




Australian Government
Commonwealth Grants Commission

2025 Methodology Review

Adjusted budget
consultation paper

October 2023

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CONTENTS

Overview of adjusted budget	4
Current adjusted budget method – 2020 Review	4
Scope	4
Structure	5
Data used in the adjusted budget	7
Process for creating the adjusted budget	8
What has changed since the 2020 Review?	10
There have been some significant differences between state and ABS Government Finance Statistics data	10
ABS preliminary data are available earlier than in previous years	11
The number of adjustments has doubled since the 2020 Review	11
Implications for the adjusted budget	11
Is the current combination of data sources still appropriate, given their differences?	11
What is the most appropriate process for incorporating new adjustments between reviews?	14
Proposed adjusted budget	16
Differences from the 2020 Review approach	16
Proposed structure of the adjusted budget	16
New data requirements	16
Consultation	16
Attachment A: Code rules for mapping Government Finance Statistics data	17
Attachment B: Adjustments made to Government Finance Statistics data, 2023 Update	26
Attachment C: Process for creating the adjusted budget at a category and component level	29

Overview of adjusted budget

- 1 The adjusted budget is a comprehensive representation of state and territory (state) yearly budgets, broken down into the Commission's category and component structure.
- 2 It provides a comparable and consistent representation of revenues, expenses and investments across the states.
- 3 The adjusted budget classified by category is used in the assessment of GST needs. The Commission's assessments are based on 'what states do'. By collating what states collectively spend on a service, there is a basis to identify what a state's spending may look like under average policy. The same is true for each source of revenue.

Current adjusted budget method – 2020 Review

Scope

- 4 The adjusted budget covers all state-level financial transactions recorded in the operating statement of Australian Bureau of Statistics (ABS) Government Finance Statistics. It includes activities of the general government sector as well as public non-financial corporations that provide social housing and urban transport services.¹ A consolidation of both the general government and public non-financial corporation sectors forms the state sector for the purpose of assessing GST needs.
- 5 The types of financial transactions included in the adjusted budget are:
 - revenues – including taxation, fees and charges, GST, Commonwealth payments and other revenue
 - expenses – including wages, non-wage expenses, interest and transfers
 - investment – including transactions in non-financial assets and depreciation²
 - net borrowing or lending – including equity acquisitions and disposals, concessional loans, borrowing and other financing transactions.

¹ Under the 2020 Review approach, activities of the Commonwealth, local government, state public non-financial corporations other than those for social housing and urban transport, state public financial corporations, and non-government entities, are not included in the adjusted budget. However, the adjusted budget includes transactions between these sectors and the state sector. Also, some types of non-state spending affect the amount states need to spend. For example, the schools and health assessments recognise the influence of non-state sector spending.

The reason for including housing and urban transport services public non-financial corporations (instead of all public non-financial corporations) was due to these 2 sectors having strong similarities to the services provided by general government agencies. They are not fully commercial and depend on government funds to meet recurrent expenses and investment. Their services stem from social policy objectives, and governments make the major policies on service delivery and charges.

² Transactions in non-financial assets mainly include acquisitions of non-financial assets including change in inventories, acquisitions of non-financial assets under new finance leases, own-account capital formation, acquisitions of other new non-financial assets, and acquisitions of second-hand non-financial assets. They also include disposals of non-financial assets (excluding depreciation), which are netted off acquisitions.

- 6 The adjusted budget does not generally include local government transactions, however the Government Finance Statistics data include ACT municipal transactions. Because the Commission treats ACT rate revenue as ‘other revenue’, which is assessed equal per capita (EPC) and does not affect state fiscal capacities, these transactions have no effect on assessed GST needs and have been left in the data for simplicity.

Structure

- 7 Table 1 shows the current structure of the adjusted budget. It is driven by the requirements of the category and component assessments.
- 8 During the process for settling the category and component assessments for the 2025 Review, the adjusted budget structure may need to change. Any changes will be outlined in the 2025 Review Draft Report.

Table 1 Adjusted budget structure, 2021–22

Categories / Items	Total 2021–22
	\$m
GST revenue	74,181
Commonwealth payments	48,401
State own-source revenue (a)	
Payroll tax	27,225
Land tax	11,941
Stamp duty on conveyances	35,210
Insurance tax	6,728
Motor taxes	9,090
Mining revenue	25,751
Other revenue	49,133
Total state own-source revenue	165,078
Total revenue	287,660
Less	
Operating expenses	
Schools (b)	50,382
Post-secondary education (b)	6,129
Health (b)	86,830
Housing (b) (c)	4,640
Welfare	24,009
Services to communities	12,990
Justice	25,985
Roads	8,975
Transport (b) (c)	16,920
Services to industry (b)	20,796
Other expenses (b)	34,678
Total expenses	292,335
Equals	
Operating balance	-4,674
Less	
Investment (Gross)	51,996
Equals	
Net borrowing (d)	-56,671

Source: Commission calculation using state provided Government Financial Statistics data.

(a) Amounts for the ACT include municipal transactions.

(b) User charges are subtracted from expenses for these categories.

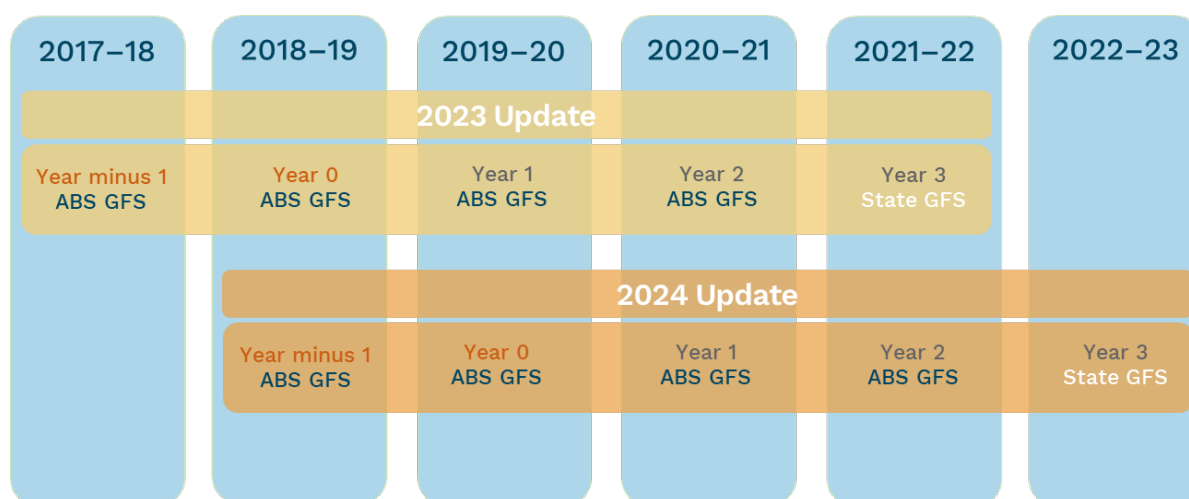
(c) Housing and urban transport include the net transactions for both general government and public non-financial corporation sectors.

