

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 135

Topic: Budget Paper 1 – Disaggregation between Headline and Underlying Balances

Hansard Page: Thursday 31 May 2012, page 32-33, 34

Senator BUSHBY asked:

Senator BUSHBY: I will move on. Dr Parkinson, I was wondering whether you saw the recent article from 21 May by Ross Gittins entitled 'How a \$1.5 billion surplus hides a \$8.7 billion deficit'? Are you aware of that article?

Dr Parkinson: Yes.

Senator BUSHBY: I would like to know how you would respond to Mr Gittins's comment, and I quote:

I'd really like to be able to tell you just what the transactions are that explain the difference between the headline and the underlying balances. But if there is a table anywhere in the voluminous budget papers spelling that out, I can't find it.

Why does Budget Paper No. 1 not contain such a disaggregation?

Senator Wong: It does show the difference between the headline cash and the underlying cash balance.

Senator BUSHBY: It shows the difference, but it does not explain the difference. There is a difference between showing the difference and explaining what actually the components are.

...

Senator BUSHBY: The quote from Mr Gittins was, though, that no table anywhere in the budget papers shows a disaggregation of the difference between the two different—

Senator Wong: Well, I disagree with him if he is suggesting there is no table in the papers which shows the difference between the headline and the underlying positions, because I have taken—

Senator BUSHBY: That is not what he is saying. It is a table which explains.

Senator Wong: Let me finish. If you just let me finish—

Senator BUSHBY: You can finish.

Senator Wong: Thank you. I disagree with the assertion that there is no table that shows the difference between the underlying and the headline. I have outlined that. I agree that we do not put in a single table in Budget Paper No. 1 all of the equity transactions referred to at 9-34. It is true that those are probably reflected in either the PBSs and/or, depending on the time frame as to which is more up to date, the annual reports. I acknowledge that.

Senator BUSHBY: That comes back to my original question, which is: why does Budget Paper No. 1 not contain such a disaggregation?

Dr Parkinson: It did not previously have that, as far as I am aware.

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Senator BUSHBY: Is it possible that you could provide a disaggregation which sets out the figures that explain the differences between the two?

Senator Wong: We will take that on notice.

Answer:

Table 3 in Statement 9, 2012-13 Budget Paper 1 (page 9-6) shows both the underlying cash balance and the subsequent derivation of the headline cash balance. The relevant part of Table 3 is shown below:

	Estimates		Projections		
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Underlying cash balance	-44,402	1,536	2,044	5,318	7,469
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-7,044	-13,281	-12,041	-8,826	-9,157
<i>plus</i> Future Fund earnings	3,040	3,030	3,201	3,408	3,653
Equals headline cash balance	-48,406	-8,715	-6,797	-99	1,965

The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.

- Equity transactions include equity injections into controlled businesses and privatisations of government businesses, for example, NBN Co and the Clean Energy Finance Corporation (CEFC).
- Net advances include net loans to the States, net loans to students under the Higher Education Loan Program, and contributions to international organisations, for example the IMF, that increase the Australian Government's financial assets.

Further information on individual items can be found in relevant Portfolio Budget Statements.

Future Fund earnings are excluded from the underlying cash balance from 2005-06 onwards because the earnings are to be reinvested to meet future superannuation payments and are therefore not available for current spending.