

APPENDIX B: 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, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. 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 financial statements are consistent with the requirements of the UPF.

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

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table B1: Australian Government general government sector operating statement

	Note	Estimates		Projections	
		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Revenue					
Taxation revenue	3	375,923	397,541	422,522	450,802
Sales of goods and services	4	7,956	9,641	12,527	16,307
Interest income	5	4,519	4,938	5,361	6,566
Dividend income	5	3,841	3,050	3,702	4,030
Other	6	8,714	8,030	8,468	9,388
Total revenue		400,953	423,200	452,581	487,094
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	20,072	19,935	19,715	19,772
Superannuation	7	5,930	4,609	4,587	4,615
Depreciation and amortisation	8	7,129	7,406	7,484	7,787
Supply of goods and services	9	82,423	84,798	92,851	96,528
Other operating expenses(a)	7	5,439	5,411	5,484	5,535
<i>Total gross operating expenses</i>		<i>120,992</i>	<i>122,159</i>	<i>130,121</i>	<i>134,237</i>
Superannuation interest expense	7	9,231	10,261	10,650	11,036
Interest expenses	10	17,260	19,416	20,373	21,568
Current transfers					
Current grants	11	127,737	137,935	147,062	159,210
Subsidy expenses		12,944	13,874	14,242	15,060
Personal benefits	12	133,402	134,223	132,879	142,068
<i>Total current transfers</i>		<i>274,084</i>	<i>286,033</i>	<i>294,184</i>	<i>316,337</i>
Capital transfers					
Mutually agreed write-downs	11	1,887	1,946	2,089	2,243
Other capital grants		8,780	11,390	8,476	5,949
<i>Total capital transfers</i>		<i>10,667</i>	<i>13,337</i>	<i>10,565</i>	<i>8,192</i>
Total expenses		432,234	451,206	465,892	491,370
Net operating balance		-31,281	-28,006	-13,312	-4,276
Other economic flows - included in operating result					
Net write-downs of assets					
(including bad and doubtful debts)		-8,037	-8,755	-9,675	-10,332
Assets recognised for the first time		322	337	353	370
Liabilities recognised for the first time		0	0	0	0
Actuarial revaluations		0	0	0	0
Net foreign exchange gains		-518	27	45	33
Net swap interest received		-410	0	0	0
Market valuation of debt		832	2,173	1,691	1,513
Other gains/(losses)		5,195	4,740	7,584	7,110
Total other economic flows - included in operating result		-2,616	-1,478	-2	-1,306
Operating result(b)		-33,897	-29,483	-13,314	-5,582
Non-owner movements in equity					
Revaluation of equity investments		846	29	31	49
Actuarial revaluations		-2,926	314	353	426
Other economic revaluations		1	1,003	74	139
Total other economic flows - included in equity		-2,079	1,345	458	615
Comprehensive result -					
Total change in net worth		-35,976	-28,138	-12,857	-4,967

Table B1: Australian Government general government sector operating statement (continued)

	Note	Estimates		Projections	
		2015-16	2016-17	2017-18	2018-19
		\$m	\$m	\$m	\$m
Net operating balance		-31,281	-28,006	-13,312	-4,276
Net acquisition of non-financial assets					
Purchases of non-financial assets		11,661	11,978	13,190	14,276
<i>less</i> Sales of non-financial assets		528	329	1,738	874
<i>less</i> Depreciation		7,129	7,406	7,484	7,787
<i>plus</i> Change in inventories		421	475	288	324
<i>plus</i> Other movements in non-financial assets		59	27	-153	-6
Total net acquisition of non-financial assets		4,484	4,745	4,103	5,933
Fiscal balance (Net lending/borrowing)(c)		-35,765	-32,751	-17,415	-10,209

(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.