(d) Consistent with ABS Government Finance Statistics, net borrowing is recorded as a negative number, while net lending is a positive number.

Data used in the adjusted budget

- 9 The Commission requires 5 years of data to produce relativities in an annual update. This includes data for the 3 assessment years (year 1 to year 3) and the 2 years prior to year 1 (year minus 1 and year 0).³
- 10 The Commission uses Government Finance Statistics data from the ABS for year minus 1 to year 2, and states' Government Finance Statistics data for year 3.
- 11 State data are used for the final year because the ABS Government Finance Statistics data are not available in time for the annual update.⁴ ABS data are subsequently used to replace the state data in the following update.
- 12 Where the Commission needs to make an adjustment to either ABS or state Government Finance Statistics data, the relevant data are requested from the ABS or states.
- 13 The adjusted budget data sources for last 2 updates are shown in Figure 1.

Figure 1 Adjusted budget data used in each year of the 2023 and 2024 updates



Government Finance Statistics data

- 14 The Commission uses Government Finance Statistics data for the general government sector and housing and urban transport public non-financial corporations.
 - General government sector data include all government units and non-profit institutions controlled by government.

³ Data from these years are used to derive factors for the investment assessment and for analysis of why a state's assessed GST needs change between updates.

⁴ The Commission typically receives the final ABS Government Finance Statistics data in April or May each year. These data do not include the latest financial year.

- Public non-financial corporations data include urban transport and housing government-controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.⁵

15 Preliminary ABS Government Finance Statistics data for year 3 are used for various adjustments to states' year 3 Government Finance Statistics data.

16 Table 2 provides a summary of the data used in the 2020 Review adjusted budget compilation process.

Table 2 Summary of data used in the 2020 Review adjusted budget compilation process

Data source	Data description	How data is used	How data is obtained
ABS	GG and PNFC GFS data (Years minus 1 to 2)	To compile years 1 and 2 of adjusted budget. Years minus 1 to 0 are used for the investment assessment and analysis of change	Data request
ABS	AASB16 (Leases) data	For an adjustment to ABS data	Data request
ABS	High level GFS data from state operating statements and balance sheets	For an adjustment to state data	Downloaded from ABS website
ABS	Preliminary year 3 GG and PNFC GFS data	For various adjustments	Data compiled by the ABS and forwarded to the Commission by states
States	GFS GG and PNFC data (Year 3)	To compile year 3 of adjusted budget	Data request
States	High level financial information from operating statement and balance sheet.	For an adjustment	Annual state financial reports: Downloaded from states' websites
States	Various data for adjustments	For various adjustments	Data request

Note: GFS refers to Government Finance Statistics; GG refers to general government; PNFC refers to public non-financial corporations.

Process for creating the adjusted budget

17 In general, ABS and State Government Finance Statistics data are allocated to Commission categories using the Classification of the functions of government – Australia (COFOG-A), Taxes classification (TC), Economic type framework (ETF) and Source/Destination classification (SDC) codes (see Attachment A).⁶ For most expense categories, the ABS Government Finance Statistics data are used to create the component-level splits.⁷ This includes the

⁵ Australian Bureau of Statistics (ABS), [Glossary, Australian System of Government Finance Statistics: Concepts, Sources and Methods](#), ABS website, 2015, accessed 5 September 2023.

⁶ Categories relate to areas of state spending or state revenue activity. The Commission has identified 12 expenditure categories and 7 revenue categories (see Attachment A).

⁷ A component refers to a particular area of spending within a broader category. For example, there are 5 components within the health category. These are admitted patients, non-admitted patients, emergency departments, community health and other health, and non-hospital patient transport.

component split for the year 3 state data, which use the ABS year 2 data to create the components.

- 18 However, there are some exceptions, such as when ABS data do not include coding for the specific component splits required. In these cases, data may be requested from states or other sources to inform the split. In the case of investment and the services to industry category, the state year 3 data are used to create the component split for year 3.⁸
- 19 To ensure the adjusted budget provides the best possible representation of states' financial transactions across all categories, the Commission may decide to adjust state and/or ABS Government Finance Statistics data when compiling the adjusted budget.
- 20 The adjustments made in the 2023 Update are shown in Attachment B.⁹ The different types of adjustments include:
- reducing any significant (potentially material) differences between the state (year 3) and the ABS (year 2) Government Finance Statistics data – these types of adjustments are discussed with the relevant states prior to their implementation
 - ensuring ABS data reflect the implementation of the AASB16 (Leases) accounting standard
 - applying adjustments where both the state and the ABS coding do not fit in with the Commission's category and component structure¹⁰
 - reconciling states' year 3 Government Finance Statistics data totals to their published financial statements totals¹¹
 - implementing any revisions by the ABS to Government Finance Statistics data.
- 21 Figure 2 shows the steps involved in creating the adjusted budget. Attachment C shows an example of the process for creating the adjusted budget at a category level.

