

STATEMENT 9: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

Consistent with the *Charter of Budget Honesty Act 1998* (the Charter), the Government has produced a single set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, 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 budget financial statements are consistent with the requirements of the UPF.

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

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Table 1: Australian Government general government sector operating statement

	Note	Estimates			Projections	
		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Revenue						
Taxation revenue	3	371,923	391,283	419,944	449,793	478,563
Sales of goods and services	4	7,697	9,249	12,011	15,558	16,763
Interest income	5	3,506	4,280	4,841	5,775	6,825
Dividend income	5	5,564	3,242	3,666	4,045	3,845
Other	6	7,706	8,807	9,063	9,198	9,066
Total revenue		396,396	416,862	449,524	484,370	515,062
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	19,767	20,071	19,864	20,015	20,417
Superannuation	7	7,052	4,618	4,693	4,783	4,828
Depreciation and amortisation	8	7,165	7,522	7,660	8,061	8,640
Supply of goods and services	9	81,414	86,745	87,558	97,400	101,857
Other operating expenses(a)	7	5,483	5,452	5,418	5,445	5,504
<i>Total gross operating expenses</i>		<i>120,881</i>	<i>124,408</i>	<i>125,193</i>	<i>135,705</i>	<i>141,247</i>
Superannuation interest expense	7	9,167	9,959	10,330	10,706	11,085
Interest expenses	10	16,774	18,725	19,764	20,539	20,818
Current transfers						
Current grants	11	128,393	138,966	148,480	162,171	168,786
Subsidy expenses		12,763	13,425	14,102	14,918	16,024
Personal benefits	12	133,416	132,562	134,844	137,165	146,374
<i>Total current transfers</i>		<i>274,572</i>	<i>284,953</i>	<i>297,426</i>	<i>314,254</i>	<i>331,184</i>
Capital transfers						
Mutually agreed write-downs	11	1,722	1,845	1,959	2,102	2,246
Other capital grants		8,354	10,663	10,139	6,018	5,024
<i>Total capital transfers</i>		<i>10,076</i>	<i>12,508</i>	<i>12,098</i>	<i>8,121</i>	<i>7,270</i>
Total expenses		431,470	450,553	464,812	489,324	511,604
Net operating balance		-35,074	-33,691	-15,287	-4,954	3,458
Other economic flows - included in operating result						
Net write-downs of assets						
(including bad and doubtful debts)		-7,106	-8,077	-8,602	-8,977	-9,350
Assets recognised for the first time		296	348	317	330	343
Liabilities recognised for the first time		0	0	0	0	0
Actuarial revaluations		0	0	0	0	0
Net foreign exchange gains		-9	8	119	150	33
Net swap interest received		-437	0	0	0	0
Market valuation of debt		-4,673	3,156	2,547	2,350	1,960
Other gains/(losses)		713	4,705	7,205	6,305	6,298
Total other economic flows - included in operating result		-11,215	140	1,586	157	-715
Operating result(b)		-46,289	-33,552	-13,701	-4,797	2,743

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

	Note	Estimates			Projections	
		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Non-owner movements in equity						
Revaluation of equity investments		-3,026	-2,880	31	49	0
Actuarial revaluations		1,032	-6	-16	-3	9
Other economic revaluations		371	536	7	-30	509
Total other economic flows - included in equity		-1,623	-2,350	21	16	518
Comprehensive result -						
Total change in net worth		-47,912	-35,902	-13,680	-4,780	3,262
Net operating balance		-35,074	-33,691	-15,287	-4,954	3,458
Net acquisition of non-financial assets						
Purchases of non-financial assets		11,559	11,416	12,993	13,255	14,046
<i>less</i> Sales of non-financial assets		404	932	2,030	562	233
<i>less</i> Depreciation		7,165	7,522	7,660	8,061	8,640
<i>plus</i> Change in inventories		310	449	239	260	346
<i>plus</i> Other movements in non-financial assets		56	26	-154	-7	-2
Total net acquisition of non-financial assets		4,355	3,437	3,388	4,885	5,517
Fiscal balance (Net lending/borrowing)(c)		-39,429	-37,129	-18,675	-9,839	-2,059

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

(b) Operating result under AAS.

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

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Table 2: Australian Government general government sector balance sheet