Table B2: Australian Government general government sector balance sheet

	Note	Estimates		Projections	
		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Assets					
Financial assets					
Cash and deposits		3,872	3,503	3,393	3,466
Advances paid	13	53,218	63,370	73,127	83,729
Investments, loans and placements	14	154,537	167,731	174,643	179,465
Other receivables	13	46,594	46,935	49,283	51,185
Equity investments					
Investments in other public sector entities		49,087	57,702	57,773	57,799
Equity accounted investments		315	315	315	315
Investments - shares		44,939	48,824	52,597	56,583
Total financial assets		352,560	388,379	411,132	432,541
Non-financial assets					
Land	15	9,780	9,752	9,711	9,787
Buildings		26,198	26,621	27,678	28,601
Plant, equipment and infrastructure		59,667	63,127	66,766	71,655
Inventories		8,351	8,405	8,239	8,094
Intangibles		6,835	6,901	7,349	7,489
Investment properties		187	187	187	187
Biological assets		44	44	44	44
Heritage and cultural assets		11,344	11,356	11,369	11,382
Assets held for sale		87	82	82	82
Other non-financial assets		265	292	139	134
Total non-financial assets		122,757	126,766	131,565	137,455
Total assets		475,317	515,146	542,697	569,996
Liabilities					
Interest bearing liabilities					
Deposits held		218	218	218	218
Government securities		472,416	533,845	570,473	596,257
Loans	16	16,191	15,605	15,526	15,440
Other borrowing		1,562	1,456	1,350	1,302
Total interest bearing liabilities		490,387	551,124	587,567	613,216
Provisions and payables					
Superannuation liability	17	173,958	180,569	187,154	193,715
Other employee liabilities	17	17,059	17,377	17,740	18,112
Suppliers payable	18	5,972	5,877	5,933	5,932
Personal benefits provisions and payables	18	13,304	12,363	11,152	10,731
Subsidies provisions and payables	18	5,035	5,407	5,664	5,988
Grants provisions and payables	18	9,397	10,105	9,447	9,171
Other provisions and payables	18	14,990	15,245	13,816	13,875
Total provisions and payables		239,714	246,943	250,907	257,524
Total liabilities		730,100	798,066	838,474	870,740
Net worth(a)		-254,783	-282,921	-295,777	-300,744
<i>Net financial worth(b)</i>		<i>-377,540</i>	<i>-409,687</i>	<i>-427,342</i>	<i>-438,199</i>
<i>Net financial liabilities(c)</i>		<i>426,627</i>	<i>467,389</i>	<i>485,115</i>	<i>495,998</i>
<i>Net debt(d)</i>		<i>278,761</i>	<i>316,520</i>	<i>336,404</i>	<i>346,557</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.

Table B3: Australian Government general government sector cash flow statement^(a)

	Estimates		Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Cash receipts from operating activities				
Taxes received	368,230	389,125	413,172	440,410
Receipts from sales of goods and services	7,870	9,580	12,471	16,248
Interest receipts	3,874	4,007	4,050	4,642
Dividends and income tax equivalents	4,516	4,542	3,232	3,859
Other receipts	8,505	7,745	7,652	7,498
Total operating receipts	392,995	414,999	440,577	472,657
Cash payments for operating activities				
Payments for employees	-28,130	-27,847	-28,000	-28,426
Payments for goods and services	-82,104	-85,219	-92,685	-96,603
Grants and subsidies paid	-150,706	-161,967	-167,888	-177,040
Interest paid	-15,040	-15,922	-16,784	-18,188
Personal benefit payments	-135,228	-137,113	-136,300	-143,523
Other payments	-5,313	-5,127	-5,121	-5,179
Total operating payments	-416,521	-433,196	-446,779	-468,958
Net cash flows from operating activities	-23,526	-18,197	-6,202	3,699
Cash flows from investments in non-financial assets				
Sales of non-financial assets	1,896	329	305	874
Purchases of non-financial assets	-11,812	-12,077	-13,117	-14,337
Net cash flows from investments in non-financial assets	-9,917	-11,748	-12,812	-13,462
Net cash flows from investments in financial assets for policy purposes	-14,727	-18,922	-13,262	-14,044
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-13,132	-13,343	-4,599	-2,319
Net cash flows from investments in financial assets for liquidity purposes	-13,132	-13,343	-4,599	-2,319
Cash receipts from financing activities				
Borrowing	64,552	65,040	40,253	29,362
Other financing	25	0	0	0
Total cash receipts from financing activities	64,577	65,040	40,253	29,362
Cash payments for financing activities				
Borrowing	0	0	0	0
Other financing	-2,560	-3,199	-3,488	-3,162
Total cash payments for financing activities	-2,560	-3,199	-3,488	-3,162
Net cash flows from financing activities	62,017	61,841	36,766	26,200
Net increase/(decrease) in cash held	716	-368	-110	72

Table B3: Australian Government general government sector cash flow statement (continued)^(a)

	Estimates		Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Net cash flows from operating activities and investments in non-financial assets (surplus+)/deficit(-)	-33,443	-29,945	-19,014	-9,764
Finance leases and similar arrangements(b)	-2	-5	0	0
GFS cash surplus(+)/deficit(-)	-33,444	-29,950	-19,014	-9,764
less Net Future Fund earnings	3,955	3,717	4,007	4,465
Equals underlying cash balance(c)	-37,399	-33,667	-23,021	-14,229
plus Net cash flows from investments in financial assets for policy purposes	-14,727	-18,922	-13,262	-14,044
plus Net Future Fund earnings	3,955	3,717	4,007	4,465
Equals headline cash balance	-48,171	-48,872	-32,276	-23,808

(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 B4: Australian Government public non-financial corporations sector operating statement