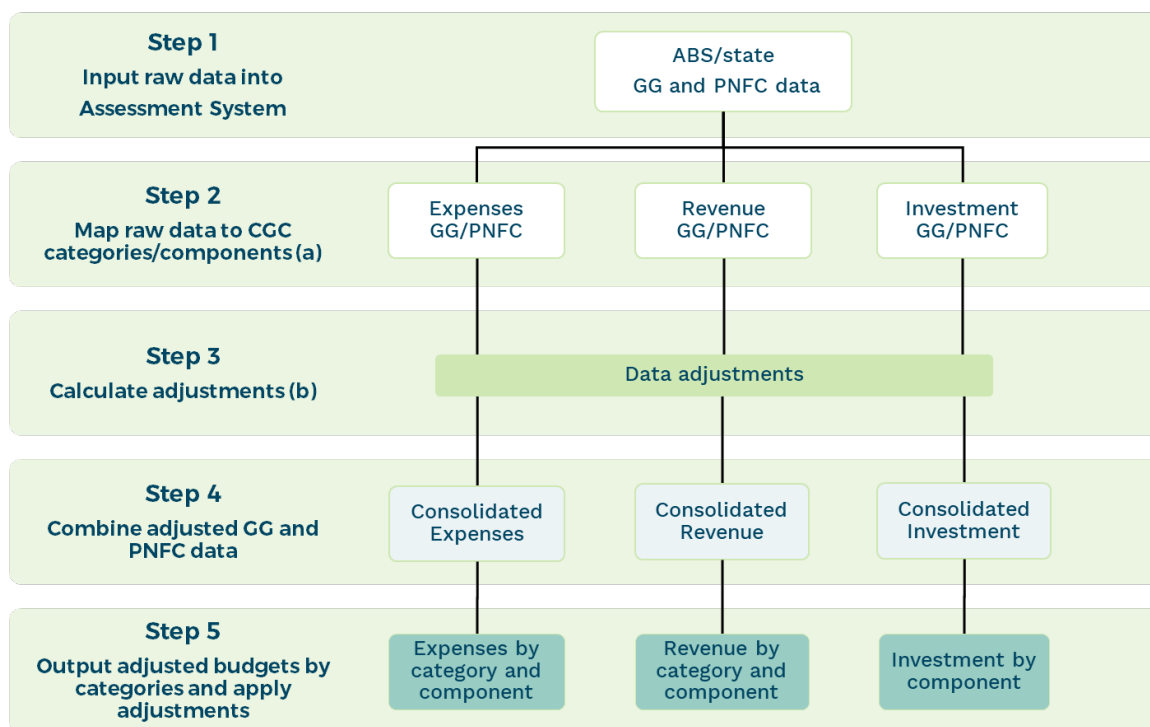
⁸ State data are used to derive component expenditure because investment is too volatile to estimate using year 2 data and COVID-19 business support payments are large and need to be reflected in the correct component in the year they occur.

⁹ Some adjustments require relevant data to be obtained to check if the adjustment needs to be carried out. For example, where there was a data coding issue in one assessment year, it may not have been an issue in all assessment years. Therefore, an existing adjustment may not need to be implemented for each assessment year in an update.

¹⁰ For example, both the states and ABS code their Government Financial Statistics data concession payments by service type, so transport concessions are coded to transport services, however, the Commission assesses concessions in its welfare category rather than the transport category, so an adjustment is made to move these concessions from the transport category to the welfare category.

¹¹ The 2020 Review method reconciles the state-provided Government Financial Statistics totals for revenues, expenses and depreciation back to the totals that states publish in their yearly financial statements. This is because it considered the published totals to be a better reflection of states' financial positions. The adjustment amounts are used as part of calculating the net borrowing category totals.

Figure 2 Steps to create the adjusted budget



Note: GG refers to general government; PNFC refers to public non-financial corporations.

(a) The Government Finance Statistics data mapping codes for the categories and components are shown in Attachment A.

(b) Some adjustments are calculated and applied during other steps in the adjusted budget compilation process.

What has changed since the 2020 Review?

There have been some significant differences between state and ABS Government Finance Statistics data

22 Government Finance Statistics data are compiled by the ABS and states using standard definitions and classifications. However, inconsistencies can occur between ABS and state data sources. Since the 2020 Review, 2 significant differences have emerged.

- New accounting standards were introduced and have been adopted by states. However, the ABS Government Finance Statistics continue to be consistent with the historical treatment and do not reflect these new standards.¹²

¹² ABS, *Government Finance Statistics, Annual*, ABS website, 2023, accessed 5 September 2023.

3 new accounting standards were introduced around 2019–20. These were the introduction of leases (AASB 16), revenue recognition (AASB 15 & 1058), and service concession arrangements (AASB 1059). The ABS has not adopted the new standards and therefore its Government Finance Statistics data are consistent with its historical treatments. States have generally implemented these changes in their Government Finance Statistics data. This situation has resulted in increased divergences between ABS economic statistics publications and state government financial reporting.

- ABS Government Finance Statistics changed the treatment of the non-government schools Commonwealth payment.¹³

ABS preliminary data are available earlier than in previous years

23 In previous years, the preliminary ABS year 3 data generally arrived quite late in the update process, but in recent years they are becoming available closer to when the Commission receives the year 3 Government Finance Statistics data from the states (usually a few weeks apart).

The number of adjustments has doubled since the 2020 Review

24 Since the 2020 Review, the Commission has implemented adjustments if it considered they provided a better representation of states' financial transactions. The number of adjustments carried out in each update has increased from 10 to 20 since the 2020 Review.

Implications for the adjusted budget

- 25 The Commission has identified 2 issues for consideration.
- Is the current combination of data sources still appropriate, given their differences?
 - What is the most appropriate process for incorporating new adjustments between reviews?

Is the current combination of data sources still appropriate, given their differences?

26 Most Government Finance Statistics data are coded similarly by states and the ABS. However, there can be differences (occasionally large) at a category or component level. These differences are apparent when the ABS data replace the previous year's state data.

- 27 These differences are mainly due to:
- states coding their financial information in ways that suit their reporting requirements, which can be different to ABS coding
 - the ABS using historical Australian Accounting Standards instead of reflecting the recently introduced new standards in its Government Finance Statistics data

¹³ Prior to its 2020–21 Government Finance Statistics release, the ABS included the non-government school Commonwealth payment in its state level general government data collection in its Government Finance Statistics. However, in 2020–21 these payments were moved to the Commonwealth Government Finance Statistics data collection, effectively removing them from the scope of the adjusted budget. States continue to record this payment in their Government Finance Statistics data.

– most states include these adjustments in their year 3 Government Finance Statistics data¹⁴

- *ad hoc* changes, which are the result of the ABS revising its rules for Government Finance Statistics coding.

- 28 These differences only become an issue if the Australian total for a particular category or component changes significantly. This is because the Australian totals are used in category assessments to distribute GST, not the individual state totals.
- 29 As there are differences between state and ABS Government Finance Statistics data (see Box 1), there will continue to be discrepancies between the year 2 and 3 assessment years, which will require ongoing adjustments. However, these differences could potentially be reduced if a change to the source for compiling the year 3 adjusted budget is adopted.
- 30 The Commission could:
- use ABS Government Finance Statistics data for all assessment years (preliminary ABS data for year 3 and final ABS data for years minus 1 to year 2)
 - use state Government Finance Statistics data for all assessment years
 - maintain the current method of using ABS data for years 1 and 2 and state data for year 3.
- 31 These options are explored below.

