

PART 2: AUSTRALIAN GOVERNMENT 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, the total non-financial public sector (NFPS) and the public financial corporations (PFC). 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 financial statements for the *Final Budget Outcome 2015-16* have been prepared on a basis consistent with the 2016-17 Budget. This enables comparison of the 2015-16 revised estimates published at the 2016-17 Budget and the outcome.

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 financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this part also contains an update of the Australian Loan Council Allocation.

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table 10: Australian Government general government sector operating statement

		2015-16 Estimate at 2016-17 Budget \$m	Month of June 2016(d) \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
	Note				
Revenue					
Taxation revenue	3	371,923	28,073	368,939	-2,984
Sales of goods and services	4	7,697	477	7,619	-78
Interest income	5	3,506	-190	2,930	-575
Dividend income	5	5,564	3,603	6,240	677
Other	6	7,706	2,883	9,326	1,620
Total revenue		396,396	34,846	395,055	-1,341
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	19,767	1,556	18,675	-1,092
Superannuation	7	7,052	2,195	7,854	801
Depreciation and amortisation	8	7,165	683	7,112	-53
Supply of goods and services	9	81,414	8,637	84,723	3,309
Other operating expenses(a)	7	5,483	817	6,333	850
<i>Total gross operating expenses</i>		<i>120,881</i>	<i>13,889</i>	<i>124,697</i>	<i>3,816</i>
Superannuation interest expense	7	9,167	642	9,106	-62
Interest expenses	10	16,774	1,390	16,672	-102
Current transfers					
Current grants	11	128,393	13,937	126,134	-2,259
Subsidy expenses		12,763	180	11,727	-1,036
Personal benefits	12	133,416	10,678	131,574	-1,841
<i>Total current transfers</i>		<i>274,572</i>	<i>24,794</i>	<i>269,435</i>	<i>-5,136</i>
Capital transfers					
Mutually agreed write-downs		1,722	-173	1,193	-530
Other capital grants		8,354	88	7,589	-765
<i>Total capital transfers</i>		<i>10,076</i>	<i>-85</i>	<i>8,781</i>	<i>-1,295</i>
Total expenses		431,470	40,630	428,691	-2,779
Net operating balance		-35,074	-5,784	-33,636	1,438
Other economic flows - included in operating result					
Net write-downs of assets					
(including bad and doubtful debts)		-7,106	-401	-9,969	-2,864
Assets recognised for the first time		296	34	323	27
Liabilities recognised for the first time		0	0	0	0
Actuarial revaluations		0	0	0	0
Net foreign exchange gains		-9	1,512	429	438
Net swap interest received		-437	-5	-205	231
Market valuation of debt		-4,673	-6,643	-17,604	-12,932
Other gains/(losses)		713	-2,829	2,976	2,263
Total other economic flows - included in operating result		-11,215	-8,332	-24,051	-12,836

Table 10: Australian Government general government sector operating statement (continued)

	2015-16 Estimate at 2016-17 Budget \$m	Month of June 2016(d) \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Operating result(b)	-46,289	-14,116	-57,686	-11,397
Non-owner movements in equity				
Revaluation of equity investments	-3,026	-3,085	-2,979	48
Actuarial revaluations	1,032	787	787	-245
Other economic revaluations	371	436	2,360	1,989
Total other economic flows - included in equity	-1,623	-1,862	168	1,791
Comprehensive result - Total change in net worth	-47,912	-15,978	-57,518	-9,606
Net operating balance	-35,074	-5,784	-33,636	1,438
Net acquisition of non-financial assets				
Purchases of non-financial assets	11,559	1,899	11,100	-458
<i>less</i> Sales of non-financial assets	404	89	477	73
<i>less</i> Depreciation	7,165	683	7,112	-53
<i>plus</i> Change in inventories	310	187	413	103
<i>plus</i> Other movements in non-financial assets	56	-245	-95	-151
Total net acquisition of non-financial assets	4,355	1,069	3,829	-526
Fiscal balance (Net lending/borrowing)(c)	-39,429	-6,853	-37,464	1,965

(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.

(d) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued; this can result in negative movements.

Table 11: Australian Government general government sector balance sheet

		2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Assets				
Financial assets				
Cash and deposits		3,512	3,638	126
Advances paid	13	52,782	52,007	-775
Investments, loans and placements	14	153,233	149,995	-3,238
Other receivables	13	48,492	49,261	770
Equity investments				
Investments in other public sector entities		44,798	47,223	2,425
Equity accounted investments		344	289	-55
Investments - shares		39,394	39,718	323
<i>Total financial assets</i>		<i>342,555</i>	<i>342,130</i>	<i>-424</i>
Non-financial assets	15			
Land		9,729	10,620	891
Buildings		25,992	25,547	-445
Plant, equipment and infrastructure		59,692	60,295	603
Inventories		8,195	8,567	372
Intangibles		6,881	7,281	401
Investment properties		200	164	-36
Biological assets		44	49	5
Heritage and cultural assets		11,697	11,462	-235
Assets held for sale		174	257	82
Other non-financial assets		262	113	-149
<i>Total non-financial assets</i>		<i>122,866</i>	<i>124,354</i>	<i>1,488</i>
Total assets		465,421	466,484	1,064
Liabilities				
Interest bearing liabilities				
Deposits held		218	217	0
Government securities		476,999	483,361	6,361
Loans	16	16,425	16,814	389
Other borrowing		1,569	1,619	50
<i>Total interest bearing liabilities</i>		<i>495,211</i>	<i>502,011</i>	<i>6,800</i>
Provisions and payables				
Superannuation liability	17	169,308	314,228	144,919
Other employee liabilities	17	17,004	18,302	1,297
Suppliers payable	18	5,868	5,656	-212
Personal benefits provisions and payables	18	14,446	13,765	-681
Subsidies provisions and payables	18	4,908	4,262	-646
Grants provisions and payables	18	10,466	11,984	1,518
Other provisions and payables	18	13,237	14,843	1,606
<i>Total provisions and payables</i>		<i>235,237</i>	<i>383,038</i>	<i>147,801</i>
Total liabilities		730,448	885,049	154,601

Table 11: Australian Government general government sector balance sheet (continued)

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Net worth(a)	-265,027	-418,565	-153,538
<i>Net financial worth(b)</i>	-387,893	-542,919	-155,026
<i>Net financial liabilities(c)</i>	432,691	590,142	157,451
<i>Net debt(d)</i>	285,684	296,371	10,687

(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.