	Estimates
	2015-16
	\$m
Revenue	
Current grants and subsidies	38
Sales of goods and services	9,871
Interest income	41
Other	16
Total revenue	9,967
Expenses	
Gross operating expenses	
Wages and salaries(a)	4,108
Superannuation	364
Depreciation and amortisation	1,502
Supply of goods and services	5,493
Other operating expenses(a)	449
<i>Total gross operating expenses</i>	<i>11,916</i>
Interest expenses	510
Other property expenses	120
Current transfers	
Tax expenses	15
<i>Total current transfers</i>	<i>15</i>
Total expenses	12,562
Net operating balance	-2,595
Other economic flows	-1,027
Comprehensive result - Total change in net worth excluding contribution from owners	-3,622
Net acquisition of non-financial assets	
Purchases of non-financial assets	4,412
<i>less</i> Sales of non-financial assets	48
<i>less</i> Depreciation	1,502
<i>plus</i> Change in inventories	30
<i>plus</i> Other movements in non-financial assets	1,625
Total net acquisition of non-financial assets	4,515
Fiscal balance (Net lending/borrowing)(b)	-7,111

(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 B5: Australian Government public non-financial corporations sector balance sheet

	Estimates
	2015-16 \$m
Assets	
Financial assets	
Cash and deposits	1,929
Advances paid	8
Investments, loans and placements	343
Other receivables	1,756
Equity investments	3
<i>Total financial assets</i>	<i>4,039</i>
Non-financial assets	
Land and other fixed assets	22,201
Other non-financial assets(a)	5,204
<i>Total non-financial assets</i>	<i>27,406</i>
Total assets	31,444
Liabilities	
Interest bearing liabilities	
Advances received	206
Loans	2,318
Other borrowing	4,321
<i>Total interest bearing liabilities</i>	<i>6,844</i>
Provisions and payables	
Superannuation liability	23
Other employee liabilities	1,586
Other provisions and payables(a)	3,466
<i>Total provisions and payables</i>	<i>5,075</i>
Total liabilities	11,919
Shares and other contributed capital	19,525
Net worth(b)	19,525
<i>Net financial worth(c)</i>	<i>-7,881</i>
<i>Net debt(d)</i>	<i>4,565</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, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

Table B6: Australian Government public non-financial corporations sector cash flow statement^(a)

	Estimates
	2015-16
	\$m
Cash receipts from operating activities	
Receipts from sales of goods and services	11,198
GST input credit receipts	671
Other receipts	88
Total operating receipts	11,957
Cash payments for operating activities	
Payments to employees	-4,871
Payment for goods and services	-8,872
Interest paid	-34
GST payments to taxation authority	0
Other payments	0
Total operating payments	-13,778
Net cash flows from operating activities	-1,820
Cash flows from investments in non-financial assets	
Sales of non-financial assets	35
Purchases of non-financial assets	-5,967
Net cash flows from investments in non-financial assets	-5,931
Net cash flows from investments in financial assets for policy purposes	0
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-4
Net cash flows from investments in financial assets for liquidity purposes	-4
Net cash flows from financing activities	
Borrowing (net)	-170
Other financing (net)	7,937
Distribution paid (net)	-124
Net cash flows from financing activities	7,643
Net increase/(decrease) in cash held	-113
Cash at the beginning of the year	2,042
Cash at the end of the year	1,929
Net cash from operating activities and investments in non-financial assets	-7,752
Distributions paid	-124
Equals surplus(+)/deficit(-)	-7,876
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	-7,876

(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 B7: Australian Government total non-financial public sector operating statement

	Estimates
	2015-16
	\$m
Revenue	
Taxation revenue	375,908
Sales of goods and services	16,820
Interest income	4,542
Dividend income	3,720
Other	8,731
Total revenue	409,720
Expenses	
Gross operating expenses	
Wages and salaries(a)	24,180
Superannuation	6,293
Depreciation and amortisation	8,632
Supply of goods and services	86,908
Other operating expenses(a)	5,888
<i>Total gross operating expenses</i>	<i>131,901</i>
Superannuation interest expense	9,231
Interest expenses	17,751
Current transfers	
Current grants	127,737
Subsidy expenses	12,906
Personal benefits	133,402
<i>Total current transfers</i>	<i>274,046</i>
Capital transfers	10,667
Total expenses	443,596
Net operating balance	-33,876
Other economic flows	-2,923
Comprehensive result - Total change in net worth	-36,799
Net acquisition of non-financial assets	
Purchases of non-financial assets	16,073
<i>less</i> Sales of non-financial assets	<i>576</i>
<i>less</i> Depreciation	<i>8,632</i>
<i>plus</i> Change in inventories	<i>450</i>
<i>plus</i> Other movements in non-financial assets	<i>1,684</i>
Total net acquisition of non-financial assets	8,999
Fiscal balance (net lending/borrowing)(b)	-42,875

(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 B8: Australian Government total non-financial public sector balance sheet