Option 1 – use ABS data for all assessment years

- 32 The Commission considers that final ABS Government Finance Statistics data are the most reliable and fit-for-purpose source of state budget data. This is because the data are audited by the ABS for consistency of coding and quality across all states.
- 33 While final ABS Government Financial Statistics data are not available in time for the update, states provide the Commission with their year 3 preliminary ABS Government Finance Statistics data (which have been compiled by the ABS). Unlike in previous years, these preliminary data are now available in time for use in the update process.
- 34 In the 2023 Update, the preliminary ABS year 3 data had been received from nearly all states by around mid-December. Half of states provided the preliminary data within a few days to a week after their state year 3 data was received. The other half of states provided it one to two months later.
- 35 The preliminary ABS data have undergone some basic standardisation processes, including bringing all jurisdictions' files into a standard format and applying a range of fundamental business rules to carry out re-coding of particular types of data. The

¹⁴ Some states do not implement the new accounting standards in the Government Financial Statistics data they provide to the ABS and the Commission. The Commission makes an adjustment to these states' data to bring them in line with the other states that do include these new accounting standards in their data.

ABS does not consider these preliminary processes to be ‘checks’ but rather steps that are undertaken prior to the commencement of any data editing procedures that may be required to compile the final version.¹⁵

- 36 Using the preliminary ABS data means the Commission could use ABS data for all assessment years in the adjusted budget. Using data from one source has several benefits.
- In the current method of compiling the adjusted budget, the Commission reconciles states’ year 3 Government Finance Statistics data to their published financial statements.¹⁶ Were the Commission to use ABS data for all 3 years, this adjustment would no longer be required.
 - The ABS preliminary year 3 data have undergone basic standardisation processes which are applied to all states. This may potentially reduce differences and allow for greater consistency between states’ data.
 - There may be a reduction in the number of adjustments required due to fewer inconsistencies between ABS year 2 and state year 3 data.
 - There may be a reduction in material revisions of data between updates.
 - There may be a lower burden on states to provide the Commission with data in each update.
- 37 A potential issue with using the preliminary ABS data is that it may be provided late for one or more states. In the 2023 Update, the preliminary ABS year 3 data had been received from nearly all states by around mid-December, but it is possible these data may not be available in time from all states. If this is the case, the Commission will work with the relevant state(s) to obtain year 3 data directly.
- 38 Given that only the Australian totals of the adjusted budget are used in category assessments, using one, or even two instances, of state data are not likely to make a material difference to the distribution of GST revenue, compared with using preliminary ABS data for all states.

Option 2 – use state data for all assessment years

- 39 State Government Finance Statistics data are currently used for year 3 of the adjusted budget. As the Commission receives Government Finance Statistics data from the states each year, it is possible to use the state data for all 3 assessment years instead of replacing them with ABS data for year minus 1 to year 2.
- 40 Using state Government Finance Statistics data to compile all years of the adjusted budget has the benefit that only one source of data is used. This has the potential

¹⁵ The Commission typically receives the final version of the Government Finance Statistics data from the ABS around April to May each year.

¹⁶ The 2020 Review method reconciles the state provided Government Financial Statistics totals for revenues, expenses and depreciation back to the totals that states publish in their yearly financial statements. This is because the Commission considered the published totals to provide a better reflection of states’ financial positions. The adjustment amounts are used as part of calculating the net borrowing category totals.

to reduce the need for adjustments and revision effects that currently arise due to inconsistencies between ABS and state data.

- 41 An issue, however, is that the Commission may notice greater differences between states. This is due to potential differences between states in how they code their Government Finance Statistics data. The Commission considers the ABS data have a greater consistency of coding and quality controls across all states.

Option 3 - maintain current method

- 42 The current method of using ABS Government Finance Statistics data for the first 2 assessment years (year 1 and year 2) and Government Finance Statistics data from the states for the final year is a familiar and accepted method.
- 43 If the other methods proposed above are not preferred, or not able to be actioned, this method can be maintained for the 2025 Review period.

Preliminary view

- 44 The Commission's preliminary view is to use ABS preliminary Government Finance Statistics data for year 3. If the ABS preliminary data are not available for a particular state, the year 3 data will be obtained directly from the state. This is the method described in option 1 above. The final ABS Government Finance Statistics data will continue to be used for the first 4 assessment years (year minus 1 to year 2).

Consultation question

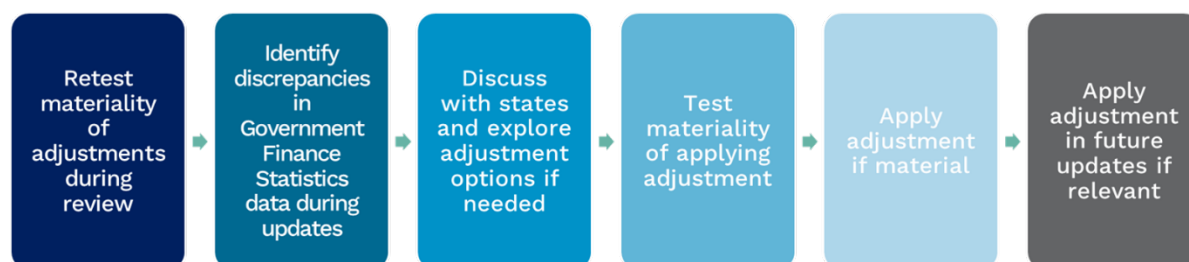
- Q1. Do states agree with the Commission's preliminary view to use:
- ABS preliminary Government Finance Statistics data for year 3
 - a state's year 3 data if the ABS preliminary data are not available
 - the final ABS Government Finance Statistics data for the first 4 assessment years (year minus 1 to year 2).

What is the most appropriate process for incorporating new adjustments between reviews?

- 45 At the beginning of the 2020 Review period, a stocktake of the materiality of adjustments was carried out. If an adjustment was found to be material (at \$10 per capita), it was retained. However, the process for incorporating adjustments in subsequent updates was not clearly defined.
- 46 While the Commission considers that adjustments allow for a better representation of states' financial transactions, they can also add to the complexity of the adjusted budget compilation process. This can reduce transparency and potentially lead to errors. The Commission considers there is merit in refining the process for incorporating adjustments between reviews.

- 47 The Commission’s preliminary proposal for the implementation of adjustments in the 2025 Review is:
- if a currently-existing adjustment is found to be material (at \$12 per capita), it will be retained¹⁷
 - if a discrepancy is found in the Government Finance Statistics data in future updates, it will be discussed with states and an adjustment may be proposed
 - if a new adjustment is proposed, it will be tested for materiality at \$12 per capita
 - existing and new adjustments that are material will be implemented in each update following the 2025 Review – materiality will not be re-tested in each update
 - all adjustments will be re-tested for materiality at the next review.
- 48 Testing the materiality of all adjustments will help to ensure that only (materially) essential adjustments are made. Fewer adjustments mean less manual manipulation of the Government Finance Statistics data, and therefore greater transparency of the adjusted budget compilation process.
- 49 Figure 3 shows the proposed adjustment process for the 2025 Review.

