

STATEMENT 9: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

Consistent with the *Charter of Budget Honesty Act 1998* (the Charter), the Government has produced a single set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector and the total non-financial public sector (NFPS). The financial statements comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

The statements reflect the policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework – the Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standards Board standard AASB 1049. The budget financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

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Table 1: Australian Government general government sector operating statement

	Note	Estimates			Projections	
		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Revenue						
Taxation revenue	3	350,956	368,814	396,055	422,875	449,509
Sales of goods and services	4	8,853	8,928	9,170	11,347	15,969
Interest income	5	3,445	4,229	4,731	5,128	5,565
Dividend income	5	4,288	2,570	2,520	3,569	2,886
Other	6	6,724	6,807	7,135	6,922	6,465
Total revenue		374,267	391,348	419,612	449,840	480,394
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	19,532	19,638	19,383	19,591	19,928
Superannuation	7	6,235	4,291	4,268	4,226	4,259
Depreciation and amortisation	8	6,474	6,644	6,834	7,126	7,229
Supply of goods and services	9	74,552	79,875	81,769	84,642	88,701
Other operating expenses(a)	7	6,039	6,111	6,187	6,260	6,451
<i>Total gross operating expenses</i>		<i>112,833</i>	<i>116,559</i>	<i>118,441</i>	<i>121,845</i>	<i>126,569</i>
Superannuation interest expense	7	8,320	9,275	9,630	9,979	10,333
Interest expenses	10	14,396	15,551	17,072	18,327	19,011
Current transfers						
Current grants	11	117,437	124,121	128,711	137,663	149,198
Subsidy expenses		15,534	12,184	12,497	13,280	13,779
Personal benefits	12	124,944	126,336	132,086	139,061	146,124
<i>Total current transfers</i>		<i>257,915</i>	<i>262,641</i>	<i>273,294</i>	<i>290,004</i>	<i>309,101</i>
Capital transfers						
Mutually agreed write-downs		3,094	2,662	2,796	3,013	3,216
Other capital grants		18,736	8,156	9,884	10,638	7,218
<i>Total capital transfers</i>		<i>21,830</i>	<i>10,818</i>	<i>12,681</i>	<i>13,651</i>	<i>10,434</i>
Total expenses		415,294	414,845	431,118	453,806	475,447
Net operating balance		-41,027	-23,497	-11,506	-3,966	4,946
Other economic flows - included in operating result						
Net write-downs of assets						
(including bad and doubtful debts)		-5,278	-7,037	-7,714	-8,355	-9,198
Assets recognised for the first time		330	346	363	381	393
Liabilities recognised for the first time		0	0	0	0	0
Actuarial revaluations		0	0	0	0	0
Net foreign exchange gains		-447	63	105	153	18
Net swap interest received		-663	0	0	0	0
Market valuation of debt		2,410	372	157	30	-50
Other gains/(losses)		9,302	6,259	7,796	3,750	4,971
Total other economic flows - included in operating result		5,655	1	708	-4,040	-3,866
Operating result(b)		-35,372	-23,495	-10,798	-8,006	1,081
Non-owner movements in equity						
Revaluation of equity investments		7,185	-2,237	0	0	0
Actuarial revaluations		-6,720	17	211	368	395
Other economic revaluations		704	124	144	1,097	165
Total other economic flows - included in equity		1,168	-2,096	355	1,464	561
Comprehensive result -						
Total change in net worth		-34,204	-25,591	-10,443	-6,542	1,641
Net operating balance		-41,027	-23,497	-11,506	-3,966	4,946

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Table 1: Australian Government general government sector operating statement (continued)

	Note	Estimates			Projections	
		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Net acquisition of non-financial assets						
Purchases of non-financial assets		10,240	10,679	10,215	9,626	11,094
<i>less</i> Sales of non-financial assets		273	2,370	2,767	215	214
<i>less</i> Depreciation		6,474	6,644	6,834	7,126	7,229
<i>plus</i> Change in inventories		430	492	328	457	301
<i>plus</i> Other movements in non-financial assets		105	201	-234	-112	10
Total net acquisition of non-financial assets		4,027	2,359	708	2,630	3,962
Fiscal balance (Net lending/borrowing)(c)		-45,055	-25,855	-12,214	-6,596	984

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Operating result under AAS.

(c) The term fiscal balance is not used by the ABS.

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Table 2: Australian Government general government sector balance sheet