	Estimates
	2015-16
	\$m
Assets	
Financial assets	
Cash and deposits	5,801
Advances paid	53,020
Investments, loans and placements	154,879
Other receivables	48,273
Equity investments	74,413
<i>Total financial assets</i>	<i>336,386</i>
Non-financial assets	
Land and other fixed assets	137,540
Other non-financial assets	12,623
<i>Total non-financial assets</i>	<i>150,163</i>
Total assets	486,548
Liabilities	
Interest bearing liabilities	
Deposits held	218
Advances received	0
Government securities	472,416
Loans	18,509
Other borrowing	5,882
<i>Total interest bearing liabilities</i>	<i>497,025</i>
Provisions and payables	
Superannuation liability	173,980
Other employee liabilities	18,645
Other provisions and payables	52,087
<i>Total provisions and payables</i>	<i>244,712</i>
Total liabilities	741,737
Shares and other contributed capital	19,525
Net worth(a)	-255,189
<i>Net financial worth(b)</i>	<i>-405,352</i>
<i>Net debt(c)</i>	<i>283,326</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, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table B9: Australian Government total non-financial public sector cash flow statement^(a)

	Estimates
	2015-16
	\$m
Cash receipts from operating activities	
Taxes received	368,254
Receipts from sales of goods and services	17,432
Interest receipts	3,896
Dividends and income tax equivalents	4,392
Other receipts	8,528
Total operating receipts	402,502
Cash payments for operating activities	
Payments to employees	-33,001
Payments for goods and services	-88,669
Grants and subsidies paid	-150,706
Interest paid	-15,055
Personal benefit payments	-135,228
Other payments	-5,313
Total operating payments	-427,972
Net cash flows from operating activities	-25,471
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1,931
Purchases of non-financial assets	-17,779
Net cash flows from investments in non-financial assets	-15,848
Net cash flows from investments in financial assets for policy purposes	-6,739
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-13,136
Net cash flows from investments in financial assets for liquidity purposes	-13,136
Net cash flows from financing activities	
Borrowing (net)	64,382
Other financing (net)	-2,585
Net cash flows from financing activities	61,796
Net increase/(decrease) in cash held	602
Cash at the beginning of the year	5,198
Cash at the end of the year	5,801
Net cash from operating activities and investments in non-financial assets	-41,318
Distributions paid	0
Equals surplus(+)/deficit(-)	-41,318
Finance leases and similar arrangements(b)	-2
GFS cash surplus(+)/deficit(-)	-41,320

(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 B10: Australia Government public financial corporations sector operating statement

	Estimates	
	2015-16	\$m
Revenue		
Current grants and subsidies		150
Sales of goods and services		680
Interest income		2,363
Other		75
Total revenue		3,268
Expenses		
Gross operating expenses		
Wages and salaries(a)		150
Superannuation		50
Depreciation and amortisation		34
Supply of goods and services(b)		398
Other operating expenses(a)(b)		214
<i>Total gross operating expenses</i>		846
Interest expenses		1,294
Other property expenses		897
Current transfers		
Tax expenses		6
<i>Total current transfers</i>		6
Total expenses		3,043
Net operating balance		225
Other economic flows		3,416
Comprehensive result - Total change in net worth excluding contribution from owners		3,641
Net acquisition of non-financial assets		
Purchases of non-financial assets		1
<i>less</i> Sales of non-financial assets		82
<i>less</i> Depreciation		34
<i>plus</i> Change in inventories		-9
<i>plus</i> Other movements in non-financial assets		0
Total net acquisition of non-financial assets		-124
Fiscal balance (Net lending/borrowing)(c)		349

(a) Consistent with ABS GFS classification and PNFC presentation, from the 2015-16 Budget, other employee related expenses, such as employee entitlements, are reclassified from wages and salaries to other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Consistent with ABS GFS classification and PNFC presentation, from the 2015-16 Budget, supply of goods and services has been separated from other operating expenses.

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

Table B11: Australian Government public financial corporations sector balance sheet^(a)

	Estimates
	2015-16 \$m
Assets	
Financial assets	
Cash and deposits	828
Investments, loans and placements	157,205
Other receivables	238
Equity investments	431
<i>Total financial assets</i>	<i>158,702</i>
Non-financial assets	
Land and other fixed assets	672
Other non-financial assets(b)	32
<i>Total non-financial assets</i>	<i>705</i>
Total assets	159,407
Liabilities	
Interest bearing liabilities	
Deposits held	115,558
Borrowing	11,399
<i>Total interest bearing liabilities</i>	<i>126,957</i>
Provisions and payables	
Superannuation liability	306
Other employee liabilities	1,443
Other provisions and payables(b)	1,997
<i>Total provisions and payables</i>	<i>3,746</i>
Total liabilities	130,703
Shares and other contributed capital	28,705
Net worth(c)	28,705
<i>Net financial worth(d)</i>	<i>28,000</i>
<i>Net debt(e)</i>	<i>-31,077</i>

(a) Assumes no valuation or currency movement.

(b) Excludes the impact of commercial taxation adjustments.

(c) Under AASB1049, 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 AASB1049, 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 deposits held and borrowing, minus the sum of cash and deposits and investments, loans and placements.