	Note	Estimates			Projections	
		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Assets						
Financial assets						
Cash and deposits		3,512	4,874	3,440	3,160	2,688
Advances paid	13	52,782	62,637	72,852	83,557	95,356
Investments, loans and placements	14	153,233	173,479	188,611	189,073	192,823
Other receivables	13	48,492	48,646	51,997	55,560	57,404
Equity investments						
Investments in other public sector entities		44,798	50,846	50,959	51,270	51,618
Equity accounted investments		344	354	364	374	384
Investments - shares		39,394	42,558	45,746	49,253	53,116
<i>Total financial assets</i>		<i>342,555</i>	<i>383,395</i>	<i>413,970</i>	<i>432,248</i>	<i>453,389</i>
Non-financial assets						
Land	15	9,729	9,674	9,610	9,604	9,617
Buildings		25,992	26,391	26,676	26,926	27,532
Plant, equipment and infrastructure		59,692	62,239	66,468	70,661	74,835
Inventories		8,195	8,184	7,933	7,691	7,513
Intangibles		6,881	7,414	7,820	8,017	8,173
Investment property		200	200	200	200	200
Biological assets		44	44	44	44	44
Heritage and cultural assets		11,697	11,658	11,620	11,582	11,543
Assets held for sale		174	147	80	80	80
Other non-financial assets		262	288	134	127	125
<i>Total non-financial assets</i>		<i>122,866</i>	<i>126,238</i>	<i>130,584</i>	<i>134,930</i>	<i>139,662</i>
Total assets		465,421	509,633	544,554	567,178	593,051
Liabilities						
Interest bearing liabilities						
Deposits held		218	218	218	218	218
Government securities		476,999	549,537	594,439	614,904	628,828
Loans	16	16,425	15,739	15,732	15,731	15,643
Other borrowing		1,569	1,458	1,356	1,310	1,244
<i>Total interest bearing liabilities</i>		<i>495,211</i>	<i>566,952</i>	<i>611,745</i>	<i>632,163</i>	<i>645,933</i>

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Table 2: Australian Government general government sector balance sheet (continued)

	Note	Estimates			Projections	
		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Provisions and payables						
Superannuation liability	17	169,308	175,661	182,026	188,394	194,739
Other employee liabilities	17	17,004	17,332	17,671	18,046	18,445
Suppliers payable	18	5,868	6,092	6,188	6,307	6,319
Personal benefits provisions and payables	18	14,446	13,542	12,294	11,883	12,086
Subsidies provisions and payables	18	4,908	5,216	5,489	5,816	6,211
Grants provisions and payables	18	10,466	10,876	10,246	10,386	11,714
Other provisions and payables	18	13,237	14,891	13,503	13,573	13,731
<i>Total provisions and payables</i>		<i>235,237</i>	<i>243,610</i>	<i>247,417</i>	<i>254,404</i>	<i>263,246</i>
Total liabilities		730,448	810,561	859,163	886,567	909,178
Net worth(a)		-265,027	-300,929	-314,608	-319,389	-316,127
<i>Net financial worth(b)</i>		<i>-387,893</i>	<i>-427,167</i>	<i>-445,192</i>	<i>-454,319</i>	<i>-455,789</i>
<i>Net financial liabilities(c)</i>		<i>432,691</i>	<i>478,013</i>	<i>496,152</i>	<i>505,589</i>	<i>507,407</i>
<i>Net debt(d)</i>		<i>285,684</i>	<i>325,962</i>	<i>346,842</i>	<i>356,373</i>	<i>355,066</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 3: Australian Government general government sector cash flow statement^(a)

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Cash receipts from operating activities					
Taxes received	364,507	382,769	410,165	438,821	468,278
Receipts from sales of goods and services	7,686	9,176	11,954	15,499	16,709
Interest receipts	2,842	3,262	3,470	3,829	4,248
Dividends and income tax equivalents	5,332	5,833	3,462	3,886	4,304
Other receipts	7,321	7,879	7,737	7,324	6,970
Total operating receipts	387,688	408,919	436,788	469,358	500,509
Cash payments for operating activities					
Payments for employees	-27,893	-28,259	-28,530	-29,128	-29,938
Payments for goods and services	-80,834	-87,036	-87,498	-97,188	-101,994
Grants and subsidies paid	-149,656	-161,853	-171,131	-180,047	-186,189
Interest paid	-14,822	-15,903	-16,826	-18,054	-18,463
Personal benefit payments	-134,887	-135,637	-138,318	-139,049	-147,135
Other payments	-5,308	-5,141	-5,049	-5,060	-5,118
Total operating payments	-413,400	-433,829	-447,353	-468,525	-488,837
Net cash flows from operating activities	-25,712	-24,909	-10,565	833	11,673
Cash flows from investments in non-financial assets					
Sales of non-financial assets	339	2,365	597	562	233
Purchases of non-financial assets	-11,559	-11,216	-12,581	-12,958	-13,719
Net cash flows from investments in non-financial assets	-11,221	-8,851	-11,984	-12,396	-13,487
Net cash flows from investments in financial assets for policy purposes	-14,553	-19,678	-11,698	-12,373	-12,562
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	-9,396	-19,579	-13,223	1,719	-1,162
Net cash flows from investments in financial assets for liquidity purposes	-9,396	-19,579	-13,223	1,719	-1,162
Cash receipts from financing activities					
Borrowing	63,753	77,572	49,696	25,470	17,927
Other financing	6	34	0	0	0
Total cash receipts from financing activities	63,759	77,606	49,696	25,470	17,927
Cash payments for financing activities					
Borrowing	0	0	0	0	0
Other financing	-2,522	-3,227	-3,661	-3,533	-2,862
Total cash payments for financing activities	-2,522	-3,227	-3,661	-3,533	-2,862
Net cash flows from financing activities	61,238	74,379	46,035	21,937	15,065
Net increase/(decrease) in cash held	356	1,362	-1,434	-280	-472

