2010 Review. This is consistent with the way States now provide the service (as a subsidy to GBEs) and with how we treat all other payments to GBEs.

**Table 1 GFS transactions included in the 2010 Review adjusted budget**

Level of Government	Sector		
	General government	Public non-financial corporations	Public financial corporations
National	Out of scope	Out of scope	Out of scope
State/Territory	In scope	Out of scope	Out of scope
Local	Out of scope	Out of scope	Out of scope

13 The transactions included will be taken from the GFS operating statement and take the following form:

GFS revenue  
*less*  
GFS expenses  
*equals*  
GFS net operating balance  
*less*  
Net acquisition of non-financial assets  
*equals*  
GFS net lending

**Currently excluded GFS transactions**

14 *Background.* These GFS transactions were excluded from the 2004 Review adjusted budget (and the net operating balance or budget result):

- revenue classified to ETF 1159 Capital revenue nec;
- revenue classified to ETF 1152 Assets acquired below fair value; and
- expenses classified to ETF 1252 Assets donated.

15 Table 2 provides the amounts for 2004-05, 2005-06 and 2006-07.

16 *Capital revenue nec.* GFS defines this as revenue from transfers to sinking funds, capital levies from local government and grants from private bodies for capital works; for example, donations for road construction. Only New South Wales, Queensland and the Northern Territory classify revenue to this code.

17 From 2004-05 to 2006-07, the revenue for New South Wales mainly related to revenue for road purposes, such as industry capital donations, emerging interest and reimbursement of development costs. Queensland's revenue mainly related to revenue for education purposes. The Northern Territory's revenue mainly related to education and training.

18 *Revenue relating to assets acquired below fair value.* When a State receives assets below fair value or without costs, the fair value is included in the stock of State assets and in Gross Fixed

Capital Formation (GFCF)<sup>3</sup>. The difference between fair value and the actual acquisition cost is recorded as a capital revenue, which means that the net lending position of the State is unaffected by recording these assets at above their acquisition cost.

**Table 2 Capital revenue, assets acquired below fair value and assets donated**

	NSW	Vic	Qld	WA	SA	Tas	ACT <sup>(a)</sup>	NT	Aust
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
<b>Capital revenue nec</b>									
2004-05	4.6	0	1.8	0	0	0	0	0	2.0
2005-06	4.3	0	1.6	0	0	0	0	0	1.8
2006-07	4.0	0	3.5	0	0	0	0	9.8	2.3
<b>Assets acquired below fair value revenue</b>									
2004-05	18.4	3.1	23.7	29.5	7.9	33.7	0	0	15.8
2005-06	15.0	4.2	28.6	28.2	6.5	0	100.7	2.0	16.6
2006-07	55.7	4.0	38.5	0.3	10.8	0	18.2	1.7	28.1
<b>Assets donated expense</b>									
2004-05	2.4	68.7	2.7	0	0	0	30.4	21.7	19.1
2005-06	4.9	6.2	6.8	3.0	4.0	0	23.7	7.4	5.5
2006-07	8.6	6.0	52.6	0	2.4	0	1.5	33.3	15.3

(a) For the ACT, the capital revenues are Commonwealth-State Housing Assistance grants transfers from its GBEs.  
Source: GFS unpublished data.

- 19 During 2004-05 to 2006-07, these revenues were mainly for roads for New South Wales, Victoria and Western Australia. For the other States, they were for agricultural land and infrastructure, cultural heritage assets, assets for health services, police building and community amenities.
- 20 *Expenses relating to assets donated.* When a State donates assets, its stock of assets is reduced accordingly and the donation reduces GFCF. To preserve the State's net lending outcome a capital expense equal to the donation is also recorded.
- 21 During 2004-05 to 2006-07, these expenses were for roads, agricultural land, recreational facilities and community amenities.
- 22 *Commission view.* These three items are implicit transactions designed to preserve the logic of the GFS which values assets at fair value, rather than at the actual cost to the State budget. The amounts are not large. However, if they continue to be excluded from the adjusted budget, there would be a divergence of the adjusted budget net lending from the GFS net lending. To ensure the adjusted budget is comprehensive and to achieve the appropriate assessment outcomes, we propose to include them and treat them consistently with other similar transactions.

<sup>3</sup> Gross fixed capital formation in GFS is defined as the value of acquisition less disposals of new and existing produced assets that can be used in production, other than inventories. It excludes acquisition and disposal of valuables and non-produced assets such as land.

- 23 We intend to classify the capital revenues nec and the revenues from assets acquired below fair values as miscellaneous revenues. They are small and a policy neutral revenue base would be difficult to identify. Therefore, they should be assessed EPC and have no impact on the relativities. If they were to become large, and distributed differently across the States, this decision may need to be revisited.
- 24 We intend to functionalise expenses on assets donated as they are equivalent to a grant to a local government or non-government agency. They would be assessed using the relevant category factors. Any transactions relating to land would need to be removed for consistency with the Commission’s non-replacement capital expenditure assessment.

### **GFS transactions for the capital assessments**

- 25 To facilitate our preference for a direct assessment of State capital needs, we intend to include two assessment categories:
- Non-replacement capital expenditure. This includes State expenditure on acquisition of non-replacement assets (excluding land). It is calculated as:
    - Gross fixed capital formation (ETF 222 Expenditure on non-financial assets (net) for produced assets<sup>4</sup>, ETF 1152 Assets acquired below fair value, ETF 1252 Assets donated; and ETF 4101 Assets acquired under finance leases);
    - less*
    - Depreciation of fixed assets (ETF 1231)
    - plus*
    - Change in inventories (ETF 3210); and
  - Net lending. This is the outcome of State operations and is defined as net operating balance less non-replacement capital expenditure and other transactions in non-financial assets (ETF 222 Expenditure on non-financial assets (net) for non-produced assets (mainly land)).
- 26 In this way, all transactions in the GFS operating statement, except land, will be included in the adjusted budget and the budget outcome will be net lending. We propose to exclude land from physical asset holdings used in the capital assessment and from non-replacement capital expenditure. Conceptually, it should probably be included but we have concerns over the comparability of the data for each State. The value of land held as assets will depend on past and present sales of crown land, past provision made for government service sites and valuation practices.