Table 12: Australian Government general government sector cash flow statement^(a)

	2015-16 Estimate at 2016-17 Budget \$m	Month of June 2016(d) \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Cash receipts from operating activities				
Taxes received	364,507	32,362	361,962	-2,545
Receipts from sales of goods and services	7,686	987	7,592	-94
Interest receipts	2,842	555	2,936	94
Dividends and income tax equivalents	5,332	378	5,540	207
Other receipts	7,321	2,700	8,480	1,159
Total operating receipts	387,688	36,982	386,510	-1,178
Cash payments for operating activities				
Payments for employees	-27,893	-2,791	-27,122	771
Payments for goods and services	-80,834	-10,197	-85,109	-4,274
Grants and subsidies paid	-149,656	-14,183	-145,870	3,787
Interest paid	-14,822	-893	-14,977	-154
Personal benefit payments	-134,887	-10,708	-133,825	1,062
Other payments	-5,308	-716	-5,921	-613
Total operating payments	-413,400	-39,488	-412,822	578
Net cash flows from operating activities	-25,712	-2,505	-26,312	-600
Cash flows from investments in non-financial assets				
Sales of non-financial assets	339	82	414	75
Purchases of non-financial assets	-11,559	-1,894	-10,341	1,219
Net cash flows from investments in non-financial assets	-11,221	-1,812	-9,926	1,294
Net cash flows from investments in financial assets for policy purposes	-14,553	-1,199	-12,684	1,869
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-9,396	22,494	-5,255	4,141
Net cash flows from investments in financial assets for liquidity purposes	-9,396	22,494	-5,255	4,141
Cash receipts from financing activities				
Borrowing	63,753	-17,045	57,101	-6,652
Other financing	6	100	97	91
Total cash receipts from financing activities	63,759	-16,946	57,198	-6,561
Cash payments for financing activities				
Borrowing	0	0	0	0
Other financing	-2,522	43	-2,539	-17
Total cash payments for financing activities	-2,522	43	-2,539	-17
Net cash flows from financing activities	61,238	-16,903	54,659	-6,578
Net increase/(decrease) in cash held	356	75	482	126

Table 12: Australian Government general government sector cash flow statement (continued)^(a)

	2015-16 Estimate at 2016-17 Budget \$m	Month of June 2016(d) \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-36,933	-4,317	-36,239	694
Finance leases and similar arrangements(b)	-2	-42	-165	-164
GFS cash surplus(+)/deficit(-)	-36,934	-4,359	-36,404	530
<i>less</i> Net Future Fund earnings	3,012	388	3,202	190
Equals underlying cash balance(c)	-39,946	-4,746	-39,606	340
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-14,553	-1,199	-12,684	1,869
<i>plus</i> Net Future Fund earnings	3,012	388	3,202	190
Equals headline cash balance	-51,487	-5,557	-49,088	2,399

(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.

(d) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued; this can result in negative movements.

Table 13: Australian Government public non-financial corporations sector operating statement

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Revenue			
Current grants and subsidies	80	78	-2
Sales of goods and services	9,889	9,873	-16
Interest income	49	55	6
Other	27	38	11
Total revenue	10,044	10,044	0
Expenses			
Gross operating expenses			
Wages and salaries(a)	4,093	3,882	-211
Superannuation	348	482	134
Depreciation and amortisation	1,532	1,567	35
Supply of goods and services	5,458	5,518	60
Other operating expenses(a)	471	778	308
<i>Total gross operating expenses</i>	<i>11,901</i>	<i>12,228</i>	<i>326</i>
Interest expenses	456	441	-16
Other property expenses	127	123	-4
Current transfers			
Tax expenses	24	19	-6
<i>Total current transfers</i>	<i>24</i>	<i>19</i>	<i>-6</i>
Total expenses	12,509	12,809	301
Net operating balance	-2,465	-2,766	-301
Other economic flows	-514	165	679
Comprehensive result - Total change in net worth excluding contribution from owners	-2,979	-2,601	378
Net acquisition of non-financial assets			
Purchases of non-financial assets	4,667	6,325	1,658
<i>less</i> Sales of non-financial assets	65	59	-6
<i>less</i> Depreciation	1,532	1,567	35
<i>plus</i> Change in inventories	33	20	-13
<i>plus</i> Other movements in non-financial assets	1,667	1	-1,667
Total net acquisition of non-financial assets	4,771	4,720	-51
Fiscal balance (Net lending/borrowing)(b)	-7,236	-7,486	-250

(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 14: Australian Government public non-financial corporations sector balance sheet