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

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-36,933	-33,760	-22,548	-11,563	-1,814
Finance leases and similar arrangements(b)	-2	0	0	0	0
GFS cash surplus(+)/deficit(-)	-36,934	-33,760	-22,548	-11,563	-1,814
less Net Future Fund earnings	3,012	3,321	3,574	3,843	4,140
Equals underlying cash balance(c)	-39,946	-37,081	-26,123	-15,406	-5,955
plus Net cash flows from investments in financial assets for policy purposes	-14,553	-19,678	-11,698	-12,373	-12,562
plus Net Future Fund earnings	3,012	3,321	3,574	3,843	4,140
Equals headline cash balance	-51,487	-53,438	-34,246	-23,936	-14,376

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

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

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

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

	Estimates	
	2015-16 \$m	2016-17 \$m
Revenue		
Current grants and subsidies	80	154
Sales of goods and services	9,889	10,359
Interest income	49	32
Other	27	104
Total revenue	10,044	10,649
Expenses		
Gross operating expenses		
Wages and salaries(a)	4,093	4,185
Superannuation	348	439
Depreciation and amortisation	1,532	2,021
Supply of goods and services	5,458	6,800
Other operating expenses(a)	471	344
<i>Total gross operating expenses</i>	<i>11,901</i>	<i>13,789</i>
Interest expenses	456	567
Other property expenses	127	127
Current transfers		
Tax expenses	24	59
<i>Total current transfers</i>	<i>24</i>	<i>59</i>
Total expenses	12,509	14,543
Net operating balance	-2,465	-3,894
Other economic flows	-514	-68
Comprehensive result - Total change in net worth excluding contribution from owners	-2,979	-3,962
Net acquisition of non-financial assets		
Purchases of non-financial assets	4,667	6,335
<i>less</i> Sales of non-financial assets	65	306
<i>less</i> Depreciation	1,532	2,021
<i>plus</i> Change in inventories	33	166
<i>plus</i> Other movements in non-financial assets	1,667	2,984
Total net acquisition of non-financial assets	4,771	7,158
Fiscal balance (Net lending/borrowing)(b)	-7,236	-11,052

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

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

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

	Estimates	
	2015-16 \$m	2016-17 \$m
Assets		
Financial assets		
Cash and deposits	2,524	1,120
Investments, loans and placements	817	505
Other receivables	1,805	1,637
Equity investments	3	4
<i>Total financial assets</i>	<i>5,149</i>	<i>3,266</i>
Non-financial assets		
Land and other fixed assets	21,974	27,969
Other non-financial assets(a)	5,247	8,230
<i>Total non-financial assets</i>	<i>27,221</i>	<i>36,199</i>
Total assets	32,370	39,466
Liabilities		
Interest bearing liabilities		
Advances received	277	280
Loans	2,553	2,324
Other borrowing	4,282	6,265
<i>Total interest bearing liabilities</i>	<i>7,112</i>	<i>8,868</i>
Provisions and payables		
Superannuation liability	4	1
Other employee liabilities	1,567	1,640
Other provisions and payables(a)	3,933	4,200
<i>Total provisions and payables</i>	<i>5,504</i>	<i>5,840</i>
Total liabilities	12,616	14,708
Shares and other contributed capital	19,754	24,757
Net worth(b)	19,754	24,757
<i>Net financial worth(c)</i>	<i>-7,467</i>	<i>-11,442</i>
<i>Net debt(d)</i>	<i>3,772</i>	<i>7,243</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 (deposit held, advances received, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

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

	Estimates	
	2015-16 \$m	2016-17 \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	11,357	11,913
GST input credit receipts	376	342
Other receipts	167	465
Total operating receipts	11,900	12,719
Cash payments for operating activities		
Payments to employees	-4,930	-4,851
Payment for goods and services	-6,952	-8,087
Interest paid	-402	-518
GST payments to taxation authority	0	0
Other payments	-18	-23
Total operating payments	-12,302	-13,480
Net cash flows from operating activities	-402	-760
Cash flows from investments in non-financial assets		
Sales of non-financial assets	65	300
Purchases of non-financial assets	-6,267	-9,335
Net cash flows from investments in non-financial assets	-6,203	-9,035
Net cash flows from investments in financial assets for policy purposes	0	0
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-18	133
Net cash flows from investments in financial assets for liquidity purposes	-18	133
Net cash flows from financing activities		
Borrowing (net)	94	-61
Other financing (net)	7,135	8,454
Distributions paid (net)	-125	-134
Net cash flows from financing activities	7,104	8,258
Net increase/(decrease) in cash held	482	-1,405
Cash at the beginning of the year	2,042	2,524
Cash at the end of the year	2,524	1,120
Net cash from operating activities and investments in non-financial assets	-6,605	-9,795
Distributions paid	-125	-134
Equals surplus(+)/deficit(-)	-6,729	-9,930
Finance leases and similar arrangements(b)	-7	0
GFS cash surplus(+)/deficit(-)	-6,736	-9,930