	Note	Estimates			Projections	
		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Assets						
Financial assets						
Cash and deposits	19(a)	3,004	2,480	2,764	2,760	3,080
Advances paid	13	39,737	45,145	52,454	61,294	70,021
Investments, loans and placements	14	117,371	128,753	134,010	149,258	151,884
Other receivables	13	46,051	45,489	48,747	52,772	55,176
Equity investments						
Investments in other public sector entities		35,781	35,506	42,376	49,577	51,983
Equity accounted investments		300	303	306	307	308
Investments - shares		37,549	39,715	41,910	45,173	48,306
<i>Total financial assets</i>		<i>279,792</i>	<i>297,392</i>	<i>322,567</i>	<i>361,142</i>	<i>380,758</i>
Non-financial assets						
Land	15	8,929	8,875	8,825	8,838	8,802
Buildings		24,335	25,425	25,468	25,506	25,951
Plant, equipment and infrastructure		54,875	57,347	60,330	62,405	64,921
Inventories		7,942	7,987	7,865	7,841	7,635
Intangibles		5,810	5,988	6,083	6,184	6,702
Investment property		196	211	226	231	236
Biological assets		35	35	35	35	35
Heritage and cultural assets		10,573	10,588	10,600	10,613	10,625
Assets held for sale		136	174	136	136	136
Other non-financial assets		397	598	364	252	261
<i>Total non-financial assets</i>		<i>113,228</i>	<i>117,229</i>	<i>119,932</i>	<i>122,041</i>	<i>125,305</i>
Total assets		393,020	414,620	442,499	483,184	506,063
Liabilities						
Interest bearing liabilities						
Deposits held		182	182	182	182	182
Government securities		346,648	387,772	421,424	460,519	475,214
Loans	16	9,608	13,436	12,707	12,717	12,640
Other borrowing		1,524	1,376	1,276	1,175	1,149
<i>Total interest bearing liabilities</i>		<i>357,963</i>	<i>402,766</i>	<i>435,590</i>	<i>474,593</i>	<i>489,185</i>
Provisions and payables						
Superannuation liability	17	157,067	163,228	169,320	175,263	181,126
Other employee liabilities	17	15,102	15,291	15,401	15,680	16,038
Suppliers payable	18	4,632	4,705	4,768	4,855	5,103
Personal benefits provisions and payable	18	12,384	11,659	11,196	11,499	11,856
Subsidies provisions and payable	18	4,242	3,937	4,146	4,321	4,411
Grants provisions and payable	18	14,170	11,154	10,187	11,209	10,775
Other provisions and payables	18	13,879	13,891	14,344	14,758	14,923
<i>Total provisions and payables</i>		<i>221,477</i>	<i>223,865</i>	<i>229,363</i>	<i>237,586</i>	<i>244,231</i>
Total liabilities		579,439	626,631	664,953	712,179	733,417
Net worth(a)		-186,419	-212,010	-222,454	-228,995	-227,354
<i>Net financial worth(b)</i>		<i>-299,647</i>	<i>-329,239</i>	<i>-342,385</i>	<i>-351,036</i>	<i>-352,659</i>
<i>Net financial liabilities(c)</i>		<i>335,428</i>	<i>364,745</i>	<i>384,761</i>	<i>400,614</i>	<i>404,642</i>
<i>Net debt(d)</i>		<i>197,851</i>	<i>226,388</i>	<i>246,362</i>	<i>261,280</i>	<i>264,200</i>

(a) Net worth is calculated as total assets minus total liabilities.

(b) Net financial worth equals total financial assets minus total liabilities.

(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(d) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

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Table 3: Australian Government general government sector cash flow statement^(a)

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Cash receipts from operating activities					
Taxes received	341,643	360,372	385,286	411,691	437,562
Receipts from sales of goods and services	8,764	8,910	9,121	11,279	15,893
Interest receipts	3,210	3,657	3,893	3,977	4,088
Dividends and income tax equivalents	3,040	4,257	2,461	2,675	3,751
Other receipts	6,376	6,339	6,963	7,012	6,476
Total operating receipts	363,032	383,534	407,725	436,634	467,771
Cash payments for operating activities					
Payments for employees	-26,587	-27,022	-27,151	-27,498	-28,251
Payments for goods and services	-74,438	-79,807	-81,515	-84,612	-88,415
Grants and subsidies paid	-152,953	-147,617	-151,670	-161,318	-170,327
Interest paid	-13,935	-14,174	-15,442	-16,188	-17,011
Personal benefit payments	-126,398	-127,221	-132,752	-139,026	-146,064
Other payments	-6,056	-5,890	-5,881	-5,898	-6,025
Total operating payments	-400,366	-401,730	-414,410	-434,539	-456,094
Net cash flows from operating activities	-37,334	-18,196	-6,685	2,095	11,677
Cash flows from investments in non-financial assets					
Sales of non-financial assets	464	2,244	2,702	215	214
Purchases of non-financial assets	-9,827	-10,753	-9,839	-9,374	-10,966
Net cash flows from investments in non-financial assets	-9,363	-8,509	-7,137	-9,159	-10,752
Net cash flows from investments in financial assets for policy purposes	-6,575	-6,819	-12,787	-15,592	-12,358
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	-8,592	-7,017	-5,217	-14,654	-1,263
Net cash flows from investments in financial assets for liquidity purposes	-8,592	-7,017	-5,217	-14,654	-1,263
Cash receipts from financing activities					
Borrowing	64,689	42,308	34,624	40,250	15,965
Other financing	17	0	0	0	0
Total cash receipts from financing activities	64,706	42,308	34,624	40,250	15,965
Cash payments for financing activities					
Borrowing	0	0	0	0	0
Other financing	-1,914	-2,289	-2,514	-2,944	-2,950
Total cash payments for financing activities	-1,914	-2,289	-2,514	-2,944	-2,950
Net cash flows from financing activities	62,792	40,018	32,110	37,306	13,015
Net increase/(decrease) in cash held	928	-523	284	-4	319

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Table 3: Australian Government general government sector cash flow statement^(a) (continued)

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-46,698	-26,705	-13,822	-7,063	925
Finance leases and similar arrangements(b)	-469	0	0	0	0
GFS cash surplus(+)/deficit(-)	-47,166	-26,705	-13,822	-7,063	925
less Net Future Fund earnings	2,689	3,068	3,262	3,499	3,750
Equals underlying cash balance(c)	-49,855	-29,773	-17,084	-10,562	-2,825
plus Net cash flows from investments in financial assets for policy purposes	-6,575	-6,819	-12,787	-15,592	-12,358
plus Net Future Fund earnings	2,689	3,068	3,262	3,499	3,750
Equals headline cash balance	-53,741	-33,524	-26,609	-22,656	-11,432

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(c) The term underlying cash balance is not used by the ABS.