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Assets			
Financial assets			
Cash and deposits	2,524	2,558	34
Investments, loans and placements	817	534	-283
Other receivables	1,805	1,600	-205
Equity investments	3	2	-1
<i>Total financial assets</i>	<i>5,149</i>	<i>4,694</i>	<i>-455</i>
Non-financial assets			
Land and other fixed assets(a)	26,993	27,356	363
Other non-financial assets(a)(b)	228	253	25
<i>Total non-financial assets</i>	<i>27,221</i>	<i>27,609</i>	<i>388</i>
Total assets	32,370	32,303	-67
Liabilities			
Interest bearing liabilities			
Deposits held	0	4	4
Advances received	277	284	6
Loans	2,553	2,388	-165
Other borrowing	4,282	4,418	136
<i>Total interest bearing liabilities</i>	<i>7,112</i>	<i>7,094</i>	<i>-18</i>
Provisions and payables			
Superannuation liability	4	46	42
Other employee liabilities	1,567	1,797	230
Other provisions and payables(b)	3,933	3,650	-283
<i>Total provisions and payables</i>	<i>5,504</i>	<i>5,493</i>	<i>-11</i>
Total liabilities	12,616	12,587	-29
Shares and other contributed capital	19,754	19,717	-37
Net worth(c)	19,754	19,717	-37
<i>Net financial worth(d)</i>	<i>-7,467</i>	<i>-7,892</i>	<i>-425</i>
<i>Net debt(e)</i>	<i>3,772</i>	<i>4,002</i>	<i>231</i>

(a) The estimate for work-in-progress has been reclassified from 'Other non-financial assets' to 'Land and other fixed assets' to provide consistency in treatment of the assets with the actual outcome and with other sectors.

(b) Excludes the impact of commercial taxation adjustments.

(c) 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.

(d) 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.

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

Table 15: Australian Government public non-financial corporations sector cash flow statement^(a)

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Cash receipts from operating activities			
Receipts from sales of goods and services	11,357	10,882	-475
Grants and subsidies received	0	37	37
GST input credit receipts	376	576	199
Other receipts	167	60	-107
Total operating receipts	11,900	11,554	-346
Cash payments for operating activities			
Payments to employees	-4,930	-4,641	289
Payment for goods and services	-6,952	-6,737	215
Interest paid	-402	-56	346
GST payments to taxation authority	0	-414	-414
Other payments	-18	-16	2
Total operating payments	-12,302	-11,863	439
Net cash flows from operating activities	-402	-309	93
Cash flows from investments in non-financial assets			
Sales of non-financial assets	65	52	-13
Purchases of non-financial assets	-6,267	-5,770	497
Net cash flows from investments in non-financial assets	-6,203	-5,718	484
Net cash flows from investments in financial assets for policy purposes	0	0	0
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	-18	-146	-128
Net cash flows from investments in financial assets for liquidity purposes	-18	-146	-128
Net cash flows from financing activities			
Borrowing (net)	94	-3	-98
Other financing (net)	7,135	6,811	-323
Distributions paid (net)	-125	-120	5
Net cash flows from financing activities	7,104	6,688	-416
Net increase/(decrease) in cash held	482	515	34
Cash at the beginning of the year	2,042	2,042	0
Cash at the end of the year	2,524	2,558	34
Net cash from operating activities and investments in non-financial assets	-6,605	-6,027	578
Distributions paid	-125	-120	5
Equals surplus(+)/deficit(-)	-6,729	-6,147	582
Finance leases and similar arrangements(b)	-7	-528	-522
GFS cash surplus(+)/deficit(-)	-6,736	-6,675	61

(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.

Table 16: Australian Government total non-financial public sector operating statement

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Revenue			
Taxation revenue	371,899	368,921	-2,979
Sales of goods and services	16,636	16,497	-140
Interest income	3,536	2,969	-567
Dividend income	5,437	6,118	681
Other	7,733	9,364	1,631
Total revenue	405,241	403,868	-1,373
Expenses			
Gross operating expenses			
Wages and salaries(a)	23,860	22,557	-1,303
Superannuation	7,400	8,336	936
Depreciation and amortisation	8,697	8,679	-18
Supply of goods and services	85,923	89,246	3,323
Other operating expenses(a)	5,953	7,111	1,158
<i>Total gross operating expenses</i>	<i>131,833</i>	<i>135,929</i>	<i>4,096</i>
Superannuation interest expense	9,167	9,106	-62
Interest expenses	17,211	17,096	-115
Current transfers			
Current grants	128,393	126,134	-2,259
Subsidy expenses	12,684	11,649	-1,034
Personal benefits	133,416	131,574	-1,841
<i>Total current transfers</i>	<i>274,492</i>	<i>269,358</i>	<i>-5,134</i>
Capital transfers	10,076	8,781	-1,295
Total expenses	442,780	440,270	-2,510
Net operating balance	-37,539	-36,402	1,137
Other economic flows	-10,727	-21,862	-11,135
Comprehensive result - Total change in net worth	-48,266	-58,264	-9,997
Net acquisition of non-financial assets			
Purchases of non-financial assets	16,226	17,425	1,200
<i>less</i> Sales of non-financial assets	469	536	68
<i>less</i> Depreciation	8,697	8,679	-18
<i>plus</i> Change in inventories	343	433	90
<i>plus</i> Other movements in non-financial assets	1,723	-95	-1,818
Total net acquisition of non-financial assets	9,126	8,549	-577
Fiscal balance (Net lending/borrowing)(b)	-46,665	-44,950	1,714

(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 17: Australian Government total non-financial public sector balance sheet