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

	Estimates	
	2015-16 \$m	2016-17 \$m
Revenue		
Taxation revenue	371,899	391,224
Sales of goods and services	16,636	18,758
Interest income	3,536	4,294
Dividend income	5,437	3,114
Other	7,733	8,911
Total revenue	405,241	426,301
Expenses		
Gross operating expenses		
Wages and salaries(a)	23,860	24,256
Superannuation	7,400	5,057
Depreciation and amortisation	8,697	9,543
Supply of goods and services	85,923	92,696
Other operating expenses(a)	5,953	5,796
<i>Total gross operating expenses</i>	<i>131,833</i>	<i>137,348</i>
Superannuation interest expense	9,167	9,959
Interest expenses	17,211	19,273
Current transfers		
Current grants	128,393	138,966
Subsidy expenses	12,684	13,271
Personal benefits	133,416	132,562
<i>Total current transfers</i>	<i>274,492</i>	<i>284,799</i>
Capital transfers	10,076	12,508
Total expenses	442,780	463,887
Net operating balance	-37,539	-37,585
Other economic flows	-10,727	1,568
Comprehensive result - Total change in net worth	-48,266	-36,018
Net acquisition of non-financial assets		
Purchases of non-financial assets	16,226	17,752
<i>less</i> Sales of non-financial assets	469	1,238
<i>less</i> Depreciation	8,697	9,543
<i>plus</i> Change in inventories	343	615
<i>plus</i> Other movements in non-financial assets	1,723	3,010
Total net acquisition of non-financial assets	9,126	10,595
Fiscal balance (Net lending/borrowing)(b)	-46,665	-48,181

(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.

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

	Estimates	
	2015-16 \$m	2016-17 \$m
Assets		
Financial assets		
Cash and deposits	6,036	5,993
Advances paid	52,504	62,357
Investments, loans and placements	154,050	173,984
Other receivables	50,206	50,205
Equity investments	64,849	68,952
<i>Total financial assets</i>	<i>327,645</i>	<i>361,492</i>
Non-financial assets		
Land and other fixed assets	137,279	146,115
Other non-financial assets	12,808	16,323
<i>Total non-financial assets</i>	<i>150,087</i>	<i>162,437</i>
Total assets	477,732	523,930
Liabilities		
Interest bearing liabilities		
Deposits held	218	218
Advances received	0	0
Government securities	476,999	549,537
Loans	18,978	18,063
Other borrowing	5,851	7,723
<i>Total interest bearing liabilities</i>	<i>502,046</i>	<i>575,540</i>
Provisions and payables		
Superannuation liability	169,312	175,662
Other employee liabilities	18,571	18,972
Other provisions and payables	52,767	54,738
<i>Total provisions and payables</i>	<i>240,650</i>	<i>249,371</i>
Total liabilities	742,696	824,912
Shares and other contributed capital	19,754	24,757
Net worth(a)	-264,964	-300,982
<i>Net financial worth(b)</i>	<i>-415,051</i>	<i>-463,419</i>
<i>Net debt(c)</i>	<i>289,456</i>	<i>333,205</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.

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

	Estimates	
	2015-16 \$m	2016-17 \$m
Cash receipts from operating activities		
Taxes received	364,526	382,756
Receipts from sales of goods and services	17,320	19,276
Interest receipts	2,876	3,276
Dividends and income tax equivalents	5,207	5,699
Other receipts	7,436	8,310
Total operating receipts	397,365	419,317
Cash payments for operating activities		
Payments to employees	-32,823	-33,110
Payments for goods and services	-85,687	-92,968
Grants and subsidies paid	-149,656	-161,853
Interest paid	-15,206	-16,403
Personal benefit payments	-134,887	-135,637
Other payments	-5,345	-5,151
Total operating payments	-423,604	-445,121
Net cash flows from operating activities	-26,239	-25,804
Cash flows from investments in non-financial assets		
Sales of non-financial assets	404	2,665
Purchases of non-financial assets	-17,827	-20,551
Net cash flows from investments in non-financial assets	-17,423	-17,886
Net cash flows from investments in financial assets for policy purposes	-6,979	-10,712
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-9,414	-19,446
Net cash flows from investments in financial assets for liquidity purposes	-9,414	-19,446
Net cash flows from financing activities		
Borrowing (net)	63,847	77,511
Other financing (net)	-2,954	-3,706
Net cash flows from financing activities	60,893	73,805
Net increase/(decrease) in cash held	838	-43
Cash at the beginning of the year	5,198	6,036
Cash at the end of the year	6,036	5,993
Net cash from operating activities and investments in non-financial assets	-43,662	-43,690
Distributions paid	0	0
Equals surplus(+)/deficit(-)	-43,662	-43,690
Finance leases and similar arrangements(b)	-8	0
GFS cash surplus(+)/deficit(-)	-43,670	-43,690

(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 10: Australian Government public financial corporations sector operating statement