Table B12: Australian Government public financial corporations sector cash flow statement^(a)

	Estimates
	2015-16 \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	675
Grants and subsidies received	0
GST input credit receipts	4
Interest receipts	2,438
Other receipts	383
Total operating receipts	3,500
Cash payments for operating activities	
Payments to employees	-252
Payment for goods and services	-406
Interest paid	-1,337
GST payments to taxation authority	0
Other payments(b)	-147
Total operating payments	-2,142
Net cash flows from operating activities	1,357
Cash flows from investments in non-financial assets	
Sales of non-financial assets	82
Purchases of non-financial assets	0
Net cash flows from investments in non-financial assets	81
Net cash flows from investments in financial assets for policy purposes	0
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments(b)	-1,043
Net cash flows from investments in financial assets for liquidity purposes	-1,043
Net cash flows from financing activities	
Borrowing (net)	-1,299
Deposits received (net)	0
Other financing (net)	2,882
Distributions paid (net)	-1,631
Net cash flows from financing activities	-47
Net increase/(decrease) in cash held	348
Cash at the beginning of the year	480
Cash at the end of the year	828
Net cash from operating activities and investments in non-financial assets	1,439
Distributions paid	-1,631
Equals surplus(+)/deficit(-)	-192
Finance leases and similar arrangements(c)	0
GFS cash surplus(+)/deficit(-)	-192

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

(b) In accordance with AASB1049, the Budget estimate for other payments has been reclassified in the 2014-15 FBO from operating to investing to provide consistency in treatment of transactions in investments.

(c) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increase 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 Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for MYEFO 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 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.

Appendix B: Australian Government Budget Financial Statements

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).

Explanations of major variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2015-16 Budget are disclosed in Part 3, with decisions taken since the 2015-16 Budget disclosed in Appendix A.

Updates to fiscal risks and contingent liabilities since the 2015-16 Budget are disclosed in Appendix C.

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 B13.

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 outlined 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 B13: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	AASB 1049 requires cost to be used where fair value of assets cannot be reliably measured.	ABS record DWP on a market value basis using the perpetual inventory method.	AAS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins are 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 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 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
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

Table B13: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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 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

Appendix B: Australian Government Budget Financial Statements

Note 3: Taxation revenue by type

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Individuals and other withholding taxes				
Gross income tax withholding	176,550	185,950	196,870	209,390
Gross other individuals	44,310	47,740	52,580	58,010
less Refunds	27,500	28,900	30,700	32,650
Total individuals and other withholding tax	193,360	204,790	218,750	234,750
Fringe benefits tax	4,610	4,780	4,670	4,870
Company tax	67,996	71,600	77,700	83,900
Superannuation fund taxes	7,780	9,150	9,880	10,580
Minerals resource rent tax(a)	0	0	0	0
Petroleum resource rent tax	960	1,070	960	990
Total income taxation revenue	274,706	291,390	311,960	335,090
Goods and services tax	59,790	63,700	67,010	70,480
Wine equalisation tax	850	860	890	920
Luxury car tax	520	510	520	530
Excise and customs duty				
Petrol	6,220	6,400	6,710	7,060
Diesel	9,350	9,640	9,990	10,490
Other fuel products	2,423	2,440	2,560	2,670
Tobacco	9,150	9,700	9,990	10,280
Beer	2,340	2,330	2,410	2,500
Spirits	1,970	2,010	2,070	2,140
Other alcoholic beverages(b)	910	920	950	980
Other customs duty				
Textiles, clothing and footwear	440	300	260	270
Passenger motor vehicles	550	590	560	600
Other imports	1,370	1,140	930	990
less Refunds and drawbacks	420	420	420	420
Total excise and customs duty	34,303	35,050	36,010	37,560
Carbon pricing mechanism	0	0	0	0
Agricultural levies	475	485	493	498
Other taxes(c)	5,279	5,547	5,638	5,725
Mirror taxes	528	557	588	618
less Transfers to States in relation to mirror tax revenue	528	557	588	618
Mirror tax revenue	0	0	0	0
Total indirect taxation revenue	101,217	106,151	110,562	115,712
Total taxation revenue	375,923	397,541	422,522	450,802
<i>Memorandum:</i>				
Total excise	21,393	21,550	22,430	23,500
Total customs duty	12,910	13,500	13,580	14,060
Capital gains tax(d)	10,600	12,300	14,300	16,100
Medicare and DisabilityCare Australia levy	15,014	15,592	16,260	17,038

(a) The MRRT applied until 30 September 2014.