Table 4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2013-14 \$m	2014-15 \$m
Revenue		
Current grants and subsidies	34	27
Sales of goods and services	9,426	9,805
Interest income	55	29
Other	5	10
Total revenue	9,520	9,871
Expenses		
Gross operating expenses		
Wages and salaries(a)	3,827	3,765
Superannuation	472	512
Depreciation and amortisation	966	1,456
Supply of goods and services	4,637	5,094
Other operating expenses(a)	432	401
<i>Total gross operating expenses</i>	<i>10,334</i>	<i>11,227</i>
Interest expenses	288	322
Other property expenses	215	101
Current transfers		
Tax expenses	147	109
<i>Total current transfers</i>	<i>147</i>	<i>109</i>
Total expenses	10,984	11,759
Net operating balance	-1,464	-1,887
Other economic flows	4	-5
Comprehensive result - Total change in net worth excluding contribution from owners	-1,460	-1,892
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,892	3,797
<i>less</i> Sales of non-financial assets	185	16
<i>less</i> Depreciation	966	1,456
<i>plus</i> Change in inventories	10	18
<i>plus</i> Other movements in non-financial assets	628	1,232
Total net acquisition of non-financial assets	2,379	3,575
Fiscal balance (Net lending/borrowing)(b)	-3,843	-5,463

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table 5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2013-14 \$m	2014-15 \$m
Assets		
Financial assets		
Cash and deposits	1,897	1,713
Investments, loans and placements	239	295
Other receivables	1,434	1,442
Equity investments	30	30
<i>Total financial assets</i>	<i>3,600</i>	<i>3,480</i>
Non-financial assets		
Land and fixed assets	16,559	19,439
Other non-financial assets(a)	2,208	3,437
<i>Total non-financial assets</i>	<i>18,767</i>	<i>22,876</i>
Total assets	22,367	26,356
Liabilities		
Interest bearing liabilities		
Loans	2,947	2,858
Other borrowing	3,468	3,945
<i>Total interest bearing liabilities</i>	<i>6,415</i>	<i>6,803</i>
Provisions and payables		
Superannuation liability	57	58
Other employee liabilities	1,318	1,430
Other provisions and payables(a)	2,693	2,764
<i>Total provisions and payables</i>	<i>4,068</i>	<i>4,251</i>
Total liabilities	10,483	11,054
Shares and other contributed capital	11,884	15,301
Net worth(b)	11,884	15,301
<i>Net financial worth(c)</i>	<i>-6,883</i>	<i>-7,574</i>
<i>Net debt(d)</i>	<i>4,279</i>	<i>4,795</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(d) Net debt equals the sum of interest bearing liabilities (deposits held, advances received and borrowing), minus the sum of cash and deposits and investments, loans and placements.

Table 6: Australian Government public non-financial corporations sector cash flow statement^(a)

	Estimates	
	2013-14 \$m	2014-15 \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	10,732	10,841
GST input credit receipts	266	277
Other receipts	61	31
Total operating receipts	11,059	11,149
Cash payments for operating activities		
Payments to employees	-4,533	-4,495
Payment for goods and services	-5,746	-5,888
Interest paid	-68	-59
GST payments to taxation authority	-618	-639
Other payments	-130	-111
Total operating payments	-11,095	-11,192
Net cash flows from operating activities	-36	-43
Cash flows from investments in non-financial assets		
Sales of non-financial assets	245	16
Purchases of non-financial assets	-3,524	-5,033
Net cash flows from investments in non-financial assets	-3,279	-5,017
Net cash flows from investments in financial assets for policy purposes	0	0
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	892	-2
Net cash flows from investments in financial assets for liquidity purposes	892	-2
Net cash flows from financing activities		
Borrowing (net)	-106	-277
Other financing (net)	3,746	5,256
Distributions paid (net)	-212	-101
Net cash flows from financing activities	3,429	4,878
Net increase/(decrease) in cash held	1,006	-184
Cash at the beginning of the year	891	1,897
Cash at the end of the year	1,897	1,713
Net cash from operating activities and investments in non-financial assets	-3,315	-5,060
Distributions paid	-212	-101
Equals surplus(+)/deficit(-)	-3,527	-5,162
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	-3,527	-5,162

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

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Table 7: Australian Government total non-financial public sector operating statement

	Estimates	
	2013-14 \$m	2014-15 \$m
Revenue		
Taxation revenue	350,809	368,706
Sales of goods and services	16,946	17,671
Interest income	3,468	4,240
Dividend income	4,073	2,469
Other	6,730	6,817
Total revenue	382,026	399,903
Expenses		
Gross operating expenses		
Wages and salaries(a)	23,359	23,403
Superannuation	6,707	4,803
Depreciation and amortisation	7,440	8,100
Supply of goods and services	77,856	83,907
Other operating expenses(a)	6,471	6,512
<i>Total gross operating expenses</i>	<i>121,833</i>	<i>126,725</i>
Superannuation interest expense	8,320	9,275
Interest expenses	14,653	15,854
Current transfers		
Current grants	117,437	124,121
Subsidy expenses	15,499	12,158
Personal benefits	124,944	126,336
<i>Total current transfers</i>	<i>257,880</i>	<i>262,614</i>
Capital transfers	21,830	10,818
Total expenses	424,517	425,287
Net operating balance	-42,491	-25,384
Other economic flows	8,436	-217
Comprehensive result - Total change in net worth	-34,056	-25,601
Net acquisition of non-financial assets		
Purchases of non-financial assets	13,132	14,476
<i>less</i> Sales of non-financial assets	<i>458</i>	<i>2,386</i>
<i>less</i> Depreciation	<i>7,440</i>	<i>8,100</i>
<i>plus</i> Change in inventories	<i>439</i>	<i>510</i>
<i>plus</i> Other movements in non-financial assets	<i>733</i>	<i>1,433</i>
Total net acquisition of non-financial assets	6,406	5,934
Fiscal balance (Net lending/borrowing)(b)	-48,898	-31,318

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table 8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2013-14 \$m	2014-15 \$m
Assets		
Financial assets		
Cash and deposits	4,901	4,194
Advances paid	39,737	45,145
Investments, loans and placements	117,307	128,745
Other receivables	47,354	46,811
Equity investments	61,437	59,905
<i>Total financial assets</i>	<i>270,736</i>	<i>284,800</i>
Non-financial assets		
Land and fixed assets	123,212	129,662
Other non-financial assets	8,783	10,442
<i>Total non-financial assets</i>	<i>131,995</i>	<i>140,104</i>
Total assets	402,731	424,904
Liabilities		
Interest bearing liabilities		
Deposits held	182	182
Government securities	346,648	387,772
Loans	12,252	15,991
Other borrowing	4,992	5,321
<i>Total interest bearing liabilities</i>	<i>364,074</i>	<i>409,266</i>
Provisions and payables		
Superannuation liability	157,124	163,286
Other employee liabilities	16,420	16,720
Other provisions and payables	51,869	47,990
<i>Total provisions and payables</i>	<i>225,414</i>	<i>227,997</i>
Total liabilities	589,489	637,262
Shares and other contributed capital	11,884	15,301
Net worth(a)	-186,757	-212,358
<i>Net financial worth(b)</i>	<i>-318,752</i>	<i>-352,462</i>
<i>Net debt(c)</i>	<i>202,130</i>	<i>231,182</i>