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<sup>4</sup> In GFS, there are two types of assets: produced (Type of Asset code 1) and non-produced assets (Type of Asset code 2). GFS defines produced assets as non-financial assets that have come into existence as outputs of production processes (for example, dwellings and transport equipment) and non-produced assets as assets used for production that have not themselves been produced (for example, land).

## **Reconciling to GFS net lending**

- 27 *Background.* Currently, the adjusted budget result does not reconcile with the ABS GFS net operating balance. This is because we exclude some GFS revenues and expenses (such as the National Competition payments which were excluded by terms of reference and abolished State taxes), and add the Australian Governments' own purpose payments and one-tenth of the 1998 unfunded superannuation liabilities.
- 28 *Commission views.* Taken together, expenses, revenue and non-replacement capital expenditure included in the adjusted budget would produce a different net lending outcome than the published GFS number. The gap can be closed by including a reconciliation item<sup>5</sup> equal to the sum of these influences. Of itself, including a reconciliation item, assessed EPC will not change the relativities determined by assessed expenses, revenues and non-replacement capital expenditure.
- 29 The Commission intends to create a 'budget balancing' category. It will contain net transactions that contribute to GFS net lending but which are excluded from or added to the adjusted budget. This approach will ensure our adjusted budget can be reconciled with GFS and the 'real world', which makes the Commission's adjustments more transparent and the budget analysis more obviously accurate.

## **What specific purpose payments should be included?**

- 30 *Background.* Recurrent and capital SPPs paid to the States were included in the 2004 Review adjusted budget because they were considered as a source of revenue that finances State expenses. Because the scope of equalisation in the 2004 Review was confined to transactions that had a direct impact on the State government operating statements, SPPs paid through the States were excluded.
- 31 Capital SPPs were included in the adjusted budget for the first time in the 2004 Review. These grants were included in the year they were received by the States. In principle, because we assessed State depreciation expenses instead of capital expenditure, we should have included the capital grants amortised over the life of the assets. In practice, it was not easy to do that. For simplicity reasons, the Commission decided to bring in the full amount of capital grants in the years they were received by the States.
- 32 Most SPP revenues were treated by inclusion and expenses funded by them were assessed. A small number of them were excluded and mostly because of requirements of the terms of reference.
- 33 *Commission views.* We intend to continue including recurrent and capital SPPs, which have a direct impact on State budgets, in the adjusted budget for the 2010 Review. Capital SPPs will be included in the year the States receive them which is more consistent with the new treatment of capital expenditure.

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<sup>5</sup> The budget result term (difference between State expenses and revenues) in the current adjusted budget performs a similar function.

- 34 The Australian Government and the States are considering signing new agreements on Commonwealth-State financial relations which will come into effect on 1 January 2009. These new arrangements are unlikely to change the Commission's principle that Australian Government payments should be included in the adjusted budget if they are available to meet State needs.
- 35 However, the reforms might influence Commission decisions on the treatment of particular SPPs in the 2010 Review. Commission staff will send a discussion paper to the States on the treatment of SPPs in the 2010 Review once the new arrangements become final.

### **To what extent should Commonwealth own purpose expenses (COPEs) be included?**

- 36 *Background.* In the 2004 Review, the Commission included some COPEs paid to the States because they were similar to SPPs and were used to fund assessed State expenses. Where the average policy was to fund State agencies, the totality of those payments (including payments to non-government agencies) were included. However, where the average policy was to fund non-government agencies, the totality of the funds were excluded. In both cases, State expenses were adjusted to reflect the average treatment of revenue.
- 37 *Commission views.* We intend to continue treating COPEs paid to States, or COPEs where the average policy is to pay them to States, in the same way as in the 2004 Review by including them in the adjusted budget.
- 38 For the COPEs paid mainly to non-government organisations for State-type services, the Commission has two options:
- they could be left out of scope because the payment does not have a direct impact on State budgets and a disability factor could be assessed if there is an indirect impact through a reduced call on State budgets; or
  - they could be brought in to recognise that they meet assessed State expenses.
- 39 Option 1 has been proposed in the Community and Other Health Services category (non-State expenses are seen as reducing State-assessed expenses). Option 2 may be simpler if all such relevant payments can be identified.
- 40 The Commission prefers the first option for all categories as it requires a transparent adjustment to be made to State-assessed expenses. Also, the second option would expand the scope of the adjusted budget beyond State budgets to include expenses of some non-government agencies. We prefer not to take that approach.

### **To what extent should local government activities be excluded?**

- 41 *Background.* We have said that the scope of equalisation would not be extended to local government activities. This means that the Australian Government's financial assistance to local governments will be excluded and no assessment will be undertaken of the different fiscal capacities of local governments. We made this decision because payments made 'through the States' do not have an impact on State financial outcomes.

- 42 However, subsidies, grants and general revenue assistance States provide to local governments will be included. These expenses are included in the related categories and assessed the same as the other expenses in that category.
- 43 *State views.* In its 2008 State visit, the Northern Territory asked the Commission to assess its ongoing financial assistance to the regional shires on an APC basis. It said that although its local governments are being restructured to reduce the number of councils, the efficiency gains resulting from the process would not remove the need for the Northern Territory Government to continue providing ongoing financial assistance to the new regional shires on top of that provided by the Australian Government.
- 44 The Northern Territory said the level of State government assistance for the restructuring is necessary and significant because of the large Indigenous population living in the shires covered by the local councils. In the Northern Territory's view, this situation is atypical and the costs involved should be included in the adjusted budget (and assessed on an APC basis).
- 45 *Commission views.* The financial assistance provided by States to local governments (not that on-passed by the States) are currently included in relevant categories and assessed. We intend to continue this approach. Whether a differential assessment for the Northern Territory's payments to regional councils is required may need further consideration in the relevant category assessment. The Northern Territory would need to advise where these transactions are classified and make the case for a differential assessment for them within that category. The Northern Territory would need to show that these payments are average policy.