Figure 3 Proposed adjustment process for the 2025 Review



Preliminary view

- 50 The Commission’s preliminary view is to apply this process when implementing adjustments in the 2025 Review.

Consultation question

Q2. Do states consider the proposed process for implementing adjustments in the 2025 Review adjusted budget is appropriate?

¹⁷ The process for testing the materiality of new adjustments is done by creating the adjustment in the previous update and testing to see if it produces a material difference compared with the original GST distribution.

Proposed adjusted budget

Differences from the 2020 Review approach

- 51 The Commission’s preliminary view is to use ABS preliminary Government Finance Statistics data for year 3. If the ABS preliminary data are not available for a particular state, the year 3 data will be obtained directly from the state.
- 52 The Commission also proposes to test all existing and new adjustments for materiality (at \$12 per capita). If the adjustment is material, it will be retained for the 2025 Review period. All adjustments will again be tested for materiality during the next review.

Proposed structure of the adjusted budget

- 53 The Commission’s starting position for the structure of the 2025 Review adjusted budget is the category and component structure used in the 2020 Review.
- 54 The adjusted budget structure is driven by the needs of the category and component assessments. During the process for settling the category and component assessments for the 2025 Review period, the structure of the adjusted budget may need to change. Any changes will be outlined in the 2025 Review draft report.

New data requirements

- 55 No new data are proposed for the adjusted budget at this stage. Any new data requirements that arise during the 2025 Review will be discussed with states.

Consultation

- 56 The Commission welcomes state views on the consultation questions identified in this paper (outlined below) and the proposed adjusted budget compilation process. State submissions should accord with the 2025 Review framework. States are welcome to raise other relevant issues with the Commission.

- Q1. Do states agree with the Commission’s preliminary view to use:
- ABS preliminary Government Finance Statistics data for year 3
 - a state’s year 3 data if the ABS preliminary data are not available
 - the final ABS Government Finance Statistics data for the first 4 assessment years (year minus 1 to year 2).
- Q2. Do states consider the proposed process for implementing adjustments in the 2025 Review adjusted budget is appropriate?

Attachment A: Code rules for mapping Government Finance Statistics data

- 1 The Commission uses a set of code rules to classify the Government Finance Statistics data to the categories and their components. For all categories, the Commission uses the Australian System of Government Finance Statistics 2015 (AGFS15) transactions with the following codes.¹⁸
 - Level of Government classification (LOG) = 2 (State)
 - Jurisdiction classification (JUR)
 - Institutional sector classification (INST) = 300 (general government) other than Housing and Urban transport
 - For housing and urban transport, INST = 300 (GG) and 100 (public non-financial corporations (PNFC) and transactions (transfers) between the 2 sectors are removed
 - ETF (Economic type framework)
 - COFOG-A (Classification of the functions of government – Australia)
 - TC (Taxes classification)
 - SDC (Source destination classification)
 - TALC (Type of assets and liability classification) for transactions in non-financial assets.
- 2 Table A-1 provides the code rules for general government sector transactions and Table A-2 provides the code rules for housing and urban transport, which cover transactions for both the general government and public non-financial corporation sectors.

¹⁸Refer to ABS catalogue 5514.0 *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* for details of Government Financial Statistics concepts and definition of Government Financial Statistics codes.

Table A-1 Categories and their relevant Government Financial Statistics codes – general government

Category	ETF	COFOG-A	SDC
Commonwealth payments			
	1141 Revenue from current grants and subsidies	All	130 Commonwealth GG
	1151 Revenue from capital grants		
Payments affecting state fiscal capacities	Use figures published in the Commonwealth's Final Budget Outcome. Revenue included in this category are those payments that the Commission decided they should affect state fiscal capacities.		
Other Commonwealth transfers	Total Commonwealth grants less payments affecting state fiscal capacities.		
Category	ETF	TC	SDC
Revenue			
Payroll tax	111 Taxation revenue	211 Payroll taxes 219 Taxes on employers' payroll and labour force n.e.c.	<>"23" & own JUR
Land tax	111 Taxation revenue	311 Land taxes	<>"23" & own JUR
Stamp duty on conveyances	111 Taxation revenue	463 Stamp duty on conveyances	<>"23" & own JUR
Insurance tax	111 Taxation revenue	452 Third party insurance taxes 459 Taxes on insurance n.e.c.	<>"23" & own JUR
Motor taxes	111 Taxation revenue	512 Road transport and maintenance taxes 513 Heavy vehicle registration fees and taxes 514 Other vehicle registration fees and taxes 519 Motor vehicle taxes n.e.c.	<>"23" & own JUR
Mining revenue	1135 Royalty income	No relevant TC	<>"23" & own JUR
Other revenue	111 Taxation revenue	312 Municipal rates 441 Taxes on government lotteries 442 Taxes on private lotteries 443 Taxes on gambling devices 444 Casino taxes 445 Race and other sports betting taxes 449 Taxes on gambling n.e.c. 212 Superannuation guarantee charge 313 Metropolitan improvement rates 319 Taxes on immovable property n.e.c. 321 Estate, inheritance and gift taxes 425 Agricultural production taxes 426 Levies on statutory corporations 461 Financial institutions transactions taxes 462 Government borrowing guarantee levies 464 Stamp duty on shares and marketable securities 465 Other stamp duties on financial and capital transactions 469 Taxes on financial and capital transactions n.e.c. 511 Stamp duty on vehicle registration 521 Gas franchise taxes 522 Petroleum products franchise taxes 523 Tobacco franchise taxes 524 Liquor franchise taxes 529 Franchise taxes n.e.c. 539 Other taxes on the use of goods and performance of activities n.e.c.	<>"23" & own JUR

Note: <> means not equal to.