(a) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities, minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 9: Australian Government total non-financial public sector cash flow statement^(a)

	Estimates	
	2013-14 \$m	2014-15 \$m
Cash receipts from operating activities		
Taxes received	341,512	360,260
Receipts from sales of goods and services	17,750	18,689
Interest receipts	3,239	3,668
Dividends and income tax equivalents	2,828	4,156
Other receipts	6,377	6,341
Total operating receipts	371,706	393,114
Cash payments for operating activities		
Payments to employees	-31,120	-31,517
Payments for goods and services	-78,790	-84,996
Grants and subsidies paid	-152,953	-147,617
Interest paid	-13,972	-14,214
Personal benefit payments	-126,398	-127,221
Other payments	-6,056	-5,890
Total operating payments	-409,288	-411,454
Net cash flows from operating activities	-37,583	-18,341
Cash flows from investments in non-financial assets		
Sales of non-financial assets	709	2,260
Purchases of non-financial assets	-13,351	-15,787
Net cash flows from investments in non-financial assets	-12,642	-13,526
Net cash flows from investments in financial assets for policy purposes	-3,154	-1,509
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-7,699	-7,019
Net cash flows from investments in financial assets for liquidity purposes	-7,699	-7,019
Net cash flows from financing activities		
Borrowing (net)	64,584	42,031
Other financing (net)	-1,571	-2,343
Net cash flows from financing activities	63,013	39,688
Net increase/(decrease) in cash held	1,934	-707
Cash at the beginning of the year	2,966	4,901
Cash at the end of the year	4,901	4,194
Net cash from operating activities and investments in non-financial assets	-50,225	-31,867
Distributions paid	0	0
Equals surplus(+)/deficit(-)	-50,225	-31,867
Finance leases and similar arrangements(b)	-469	0
GFS cash surplus(+)/deficit(-)	-50,693	-31,867

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards (IFRS) as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Detailed accounting policies, as well as a set of notes and other disclosures, as required by AAS, are disclosed in the annual Consolidated Financial Statements.

Fiscal reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

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AASB 1049 and the UFP also provide a basis for reporting of the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. ABS GFS does not require total assets to be attributed to functions. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in Statement 6: *Expenses and Net Capital Investment*. In accordance with the UFP, purchases of non-financial assets by function are also disclosed in Statement 6.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the *Mid-Year Economic and Fiscal Outlook 2013-14* (MYEFO) are disclosed in Statement 3: *Fiscal Strategy and Outlook*, with decisions taken since the MYEFO disclosed in Budget Paper No. 2 *Budget Measures 2014*. All policy decisions taken between the 2013-14 Budget and the 2013-14 MYEFO are disclosed in Appendix A of the MYEFO.

Details of the Australian Government's GGS contingent liabilities are disclosed in Statement 8: *Statement of Risks*.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 10.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Differences from the AAS measurement of items outline above and reconciliation have not been included as they would effectively create different measures of the same aggregate.

Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table 10: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	Treated as capital expenditure. DWP appear as a non-financial asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement. AASB 1049 requires cost to be used where fair value of the assets cannot be reliably measured.	ABS has updated its treatment in its GFS reports to record DWP as a non-financial asset on a market value basis using the perpetual inventory method from September quarter 2009. This represents an early adoption of changes to the System of National Accounts.	AAS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provisions for bad and doubtful debts	Reported in the balance sheet as an offset to assets. Under AASB 1049, it is included in the operating statement as other economic flows.	Creating provisions for bad and doubtful debts is not considered an economic event and is therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to the International Development Association and Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Included in the fiscal balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of an asset or liability and therefore no revenue or expense is recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Carbon tax	The issuance and surrender of free carbon units and Australian Carbon Credit Units (ACCU) used in the settlement of emissions liabilities are not recognised.	The issuance and surrender of free carbon units and ACCUs used in the settlement of emissions' liabilities are treated as expenses and revenues respectively.	ABS GFS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS

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Table 10: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Payment to the Reserve Bank of Australia	Treated as a grant.	Treated as an equity injection.	AAS
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sales for fiscal balance when licences are transferred, which may be after the auction of licences, as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	AAS

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Note 3: Taxation revenue by type