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Assets			
Financial assets			
Cash and deposits	6,036	6,196	160
Advances paid	52,504	51,723	-781
Investments, loans and placements	154,050	150,245	-3,805
Other receivables	50,206	49,904	-303
Equity investments	64,849	67,239	2,391
<i>Total financial assets</i>	<i>327,645</i>	<i>325,307</i>	<i>-2,338</i>
Non-financial assets			
Land and other fixed assets(a)	142,299	143,846	1,548
Other non-financial assets(a)	7,788	8,117	328
<i>Total non-financial assets</i>	<i>150,087</i>	<i>151,963</i>	<i>1,876</i>
Total assets	477,732	477,270	-462
Liabilities			
Interest bearing liabilities			
Deposits held	218	222	4
Advances received	0	0	0
Government securities	476,999	483,361	6,361
Loans	18,978	18,918	-60
Other borrowing	5,851	6,037	186
<i>Total interest bearing liabilities</i>	<i>502,046</i>	<i>508,537</i>	<i>6,491</i>
Provisions and payables			
Superannuation liability	169,312	314,273	144,961
Other employee liabilities	18,571	20,099	1,527
Other provisions and payables	52,767	53,201	434
<i>Total provisions and payables</i>	<i>240,650</i>	<i>387,573</i>	<i>146,923</i>
Total liabilities	742,696	896,111	153,414
Shares and other contributed capital	19,754	19,717	-37
Net worth(b)	-264,964	-418,840	-153,876
<i>Net financial worth(c)</i>	<i>-415,051</i>	<i>-570,803</i>	<i>-155,752</i>
<i>Net debt(d)</i>	<i>289,456</i>	<i>300,373</i>	<i>10,917</i>

(a) The estimate for work-in-progress for the public non-financial corporations sector has been reclassified from 'Other non-financial assets' to 'Land and other fixed assets' to provide consistency in treatment of the assets with the actual outcome and with other sectors.

(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 deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 18: Australian Government total non-financial public sector cash flow statement^(a)

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Cash receipts from operating activities			
Taxes received	364,526	361,942	-2,584
Receipts from sales of goods and services	17,320	16,555	-765
Interest receipts	2,876	2,971	95
Dividends and income tax equivalents	5,207	5,420	212
Other receipts	7,436	8,489	1,053
Total operating receipts	397,365	395,376	-1,989
Cash payments for operating activities			
Payments to employees	-32,823	-31,763	1,061
Payments for goods and services	-85,687	-89,760	-4,073
Grants and subsidies paid	-149,656	-145,832	3,824
Interest paid	-15,206	-15,017	189
Personal benefit payments	-134,887	-133,825	1,062
Other payments	-5,345	-5,921	-577
Total operating payments	-423,604	-422,118	1,486
Net cash flows from operating activities	-26,239	-26,741	-502
Cash flows from investments in non-financial assets			
Sales of non-financial assets	404	466	62
Purchases of non-financial assets	-17,827	-16,110	1,716
Net cash flows from investments in non-financial assets	-17,423	-15,644	1,779
Net cash flows from investments in financial assets for policy purposes	-6,979	-5,526	1,453
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	-9,414	-5,400	4,014
Net cash flows from investments in financial assets for liquidity purposes	-9,414	-5,400	4,014
Net cash flows from financing activities			
Borrowing (net)	63,847	57,098	-6,750
Other financing (net)	-2,954	-2,788	166
Net cash flows from financing activities	60,893	54,310	-6,584
Net increase/(decrease) in cash held	838	998	160
Cash at the beginning of the year	5,198	5,198	0
Cash at the end of the year	6,036	6,196	160
Net cash from operating activities and investments in non-financial assets	-43,662	-42,386	1,276
Distributions paid	0	0	0
Equals surplus(+)/deficit(-)	-43,662	-42,386	1,276
Finance leases and similar arrangements(b)	-8	-693	-685
GFS cash surplus(+)/deficit(-)	-43,670	-43,079	591

(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.

Table 19: Australian Government public financial corporations sector operating statement

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Revenue			
Current grants and subsidies	150	147	-3
Sales of goods and services	679	725	45
Interest income	2,447	2,383	-63
Other	46	41	-5
Total revenue	3,322	3,296	-27
Expenses			
Gross operating expenses			
Wages and salaries(a)	149	174	25
Superannuation	50	73	23
Depreciation and amortisation	33	44	10
Supply of goods and services	400	350	-50
Other operating expenses(a)	247	277	31
<i>Total gross operating expenses</i>	<i>878</i>	<i>917</i>	<i>39</i>
Interest expenses	1,234	1,175	-59
Other property expenses	2,820	3,293	473
Current transfers			
Tax expenses	5	3	-2
<i>Total current transfers</i>	<i>5</i>	<i>3</i>	<i>-2</i>
Total expenses	4,938	5,389	451
Net operating balance	-1,616	-2,093	-477
Other economic flows	1,249	1,805	556
Comprehensive result - Total change in net worth excluding contribution from owners	-367	-288	79
Net acquisition of non-financial assets			
Purchases of non-financial assets	3	97	94
<i>less</i> Sales of non-financial assets	<i>51</i>	<i>0</i>	<i>-51</i>
<i>less</i> Depreciation	<i>33</i>	<i>44</i>	<i>10</i>
<i>plus</i> Change in inventories	<i>-9</i>	<i>17</i>	<i>26</i>
<i>plus</i> Other movements in non-financial assets	<i>0</i>	<i>0</i>	<i>0</i>
Total net acquisition of non-financial assets	-90	71	161
Fiscal balance (Net lending/borrowing)(b)	-1,525	-2,164	-638

(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 20: Australian Government public financial corporations sector balance sheet