	Estimates	
	2015-16 \$m	2016-17 \$m
Revenue		
Current grants and subsidies	150	150
Sales of goods and services	679	722
Interest income	2,447	2,904
Other	46	48
Total revenue	3,322	3,824
Expenses		
Gross operating expenses		
Wages and salaries(a)	149	157
Superannuation	50	32
Depreciation and amortisation	33	42
Supply of goods and services	400	483
Other operating expenses(a)	247	215
<i>Total gross operating expenses</i>	878	930
Interest expenses	1,234	1,305
Other property expenses	2,820	207
Current transfers		
Tax expenses	5	5
<i>Total current transfers</i>	5	5
Total expenses	4,938	2,446
Net operating balance	-1,616	1,378
Other economic flows	1,249	-480
Comprehensive result - Total change in net worth excluding contribution from owners	-367	898
Net acquisition of non-financial assets		
Purchases of non-financial assets	3	0
<i>less</i> Sales of non-financial assets	51	0
<i>less</i> Depreciation	33	42
<i>plus</i> Change in inventories	-9	0
<i>plus</i> Other movements in non-financial assets	0	16
Total net acquisition of non-financial assets	-90	-26
Fiscal balance (Net lending/borrowing)(b)	-1,525	1,403

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

	Estimates	
	2015-16 \$m	2016-17 \$m
Assets		
Financial assets		
Cash and deposits	519	506
Investments, loans and placements	161,902	161,036
Other receivables	262	244
Equity investments	410	410
<i>Total financial assets</i>	<i>163,093</i>	<i>162,196</i>
Non-financial assets		
Land and other fixed assets	707	703
Other non-financial assets(b)	32	49
<i>Total non-financial assets</i>	<i>740</i>	<i>752</i>
Total assets	163,832	162,948
Liabilities		
Interest bearing liabilities		
Deposits held	124,634	124,634
Borrowing	10,074	9,941
<i>Total interest bearing liabilities</i>	<i>134,708</i>	<i>134,575</i>
Provisions and payables		
Superannuation liability	64	64
Other employee liabilities	1,423	1,423
Other provisions and payables(b)	2,940	1,291
<i>Total provisions and payables</i>	<i>4,427</i>	<i>2,778</i>
Total liabilities	139,135	137,353
Shares and other contributed capital	24,697	25,595
Net worth(c)	24,697	25,595
<i>Net financial worth(d)</i>	<i>23,958</i>	<i>24,844</i>
<i>Net debt(e)</i>	<i>-27,713</i>	<i>-26,967</i>

(a) Assumes no valuation or currency movement.

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

Table 12: Australian Government public financial corporations sector cash flow statement^(a)

	Estimates	
	2015-16 \$m	2016-17 \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	692	721
Grants and subsidies received	0	0
GST input credit receipts	9	0
Interest receipts	2,516	2,970
Other receipts	369	228
Total operating receipts	3,585	3,920
Cash payments for operating activities		
Payments to employees	-445	-404
Payment for goods and services	-417	-480
Interest paid	-1,269	-1,338
GST payments to taxation authority	0	0
Other payments	-21	-27
Total operating payments	-2,152	-2,248
Net cash flows from operating activities	1,433	1,672
Cash flows from investments in non-financial assets		
Sales of non-financial assets	51	0
Purchases of non-financial assets	-3	-16
Net cash flows from investments in non-financial assets	48	-16
Net cash flows from investments in financial assets for policy purposes	0	0
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-431	945
Net cash flows from investments in financial assets for liquidity purposes	-431	945
Net cash flows from financing activities		
Borrowing (net)	-3,494	200
Deposits received (net)	0	0
Other financing (net)	5,056	-1
Distributions paid (net)	-2,573	-2,812
Net cash flows from financing activities	-1,011	-2,614
Net increase/(decrease) in cash held	39	-13
Cash at the beginning of the year	480	519
Cash at the end of the year	519	506
Net cash from operating activities and investments in non-financial assets	1,481	1,655
Distributions paid	-2,573	-2,812
Equals surplus(+)/deficit(-)	-1,092	-1,157
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	-1,092	-1,157

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

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

NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

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

The external standards used for budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods 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 Appendix A. Detailed accounting policies, as well as a set of notes and other disclosures, as required by AAS, are disclosed in the annual Consolidated Financial Statements.

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

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

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AASB 1049 and the 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 *Statement 5: Expenses and Net Capital Investment*. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in *Statement 5*.

AASB 1055 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the *Mid-Year Economic and Fiscal Outlook 2015-16* (MYEFO) are disclosed in *Statement 3: Fiscal Strategy and Outlook*, with decisions taken since the MYEFO disclosed in Budget Paper No. 2 *Budget Measures 2016-17*. All policy decisions taken between the 2015-16 Budget and the 2015-16 MYEFO are disclosed in Appendix A of the MYEFO.

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

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 13.