<p><b>Information is sought from the Northern Territory and other States</b> on whether they make such payments to local governments and, if so, where they are classified in GFS.</p>
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**To what extent should differences between the administrative and accounting arrangements of the States be taken into account when making interstate comparisons?**

- 46 *Background.* The Commission intends to use GFS data to compile the State revenues and expenses in the 2010 Review. GFS are compiled using standard definitions, classifications and treatment of government financial transactions. However, they reflect the differences in the administrative and accounting arrangements between States. For example, most State governments provide direct subsidies to water utilities but Queensland and Tasmania provide water subsidies through local government. Some State trading enterprises reduce their dividend contribution to their general government in lieu of grants from the general government. Only a State level of government exists in the ACT although a number of functions performed by it are undertaken by local governments in other States. These differences mean that such transactions are not classified in the same way.
- 47 In the 2004 Review, some specific adjustments were made to the adjusted budget to reflect the differences in administrative and accounting arrangements. These included:

- removing ACT municipal transactions for consistency with the scope of included transactions for other States (this adjustment ceased in the 2007 Update); and
- including all transactions of the housing GBEs where States provided welfare housing through them rather than in the general government sector;
- allocating central agency expenses (classified to the general public service GPC) to categories for States in which these expenses were not functionalised.

48 As already discussed, the adjustment for the welfare housing GBEs will no longer be required because welfare housing is to be assessed on a net basis. The treatment of ACT municipal transactions is discussed below as are other issues raised by States in their submissions and during State visits. The need for the central agency adjustment is discussed in Attachment A.

#### *ACT municipal transactions*

49 *Background.* ACT municipal expenses have been included in the adjusted budget since the 2007 Update. This was because the Commission decided to use GFS to compile expenses for all States (rather than use data collected direct from the ACT). GFS include ACT's municipal transactions as 'State' transactions.

50 *Commission views.* The inclusion of ACT municipal transactions in the expense categories has no material effect on the relativities. For simplicity, reliability and materiality reasons, the Commission intends to continue including the ACT's municipal expenses in the expense categories. The ACT's rate revenues will be included in the budget balancing transactions category.

#### *General government assistance to GBEs*

51 *Background.* Currently, the Commission includes general subsidies, community services obligations (CSO) payments and capital and recurrent grants paid by the State general governments to their GBEs in the adjusted budget. In our recent State visits, some States told us that their State general government sectors provided capital injections to their GBEs instead of subsidies.

52 *Analysis.* Equity transactions between general government and GBEs in GFS include equity acquisitions, equity disposals and privatisations recorded in the GFS cash flow statement. Table 3 shows the amounts for 2006-07.

53 New South Wales and the ACT describe some of their operating expenses on subsidy payments to GBEs as '*capital injections*'. ***However, because they are recorded as operating expenses, these transactions were included in the 2004 Review adjusted budget.***

54 *Commission views.* We said earlier that we will include transactions that contribute to the GFS net lending in the adjusted budget. For this reason, we do not intend to bring in the above transactions. This will mean that, to the extent that States on average provide assistance to their GBEs through operating transactions, the amounts will be included in the adjusted

budget. To the extent they provide this support through equity injections, that will not be recognised. Average State policy will therefore be recognised in the adjusted budget.

**Table 3 Equity acquisitions and equity disposals – GBEs, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Equity acquisitions (GBEs)</b>									
Welfare and housing services	0	51	0	0	0	0	0	0	51
Roads	0	396	0	0	0	0	0	0	396
Services to industry	0	407 <sup>(b)</sup>	-124	0	0	0	0	0	283
Other services	0	750 <sup>(c)</sup>	1195 <sup>(d)</sup>	1406 <sup>(d)</sup>	0	0	0	0	3351
<b>Total</b>	<b>0</b>	<b>1604</b>	<b>1071</b>	<b>1406</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4081</b>
<b>Equity disposals (GBEs) <sup>(a)</sup></b>									
Other services	0	0	-2252 <sup>(d)</sup>	0	24	0	0	0	-2252

(a) Negative means gain, positive means loss.

(b) Tourism.

(c) Mainly culture and recreation.

(d) General public services.

Source: GFS unpublished data.

#### *Cross-subsidies between GBEs*

- 55 *Background.* In its submission and during its State visit, Western Australia asked the Commission to include the cross-subsidies between its electricity GBEs in the adjusted budget.
- 56 Western Australia said its electricity prices in remote communities are subsidised through a Tariff Equalisation Fund (TEF). Western Power, the GBE that provides electricity to less remote communities, collects a surcharge from its customers and pays the money through the TEF to Horizon Power, the GBE that provides electricity to more remote communities, so it can supply its customers under the uniform electricity tariff. It argued that because the transactions were not recorded in the State general government operating statement, they were not included in the adjusted budget. Conversely, if the subsidy were paid through a Communities Service Obligations (CSO) payment and financed by additional dividends from Horizon Power, the subsidies and matching dividends would be included.
- 57 We accepted that, in principle, cross-subsidies within GBEs should be included in the adjusted budget to improve data comparability across States. We do not want accounting structures used by States to determine what is and what is not included in the adjusted budget.
- 58 There may seem to be an inconsistency between the approaches set out for equity injections and capital grants for GBEs in the previous section and cross-subsidies here. The justification for the different treatment is that equity injections are excluded because they are cash flow statement transactions which do not affect a State's net lending outcome, or reduce a State's net financial assets or net worth. Capital grants are operating expenses which do influence

these outcomes. On the other hand, cross-subsidies are operating items and if brought in on the revenue and expense sides of the adjusted budget will have no impact on net lending. However, bringing them in will allow average expenses and revenues within the operating statement to reflect what States are doing (save for different accounting treatment) and for State needs to be properly assessed.

- 59 *Analysis.* Preliminary attempts by Commission staff to identify similar transactions in other States have not been straight forward. Data on cross-subsidies, or subsidies paid through ‘reduced dividends’ are not always transparent and are difficult to identify. They may be made in relation to water, electricity and transport. Even when we can obtain a list of subsidies or CSO payments, such as those from the Australian Water Commission, we do not always know which transactions have, or have not, been included in GFS data.
- 60 *Commission views.* Financial arrangements between States governments and their GBEs are complex and generally not comparable. The Commission intends to deal with the identification of cross-subsidies on a case by case basis. The lack of available data may preclude the comprehensive identification of all subsidies.
- 61 In Western Australia’s case, the TEF makes the subsidy transparent and we know it is not included in GFS. If reliable data on this and other subsidies (and their matching dividends) are available, we can and will include them in the adjusted budget to reduce the impact of different accounting treatments on adjusted budget figures.

**Information is sought from the States:**

- Does your State have cross-subsidies within GBEs or ‘reduced dividend’ requirements for GBEs provided in a transparent way?
- If yes, could you provide reliable data for the past five years and advise whether and if so how they affect your GFS data?