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes					
Gross income tax withholding	158,300	171,170	183,390	195,370	208,820
Gross other individuals	37,180	40,120	43,980	48,290	52,690
less Refunds	27,100	27,700	28,600	29,800	31,800
Total individuals and other withholding taxation	168,380	183,590	198,770	213,860	229,710
Fringe benefits tax	4,140	4,440	5,010	5,290	5,180
Company tax	69,400	73,230	77,170	81,850	86,610
Superannuation fund taxes	6,580	7,870	10,610	11,550	12,110
Minerals resource rent tax(a)	170	0	0	0	0
Petroleum resource rent tax	1,470	2,060	1,910	1,900	1,900
Income taxation revenue	250,140	271,190	293,470	314,450	335,510
Goods and services tax	54,321	56,970	60,370	63,740	67,300
Wine equalisation tax	810	790	820	860	890
Luxury car tax	430	360	310	340	370
Excise and customs duty					
Petrol	5,890	5,970	6,170	6,450	6,850
Diesel	8,820	9,280	9,640	10,020	10,490
Other fuel products	3,600	3,730	3,530	3,690	3,930
Tobacco	7,770	8,730	9,660	10,680	10,980
Beer	2,330	2,410	2,480	2,590	2,730
Spirits	1,890	1,930	1,980	2,080	2,190
Other alcoholic beverages(b)	960	980	1,010	1,060	1,120
Other customs duty					
Textiles, clothing and footwear	770	600	430	450	480
Passenger motor vehicles	920	820	610	630	660
Other imports	1,660	1,650	1,680	1,790	1,880
less: Refunds and drawbacks	360	360	360	360	360
Total excise and customs duty	34,250	35,740	36,830	39,080	40,950
Carbon pricing mechanism(c)	7,340	0	0	0	0
Agricultural levies	476	469	474	486	496
Other taxes	3,190	3,295	3,781	3,919	3,994
Mirror taxes	508	524	560	593	616
less Transfers to States in relation to mirror tax revenue	508	524	560	593	616
Mirror tax revenue	0	0	0	0	0
Indirect taxation revenue	100,817	97,624	102,585	108,424	114,000
Taxation revenue	350,956	368,814	396,055	422,875	449,509
<i>Memorandum:</i>					
Total excise	25,230	26,470	27,400	28,850	30,270
Total customs duty	9,020	9,270	9,430	10,230	10,680
Capital gains tax(d)	7,500	9,000	12,000	14,400	16,700
Medicare and DisabilityCare Australia levy(e)	10,480	14,160	15,160	15,890	16,650
Temporary Budget Repair Levy(f)	-	600	780	850	190

(a) Net revenue from MRRT is expected to be \$100 million in 2013-14 and zero in 2014-15 which represent the net revenue impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the MRRT will not apply beyond 30 June 2014.

(b) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) Tax revenue includes carbon accrual revenue measured at legislated price, with details of the accounting treatment of carbon revenue set out in Note 2 to the General Government Sector Financial Statements.

(d) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes.

(e) At the 2013-14 MYEFO, the Medicare and DisabilityCare Australia levy estimates were based on when the liability to the levy is assessed. From the 2014-15 Budget estimates are based on when collections relating to the levy are received.

(f) This represents the net impact of the Temporary Budget Repair Levy on individuals and other withholding taxes. An additional \$680 million is expected to be raised over the forward estimates through the temporary increase in the FBT rate that was announced as part of the temporary levy.

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Note 3(a): Taxation revenue by source

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	172,530	188,050	203,800	219,180	234,900
Income and capital gains levied on enterprises	77,610	83,140	89,670	95,270	100,610
Total taxes on income, profits and capital gains	250,140	271,190	293,470	314,450	335,510
Taxes on employers' payroll and labour force	700	738	760	781	785
Taxes on the provision of goods and services					
Sales/goods and services tax	55,561	58,120	61,500	64,940	68,560
Excises and levies	25,706	26,939	27,874	29,336	30,766
Taxes on international trade	9,020	9,270	9,430	10,230	10,680
Total taxes on the provision of goods and services	90,287	94,329	98,804	104,506	110,006
Other sale of goods and services	9,830	2,557	3,021	3,138	3,209
Total taxation revenue	350,956	368,814	396,055	422,875	449,509
<i>Memorandum:</i>					
<i>Medicare and DisabilityCare Australia levy(a)</i>	<i>10,480</i>	<i>14,160</i>	<i>15,160</i>	<i>15,890</i>	<i>16,650</i>

(a) At the 2013-14 MYEFO, the Medicare and DisabilityCare Australia levy estimates were based on when the liability to the levy is assessed. From the 2014-15 Budget estimates are based on when collections relating to the levy are received.

Note 4: Sales of goods and services revenue

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Sales of goods	1,520	1,522	1,618	1,803	1,885
Rendering of services	3,994	3,931	3,976	5,883	10,351
Operating lease rental	63	62	58	59	59
Fees from regulatory services	3,276	3,413	3,517	3,603	3,674
Total sales of goods and services revenue	8,853	8,928	9,170	11,347	15,969

Statement 9: Australian Government Budget Financial Statements

Note 5: Interest and dividend revenue

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Interest from other governments					
State and Territory debt	9	12	14	13	13
Housing agreements	138	134	129	124	119
Total interest from other governments	148	146	143	138	132
Interest from other sources					
Advances	47	50	56	62	102
Deposits	91	90	90	91	91
Bank deposits	158	136	138	144	152
Indexation of HELP receivable and other student loans	536	671	1,366	1,640	2,012
Other	2,465	3,137	2,939	3,054	3,075
Total interest from other sources	3,297	4,083	4,589	4,990	5,432
Total interest	3,445	4,229	4,731	5,128	5,565
Dividends					
Dividends from other public sector entities	2,154	400	212	1,104	245
Other dividends	2,134	2,170	2,308	2,465	2,641
Total dividends	4,288	2,570	2,520	3,569	2,886
Total interest and dividend revenue	7,733	6,799	7,252	8,697	8,451

Note 6: Other sources of non-taxation revenue

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Industry contributions	42	55	54	54	54
Royalties	1,852	1,637	1,681	1,689	1,591
Seigniorage	135	114	111	108	104
Other	4,695	5,001	5,289	5,071	4,717
Total other sources of non-taxation revenue	6,724	6,807	7,135	6,922	6,465

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Note 7: Employee and superannuation expense

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Wages and salaries expenses	19,532	19,638	19,383	19,591	19,928
Other operating expenses					
Leave and other entitlements	2,449	2,430	2,417	2,405	2,453
Separations and redundancies	273	105	57	49	48
Workers compensation premiums and claims	741	873	909	969	1,013
Other	2,577	2,702	2,805	2,838	2,937
Total other operating expenses	6,039	6,111	6,187	6,260	6,451
Superannuation expenses					
Superannuation	6,235	4,291	4,268	4,226	4,259
Superannuation interest cost	8,320	9,275	9,630	9,979	10,333
Total superannuation expenses	14,555	13,567	13,898	14,206	14,592
Total employee and superannuation expense	40,127	39,315	39,469	40,057	40,971