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 13: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	AASB 1049 allows 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 cost method until fair value can be measured reliably
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

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Table 13: 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

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Note 3: Taxation revenue by type

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes					
Gross income tax withholding	175,510	183,380	194,920	207,120	219,990
Gross other individuals	44,850	47,300	51,530	56,330	60,915
less Refunds	27,800	29,350	31,250	34,350	35,700
Total individuals and other withholding taxation	192,560	201,330	215,200	229,100	245,205
Fringe benefits tax	4,590	4,760	4,650	4,840	5,070
Company tax	65,000	70,100	78,300	86,400	92,318
Superannuation fund taxes	6,710	7,510	9,140	10,160	11,080
Petroleum resource rent tax	840	850	780	790	810
Income taxation revenue	269,700	284,550	308,070	331,290	354,483
Goods and services tax	60,040	63,340	66,910	70,740	73,470
Wine equalisation tax	880	910	1,000	1,050	1,210
Luxury car tax	590	570	570	600	630
Excise and customs duty					
Petrol	6,220	6,450	6,710	7,060	7,430
Diesel	9,490	9,870	10,270	10,870	11,440
Other fuel products	2,243	2,235	2,270	2,350	2,460
Tobacco	9,410	10,160	10,990	12,310	13,490
Beer	2,370	2,390	2,450	2,490	2,520
Spirits	2,040	2,100	2,130	2,200	2,280
Other alcoholic beverages(a)	910	940	960	990	1,040
Other customs duty					
Textiles, clothing and footwear	470	310	260	280	310
Passenger motor vehicles	570	590	650	710	770
Other imports	1,550	1,170	900	950	1,020
less: Refunds and drawbacks	420	420	420	420	420
Total excise and customs duty	34,853	35,795	37,170	39,790	42,340
Agricultural levies	514	494	495	501	505
Other taxes(b)	5,346	5,625	5,728	5,822	5,925
Mirror taxes	527	553	582	611	630
less Transfers to States in relation to mirror tax revenue	527	553	582	611	630
Mirror tax revenue	0	0	0	0	0
Indirect taxation revenue	102,223	106,733	111,873	118,503	124,080
Taxation revenue	371,923	391,283	419,944	449,793	478,563

Statement 9: Australian Government Budget Financial Statements

Note 3: Taxation revenue by type (continued)

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
<i>Memorandum:</i>					
Total excise	21,423	21,785	22,550	23,650	24,780
Total customs duty	13,430	14,010	14,620	16,140	17,560
Capital gains tax(c)	10,600	12,300	13,900	15,900	17,500
Medicare and DisabilityCare Australia levy	14,970	15,440	16,100	16,870	17,690

- (a) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
- (b) 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 Statement 10 - Historical Series from 2003-04. See also Note 3(a), Taxation revenue by source and Note 4, Sales of goods and services revenue.
- (c) 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	2019-20
	\$m	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	197,160	206,120	219,860	233,950	250,285
Income and capital gains levied on enterprises	72,540	78,430	88,210	97,340	104,198
Total taxes on income, profits and capital gains	269,700	284,550	308,070	331,290	354,483
Taxes on employers' payroll and labour force	710	702	684	722	725
Taxes on the provision of goods and services					
Sales/goods and services tax	61,510	64,820	68,480	72,390	75,310
Excises and levies	21,937	22,279	23,045	24,151	25,285
Taxes on international trade	13,430	14,010	14,620	16,140	17,560
Total taxes on the provision of goods and services	96,877	101,109	106,145	112,681	118,155
Other taxes(a)	4,636	4,923	5,045	5,100	5,199
Total taxation revenue	371,923	391,283	419,944	449,793	478,563
<i>Memorandum:</i>					
Medicare and DisabilityCare Australia levy	14,970	15,440	16,100	16,870	17,690

- (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 Statement 10 - Historical Series from 2003-04. See also Note 3, Taxation revenue by type and Note 4, Sales of goods and services revenue.

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Note 4: Sales of goods and services revenue

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Sales of goods	1,680	1,790	1,954	1,865	1,827
Rendering of services	4,123	5,514	8,032	11,613	12,711
Operating lease rental	74	64	66	68	68
Fees from regulatory services(a)	1,820	1,881	1,959	2,012	2,157
Total sales of goods and services revenue	7,697	9,249	12,011	15,558	16,763

(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 Statement 10 - 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

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Interest from other governments					
State and Territory debt	54	63	74	85	97
Housing agreements	129	124	119	114	109
Total interest from other governments	183	187	193	199	206
Interest from other sources					
Advances	47	61	87	114	130
Deposits	88	92	92	93	95
Bank deposits	144	114	113	120	124
Indexation of HELP receivable and other student loans	504	873	1,015	1,258	1,529
Other	2,541	2,953	3,342	3,991	4,742
Total interest from other sources	3,323	4,093	4,648	5,576	6,619
Total interest	3,506	4,280	4,841	5,775	6,825
Dividends					
Dividends from other public sector entities	2,955	360	571	720	266
Other dividends	2,609	2,882	3,095	3,325	3,579
Total dividends	5,564	3,242	3,666	4,045	3,845
Total interest and dividend revenue	9,069	7,522	8,507	9,821	10,670