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

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

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

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	197,990	209,600	223,430	239,630
Income and capital gains levied on enterprises	76,716	81,790	88,530	95,460
Total taxes on income, profits and capital gains	274,706	291,390	311,960	335,090
Taxes on employers' payroll and labour force	710	702	684	722
Taxes on the provision of goods and services				
Sales/goods and services tax	61,160	65,070	68,420	71,930
Excises and levies	21,868	22,035	22,923	23,998
Taxes on international trade	12,910	13,500	13,580	14,060
Total taxes on the provision of goods and services	95,938	100,605	104,923	109,988
Other taxes(a)	4,569	4,845	4,954	5,003
Total taxation revenue	375,923	397,541	422,522	450,802
<i>Memorandum:</i>				
<i>Medicare and DisabilityCare Australia levy</i>	<i>15,014</i>	<i>15,592</i>	<i>16,260</i>	<i>17,038</i>

- (a) Visa application charges have been reclassified from non-taxation revenue to taxation revenue to reflect a sustained change in the nature of revenue. The reclassification is reflected from 2015-16 MYEFO and back-casting occurs in Appendix D 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

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Sales of goods	1,859	1,858	2,022	1,939
Rendering of services	4,226	5,874	8,548	12,365
Operating lease rental	67	67	72	74
Fees from regulatory services(a)	1,804	1,842	1,885	1,930
Total sales of goods and services revenue	7,956	9,641	12,527	16,307

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

Appendix B: Australian Government Budget Financial Statements

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Interest from other governments				
State and Territory debt	36	38	40	38
Housing agreements	129	124	119	114
Total interest from other governments	165	162	159	152
Interest from other sources				
Advances	47	50	81	117
Deposits	87	88	89	90
Bank deposits	115	109	110	119
Indexation of HELP receivable and other student loans	626	854	1,074	1,332
Other	3,478	3,675	3,849	4,756
Total interest from other sources	4,354	4,776	5,203	6,414
Total interest	4,519	4,938	5,361	6,566
Dividends				
Dividends from other public sector entities	986	463	923	1,044
Other dividends	2,855	2,587	2,779	2,986
Total dividends	3,841	3,050	3,702	4,030
Total interest and dividend revenue	8,359	7,988	9,063	10,596

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Industry contributions	116	126	128	128
Royalties	1,087	955	851	689
Seigniorage	118	111	105	97
Other	7,393	6,838	7,385	8,474
Total other sources of non-taxation revenue	8,714	8,030	8,468	9,388

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Wages and salaries expenses	20,072	19,935	19,715	19,772
Other operating expenses				
Leave and other entitlements	2,267	2,192	2,172	2,178
Separations and redundancies	59	51	45	44
Workers compensation premiums and claims	876	941	974	1,001
Other	2,236	2,227	2,293	2,313
Total other operating expenses	5,439	5,411	5,484	5,535
Superannuation expenses				
Superannuation	5,930	4,609	4,587	4,615
Superannuation interest cost	9,231	10,261	10,650	11,036
Total superannuation expenses	15,161	14,870	15,237	15,651
Total employee and superannuation expense	40,672	40,216	40,436	40,958

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Depreciation				
Specialist military equipment	3,276	3,586	3,641	3,883
Buildings	1,393	1,362	1,383	1,417
Other infrastructure, plant and equipment	1,452	1,438	1,485	1,512
Heritage and cultural assets	38	38	37	37
Total depreciation	6,159	6,423	6,547	6,849
Total amortisation	970	983	937	938
Total depreciation and amortisation expense	7,129	7,406	7,484	7,787

Note 9: Supply of goods and services expense

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Supply of goods and services	26,836	27,616	27,516	28,340
Operating lease rental expenses	2,516	2,490	2,511	2,561
Personal benefits - indirect(a)	45,415	46,874	54,669	57,384
Health care payments	5,238	5,294	5,374	5,487
Other	2,418	2,523	2,780	2,756
Total supply of goods and services expense	82,423	84,798	92,851	96,528

(a) Includes Child Care Subsidy from 2017-18, when all payments will be made directly to child care providers. See also Note 12, Personal benefits expense.

Appendix B: Australian Government Budget Financial Statements

Note 10: Interest expense

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Interest on debt				
Government securities(a)	15,664	17,073	17,719	18,718
Loans	10	0	1	1
Other	302	299	308	329
Total interest on debt	15,976	17,372	18,028	19,049
Other financing costs	1,284	2,044	2,345	2,520
Total interest expense	17,260	19,416	20,373	21,568

(a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Commonwealth Government Securities (CGS) when issued and 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	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Current grants expense				
State and Territory governments	98,883	104,916	108,806	113,002
Local governments	6	2	0	0
Private sector	6,889	8,315	8,237	8,245
Overseas	3,676	3,878	3,688	4,019
Non-profit organisations	2,863	2,908	3,170	2,882
Multi-jurisdictional sector	10,309	9,900	9,910	10,048
Other	5,111	8,016	13,250	21,013
Total current grants expense	127,737	137,935	147,062	159,210
Capital grants expense				
Mutually agreed write-downs	1,887	1,946	2,089	2,243
Other capital grants				
State and Territory governments	7,471	9,857	7,487	4,620
Local governments	992	1,099	337	351
Private sector	0	0	0	0
Multi-jurisdictional sector	104	100	100	101
Other	213	334	552	876
Total capital grants expense	10,667	13,337	10,565	8,192
Total grants expense	138,404	151,272	157,627	167,401