Note 8: Depreciation and amortisation expense

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Depreciation					
Specialist military equipment	2,815	2,988	3,161	3,472	3,609
Buildings	1,329	1,321	1,319	1,329	1,344
Other infrastructure, plant and equipment	1,401	1,436	1,456	1,447	1,459
Heritage and cultural assets	37	38	38	38	37
Total depreciation	5,583	5,783	5,974	6,285	6,449
Total amortisation	891	861	860	841	780
Total depreciation and amortisation expense	6,474	6,644	6,834	7,126	7,229

Note 9: Supply of goods and services expense

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Supply of goods and services	23,904	25,959	25,040	24,531	25,679
Operating lease rental expenses	2,650	2,693	2,701	2,738	2,744
Personal benefits – indirect	40,906	43,836	46,392	49,351	52,064
Health care payments	5,336	5,448	5,474	5,608	5,785
Other	1,757	1,939	2,161	2,416	2,429
Total supply of goods and services expense	74,552	79,875	81,769	84,642	88,701

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Note 10: Interest expense

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Interest on debt					
Government securities(a)	13,429	14,707	16,133	17,156	17,875
Loans	10	10	9	12	11
Other	283	532	529	525	526
Total interest on debt	13,723	15,248	16,672	17,692	18,412
Other financing costs	674	303	400	635	598
Total interest expense	14,396	15,551	17,072	18,327	19,011

(a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Commonwealth Government Securities (CGS) when issued and on technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future CGS issuance.

Note 11: Current and capital grants expense

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Current grants expense					
State and Territory governments	88,473	93,602	98,776	105,445	110,428
Local governments	17	6	2	0	0
Private sector	2,358	1,782	1,408	1,139	1,082
Overseas	4,218	4,590	4,495	5,070	5,032
Non-profit organisations	1,600	1,675	2,140	1,843	2,154
Multi-jurisdictional sector	9,755	10,049	10,077	9,877	10,089
Other	11,015	12,417	11,813	14,291	20,412
Total current grants expense	117,437	124,121	128,711	137,663	149,198
Capital grants expense					
Mutually agreed write-downs	3,094	2,662	2,796	3,013	3,216
Other capital grants					
State and Territory governments	8,616	7,029	8,567	9,553	5,876
Local governments	728	510	725	392	392
Private sector	34	1	1	1	1
Multi-jurisdictional sector	99	102	102	100	102
Other	9,260	515	490	593	848
Total capital grants expense	21,830	10,818	12,681	13,651	10,434
Total grants expense	139,267	134,939	141,391	151,314	159,632

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Note 12: Personal benefits expense

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Social welfare - assistance to the aged	40,279	42,601	45,103	47,968	50,008
Assistance to veterans and dependants	6,226	6,115	5,964	5,783	5,537
Assistance to people with disabilities	23,237	24,522	25,620	26,940	28,270
Assistance to families with children	32,805	31,337	30,019	30,373	29,933
Assistance to the unemployed	10,226	10,233	10,571	10,687	10,610
Student assistance	3,602	3,251	3,076	3,230	3,394
Other welfare programmes	335	399	411	447	483
Financial and fiscal affairs	468	473	508	517	507
Vocational and industry training	295	151	84	90	95
Other	7,470	7,253	10,730	13,027	17,287
Total personal benefits expense	124,944	126,336	132,086	139,061	146,124

Note 13: Advances paid and other receivables

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Advances paid					
Loans to State and Territory governments	2,510	2,487	2,421	2,326	2,226
Higher Education Loan Program	25,183	29,908	36,796	43,599	51,436
Student Financial Supplement Scheme	624	573	525	480	430
Other	11,444	12,202	12,737	14,914	15,953
less Provision for doubtful debts	24	24	24	24	24
Total advances paid	39,737	45,145	52,454	61,294	70,021
Other receivables					
Goods and services receivable	829	771	736	736	745
Recoveries of benefit payments	3,398	3,544	3,677	3,817	3,960
Taxes receivable	22,700	23,255	25,793	28,300	30,899
Prepayments	2,511	2,409	2,365	2,346	2,284
Other	18,013	16,978	17,698	19,160	18,942
less Provision for doubtful debts	1,400	1,468	1,522	1,588	1,653
Total other receivables	46,051	45,489	48,747	52,772	55,176

Note 14: Investments, loans and placements

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Investments - deposits	36,823	33,286	27,983	33,964	28,037
IMF quota	5,339	11,054	11,224	11,451	11,451
Other	75,209	84,414	94,802	103,843	112,396
Total investments, loans and placements	117,371	128,753	134,010	149,258	151,884

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Note 15: Total non-financial assets

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Land and buildings					
Land	8,929	8,875	8,825	8,838	8,802
Buildings	24,335	25,425	25,468	25,506	25,951
Total land and buildings	33,264	34,300	34,293	34,345	34,754
Plant, equipment and infrastructure					
Specialist military equipment	41,384	43,795	46,940	49,553	52,411
Other	13,490	13,551	13,391	12,851	12,510
Total plant, equipment and infrastructure	54,875	57,347	60,330	62,405	64,921
Inventories					
Inventories held for sale	1,280	1,433	1,435	1,547	1,494
Inventories not held for sale	6,662	6,554	6,430	6,294	6,141
Total inventories	7,942	7,987	7,865	7,841	7,635
Intangibles					
Computer software	3,535	3,503	3,382	3,198	3,096
Other	2,275	2,485	2,701	2,986	3,607
Total intangibles	5,810	5,988	6,083	6,184	6,702
Total investment properties	196	211	226	231	236
Total biological assets	35	35	35	35	35
Total heritage and cultural assets	10,573	10,588	10,600	10,613	10,625
Total assets held for sale	136	174	136	136	136
Total other non-financial assets	397	598	364	252	261
Total non-financial assets	113,228	117,229	119,932	122,041	125,305

Note 16: Loans

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Promissory notes	3,709	7,671	7,107	7,108	7,109
Special drawing rights	5,086	5,086	5,166	5,272	5,272
Other	813	680	434	337	259
Total loans	9,608	13,436	12,707	12,717	12,640

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Note 17: Employee and superannuation liabilities

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Total superannuation liability(a)	157,067	163,228	169,320	175,263	181,126
Other employee liabilities					
Leave and other entitlements	7,496	7,504	7,560	7,614	7,702
Accrued salaries and wages	686	690	518	506	517
Workers compensation claims	3,166	3,249	3,333	3,428	3,535
Separations and redundancies	110	59	59	59	59
Other	3,644	3,788	3,931	4,073	4,225
Total other employee liabilities	15,102	15,291	15,401	15,680	16,038
Total employee and superannuation liabilities	172,169	178,519	184,722	190,943	197,164

(a) For budget reporting purposes, a discount rate applied by actuaries in preparing Long-Term Cost Reports is used to value the superannuation liability. This reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with AAS, the long-term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actuals reporting.