Note 6: Other sources of non-taxation revenue

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Industry contributions	116	127	130	131	129
Royalties	1,065	716	689	626	635
Seigniorage	132	120	105	97	90
Other	6,393	7,844	8,138	8,344	8,213
Total other sources of non-taxation revenue	7,706	8,807	9,063	9,198	9,066

Statement 9: Australian Government Budget Financial Statements

Note 7: Employee and superannuation expense

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Wages and salaries expenses	19,767	20,071	19,864	20,015	20,417
Other operating expenses					
Leave and other entitlements	2,146	2,149	2,115	2,114	2,076
Separations and redundancies	168	51	39	38	38
Workers compensation premiums and claims	892	948	980	989	1,009
Other	2,277	2,304	2,284	2,304	2,382
Total other operating expenses	5,483	5,452	5,418	5,445	5,504
Superannuation expenses					
Superannuation	7,052	4,618	4,693	4,783	4,828
Superannuation interest cost	9,167	9,959	10,330	10,706	11,085
Total superannuation expenses	16,220	14,577	15,023	15,489	15,913
Total employee and superannuation expense	41,469	40,100	40,305	40,949	41,835

Note 8: Depreciation and amortisation expense

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Depreciation					
Specialist military equipment	3,232	3,587	3,740	4,143	4,688
Buildings	1,401	1,373	1,383	1,404	1,432
Other infrastructure, plant and equipment	1,454	1,431	1,448	1,452	1,465
Heritage and cultural assets	91	94	94	94	94
Total depreciation	6,178	6,485	6,666	7,094	7,680
Total amortisation	988	1,037	994	968	960
Total depreciation and amortisation expense	7,165	7,522	7,660	8,061	8,640

Note 9: Supply of goods and services expense

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Supply of goods and services	26,337	29,132	27,759	28,274	29,099
Operating lease rental expenses	2,541	2,544	2,581	2,665	2,641
Personal benefits – indirect(a)	45,327	47,397	49,471	59,033	62,757
Health care payments	5,080	5,048	4,962	4,872	4,842
Other	2,129	2,624	2,786	2,556	2,518
Total supply of goods and services expense	81,414	86,745	87,558	97,400	101,857

(a) Includes the Child Care Subsidy, which commences from 2018-19, with the majority of payments to be made directly to child care providers. See also Note 12, Personal benefits expense.

Statement 9: Australian Government Budget Financial Statements

Note 10: Interest expense

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Interest on debt					
Government securities(a)	15,360	16,643	17,626	18,345	18,683
Loans	10	5	5	5	5
Other	258	253	309	332	350
Total interest on debt	15,627	16,901	17,940	18,682	19,037
Other financing costs	1,146	1,824	1,824	1,858	1,781
Total interest expense	16,774	18,725	19,764	20,539	20,818

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

Note 11: Current and capital grants expense

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Current grants expense					
State and Territory governments	100,142	106,264	111,013	118,048	119,930
Local governments	6	2	0	0	0
Private sector	6,461	8,257	8,100	8,193	8,166
Overseas	3,680	4,243	3,716	4,018	4,733
Non-profit organisations	2,771	3,110	3,438	3,112	2,938
Multi-jurisdictional sector	10,527	10,390	10,381	10,147	10,335
Other	4,807	6,701	11,832	18,652	22,684
Total current grants expense	128,393	138,966	148,480	162,171	168,786
Capital grants expense					
Mutually agreed write-downs	1,722	1,845	1,959	2,102	2,246
Other capital grants					
State and Territory governments	7,075	9,492	8,873	4,784	3,594
Local governments	972	786	668	353	379
Private sector	0	0	0	0	0
Multi-jurisdictional sector	106	105	105	102	104
Other	200	279	494	778	947
Total capital grants expense	10,076	12,508	12,098	8,121	7,270
Total grants expense	138,469	151,474	160,578	170,291	176,055

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Note 12: Personal benefits expense

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	43,758	45,778	47,174	49,828	52,074
Assistance to veterans and dependants	5,730	5,518	5,292	5,128	4,992
Assistance to people with disabilities	24,440	25,490	26,520	27,528	28,915
Assistance to families with children(a)	35,825	34,153	33,548	28,736	29,486
Assistance to the unemployed	10,896	10,431	10,277	11,420	11,823
Student assistance	3,440	3,072	2,957	3,330	3,460
Other welfare programs	1,096	1,057	377	404	437
Financial and fiscal affairs	364	347	337	331	340
Vocational and industry training	63	84	92	93	94
Other	7,803	6,631	8,268	10,367	14,752
Total personal benefits expense	133,416	132,562	134,844	137,165	146,374