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Assets			
Financial assets			
Cash and deposits	519	413	-106
Investments, loans and placements	161,902	171,051	9,149
Other receivables	262	259	-4
Equity investments	410	415	5
<i>Total financial assets</i>	<i>163,093</i>	<i>172,138</i>	<i>9,045</i>
Non-financial assets			
Land and other fixed assets	707	792	85
Other non-financial assets(a)	32	33	1
<i>Total non-financial assets</i>	<i>740</i>	<i>826</i>	<i>86</i>
Total assets	163,832	172,963	9,131
Liabilities			
Interest bearing liabilities			
Deposits held	124,634	131,419	6,786
Borrowing	10,074	11,170	1,096
<i>Total interest bearing liabilities</i>	<i>134,708</i>	<i>142,590</i>	<i>7,882</i>
Provisions and payables			
Superannuation liability	64	684	621
Other employee liabilities	1,423	1,458	34
Other provisions and payables(a)	2,940	3,456	515
<i>Total provisions and payables</i>	<i>4,427</i>	<i>5,598</i>	<i>1,170</i>
Total liabilities	139,135	148,187	9,052
Shares and other contributed capital	24,697	24,776	79
Net worth(b)	24,697	24,776	79
<i>Net financial worth(c)</i>	<i>23,958</i>	<i>23,950</i>	<i>-7</i>
<i>Net debt(d)</i>	<i>-27,713</i>	<i>-28,874</i>	<i>-1,161</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 deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 21: Australian Government public financial corporations sector cash flow statement^(a)

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Cash receipts from operating activities			
Receipts from sales of goods and services	692	628	-63
Grants and subsidies received	0	147	147
GST input credit receipts	9	26	17
Interest receipts	2,516	2,453	-63
Other receipts	369	57	-312
Total operating receipts	3,585	3,311	-274
Cash payments for operating activities			
Payments to employees	-445	-266	179
Payment for goods and services	-417	-232	186
Interest paid	-1,269	-1,198	71
GST payments to taxation authority	0	-12	-12
Other payments	-21	-176	-155
Total operating payments	-2,152	-1,884	268
Net cash flows from operating activities	1,433	1,427	-5
Cash flows from investments in non-financial assets			
Sales of non-financial assets	51	0	-51
Purchases of non-financial assets	-3	-97	-94
Net cash flows from investments in non-financial assets	48	-97	-145
Net cash flows from investments in financial assets for policy purposes	0	-35	-35
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	-431	-4,406	-3,975
Net cash flows from investments in financial assets for liquidity purposes	-431	-4,406	-3,975
Net cash flows from financing activities			
Advances received (net)	0	0	0
Borrowing (net)	-3,494	887	4,382
Deposits received (net)	0	0	0
Other financing (net)	5,056	4,728	-328
Distributions paid (net)	-2,573	-2,572	0
Net cash flows from financing activities	-1,011	3,043	4,054
Net increase/(decrease) in cash held	39	-67	-106
Cash at the beginning of the year	480	480	0
Cash at the end of the year	519	413	-106

Table 21: Australian Government public financial corporations sector cash flow statement (continued)^(a)

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Net cash from operating activities and investments in non-financial assets	1,481	1,330	-150
Distributions paid	-2,573	-2,572	0
Equals surplus(+)/deficit(-)	-1,092	-1,242	-150
Finance leases and similar arrangements(b)	0	0	0
GFS cash surplus(+)/deficit(-)	-1,092	-1,242	-150

(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 final budget outcome be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for final budget outcome 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 2005*, (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- the 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 Attachment 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 statements for the GGS are based on audit-cleared financial statements for material entities with the exception of the Department of Defence (Defence). Special Military Equipment (SME) assets managed by Defence are measured on a cost basis in the Final Budget Outcome (FBO). This is consistent with the measurement method used in the 2016-17 Budget and prior years.¹

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.

AASB 1049 and the UPF 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 Part 1. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in Part 1.

AASB 1049 also requires the FBO and Consolidated Financial Statements (CFS) to be released at the same time. The Charter requires the FBO to be released before the end of three months after the end of the financial year, whereas the CFS is not released until it is audit cleared, generally around November each year.

AASB 1055 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of major variances in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth for the 2015-16 year from the 2015-16 Budget to the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO) are discussed in Part 3 of the 2015-16 MYEFO. Explanations of variances for the 2015-16 year from MYEFO to the 2016-17 Budget are disclosed in Statement 3 of 2016-17 Budget Paper No. 1, Budget Strategy and Outlook. Explanations of variances from the 2016-17 Budget to the Final Budget Outcome 2015-16 are disclosed in Part 1.

1 In accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, SME assets are required to be measured on a fair value basis, if fair value can be reliably measured (refer ABS GFS and AAS departures at Note 2). Valuation of SME assets at fair value is expected to be completed for reporting of the 2015-16 Consolidated Financial Statements.

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 22.

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 22: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)/specialist military equipment (SME)	AASB 1049 allows cost to be used where fair value of assets cannot be reliably measured.	ABS record SME on a market value basis using the perpetual inventory method.	AAS cost method
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 the 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 assets or liabilities and, consequently, no revenues or expenses are 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
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
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS

Table 22: 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
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 sectors	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 payment is made and the licences take effect, 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

Note 3: Taxation revenue by type

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	175,510	174,815	-695
Gross other individuals	44,850	43,261	-1,589
less Refunds	27,800	28,081	281
Total individuals and other withholding taxation	192,560	189,996	-2,564
Fringe benefits tax	4,590	4,453	-137
Company tax	65,000	63,529	-1,471
Superannuation fund taxes	6,710	6,830	120
Petroleum resource rent tax(a)	840	876	36
Income taxation revenue	269,700	265,684	-4,016
Goods and services tax	60,040	60,312	272
Wine equalisation tax	880	883	3
Luxury car tax	590	620	30
Excise and customs duty			
Petrol	6,220	6,189	-31
Diesel	9,490	9,788	298
Other fuel products	2,243	2,125	-117
Tobacco	9,410	9,928	518
Beer	2,370	2,386	16
Spirits	2,040	2,071	31
Other alcoholic beverages(b)	910	917	7
Other customs duty			
Textiles, clothing and footwear	470	498	28
Passenger motor vehicles	570	614	44
Other imports	1,550	1,591	41
less Refunds and drawbacks	420	436	16
Total excise and customs duty	34,853	35,671	818
Agricultural levies	514	522	8
Other taxes(c)	5,346	5,246	-100
Mirror taxes	527	513	-13
less Transfers to States in relation to mirror tax revenue	527	513	-13
Mirror tax revenue	0	0	0
Indirect taxation revenue	102,223	103,255	1,031
Taxation revenue	371,923	368,939	-2,984
<i>Memorandum:</i>			
Total excise	21,423	21,625	202
Total customs duty	13,430	14,046	616
Medicare and DisabilityCare Australia levy	14,970	15,000	30

(a) This item includes a small amount of MRRRT revenue relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality. There is no corresponding cash impact for 2015-16.