*Other administrative and accounting arrangements*

- 62 *Background.* There may be other differences in administrative and accounting arrangements not covered in this paper; for example, some States provide assets by direct purchase/construction, others through public private partnerships or finance leases.
- 63 *Commission views.* The Commission has been considering these differences as we have developed the assessments for the 2010 Review. The Commission intends to reflect average State policy on these different approaches in the adjusted budget unless there is very strong evidence that doing otherwise will improve HFE and reliable data are available. Disability factors may be assessed to recognise the different impact of these activities on State fiscal capacities, if appropriate.

## **STRUCTURE OF THE ADJUSTED BUDGET**

64 Consistent with the terms of reference, the Commission has decided to adopt a more aggregated category structure in the 2010 Review. Table 4 shows the preliminary 2010 Review adjusted budget structure. A concordance of the categories used in the 2004 and the 2010 Reviews is in Attachment B. Attachment C provides a concordance with GFS.

65 The treatment of particular items is discussed below.

### **Superannuation**

66 *Background.* In the 2004 Review, superannuation expenses comprised:

- accrued superannuation expenses in the year;
- administrative expenses;
- nominal interest on accrued unfunded liabilities that the Commission has equalised; and
- a transitional adjustment to recognise the financial impact of moving to accrual accounting in 1998-99. The adjustment comprised one tenth of outstanding liabilities at 1 July 1998 and nominal interest on accrued unfunded liabilities that the Commission has not equalised.

67 *Commission views.* For the reasons given in CGC 2008/04 *Overview*, the Commission intends to:

- distribute the accrued expenses across the expense categories;
- include the administrative expenses in the other services category;
- include the equalised nominal interest on accrued unfunded liabilities with debt charges, interest and dividend income in the miscellaneous revenue category; and
- create a transitional arrangements category that comprises one tenth of outstanding superannuation liabilities at 1 July 1998 (till 2007-08) and unequalised nominal interest on accrued unfunded liabilities.

**Table 4 Adjusted budget categories for the 2010 Review**

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Category Name
<b>State own-source revenue</b>
Payroll tax
Land tax
Stamp duty on conveyances
Insurance tax
Motor taxes
Mining revenue
Miscellaneous revenue
<b>Operating expenses</b>
School education
Post secondary education
Admitted patients (net of user charges)
Community and other health services
Welfare and housing services (net of user charges for housing)
Services to communities (net of user charges for electricity, water and sanitation)
Justice services
Public safety
Roads
Transport services (net of user charges)
Services to industry
Other services
Transitional arrangements
<b>Capital expenditure</b>
Non-replacement capital expenditure
<b>Other</b>
Net lending
Budget balancing transactions

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### **Depreciation**

- 68 *Background.* In CGC 2008/29 *Capital*, we told States that we intended to allocate depreciation expenses to categories and to assess them as part of the costs of delivering a service. GFS data will be used to do this.
- 69 *Commission views.* The Commission recognises that there may be some comparability issues at the margin with how States report depreciation in different categories but these are unlikely to be large enough to invalidate the proposed approach. The Commission anticipates that the quality of GFS depreciation estimates by GPC will continue to improve over time.

### **User charges**

- 70 *Background.* User charges fall into two main groups:
- user charges associated with functions usually performed by GBEs in most States; and

- other user charges other than the above, including those relating to education, health, law and order and services to industry.
- 71 The Commission's proposed treatment of each type of user charges has been considered in a number of Commission position papers. They are summarised below.
- 72 *GBE-type functions.* The Commission intends to subtract any user charges relating to GBE-type functions from their expenses because the State standard policy is to provide subsidies to their GBEs. These include user charges from housing, electricity, water and sanitation and transport services.
- 73 *Patient fees and charges.* Patient fees and charges is the only 'other user charge' that the Commission intends to net off against expenses in its related functional category. For the reasons given in CGC 2008/18, and consistent with the assessment proposed method, the Commission intends to net off admitted patient expenses:
- user charges which are in full reimbursement of the cost of treating patients in public hospitals (usually paid by the Australian Government for veterans and insurance companies for workplace injuries);
  - user charges which reflect the cross border payments between States for the treatment of non-resident patients;
  - private patient fees and charges from the admitted patient expenses as States do not bear the full cost of providing services to private patients;
  - other admitted patient fees and charges against admitted patient expenses because to do otherwise would require data from the States.
- 74 *Other user charges.* The Commission intends to classify other user charges to the miscellaneous revenue category as these are minor revenues for which it is difficult to find a policy neutral and material revenue base.

### **Miscellaneous revenue**

- 75 As advised in CGC 2008/11 *Miscellaneous Revenue*, the Commission intends this category to include minor revenue, revenue collected in a minority of States and revenue for which a reliable and material assessment cannot be developed. The category will include:
- business taxes that are to be abolished under the Inter-governmental Agreement;
  - gambling revenue;
  - fire and emergency services levies;
  - contributions by trading enterprises;
  - fees and fines (including property title fees);
  - user charges other than those associated with functions usually performed by public trading enterprises and other than patient fees and charges;

- net interest, including nominal interest on equalised unfunded superannuation, and dividend income (pending completion of the capital assessment);
- capital revenue nec; and
- revenue from assets acquired below fair value.

## SUMMARY

76 *Scope of the adjusted budget.* The Commission intends to include all transactions of the State general government sectors that contribute to the net lending in the GFS framework in the adjusted budget. For consistency, this will include:

- all State revenues and expenses and non-replacement capital expenditures;
- all recurrent and capital SPPs contributing to State-assessed expenses and assessed capital expenditures — the treatment of each SPP will be considered based on the SPP guidelines or as directed by the terms of reference;
- COPEs generally paid to the States;
- State grants and subsidies to local governments and GBEs but not balance sheet/cash flow statement transactions;
- cross-subsidies or ‘reduced dividends’ that can be transparently identified; and
- ACT municipal expenses.

77 *Structure of the adjusted budget.* The Commission intends to adopt the category structure in Table 4 of this paper. Specifically:

- accrued superannuation and depreciation expenses will be distributed across the expense categories;
- user charges will be netted off gross expenses of admitted patients, housing, electricity, water and sanitation and transport; the remainder will be classified to the miscellaneous revenue category;
- two categories (non-replacement capital expenditure and net lending) will be created for the capital assessments;
- a transitional arrangements category will be created that comprises one tenth of outstanding superannuation liabilities at 1 July 1998 (till 2007-08) and unequalised nominal interest on accrued unfunded liabilities;
- a budget balancing category will be created that contains transactions that contribute to GFS net lending but are excluded from, or added to, the adjusted budget.