Table A-1 Categories and their relevant Government Financial Statistics codes – general government (continued)

Category	ETF	TC	SDC
Revenue (continued)			
Other revenue (continued)	1131 Interest income		<"23" & own JUR
	1132 Dividend income		
	1133 Withdrawals from income of quasi-corps		
	1134 Land rent income		
	1136 Revenue from investment funds		
	1137 Reinvestment earnings on foreign direct investment		
	1139 Property income n.e.c.		
	1142 Fines, penalties and forfeits		
	1143 Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes		
	1149 Other current revenue not elsewhere classified		
	1152 Assets acquired below market value		
	1153 Capital claims related to non-life insurance and standardised guarantee schemes		
	1159 Capital revenue not elsewhere classified		
	1141 Revenue from current grants and subsidies		<"23"& own JUR and <"130" Commonwealth GG
	1151 Revenue from capital grants		Commonwealth GG
	112* Sales of goods and services	With COFOG-As other than those included in 'net' categories	<"23" & own JUR

Table A-1 Categories and their relevant Government Financial Statistics codes – general government (continued)

Category	ETF	COFOG-A	SDC
Expenses			
Schools (net)	Expenses — ETF12*, except 1241 Depreciation of fixed produced assets (non-defence), 1242 Depreciation of fixed assets (defence), 1271 Interest on defined benefit superannuation and 1279 Interest expenses n.e.c. User charges — ETF112* Sales of goods and services	0911 Government pre-primary education 0912 Non-government pre-primary education 0913 Government primary education 0914 Non-government primary education 0921 Government secondary education 0922 Non-government secondary education 0949 Education not definable by level n.e.c. 0959 Subsidiary services to education n.e.c. 0961 R&D - Education 0991 Special education 0999 Education n.e.c.	<>"23" & own JUR
Post-secondary education (net)	Expenses — ETF12*, except 1241, 1242, 1271, and 1279 User charges — ETF112* Sales of goods and services	0931 University education 0932 Vocational education and training 0941 Apprenticeships and traineeships.	<>"23" & own JUR
Health (net)	Expenses — ETF12*, except 1241, 1242, 1271, and 1279 User charges — ETF112* Sales of goods and services	0711 Pharmaceutical products 0712 Other medical products 0713 Therapeutic appliances and equipment 0721 General medical services 0722 Specialised medical services 0723 Dental services 0724 Paramedical services 0731 General hospital services 0732 Specialised hospital services 0733 Medical and maternity centre services 0734 Nursing and convalescent home services 0741 Mental health institutions 0751 Community mental health services 0752 Patient transport 0759 Community health services n.e.c. 0761 Public health services 0771 R&D - health 0799 Health n.e.c.	<>"23" & own JUR
Welfare	Expenses — ETF12*, except 1241, 1242, 1271, and 1279	1001 Sickness 1002 Disability 1011 Old age 1021 Survivors 1031 Family and children 1041 Unemployment 1069 Social exclusion n.e.c. 1071 R&D - Social protection 1099 Social protection n.e.c.	<>"23" & own JUR
Services to communities	Expenses — ETF12*, except 1241, 1242, 1271, and 1279	0435 Electricity 0511 Waste recycling 0519 Waste management n.e.c 0521 Reused or recycled waste water management 0529 Waste water management n.e.c. 0531 Pollution abatement 0541 Protection of biodiversity and landscape 0551 R&D - environmental protection 0599 Environmental protection n.e.c. 0621 Indigenous community development 0629 Community development n.e.c. 0631 Water supply 0641 Street lighting 0651 R&D - Housing and community amenities 0699 Community amenities n.e.c.	

Table A-1 Categories and their relevant Government Financial Statistics codes – general government (continued)

Category	ETF	COFOG-A	SDC
Expenses (continued)			
Justice	Expenses — ETF12*, except 1241, 1242, 1271, and 1279	0311 Police services 0331 Law courts 0341 Prisons 0351 R&D - public order and safety	<>"23" & own JUR
Roads	Expenses — ETF12*, except 1241, 1242, 1271, and 1279	1111 Road maintenance 1112 Road rehabilitation 1113 Road construction 1119 Road transport n.e.c.	<>"23" & own JUR
Transport — Non-urban transport (net); Urban transport code rule is in Table B-2	Expenses — ETF12*, except 1241, 1242, 1271, and 1279 User charges — ETF112* Sales of goods and services	1122 Non-urban bus transport 1133 Non-urban water transport services 1142 Non-urban railway transport freight services 1143 Non-urban railway transport passenger services 1151 Air transport	<>"23" & own JUR
Services to industry (net)	Expenses — ETF12*, except 1241, 1242, 1271, and 1279 User charges — ETF112* Sales of goods and services	0411 General economic and commercial affairs 0412 General labour affairs 0421 Agriculture 0422 Forestry 0423 Fishing and hunting 0431 Coal and other solid mineral fuels 0432 Petroleum and natural gas 0433 Nuclear fuel 0434 Other fuels 0436 Non-electric energy 0439 Fuel and energy n.e.c. 0441 Mining of mineral resources other than mineral fuels 0442 Manufacturing 0443 Construction 0461 Distributive trades, storage and warehouse 0462 Hotels and restaurants 0463 Tourism 0464 Multipurpose development projects 0471 R&D - general economic, commercial and labour affairs 0472 R&D - agriculture, forestry, fishing and hunting 0473 R&D - fuel and energy 0474 R&D - mining, manufacturing and construction 0476 R&D - other industries 0499 Economic affairs n.e.c.	<>"23" & own JUR

Table A-1 Categories and their relevant Government Financial Statistics codes – general government (continued)

Category	ETF	COFOG-A	SDC
Expenses (continued)			
Other expenses (net)	Expenses — ETF12*, except 1241, 1242, 1271, and 1279 User charges — ETF112* Sales of goods and services, TC314 Property owners' contributions to fire brigades, TC451 Insurance companies' contributions to fire brigades	0111 Executive and legislative organs 0112 Financial and fiscal affairs 0113 External affairs 0121 Economic aid to developing countries and countries in transition 0122 Economic aid routed through international organisations 0131 General personnel services 0132 Overall planning and statistical services 0139 General services n.e.c. 0141 Basic research 0151 R&D - general public services 0161 Public debt transactions 0171 Transfers of a general character between difference levels of government 0199 General public services n.e.c. 0321 Civil protection services 0322 Fire protection services 0391 Control of domestic animals and livestock 0399 Public order and safety n.e.c. 0451 Communication 0475 R&D - communication 0811 Recreational and sporting services 0821 Film production services 0829 Cultural services 0831 Broadcasting and publishing services 0832 Publishing services 0841 Religious and other community services 0851 R&D - Recreation, culture and religion 0891 Community centres and halls 0899 Recreation, culture and religion n.e.c. 1091 Natural disaster relief	<"23" & own JUR

Table A-1 Categories and their relevant Government Financial Statistics codes – general government (continued)

Category	ETF	COFOG-A	SDC
Investment. Gross investment (that is depreciation is not deducted) for all categories except urban transport. For urban transport, depreciation is deducted from gross investment)			
Transactions in non-financial produced assets (TALC 1 fixed produced assets and 2 Other produced assets)			
Other than housing and urban transport	4111 Change in inventories 4112 Acquisitions of non-financial assets under new finance leases 4113 Own-account capital formation 4114 Acquisition of other new non-financial assets 4115 Acquisition of second-hand non-financial assets 4211 Disposals of non-financial assets (excluding depreciation)	COFOG-As other than Housing and urban transport	<>"23" & own JUR
Other transactions in non-financial non produced assets (TALC 3 Non-produced assets)			
	4112 Acquisitions of non-financial assets under new finance leases 4113 Own-account capital formation 4114 Acquisition of other new non-financial assets 4115 Acquisition of second-hand non-financial assets 4116 Costs of ownership transfer on non-produced assets other than land 4211 Disposals of non-financial assets (excluding depreciation)	COFOG-As other than housing and urban transport	<>"23" & own JUR