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

(c) Visa application charges were reclassified in the 2015-16 MYEFO from non-taxation revenue to taxation revenue to reflect a sustained change in the nature of revenue. The back-casting relating to the reclassification is reflected in Appendix B — Historical Series from 2003-04. See also Note 3(a), Taxation revenue by source and Note 4, Sales of goods and services revenue.

Note 3(a): Taxation revenue by source

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Taxes on income, profits and capital gains			
Income and capital gains levied on individuals	197,160	194,453	-2,707
Income and capital gains levied on enterprises	72,540	71,232	-1,308
Total taxes on income, profits and capital gains	269,700	265,684	-4,016
Taxes on employers' payroll and labour force	710	670	-40
Taxes on the provision of goods and services			
Sales/goods and services tax	61,510	61,815	305
Excises and levies	21,937	22,147	210
Taxes on international trade	13,430	14,046	616
Total taxes on the provision of goods and services	96,877	98,009	1,132
Other taxes(a)	4,636	4,576	-61
Total taxation revenue	371,923	368,939	-2,984
<i>Memorandum:</i>			
<i>Medicare and DisabilityCare Australia levy</i>	<i>14,970</i>	<i>15,000</i>	<i>30</i>

(a) Visa application charges were reclassified in the 2015-16 MYEFO from non-taxation revenue to taxation revenue to reflect a sustained change in the nature of revenue. The back-casting relating to the reclassification is reflected in Appendix B — Historical Series from 2003-04. See also Note 3, Taxation revenue by type and Note 4, Sales of goods and services revenue.

Note 4: Sales of goods and services revenue

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Sales of goods	1,680	1,618	-62
Rendering of services	4,123	4,101	-23
Operating lease rental	74	77	3
Fees from regulatory services(a)	1,820	1,823	3
Total sales of goods and services revenue	7,697	7,619	-78

(a) Visa application charges were reclassified in the 2015-16 MYEFO from non-taxation revenue to taxation revenue to reflect a sustained change in the nature of revenue. The back-casting relating to the reclassification is reflected in Appendix B — Historical Series from 2003-04. See also Note 3, Taxation revenue by type and Note 3(a), Taxation revenue by source.

Note 5: Interest and dividend revenue

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Interest from other governments			
State and Territory debt	54	49	-5
Housing agreements	129	112	-17
Total interest from other governments	183	161	-22
Interest from other sources			
Advances	47	47	1
Deposits	88	96	7
Bank deposits	144	166	22
Indexation of HELP receivable and other student loans	504	457	-47
Other	2,541	2,004	-537
Total interest from other sources	3,323	2,769	-554
Total interest	3,506	2,930	-575
Dividends			
Dividends from other public sector entities	2,955	3,442	487
Other dividends	2,609	2,798	189
Total dividends	5,564	6,240	677
Total interest and dividend revenue	9,069	9,171	101

Note 6: Other sources of non-taxation revenue

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Industry contributions	116	129	13
Royalties	1,065	1,005	-60
Seigniorage	132	145	13
Other	6,393	8,047	1,654
Total other sources of non-taxation revenue	7,706	9,326	1,620

Note 7: Employee and superannuation expense

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Wages and salaries expenses	19,767	18,675	-1,092
Other operating expenses			
Leave and other entitlements	2,146	3,083	937
Separations and redundancies	168	278	110
Workers compensation premiums and claims	892	642	-250
Other	2,277	2,330	53
Total other operating expenses	5,483	6,333	850
Superannuation expenses			
Superannuation	7,052	7,854	801
Superannuation interest cost	9,167	9,106	-62
Total superannuation expenses	16,220	16,960	740
Total employee and superannuation expense	41,469	41,967	498

Note 8: Depreciation and amortisation expense

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Depreciation			
Specialist military equipment	3,232	2,948	-284
Buildings	1,401	1,457	56
Other infrastructure, plant and equipment	1,454	1,619	166
Heritage and cultural assets	91	104	13
Total depreciation	6,178	6,129	-49
Total amortisation	988	984	-4
Total depreciation and amortisation expense	7,165	7,112	-53

Note 9: Supply of goods and services expense

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Supply of goods and services	26,337	27,729	1,392
Operating lease rental expenses	2,541	2,551	10
Personal benefits - indirect(a)	45,327	47,428	2,101
Health care payments	5,080	4,768	-312
Other	2,129	2,246	118
Total supply of goods and services expenses	81,414	84,723	3,309

(a) Reclassification since the 2016-17 Budget between Personal benefits expenses (Note 12) and Supply of goods and services expense — Personal benefits — indirect (Note 9) of \$0.9 billion reflecting more accurate information on the distinction between benefits provided to households directly in cash (direct personal benefits) and benefits provided in goods and services (indirect personal benefits).