**State assistance is sought on the following:**

- Do States have any concerns about any of proposals set out in this paper or any of the technical issues relating to the compilation of the adjusted budget discussed in Attachment A? Comments are not required on this paper unless this is so.
- Do States provide general revenue assistance to their local governments, and if so, for what purposes and where are they classified in GFS.
- Does your State have cross-subsidies between GBEs or 'reduced dividend' requirements for GBEs provided in a transparent way? If yes, could your State provide reliable data for the past five years and advise whether, and if so how, they affect your GFS data?
- If your State has classified expenses on transport of school students to the transport GPCs, what is your progress on improving the quality of these data and classifying them to the education GPCs?

# ATTACHMENT A: TECHNICAL ISSUES ON COMPILATION OF THE ADJUSTED BUDGET

## DATA SOURCES

1 *Background.* Currently we use different sources to compile the adjusted budget. Table A-1 provides a summary for the 2008 Update.

**Table A-1 Data sources for compiling the adjusted budget for the 2008 Update**

	Prior to last assessment year	Last assessment year	
SPP revenue	Commonwealth Final Budget Outcome and additional information from Australian Government agencies	Commonwealth Final Budget Outcome and additional information from Australian Government agencies	
Own-source revenue	Information from States	Information from States	
Expenses	GFS and additional information from States	State financial reports or information collected from States	Last year data will be replaced by GFS in following year
User charges	GFS and additional information from States	Estimated by Commission	Last year data will be replaced by GFS in following year

- 2 *Analysis.* Because different sources have been used to compile the adjusted budget, we have not been able to reconcile the adjusted budget numbers to the GFS operating revenues and expenses. This is not satisfactory.
- 3 The Commission had hoped to use one data source — GFS — to compile the adjusted budget. GFS data have improved and are fit for the purpose of compiling the adjusted budget in the 2010 Review. We believed this would improve data comparability and increase the likelihood of an accurate analysis if there were a figure to which adjustments could be reconciled.
- 4 Commission staff have found that GFS cannot be used to compile both revenue (SPPs and taxation revenue) and expenses (and user charges) in the adjusted budget for all assessment years. They can be used to compile revenue, expenses, non-replacement capital expenditure and user charges for all but the last year of an assessment period. But they cannot be used for SPPs in any year or for the last year for any transactions.
- 5 SPPs. New South Wales is the only State that has each SPP separately listed in GFS. This means that we cannot use GFS to compile SPP revenue. In addition, there is lag between the time the States record their SPP revenue and the Australian Government records its SPP payments. As a result, the Commission intends to continue using Australian Government

budget papers and data collected from Australian Government agencies to compile the SPP revenue for all assessment years in the 2010 Review.

- 6 *Revenue.* Commission staff have compared the GFS revenue with the 2008 Update revenue data collected from the States. The two datasets provide similar results. This suggests that GFS can be used to compile the average revenue in the 2010 Review. However, GFS data are not available for the last assessment year.
- 7 Commission staff have checked State financial reports and not all States publish their revenue data at detailed levels. We could either estimate them or collect the data from States. Because revenue assessments have a larger impact on the relativities, the Commission intends to collect the data from States for the last assessment year.
- 8 The Commission intends to use GFS data to compile State own-source revenue for the period prior to the last assessment year. We intend to collect data from the States to compile revenue for the last assessment year. The last year's revenue data will be replaced by GFS in the next update.
- 9 *Expenses and non-replacement capital expenditure.* At the March 2007 data working party, States agreed to investigate using a model developed by Queensland to provide State expense data on a GFS basis for compiling the average expenses. It was intended that the model be used initially for the last assessment year, and then possibly for all years.
- 10 In the 2008 Update, Victoria, Queensland, Tasmania and the Northern Territory used the model to provide their expense data for the last assessment year to the Commission. New South Wales and the ACT said they would not be able to use the model for the 2009 Update and were uncertain when they would be able to do so. Western Australia and South Australia said they might be able to use the model in the 2010 Review.
- 11 As it seems unlikely that all States will be able to use the Queensland model to provide expense data (either for the last assessment year or for all years) to the Commission in the 2010 Review, the Commission intends to continue the current approach to compile average expenses (and non-replacement capital expenditure).
- 12 We intend to use GFS to compile the average expenses for the period prior to the last assessment year. We intend to use State data (either from State financial reports or from the model developed by Queensland) for the last assessment year. Expenses for the last assessment year will be replaced by GFS in the following update of relativities.
- 13 *User charges.* The Commission intends to continue using GFS to compile the average user charges for the period prior to the last assessment year.
- 14 As user charges are not published in State financial reports for the last year, we could either continue estimating user charges or ask the States to provide the information. In the 2008 Update, we estimated user charges. This was not satisfactory for the PTE categories because their user charges are quite lumpy and using an estimated figure distorted the net expense result for these categories.

- 15 The Commission intends to continue using GFS to compile the average user charges for the period prior to the last assessment year and to collect user charges for the last assessment year from the States. We will replace the user charges for the last assessment by GFS in the following year.
- 16 Table A-2 provides a summary of the Commission's views on data sources for compiling the adjusted budget for the 2010 Review.

**Table A-2 Proposed data sources for compiling the adjusted budget for the 2010 Review**

	Prior to last assessment year	Last assessment year	
SPP revenue	Commonwealth Final Budget Outcome and additional information from Australian Government agencies	Commonwealth Final Budget Outcome and additional information from Australian Government agencies	
Own-source revenue	GFS and additional information from States	Information from States	Last year data will be replaced by GFS in following year
Expenses	GFS and additional information from States	State financial reports or information from States	Last year data will be replaced by GFS in following year
User charges	GFS and additional information from States	Information from States	Last year data will be replaced by GFS in following year

### CLASSIFICATION ISSUES

- 17 In some instances, GFS classifications do not meet Commission assessment requirements. In others, States are known to treat items differently from other States. To deal with these issues, the Commission sometimes treats transactions in a way which differs from their treatment in GFS. This section summarises those instances.

