

AUSTRALIAN LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balances 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 24, the Commonwealth's 2015-16 LCA final budget outcome is a \$56.3 billion deficit. This compares with the Australian Government's 2015-16 LCA Budget estimate of a \$51.8 billion deficit.

A tolerance limit of 2 per cent of non-financial public sector receipts applies between the LCA Budget estimate and the outcome. Tolerance limits recognise that LCAs are nominated at an early stage of the Budget process and may change as a result of policy and parameter changes. The Australian Government's 2015-16 LCA final budget outcome does not exceed the 2 per cent tolerance limit.

Table 24: Australian Government Loan Council Allocation

	2015-16 Budget Estimate	2015-16 Outcome
	\$m	\$m
GGs cash surplus(-)/deficit(+)	31,855	36,239
PNFC sector cash surplus(-)/deficit(+)	8,026	6,147
NFPS cash surplus(-)/deficit(+)(a)	39,881	42,386
<i>plus</i> Acquisitions under finance leases and similar arrangements	2	693
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	39,882	43,079
<i>minus</i> Net cash flows from investments		
in financial assets for policy purposes(b)	-12,908	-12,684
<i>plus</i> Memorandum items(c)	-1,038	535
Loan Council Allocation	51,752	56,298

- (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 LCA outcome, 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.