Note 10: Interest expense

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Interest on debt			
Government securities	15,360	15,312	-47
Loans	10	9	-1
Other	258	202	-56
Total interest on debt	15,627	15,523	-104
Other financing costs	1,146	1,148	2
Total interest expense	16,774	16,672	-102

Note 11: Current and capital grants expense

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Current grants expense			
State and Territory governments	100,142	99,364	-778
Local governments	6	6	0
Private sector(a)	6,461	6,279	-182
Overseas	3,680	3,659	-21
Non-profit organisations(a)(b)	2,771	4,375	1,604
Multi-jurisdictional sector	10,527	10,319	-208
Other(b)	4,807	2,132	-2,674
Total current grants expense	128,393	126,134	-2,259
Capital grants expense			
Mutually agreed write-downs	1,722	1,193	-530
Other capital grants			
State and Territory governments	7,075	5,868	-1,208
Local governments	972	958	-14
Non-profit organisations(a)(b)	0	380	380
Private sector(a)	0	375	375
Multi-jurisdictional sector	106	0	-106
Other(b)	200	7	-193
Total capital grants expense	10,076	8,781	-1,295
Total grants expense	138,469	134,915	-3,554

(a) Includes reallocation of some programs between grants to private sector and grants to non-profit organisations since 2016-17 Budget.

(b) Includes reallocation of some programs between grants to non-profit organisations and grants to other since 2016-17 Budget.

Note 12: Personal benefits expense

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Social welfare - assistance to the aged	43,758	43,833	75
Assistance to veterans and dependants	5,730	5,621	-109
Assistance to people with disabilities	24,440	24,453	13
Assistance to families with children	35,825	35,080	-745
Assistance to the unemployed	10,896	11,031	136
Student assistance	3,440	3,400	-40
Other welfare programs	1,096	1,066	-30
Financial and fiscal affairs	364	511	147
Vocational and industry training	63	25	-38
Other(a)	7,803	6,553	-1,250
Total personal benefits expense	133,416	131,574	-1,841

(a) Reclassification since the 2016-17 Budget between Personal benefits expenses (Note 12) and Supply of goods and services expense — Personal benefits — indirect (Note 9) of \$0.9 billion reflecting more accurate information on the distinction between benefits provided to households directly in cash (direct personal benefits) and benefits provided in goods and services (indirect personal benefits).

Note 13: Advances paid and other receivables

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Advances paid			
Loans to State and Territory governments(a)	3,907	3,839	-69
Higher Education Loan Program	37,080	36,808	-272
Student Financial Supplement Scheme	483	411	-72
Other(a)	11,560	11,186	-374
/less Provision for doubtful debts	248	237	-12
Total advances paid	52,782	52,007	-775
Other receivables			
Goods and services receivable	882	1,045	163
Recoveries of benefit payments	4,767	5,346	579
Taxes receivable	19,514	19,494	-20
Prepayments	4,492	4,219	-273
Other	20,515	21,031	516
/less Provision for doubtful debts	1,678	1,874	196
Total other receivables	48,492	49,261	770

(a) Farm loans have been reclassified in the 2016-17 Budget from 'other' to 'loans to State and Territory governments' to reflect the actual circumstances of the loans.

Note 14: Investments, loans and placements

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Investments - deposits	40,954	35,788	-5,166
IMF quota	12,852	12,354	-498
Other	99,427	101,852	2,425
Total investments, loans and placements	153,233	149,995	-3,238

Note 15: Non-financial assets

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Land and buildings			
Land	9,729	10,620	891
Buildings	25,992	25,547	-445
Total land and buildings	35,721	36,166	445
Plant, equipment and infrastructure			
Specialist military equipment	45,580	46,014	434
Other	14,112	14,281	169
Total plant, equipment and infrastructure	59,692	60,295	603
Inventories			
Inventories held for sale	1,454	1,354	-101
Inventories not held for sale	6,741	7,212	472
Total inventories	8,195	8,567	372
Intangibles			
Computer software	3,914	3,905	-9
Other	2,967	3,376	409
Total intangibles	6,881	7,281	401
Total investment properties	200	164	-36
Total biological assets	44	49	5
Total heritage and cultural assets	11,697	11,462	-235
Total assets held for sale	174	257	82
Total other non-financial assets	262	113	-149
Non-financial assets	122,866	124,354	1,488

Note 16: Loans

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Promissory notes	10,010	9,651	-359
Special drawing rights	5,667	5,795	128
Other	747	1,367	620
Total loans	16,425	16,814	389

Note 17: Employee and superannuation liabilities

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Total superannuation liability(a)	169,308	314,228	144,919
Other employee liabilities			
Leave and other entitlements	7,323	7,753	430
Accrued salaries and wages	566	192	-374
Workers compensation claims	3,265	3,164	-102
Other	5,850	7,193	1,343
Total other employee liabilities	17,004	18,302	1,297
Total employee and superannuation liabilities	186,313	332,529	146,217

(a) For budget reporting purposes (including the Budget and Mid-Year Economic and Fiscal Outlook), a discount rate of 6 per cent used by actuaries in preparing Long-Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it 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 2016 is used to calculate the superannuation liability for the Final Budget Outcome. This rate was 2.7 per cent.