Table A-2 Housing and urban transport and their relevant GFS codes – consolidated GG and PNFC sectors (INST=100, 300)

Category	ETF	COFOG-A	SDC
Operating expenses			
Housing (net)	Expenses — ETF12*, except 1241, 1242, 1271, and 1279 User charges — ETF112* Sales of goods and services	0611 Housing development 0698 Housing n.e.c. 1051 Housing	<>"23" & own JUR and <>"21" & own JUR
Transport — urban transport (net) (includes depreciation)	Expenses — ETF12*, except 1242, 1271, and 1279 User charges — ETF112* Sales of goods and services	0951 Transportation of non-urban school students 0952 Transportation of other students 1121 Urban bus transport 1131 Urban water transport passenger services 1132 Urban water transport freight services 1141 Urban railway transport services 1161 Multi-mode urban transport 1171 Pipeline and other transport 1181 R&D - transport 1199 Transport n.e.c.1151 Air transport	<>"23" & own JUR and <>"21" & own JUR
Investment (gross for Housing, net for urban transport)			
Transactions in non-financial produced assets (TALC 1 fixed produced assets and 2 Other produced assets)			
Housing (gross)	4111 Change in inventories 4112 Acquisitions of non-financial assets under new finance leases 4113 Own-account capital formation 4114 Acquisition of other new non-financial assets 4115 Acquisition of second-hand non-financial assets 4211 Disposals of non-financial assets (excluding depreciation)	0611 Housing development 0698 Housing n.e.c. 1051 Housing	<>"23" & own JUR and <>"21" & own JUR
Urban transport (net)	4111 Change in inventories 4112 Acquisitions of non-financial assets under new finance leases 4113 Own-account capital formation 4114 Acquisition of other new non-financial assets 4115 Acquisition of second-hand non-financial assets 4211 Disposals of non-financial assets (excluding depreciation) 4212 Reductions in non-financial assets due to depreciation	0951 Transportation of non-urban school students 0952 Transportation of other students 1121 Urban bus transport 1131 Urban water transport passenger services 1132 Urban water transport freight services 1141 Urban railway transport services 1161 Multi-mode urban transport 1171 Pipeline and other transport 1181 R&D - transport 1199 Transport n.e.c.	<>"23" & own JUR and <>"21" & own JUR

Table A-2 Housing and urban transport and their relevant GFS codes – consolidated GG and PNFC sectors (INST=100, 300) (continued)

Category	ETF	COFOG-A	SDC
Other transactions in non-financial non produced assets (TALC 3 Non-produced assets)			
	4112 Acquisitions of non-financial assets under new finance leases	0611 Housing development 0698 Housing n.e.c. 1051 Housing	<>"23" & own JUR and <>"21" & own JUR
	4113 Own-account capital formation	0951 Transportation of non-urban school students	
	4114 Acquisition of other new non-financial assets	0952 Transportation of other students	
	4115 Acquisition of second-hand non-financial assets	1121 Urban bus transport	
	4116 Costs of ownership transfer on non-produced assets other than land	1131 Urban water transport passenger services 1132 Urban water transport freight services 1141 Urban railway transport services	
	4211 Disposals of non-financial assets (excluding depreciation)	1161 Multi-mode urban transport 1171 Pipeline and other transport 1181 R&D - transport 1199 Transport n.e.c.	

Attachment B: Adjustments made to Government Finance Statistics data, 2023 Update