Note 18: Provisions and payables

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Suppliers payable					
Trade creditors	3,913	3,981	4,041	4,069	4,283
Operating lease rental payable	222	228	231	231	229
Other creditors	497	496	497	556	591
Total suppliers payable	4,632	4,705	4,768	4,855	5,103
Total personal benefits provisions and payable	12,384	11,659	11,196	11,499	11,856
Total subsidies provisions and payable	4,242	3,937	4,146	4,321	4,411
Grants provisions and payable					
State and Territory governments	149	115	117	116	110
Non-profit organisations	90	81	81	81	81
Private sector	365	364	364	364	364
Overseas	2,076	1,914	1,602	2,688	2,331
Local governments	7	7	7	7	7
Other	11,484	8,674	8,017	7,953	7,883
Total grants provisions and payable	14,170	11,154	10,187	11,209	10,775
Other provisions and payables					
Provisions for tax refunds	3,406	3,430	3,470	3,477	3,458
Other	10,473	10,461	10,874	11,281	11,465
Total other provisions and payables	13,879	13,891	14,344	14,758	14,923

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Note 19: Reconciliation of cash

	Estimates			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
Operating balance (revenues less expenses)	-41,027	-23,497	-11,506	-3,966	4,946
<i>less</i> Revenues not providing cash					
Other	876	1,330	1,674	1,859	2,122
Total revenues not providing cash	876	1,330	1,674	1,859	2,122
<i>plus</i> Expenses not requiring cash					
Increase/(decrease) in employee entitlements	7,776	6,367	6,413	6,599	6,616
Depreciation/amortisation expense	6,474	6,644	6,834	7,126	7,229
Mutually agreed write-downs	3,094	2,662	2,796	3,013	3,216
Other	719	170	261	-472	432
Total expenses not requiring cash	18,063	15,844	16,305	16,266	17,494
<i>plus</i> Cash provided/(used) by working capital items					
Decrease/(increase) in inventories	-227	-278	-102	-218	-48
Decrease/(increase) in receivables	-9,970	-5,745	-9,725	-11,063	-9,992
Decrease/(increase) in other financial assets	1,630	1,457	1,653	2,192	2,271
Decrease/(increase) in other non-financial assets	-64	29	-27	-51	-12
Increase/(decrease) in benefits, subsidies and grants payable	-2,962	-3,799	-968	1,626	272
Increase/(decrease) in suppliers' liabilities	345	52	39	102	232
Increase/(decrease) in other provisions and payables	-2,245	-929	-679	-934	-1,363
Net cash provided/(used) by working capital	-13,493	-9,213	-9,810	-8,346	-8,641
<i>equals</i> (Net cash from/(to) operating activities)	-37,334	-18,196	-6,685	2,095	11,677
<i>plus</i> (Net cash from/(to) investing activities)	-24,530	-22,345	-25,141	-39,405	-24,373
Net cash from operating activities and investment	-61,864	-40,541	-31,826	-37,310	-12,695
<i>plus</i> (Net cash from/(to) financing activities)	62,792	40,018	32,110	37,306	13,015
equals Net increase/(decrease) in cash	928	-523	284	-4	319
Cash at the beginning of the year	2,075	3,004	2,480	2,764	2,760
Net increase/(decrease) in cash	928	-523	284	-4	319
Cash at the end of the year	3,004	2,480	2,764	2,760	3,080

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Note 19(a): Consolidated Revenue Fund

	Estimates			Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Total general government sector cash	3,004	2,480	2,764	2,760	3,080
less CAC Agency cash balances	1,907	1,406	1,613	1,753	2,115
plus Special public monies	294	294	294	294	294
Balance of Consolidated Revenue Fund at 30 June	1,391	1,368	1,445	1,301	1,259

The estimated and projected cash balances reflected in the balance sheet for the Australian Government GGS (Table 2) include the reported cash balances controlled and administered by Australian Government agencies and entities subject to the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services. From 1 July 2014, these agencies and entities will be subject to equivalent provisions under the *Public Governance, Performance and Accountability Act 2013*.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government GGS cash, less cash controlled and administered by CAC Act entities, plus special public monies, represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown above.

Further information on the Consolidated Revenue Fund is included in Budget Paper No. 4, *Agency Resourcing 2014-15*.

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The budget primarily focuses on the financial performance and position of the general government sector (GGS). The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 HISTORY AND CONCEPTUAL FRAMEWORK

The Australian Accounting Standards Board (AASB) released AASB 1049 for application from the 2008-09 financial year. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting focuses on the GGS.

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.¹

1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.²

A change to the value or volume of an asset or liability that does not result from a transaction is an 'other economic flow'. This can include changes in values from market prices, most actuarial valuations, and exchange rates, and changes in volumes from discoveries, depletion and destruction. All other economic flows are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets. This measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth

² Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

during a period. The majority of other economic flows for the Australian Government GGS arise from price movements in its assets and liabilities.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.³

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares and other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

3 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors in government results is a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, government securities, loans, and other borrowing) less the sum of selected financial assets⁴ (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance plus net Future Fund earnings (ABS GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance.