Note 18: Provisions and payables

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Suppliers payable			
Trade creditors	4,670	3,932	-738
Operating lease rental payable	330	430	101
Other creditors	868	1,293	425
Total suppliers payable	5,868	5,656	-212
Total personal benefits provisions and payables	14,446	13,765	-681
Total subsidies provisions and payables	4,908	4,262	-646
Grants provisions and payables			
State and Territory governments	87	198	111
Non-profit organisations	146	191	46
Private sector	373	375	3
Overseas	1,166	1,455	289
Local governments	2	0	-2
Other	8,692	9,764	1,072
Total grants provisions and payables	10,466	11,984	1,518
Other provisions and payables			
Provisions for tax refunds	2,932	2,972	40
Other	10,305	11,871	1,566
Total other provisions and payables	13,237	14,843	1,606

Note 19: Reconciliation of cash

	2015-16 Estimate at 2016-17 Budget \$m	2015-16 Outcome \$m	Change on 2016-17 Budget \$m
Net Operating balance (revenues less expenses)	-35,074	-33,636	1,438
<i>less</i> Revenues not providing cash			
Other	1,862	4,551	2,689
Total revenues not providing cash	1,862	4,551	2,689
<i>plus</i> Expenses not requiring cash			
Increase/(decrease) in employee entitlements	8,261	10,106	1,845
Depreciation/amortisation expense	7,165	7,112	-53
Mutually agreed write-downs	1,722	1,193	-530
Other	1,146	1,031	-116
Total expenses not requiring cash	18,295	19,442	1,147
<i>plus</i> Cash provided / (used) by working capital items			
Decrease / (increase) in inventories	-135	-461	-325
Decrease / (increase) in receivables	-7,398	-8,074	-676
Decrease / (increase) in other financial assets	1,716	-787	-2,503
Decrease / (increase) in other non-financial assets	0	37	37
Increase / (decrease) in benefits, subsidies and grants payable	-298	-370	-72
Increase / (decrease) in suppliers' liabilities	690	257	-433
Increase / (decrease) in other provisions and payables	-1,646	1,830	3,476
Net cash provided / (used) by working capital	-7,072	-7,568	-496
<i>equals</i> (Net cash from/(to) operating activities)	-25,712	-26,312	-600
<i>plus</i> (Net cash from/(to) investing activities)	-35,169	-27,865	7,305
Net cash from operating activities and investment	-60,881	-54,177	6,704
<i>plus</i> (Net cash from/(to) financing activities)	61,238	54,659	-6,578
equals Net increase/(decrease) in cash	356	482	126
Cash at the beginning of the year	3,156	3,156	0
Net increase/(decrease) in cash	356	482	126
Cash at the end of the year	3,512	3,638	126

Attachment A

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Final Budget Outcome* primarily focuses on the financial performance and position of 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. 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 (including the PNFC and PFC sectors) and GGS outcome reporting, budget reporting and budget outcome 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 10 *Consolidated 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 2014*.²

2 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.³

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

3 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.

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.⁴

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.

4 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 of government results in 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, advances received, government securities, loans and other borrowing) less the sum of selected financial assets⁵ (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.

5 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.

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 ⁶
<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 calculations 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. At this time, when drawdowns from the Future Fund are permitted under governing legislation, the Government's cash saving-investment balance would no longer be adjusted to reflect reinvestment of Future Fund earnings.

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 12 of this statement and the historical tables in Appendix B.

6 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 Future Fund earnings to the underlying cash balance.

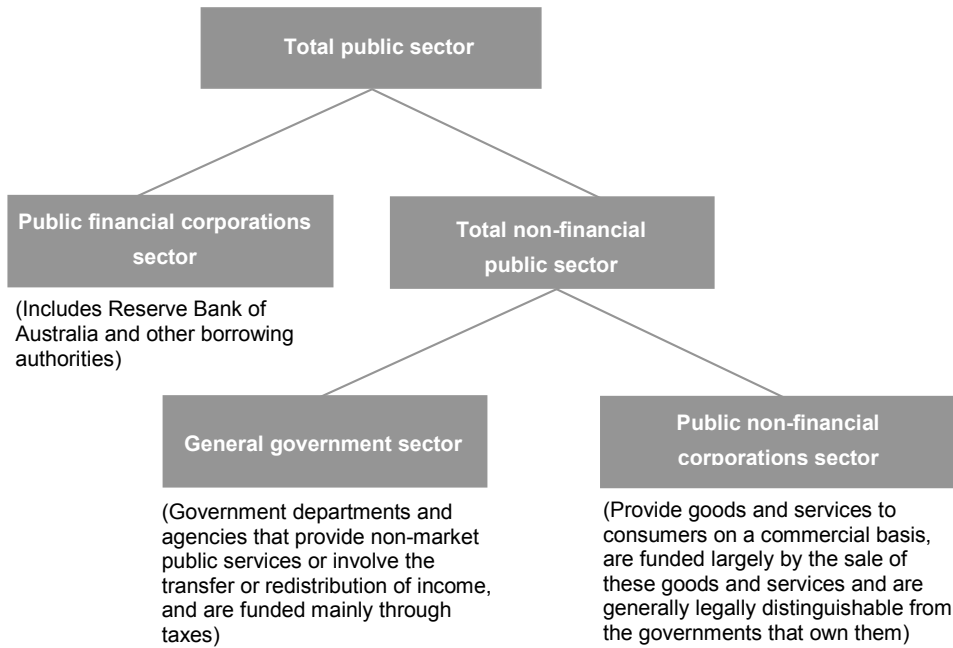
Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁷ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the states, net loans to students 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 are 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.

7 Cash flows from investments in financial assets for policy purposes are often referred to as net advances.

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 23).

A table which provides a full list of public sector principal entities is available on the Department of Finance website at:

http://www.finance.gov.au/sites/default/files/GGS_PNFC_%20and_PFC_entities_under_the_PGPA_Act_1_August_2016.pdf.

Table 23: Entities outside of the general government sector

Public financial corporations

Employment Portfolio

- Coal Mining Industry (Long Service Leave Funding) Corporation

Foreign Affairs and Trade Portfolio

- Export Finance and Insurance Corporation

Treasury Portfolio

- Australia Reinsurance Pool Corporation
- Reserve Bank of Australia

Public non-financial corporations

Communications and the Arts Portfolio

- Australian Postal Corporation
- NBN Co Ltd

Finance Portfolio

- ASC Pty Ltd

Industry, Innovation and Science 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