Table B-1 Adjustments made to Government Finance Statistics data, 2023 Update

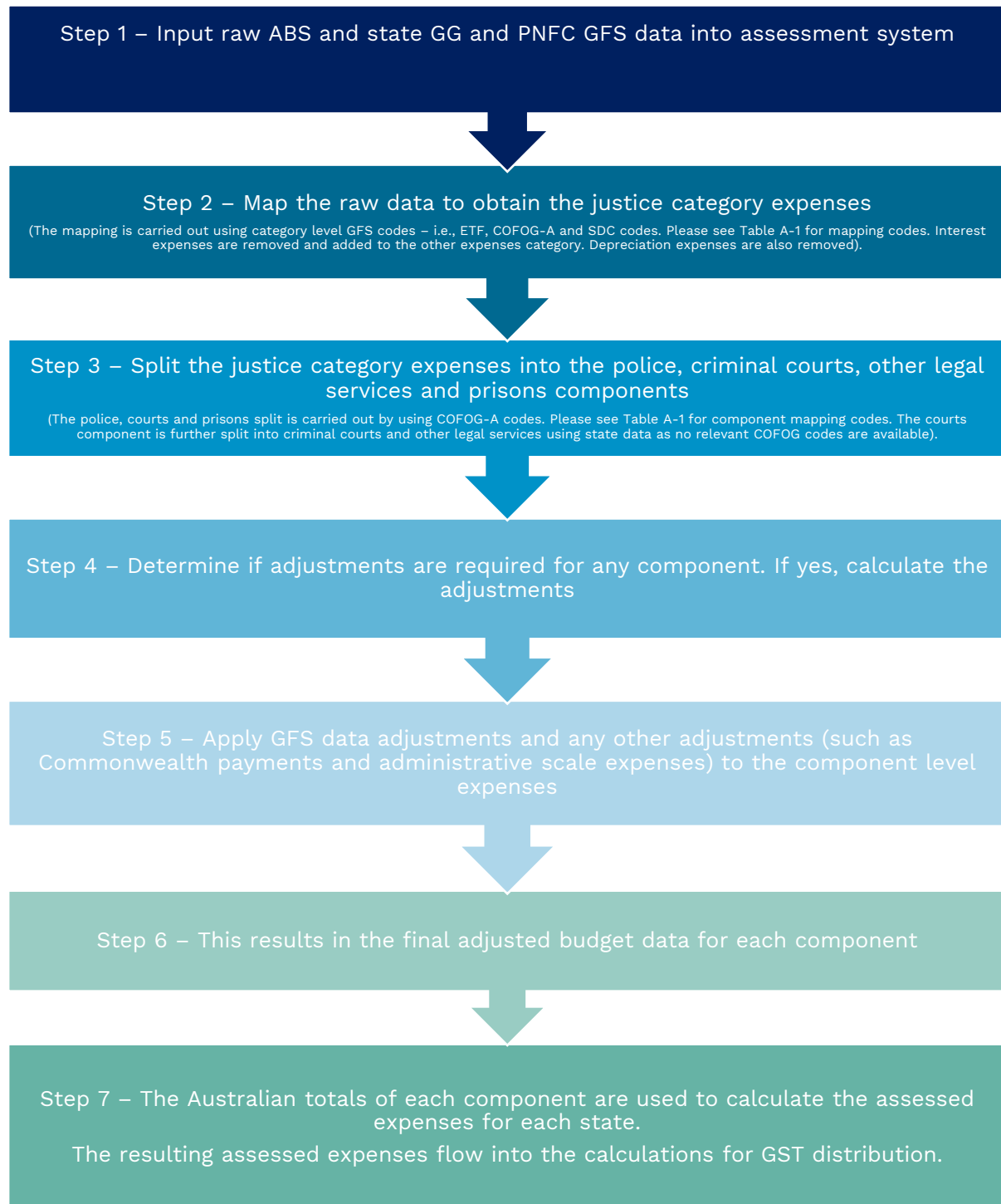
Adjustment Name	Description
Investment – roads and transport	In this case, a state had coded all investment expenses for roads, urban transport and non-urban transport to urban transport. This adjustment split the combined urban transport investment expenses into: <ul style="list-style-type: none"> • roads • urban transport • non-urban transport.
Investment – AASB16 adjustment	The Commission adjusted the ABS General Finance Statistics data to include the Australian Accounting Standard Board (AASB 16) leases standard from 2019–20 onwards. This adjustment was needed because the ABS decided not to include the AASB16 standard in its General Finance Statistics data, and the Commission determined that making the adjustment was material. An adjustment was also required for year 3 state data if they did not include the AASB16 standard.
Balancing state published finance data and state Government Finance Statistics data	The Commission adjusted states' year 3 Government Finance Statistics data totals to their published financial statements totals.
Non-government schools Commonwealth payment adjustment	This adjustment removed the non-government schools' proportion of the Quality Schools funding from year 3 state data. From 2020–21, the Commonwealth payment for non-government schools no longer appears in states' ABS Government Finance Statistics data. This is because the ABS has moved the payment into the Commonwealth Government Finance Statistics data. However, states still included this payment in their year 3 Government Finance Statistics data. The payment was removed from all year 3 state data, to be consistent with ABS data.
Public non-financial corporation adjustments	These adjustments reclassified some ABS public non-financial corporation data to the appropriate Commission category and component. Adjustments were made for: <ul style="list-style-type: none"> • housing • urban transport.
Local government and roads grants adjustment	The local government and roads grants adjustment reclassified some state expenses from services to communities and other expenses categories to the roads category or other expenses category. The adjustments were made each year for various states as required.
Concessions	This adjustment moved several concession expenses to the appropriate category and component. This adjustment mainly affected the concessions component in the welfare category.
National Redress Scheme adjustment	The National Redress Scheme adjustment reclassified expenses from various categories and components to the welfare component for non-NDIS disability services, aged care and the National Redress Scheme.
Natural disasters adjustment	The natural disasters adjustment reclassified the relevant natural disaster expenses of a state's reconstruction authority to other expenses' service expenses component, which includes expenses relevant to natural disaster relief.

Adjustment Name	Description
Long service leave levy adjustment	This adjustment reclassified a state's long service leave levy in its year 3 state data from payroll tax to other revenue to match ABS' classification.
Back royalties	The Commission made an adjustment to reclassify the royalty settlement a state received in 2018–19 from mining to other revenue. This reflected a Commission decision to assess the amount equal per capita. This adjustment is locked to the 2018–19 year.
Stamp duty adjustments	The stamp duty adjustment relocated stamp duties from the sale of major state assets, corporate reconstructions and non-real property from the stamp duty on conveyances to the other revenue category. This reflected a Commission decision to assess these amounts equal per capita.
Transport adjustments	<p>The Commission made several adjustments to reclassify transport data to the appropriate category and component. Adjustments were made to reclassify:</p> <ul style="list-style-type: none"> • some transport expenses from urban to non-urban transport • port corporations' expenses from transport to other expenses • a state's transport user charges from roads to urban transport • a state's light rail from roads to the urban transport component of investment.
Roads expenses	This adjustment reclassified a state's roads expenses to ensure they were consistent over time. Any expenses above the expected annual increase were reclassified from the roads category (urban roads component) to the service expenses component of other expenses. This adjustment was only applied to relevant assessment years.
Adjustments for year 3 data	<p>Several adjustments were made reclassify finances where discrepancies were noted. These adjustments included reclassifying:</p> <ul style="list-style-type: none"> • some of a state's schools expenses to post-secondary • a state's motor vehicle duties from motor taxes to other revenue • a state's compulsory third-party insurance expenses from roads to other expenses.
COVID-19 related adjustments	<p><i>The tax rebate adjustment:</i> This adjustment reduced the size of the services to industry, payroll tax, land tax and other revenue categories in the relevant year 3 state data. This reflected that some states treated COVID-19 related waivers as rebates rather than as reduced revenue, increasing the expenses or revenues in the relevant categories.</p> <p><i>The tax deferral adjustment:</i> An adjustment was made to address that some states were deferring tax liabilities for some revenue categories and reporting them in the following year. This adjustment offset the effect of states having lower revenues and higher net borrowings in the first year and then the opposite in the following year.</p>
Water extraction charge	This adjustment reclassified a state's water abstraction charges from mining to other revenue.
Taxes paid to general government from urban transport and housing public non-financial corporations	The Commission decided in the 2015 and 2020 reviews to treat general government and public non-financial corporations that provide housing and urban transport services as a single sector. This adjustment removes the transfers between general government and public non-financial corporations. Removing taxes paid by urban transport and housing public non-financial corporations from general government revenues also required the Commission to make an offsetting adjustment to net borrowing to ensure budgets were balanced.

Adjustment Name	Description
Mining expenses	The mining expenses adjustment reclassified some of a state's renewable energy program expenses and another state's community service obligation payments from the mining regulation component of services to industry to the electricity subsidies component of services to communities.
Other expenses	This adjustment removed COVID-19 business support payments that a state classified to the other expenses category and placed them in the services to industry category. This reflected where the Commission assessed these types of expenses.

Attachment C: Process for creating the adjusted budget at a category and component level

Figure C-1 Process for creating the adjusted budget – an example using the justice category



Note: GG refers to general government; PNFC refers to public non-financial corporations; GFS refers to Government Finance Statistics.