Note 12: Personal benefits expense

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	43,830	46,012	47,401	50,030
Assistance to veterans and dependants	5,791	5,578	5,314	5,118
Assistance to people with disabilities	24,616	25,688	26,795	27,859
Assistance to families with children(a)	35,509	33,477	28,367	29,131
Assistance to the unemployed	11,138	10,733	10,697	11,748
Student assistance	3,548	2,980	3,026	3,408
Other welfare programmes	1,086	1,059	379	406
Financial and fiscal affairs	364	347	337	331
Vocational and industry training	95	84	92	93
Other	7,427	8,265	10,470	13,942
Total personal benefits expense	133,402	134,223	132,879	142,068

(a) Excludes Child Care Subsidy from 2017-18, when all payments will be made directly to child care providers. See also Note 9, Supply of goods and services expense.

Note 13: Advances paid and other receivables

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Advances paid				
Loans to State and Territory governments	3,332	3,291	3,160	3,000
Higher Education Loan Program	37,284	44,594	52,758	61,779
Student Financial Supplement Scheme	483	438	389	339
Other	12,352	15,276	17,038	18,817
less Provision for doubtful debts	233	230	218	206
Total advances paid	53,218	63,370	73,127	83,729
Other receivables				
Goods and services receivable	889	897	899	904
Recoveries of benefit payments	4,642	5,474	6,046	5,787
Taxes receivable	18,752	19,367	20,275	21,425
Prepayments	4,547	4,687	4,795	4,878
Other	19,390	18,604	19,787	20,823
less Provision for doubtful debts	1,625	2,093	2,519	2,632
Total other receivables	46,594	46,935	49,283	51,185

Note 14: Investments, loans and placements

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Investments - deposits	43,365	42,919	42,384	41,496
IMF quota	12,278	12,321	12,392	12,438
Other	98,893	112,490	119,868	125,531
Total investments, loans and placements	154,537	167,731	174,643	179,465

Appendix B: Australian Government Budget Financial Statements

Note 15: Non-financial assets

	Estimates		Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Land and buildings				
Land	9,780	9,752	9,711	9,787
Buildings	26,198	26,621	27,678	28,601
Total land and buildings	35,977	36,372	37,389	38,388
Plant, equipment and infrastructure				
Specialist military equipment	45,356	48,164	51,263	56,175
Other	14,311	14,963	15,503	15,480
Total plant, equipment and infrastructure	59,667	63,127	66,766	71,655
Inventories				
Inventories held for sale	1,508	1,664	1,640	1,620
Inventories not held for sale	6,843	6,741	6,600	6,474
Total inventories	8,351	8,405	8,239	8,094
Intangibles				
Computer software	3,860	3,757	3,649	3,501
Other	2,975	3,144	3,700	3,988
Total intangibles	6,835	6,901	7,349	7,489
Total investment properties	187	187	187	187
Total biological assets	44	44	44	44
Total heritage and cultural assets	11,344	11,356	11,369	11,382
Total assets held for sale	87	82	82	82
Total other non-financial assets	265	292	139	134
Total non-financial assets	122,757	126,766	131,565	137,455

Note 16: Loans

	Estimates		Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Promissory notes	9,878	9,354	9,330	9,306
Special drawing rights	5,640	5,660	5,693	5,715
Other	673	590	503	419
Total loans	16,191	15,605	15,526	15,440

Note 17: Employee and superannuation liabilities

	Estimates		Projections	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Total superannuation liability(a)	173,958	180,569	187,154	193,715
Other employee liabilities				
Leave and other entitlements	7,388	7,447	7,535	7,621
Accrued salaries and wages	577	609	623	632
Workers compensation claims	3,265	3,298	3,338	3,384
Other	5,829	6,023	6,245	6,475
Total other employee liabilities	17,059	17,377	17,740	18,112
Total employee and superannuation liabilities	191,017	197,946	204,894	211,826

(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	
	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m
Suppliers payable				
Trade creditors	4,767	4,661	4,717	4,718
Operating lease rental payable	327	336	335	331
Other creditors	878	879	881	883
Total suppliers payable	5,972	5,877	5,933	5,932
Total personal benefits provisions and payables	13,304	12,363	11,152	10,731
Total subsidies provisions and payables	5,035	5,407	5,664	5,988
Grants provisions and payables				
State and Territory governments	95	85	79	69
Non-profit organisations	181	181	181	181
Private sector	367	366	366	365
Overseas	1,166	2,257	1,904	1,751
Local governments	2	2	2	2
Other	7,586	7,213	6,915	6,803
Total grants provisions and payables	9,397	10,105	9,447	9,171
Other provisions and payables				
Provisions for tax refunds	2,954	2,976	2,988	2,980
Other	12,036	12,268	10,828	10,895
Total other provisions and payables	14,990	15,245	13,816	13,875