#### Transportation of school students

- 18 *Background.* Currently, transportation of non-urban school student expenses are assessed in the transport of rural students category while transportation of other (urban) school students expenses are assessed in the urban transit category.
- 19 In GFS, these expenses are classified to two separate 4-digit GPCs (GPC 0441 Transport of non-urban school students and GPC 0449 Transport of other students) under the same 3-digit GPC category in the education group (GPC 044 Transportation of students).
- 20 The Commission considers that students are the driver for State expenses on transportation of students and has decided to assess all expenses relating to student transport in the schools education category for the 2010 Review (position paper CGC 2008/16 *School Education*, September 2008). This will avoid the use of GFS data at the 4-digit GPC level.

- 21 At the 2007 data working party meeting, Queensland, Western Australia and Tasmania said they classified the expenses on transportation of urban school children in transport GPCs instead of education GPCs. They said they paid CSOs in a lump sum to the transport GBEs and could not separate out the CSOs for student transport. To comply with the Commission's proposed treatment and consistent with ABS GFS definitions, these States would need to identify the amounts to include in education expenses.
- 22 Western Australia and Tasmania said that they can potentially estimate school student transportation subsidy expenses based on passenger numbers. Queensland is investigating whether it can collect data on 'revenue forgone' in respect of its school students transportation subsidies.
- 23 Table A-3 shows expenses on transport of students recorded in GFS for 2006-07.

**Table A-3 Expenses on transportation of students — 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Transport of rural students	41.3	36.4	36.1	40.0	0.0	66.4	0.0	13.5	35.5
Transport of urban students	29.7	8.5	0.3	0.4	12.1	0.0	42.8	24.0	13.8

Source: GFS unpublished data.

- 24 *Commission views.* The Commission believes that reliable data should be used in the calculation of relativities. We understand that the States and the ABS are working together to have expenses on transportation of students included in the education GPCs. Before this is achieved, we will collect estimated expenses on transportation of students direct from those States that have classified these expenses to the transport GPCs.

**Information is sought from those States on:**

- If your State has classified expenses on transport of school students to the transport GPCs, what is your progress on improving the quality of these data and classifying them to the education GPCs?

**Bus service expenses**

- 25 *Background.* Bus service expenses are not classified consistently in GFS. Where the services are provided by a GBE that provides multi-mode urban transport, bus expenses are classified to the other transport GPC. Where the services are provided by a GBE that provides bus services only, the expenses are classified to the road transport GPC.
- 26 Currently the Commission assesses bus service expenses in the urban transit category. To reclassify the bus service expenses in the road GPC to urban transit, Commission staff have been collecting bus service expense data from the States.

- 27 For the 2010 Review, the Commission intends to assess bus service expenses in the transport services category. At the 2007 data working party meeting, the ABS said it would investigate the feasibility of creating a new GPC code for bus expenses in time for the 2010 Review. In further discussions with the ABS, it does not seem this will happen before the review.
- 28 *Commission views.* We intend to continue collecting bus service expense data direct from the States before the ABS creates a new GPC code for them.

### **Water and Electricity concessions**

- 29 *Background.* Currently, some States classify their water and electricity payments to concession holders to GBE-type GPCs while others classify them to the welfare GPCs. In the 2008 Update, Commission staff reclassified payments in the welfare GPCs to the water and electricity categories based on information collected from the States.
- 30 The Commission intended to assess the water and electricity concession expenses in the services to communities category in the 2010 Review. However, because the classification of the CSO payments are not comparable across States and to simplify the assessment, Commission staff have proposed in staff discussion paper CGC 2008/22-S *Services to Communities, September 2008* that the electricity and water concessions might be better assessed in the welfare and housing category. States are ambivalent about this alternative treatment.
- 31 *Commission views.* Regardless of where the Commission assesses the water and electricity concession payments, the payments need to be classified consistently across States. Based on the ABS GPC definitions, these payments should be classified to the water or electricity GPCs.
- 32 Commission staff are working with the States and the ABS to improve the consistency of GFS data on concession payments for electricity and water. A data request has been sent to the States to collect information on these payments and where they are classified in GFS.
- 33 Until comparable data are available in GFS, Commission staff will continue collecting information from the States to allow the expenses to be classified to the same assessment category.

### **Superannuation**

- 34 *Background.* The Commission intends to include accrued superannuation expenses in each category. This can be done because the ABS GFS framework requires the State to allocate these expenses across all GPCs. However, only New South Wales, South Australia, Tasmania and the Northern Territory currently do so.
- 35 Victoria, Queensland and Western Australia are unable to apportion all their superannuation expenses across GPCs. Instead, they classify a small portion (approximately 10 per cent) of their superannuation expenses to GPC 0110 (Government superannuation benefits) or GPC 0190 (Other general public services). This treatment is used by these States because under the

defined benefit superannuation schemes, a central agency, not the individual departments, collects the State government's contributions and makes superannuation payments.

- 36 The ACT classifies all the agency contributions and superannuation expenses to the general public services GPC.
- 37 At the data working party meeting in March 2007, Victoria, Queensland and Western Australia said they would attempt to classify their superannuation expenses held centrally across GPCs. Commission staff are working with the ABS and the States to achieve this in the 2010 Review.
- 38 The ACT said it could not do this in the short term.
- 39 *Commission views.* CGC 2008/04 *2010 Review – Overview* advised that, if Victoria, Queensland, Western Australia and the ACT are unable to classify all or part of their superannuation expenses across GPCs in the 2010 Review, the Commission intends to apportion the expenses in the following ways:
- for Victoria, Queensland and Western Australia, apportion their centrally held superannuation expenses based on their allocation of agency held superannuation expenses;
  - for the ACT, apportion all its superannuation expense on the basis of its proportion of wages and salaries allocated to each category. This information will be sourced from ABS GFS data economic type framework (ETF)<sup>6</sup> code 1213 – Wages, salaries and supplements.

#### **Stamp duty on conveyances — Victoria's first home bonus**

- 40 *Background.* Currently Victoria's first home bonus expenses are offset against revenue from stamp duty on conveyances because these expenses are similar to the stamp duty rebates/concessions available in other States.
- 41 The first home bonus expenses are classified as housing expenses in GFS. For simplicity, the Commission could leave these expenses in welfare and housing services in the 2010 Review. This is not conceptually appropriate. Victoria charges eligible first home buyers the full stamp duty on conveyance rate and then sends a cheque for the bonus payments to the home buyers. This is similar to the rebates/concessions arrangements available in other States.
- 42 *Commission views.* The Commission intends to continue offsetting Victoria's first home bonus expenses against revenue from stamp duty on conveyances.