4 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

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For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁵
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Net Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government has excluded net Future Fund earnings from the calculation of the underlying cash balance. Prior to the 2012-13 MYEFO, the underlying cash balance only excluded the gross earnings of the Future Fund. Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Future Fund becomes available to meet the Government's superannuation liabilities from 2020.

In contrast, net Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance.

Net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 3 of this statement and related tables in Statement 3: *Fiscal strategy and outlook*, and Statement 10, *Historical Australian Government Data*.

5 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

Headline cash balance

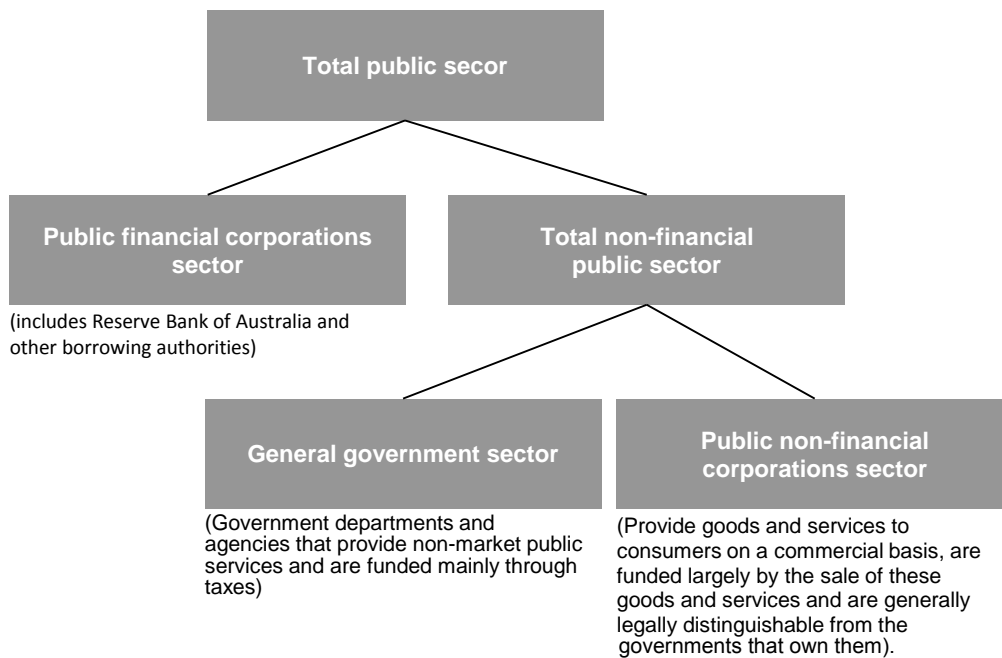
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and net Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁶ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program (HELP), and contributions to international organisations that increase the Australian Government’s financial assets.

Sectoral classifications

To assist in analysing the public sector, data is presented by institutional sector as shown in Figure 1. ABS GFS defines the general government sector (GGS) and the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors. AASB 1049 has also adopted this sectoral reporting.

Figure 1: Institutional structure of the public sector



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table A1).

⁶ Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

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A table which provides a full list of public sector principal entities is available on the Department of Finance website at www.finance.gov.au/sites/default/files/list-ggs-pnfc-pfc-fma-cac.pdf. That link is current until 30 June 2014. On commencement of the *Public Governance Performance and Accountability Act 2013* from 1 July 2014 a new table will be accessible at www.finance.gov.au/sites/default/files/list-ggs-pnfc-pfc-pgpa.pdf.

Table A1: Entities outside of the general government sector

Public financial corporations
Employment Portfolio
Coal Mining Industry (Long Service Leave Funding) Corporation
Finance Portfolio
Medibank Private Ltd
Foreign Affairs and Trade Portfolio
Export Finance and Insurance Corporation
Treasury Portfolio
Australia Reinsurance Pool Corporation, Reserve Bank of Australia
Public non-financial corporations
Attorney General's Portfolio
Australian Government Solicitor
Communications Portfolio
Australian Postal Corporation, NBN Co Ltd
Finance Portfolio
Albury-Wodonga Development Corporation, ASC Pty Ltd, Australian River Co. Ltd
Industry Portfolio
ANSTO Nuclear Medicine Pty Ltd
Infrastructure and Regional Development Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd, Moorebank Intermodal Company Ltd
Prime Minister and Cabinet Portfolio
Voyages Indigenous Tourism Australia Pty Ltd
Social Services Portfolio
Australian Hearing Services

APPENDIX B: AUSTRALIAN LOAN COUNCIL ALLOCATION

Under the Loan Council arrangements, every year the Commonwealth and each State and Territory government nominate an annual Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balance of the general government and public non-financial corporations sectors and total non-financial public sector acquisitions under finance leases and similar arrangements);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table B1, the Australian Government's revised estimate for the 2014-15 LCA is a \$37.4 billion deficit. This compares with its LCA nomination of a \$44.5 billion deficit endorsed by the Loan Council on 28 March 2014. The LCA Budget estimate falls within the tolerance limit set at nomination.

Table B1: Commonwealth's Loan Council Allocation budget update for 2014-15

	2014-15 Nomination \$m	2014-15 Budget estimate \$m
GGs cash surplus(-)/deficit(+)	30,953	26,705
PNFC sector cash surplus(-)/deficit(+)	3,251	5,162
NFPS cash surplus(-)/deficit(+)(a)	34,204	31,867
Acquisitions under finance leases and similar arrangements	0	0
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	34,204	31,867
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(b)	-11,484	-6,819
<i>plus</i> Memorandum items(c)	-1,171	-1,239
Loan Council Allocation	44,517	37,447
2014-15 tolerance limit(d)	7,806	7,862

(a) May not directly equate to the sum of the GGS and the PNFC sector due to intersectoral transfers which are netted out.

(b) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(c) For the Commonwealth's Loan Council Allocation, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), the over-funding of superannuation and the net financing requirement of the Australian National University.

(d) A tolerance limit equal to two per cent of NFPS cash receipts from operating activities applies to the movement between the LCA nomination and budget estimate, and again between the budget estimate and outcome.