Appendix B: Australian Government Budget Financial Statements

Note 19: Reconciliation of cash

	Estimates		Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Net operating balance (revenues less expenses)	-31,281	-28,006	-13,312	-4,276
<i>less</i> Revenues not providing cash				
Other	1,975	1,884	1,766	2,350
Total revenues not providing cash	1,975	1,884	1,766	2,350
<i>plus</i> Expenses not requiring cash				
Increase/(decrease) in employee entitlements	7,314	7,264	7,328	7,365
Depreciation/amortisation expense	7,129	7,406	7,484	7,787
Mutually agreed write-downs	1,887	1,946	2,089	2,243
Other	1,205	937	2,186	2,358
Total expenses not requiring cash	17,536	17,553	19,087	19,753
<i>plus</i> Cash provided / (used) by working capital items				
Decrease/(increase) in inventories	-202	-238	-38	-60
Decrease/(increase) in receivables	-6,462	-6,711	-9,364	-9,222
Decrease/(increase) in other financial assets	1,791	2,387	2,677	2,296
Decrease/(increase) in other non-financial assets	25	-68	-39	-41
Increase/(decrease) in benefits, subsidies and grants payable	-2,376	220	-1,404	-221
Increase/(decrease) in suppliers' liabilities	643	-112	53	-21
Increase/(decrease) in other provisions and payables	-1,224	-1,339	-2,096	-2,160
Net cash provided / (used) by working capital	-7,806	-5,861	-10,211	-9,428
<i>equals</i> (Net cash from/(to) operating activities)	-23,526	-18,197	-6,202	3,699
<i>plus</i> (Net cash from/(to) investing activities)	-37,775	-44,013	-30,673	-29,826
Net cash from operating activities and investment	-61,301	-62,210	-36,875	-26,127
<i>plus</i> (Net cash from/(to) financing activities)	62,017	61,841	36,766	26,200
equals Net increase/(decrease) in cash held	716	-368	-110	72
Cash at the beginning of the year	3,156	3,872	3,503	3,393
Net increase/(decrease) in cash	716	-368	-110	72
Cash at the end of the year	3,872	3,503	3,393	3,466

Attachment A

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The MYEFO 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, or 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 (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*.¹

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

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).

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

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.

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 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 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.

Appendix B: Australian Government Budget Financial Statements

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 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.

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 B3 of this statement and related tables in Part 3 and Appendix D.

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

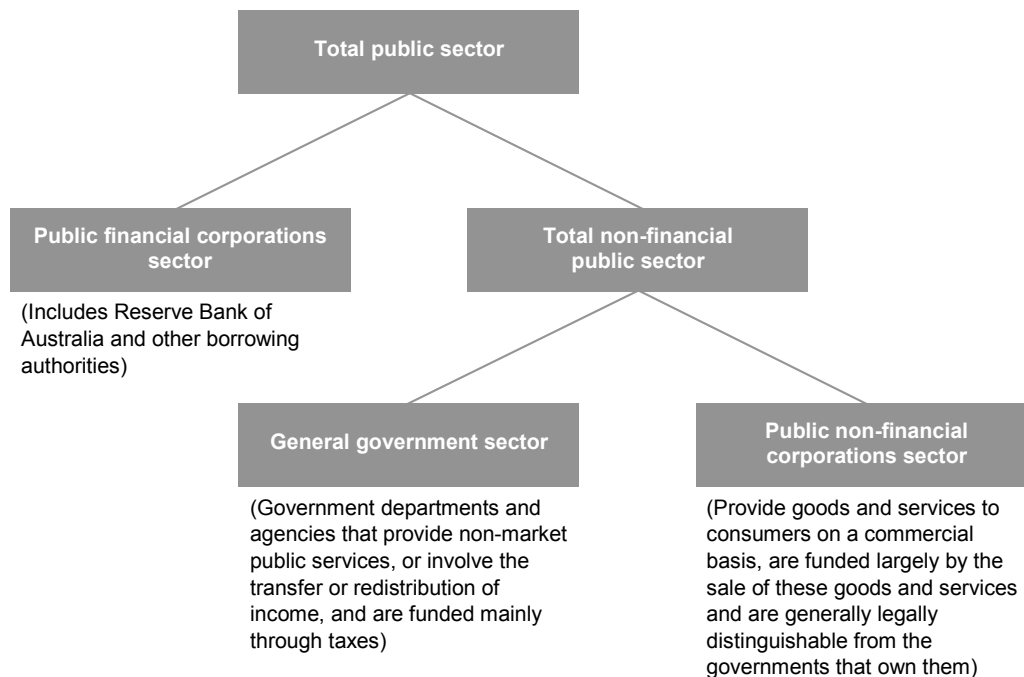
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

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 B1. 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 B1: Institutional structure of the public sector



⁶ Cash flows from investments in financial assets for policy purposes are often referred to as net advances.

Appendix B: Australian Government Budget Financial Statements

All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table B14).

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-pgpa.pdf?V=2.

Table B14: 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 Australian 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