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<sup>6</sup> ETFs are ABS GFS codes given to each transaction to identify its type of revenue/expenses (for example, wages and salaries, current grant expenses).

## GFS DATA ADJUSTMENTS

- 43 Currently, adjustments are applied to State expenses and user charges because GFS data are not comparable across States. With the more aggregated category structure in the 2010 Review, the Commission has considered whether these adjustments continue to be necessary.

### Functional smoothing

- 44 *Background.* Functional smoothing covers adjustments made to expenses and user charges where it seems clear that the classification of expenses and user charges for categories within a functional group is very different from other years within the assessment period.
- 45 In the 2008 Update, functional smoothing adjustments were applied to health and welfare expenses and user charges, law and order expenses and transport user charges for some States.
- 46 In the 2010 Review, the Commission will use more 2 and 3-digit GPC level expense data. They are of higher quality than the 4-digit GPC level expenses data currently used. In addition, the States are working closely with the ABS to improve their data quality. Functional smoothing will not be necessary.
- 47 *Commission views.* The Commission intends to discontinue the functional smoothing adjustments in the 2010 Review.

### Central agency adjustments

- 48 *Background.* Central agency adjustments refer to the process of allocating expenses of agencies that provide services centrally for other agencies across all assessment categories. It has been necessary because some States classify these expenses to the general public services category instead of the GPCs of the client agency.
- 49 We have spread central agency expenses classified to general public services across all categories. We have based this method on the proportions of total user charges revenues the central agency received from its intra-government client agencies.
- 50 In the 2008 Update, central agency adjustments were made for New South Wales and South Australia<sup>7</sup>. Adjustments were made for 2002-03 to 2004-05 for New South Wales and for all years for South Australia.
- 51 With the more aggregated category structure for the 2010 Review, the adjustment expenses for general public services will account for a small portion of total State expenses. They are estimated to account for 4 per cent for New South Wales and 0.3 per cent for South Australia.
- 52 *Commission views.* For simplicity and materiality reasons, the Commission intends to discontinue the central agency adjustments in the 2010 Review.

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<sup>7</sup> For New South Wales, we have allocated the user charges collected from intra-government agencies for Service Improvement and Procurement across categories and for South Australia, we have allocated the user charges from intra-government agencies for SA Government Captive Insurance Corporation across categories.

## ATTACHMENT B: ADJUSTED BUDGET CATEGORIES FOR R2010 AND R2004

2004 Review category	2010 Review category
<b>Revenue</b>	<b>Revenue</b>
Payroll Tax	Payroll tax
Land Revenue	Land tax
Stamp Duty on Conveyances	Stamp duty on conveyances
Insurance Taxation	Insurance tax
Heavy Vehicle Registration Fees and Taxes	Motor taxes
Light Vehicles Registration Fees and Taxes	
Stamp Duty on Motor Vehicles Registrations	
Mining Revenue	Mining revenue
Financial Transaction Taxes	Miscellaneous revenue
Stamp Duties on Shares and Marketable Securities	
Gambling Taxation	
Other Revenue	
Contributions by Trading Enterprises	
Fees and Fines	
Property Titles	
Public Safety user charges	
Other User charges	
Net interest earnings (interest income, debt charges and nominal interests on equalised superannuation liabilities)	
Inpatient user charges (including patient fees)	Subtract from Admitted Patients expenses
Housing user charges	Subtract from Welfare and housing services expenses
<b>Expense</b>	<b>Expense</b>
Pre-school Education	School Education
Government Primary School Education	
Non-Government Primary School Education	
Government Secondary School Education	
Non-Government Secondary School Education	
Transport of Rural School Children	
Urban Transit – transport of other students	
Vocational Education and Training - TAFE	Post Secondary Education
Higher Education	
Inpatient services	Admitted Patients – net of inpatient user charges
Aged and Disabled Services – nursing homes	
Non-inpatient and Community Health Services	Community and Other Health Services
Population and Preventive Health	

**ATTACHMENT B: ADJUSTED BUDGET CATEGORIES FOR R2010 and R2004 (cont'd)**

2004 Review category	2010 Review category
Family and Child Services Aged and Disabled Services – welfare services for the aged and people with a disability Homeless and General Welfare Housing (General government and GBE sectors)	Welfare and Housing Services (housing - general government sector only and net of user charges)
Services to Indigenous Communities – community development and amenities, water and sanitation, electricity Electricity and Gas - Other Electricity Water Sanitation and Protection of the Environment Mining Fuel and Energy - Other Energy General Public Services – other community development and other community amenities	Services to Communities – net of electricity, water and sanitation user charges
Police Administration of Justice Corrective Services	Justice Services
Public Safety except natural disaster relief	Public Safety
Services to Indigenous Communities - roads Roads except other transport nec	Roads
Services to Indigenous Communities - transport Electricity and Gas - Pipelines Non-urban Transport Roads - Other Transport nec Urban Transit except transport of other students General Public Services - Communications	Transport Services – net of user charges
Vocational Education and Training - Vocational Training Electricity and Gas - Gas Primary Industry Mining Fuel and Energy except other energy Tourism Manufacturing and Other Industry General Public Services – other economic affairs, labour and employment affairs, storage, saleyards and markets	Services to Industry
Public Safety - Natural Disaster Relief Culture and Recreation National Parks and Wildlife Services Superannuation - administration costs General Public Services – other purposes nec, general public services and general purpose inter-govt transactions	Other Services

**ATTACHMENT B: ADJUSTED BUDGET CATEGORIES FOR R2010 and R2004 (cont'd)**

2004 Review category	2010 Review category
Superannuation - 1/10 of unfunded superannuation liabilities and nominal interest on unequalised superannuation liabilities	Transitional Allowances
Superannuation – expenses accrued each year	Spread across categories
Depreciation	Spread across categories
No category	Non-replacement capital expenditure
No category	Net lending
Budget result	Budget balancing transactions

# ATTACHMENT C: 2010 REVIEW CODE RULES FOR MAPPING ABS GFS DATA TO CGC ASSESSMENT CATEGORIES

For all categories, the Commission will use GFS transactions with:

Institution Code (INST) = 300 (General government)

Level of Government (LEVG) = 2 (State)

The Commission will also use the following GFS codes:

ETF (Economic Type Framework)

GPC (Government Purpose Classification)

TC (Tax code)

SDC (Source/Destination code)

2 For 'net' expense categories, the relevant user charges will be subtracted off gross expenses.

## Code rules for mapping ABS GFS data to CGC assessment categories — 2010 Review

CGC Assessment Category	ETF Code	GPC Code	TC Code	SDC Code
<b>STATE OWN-SOURCE REVENUE</b>				
210 Payroll tax	1110, 1112, 1113, 1114		211, 221	<>"23" & [State_No]
220 Land revenue	1110, 1112, 1113, 1114		311, 313	<>"23" & [State_No]
230 Stamp duty on conveyances	1110, 1112, 1113, 1114		334	<>"23" & [State_No]
240 Insurance taxation	1110, 1112, 1113, 1114		452, 459	<>"23" & [State_No]
250 Motor taxes	1110, 1112, 1113, 1114		512, 514, 515, 516	<>"23" & [State_No]
260 Mining revenue	1136			<>"23" & [State_No]
270 Miscellaneous revenue				
Other taxation revenue	1110, 1112, 1113, 1114		<>211, 221, 311, 313, 334, 452, 459, 512, 514, 515, 516	<>"23" & [State_No]
Other revenue	1115, 1131, 1132, 1133, 1134, 1135, 1146, 1149, 1152, 1159	All GPCs except GPC 1410 for ETF1152 (transactions with ETF1152 and GPC1410 are included in the rules for debt charges below)		<>"23" & [State_No]
Grant revenue other than SPPs	1141, 1151			<>"23" & [State_No] and <>130
Other user charges	1120	All GPCs except 0511, 0520, 0530, 0542, 0711, 0721, 0729, 0731, 0739, 0921, 0922, 0929, 1221, 1222, 1223, 1231, 1232, 1233, 1241, 1249, 1250, 1281, 1289, 1290		<>"23" & [State_No]
Debt charges	1262 1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	All GPCs 1410		<>"23" & [State_No]
Bad debts written off	1222			<>"23" & [State_No]

**Code rules for mapping ABS GFS data to CGC assessment categories — 2010 Review (continued)**

<b>CGC Assessment Category</b>	<b>ETF Code</b>	<b>GPC Code</b>	<b>TC Code</b>	<b>SDC Code</b>
<b>USER CHARGES</b>				
410 Admitted patients	1120	0511, 0520, 0530, 0542		<>"23" & [State_No]
510 Welfare and housing Services - housing	1120	0711		<>"23" & [State_No]
520 Services to communities – electricity & gas, water & sanitation	1120	0721, 0729, 0731, 0739, 0921, 0922, 0929		<>"23" & [State_No]
720 Transport services	1120	1221, 1222, 1223, 1231, 1232, 1233, 1241, 1249, 1250, 1281, 1289, 1290		<>"23" & [State_No]

## Code rules for mapping ABS GFS data to CGC assessment categories — 2010 Review (continued)

CGC Assessment Category	ETF Code	GPC Code	TC Code	SDC Code
<b>EXPENSE</b>				
310 School education	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0411, 0412, 0419, 0431, 0432, 0439, 0441, 0449, 0490		<>"23" & [State_No]
320 Post secondary education	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0421, 0422, 0429		<>"23" & [State_No]
410 Admitted patients	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0511, 0520, 0530, 0542		<>"23" & [State_No]
420 Community and other health services	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0512, 0541, 0549, 0550, 0560, 0570, 0590		<>"23" & [State_No]
510 Welfare and housing services	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0610, 0621, 0622, 0623, 0629, 0690, 0711		<>"23" & [State_No]
520 Services to communities	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0712, 0719, 0721, 0729, 0731, 0739, 0791, 0799, 0921, 0922, 0929		<>"23" & [State_No]
610 Justice services	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0311, 0320, 0330		<>"23" & [State_No]
620 Public safety	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0312, 0390		<>"23" & [State_No]
710 Roads	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	1211, 1212, 1213, 1214, 1219		<>"23" & [State_No]

**Code rules for mapping ABS GFS data to CGC assessment categories — 2010 Review (continued)**

<b>CGC Assessment Category</b>	<b>ETF Code</b>	<b>GPC Code</b>	<b>TC Code</b>	<b>SDC Code</b>
<b>EXPENSE (continued)</b>				
720 Transport services	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	1221, 1222, 1223, 1231, 1232, 1233, 1241, 1249, 1250, 1281, 1289, 1290		<>"23" & [State_No]
810 Services to industry	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0911, 0919, 0990, 1010, 1020, 1110, 1120, 1130, 1310, 1320, 1331, 1339, 1390		<>"23" & [State_No]
820 Other services	1211, 1212, 1213, 1218, 1219, 1223, 1224, 1228, 1229, 1231, 1233, 1241, 1242, 1243, 1244, 1249, 1251, 1152, 1252, 1259, 1266	0110, 0190, 0811, 0819, 0820, 0830, 0890, 1420, 1430, 1490		<>"23" & [State_No]
900 Transitional allowance – nominal interest on unfunded superannuation	1261	All		<>"23" & [State_No]

## Code rules for mapping ABS GFS data to CGC assessment categories — 2010 Review (continued)

CGC Assessment Category	ETF Code	TAC Code	GPC CodeSDC Code
<b>CAPITAL ASSESSMENTS</b>			
910 Non-replacement capital expenditure	222	1	<>“23” & [State_No]
	1152	1	<>“23” & [State_No]
	1252	1	<>“23” & [State_No]
	4101	1	<>“23” & [State_No]
	1231	Note (a)	<>“23” & [State_No]
	3210	Note (a)	<>“23” & [State_No]
Other transactions in non-financial assets (classified to budget balancing transactions category)	222	2	<>“23” & [State_No]
	1152	2	<>“23” & [State_No]
	1252	2	<>“23” & [State_No]
Non financial produced assets	816	Note (a)	<>“23” & [State_No]
GFS net financial worth	811, 812, 813, 814, 815, 82, 1221	Note (a)	<>“23” & [State_No]

Note: (a) TAC=000 for these transactions.