(a) The majority of payments under the Child Care Subsidy, which commences from 2018-19, are to 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	2019-20
	\$m	\$m	\$m	\$m	\$m
Advances paid					
Loans to State and Territory governments(a)	3,907	4,175	4,357	4,646	5,076
Higher Education Loan Program	37,080	44,105	51,976	60,249	69,210
Student Financial Supplement Scheme	483	438	389	339	289
Other(a)	11,560	14,294	16,631	18,962	21,569
less Provision for doubtful debts	248	375	501	639	788
Total advances paid	52,782	62,637	72,852	83,557	95,356
Other receivables					
Goods and services receivable	882	885	890	898	911
Recoveries of benefit payments	4,767	5,635	6,233	5,911	5,779
Taxes receivable	19,514	20,874	22,949	25,542	27,321
Prepayments	4,492	4,324	4,110	3,832	3,527
Other	20,515	19,080	20,402	22,092	22,650
less Provision for doubtful debts	1,678	2,153	2,588	2,715	2,785
Total other receivables	48,492	48,646	51,997	55,560	57,404

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

Note 14: Investments, loans and placements

	Estimates			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Investments - deposits	40,954	52,357	55,004	51,988	40,032
IMF quota	12,852	12,852	13,077	13,304	13,304
Other	99,427	108,270	120,530	123,781	139,487
Total investments, loans and placements	153,233	173,479	188,611	189,073	192,823

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Note 15: Total non-financial assets

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Land and buildings					
Land	9,729	9,674	9,610	9,604	9,617
Buildings	25,992	26,391	26,676	26,926	27,532
Total land and buildings	35,721	36,065	36,285	36,530	37,149
Plant, equipment and infrastructure					
Specialist military equipment	45,580	47,473	51,111	55,318	59,517
Other	14,112	14,766	15,357	15,343	15,318
Total plant, equipment and infrastructure	59,692	62,239	66,468	70,661	74,835
Inventories					
Inventories held for sale	1,454	1,615	1,591	1,570	1,615
Inventories not held for sale	6,741	6,569	6,342	6,121	5,898
Total inventories	8,195	8,184	7,933	7,691	7,513
Intangibles					
Computer software	3,914	4,055	3,972	3,907	3,840
Other	2,967	3,359	3,848	4,110	4,333
Total intangibles	6,881	7,414	7,820	8,017	8,173
Total investment properties	200	200	200	200	200
Total biological assets	44	44	44	44	44
Total heritage and cultural assets	11,697	11,658	11,620	11,582	11,543
Total assets held for sale	174	147	80	80	80
Total other non-financial assets	262	288	134	127	125
Total non-financial assets	122,866	126,238	130,584	134,930	139,662

Note 16: Loans

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Promissory notes	10,010	9,474	9,449	9,426	9,401
Special drawing rights	5,667	5,667	5,773	5,880	5,880
Other	747	598	510	426	362
Total loans	16,425	15,739	15,732	15,731	15,643

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Note 17: Employee and superannuation liabilities

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Total superannuation liability(a)	169,308	175,661	182,026	188,394	194,739
Other employee liabilities					
Leave and other entitlements	7,323	7,414	7,491	7,589	7,677
Accrued salaries and wages	566	609	618	628	666
Workers compensation claims	3,265	3,293	3,325	3,361	3,404
Other	5,850	6,016	6,237	6,467	6,697
Total other employee liabilities	17,004	17,332	17,671	18,046	18,445
Total employee and superannuation liabilities	186,313	192,993	199,697	206,440	213,184

(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 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Suppliers payable					
Trade creditors	4,670	4,780	4,872	4,993	5,009
Operating lease rental payable	330	343	345	342	336
Other creditors	868	969	971	972	974
Total suppliers payable	5,868	6,092	6,188	6,307	6,319
Total personal benefits provisions and payables	14,446	13,542	12,294	11,883	12,086
Total subsidies provisions and payables	4,908	5,216	5,489	5,816	6,211
Grants provisions and payables					
State and Territory governments	87	111	109	105	107
Non-profit organisations	146	146	145	145	145
Private sector	373	372	371	371	371
Overseas	1,166	2,097	1,751	1,568	2,538
Local governments	2	2	2	2	2
Other	8,692	8,149	7,867	8,194	8,550
Total grants provisions and payables	10,466	10,876	10,246	10,386	11,714
Other provisions and payables					
Provisions for tax refunds	2,932	2,955	2,969	2,961	2,952
Other	10,305	11,936	10,535	10,612	10,779
Total other provisions and payables	13,237	14,891	13,503	13,573	13,731

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Note 19: Reconciliation of cash

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Operating balance (revenues less expenses)	-35,074	-33,691	-15,287	-4,954	3,458
<i>less</i> Revenues not providing cash					
Other	1,862	2,362	2,173	2,296	2,916
Total revenues not providing cash	1,862	2,362	2,173	2,296	2,916
<i>plus</i> Expenses not requiring cash					
Increase/(decrease) in employee entitlements	8,261	6,690	6,714	6,747	6,751
Depreciation/amortisation expense	7,165	7,522	7,660	8,061	8,640
Mutually agreed write-downs	1,722	1,845	1,959	2,102	2,246
Other	1,146	1,156	1,673	1,706	1,103
Total expenses not requiring cash	18,295	17,214	18,006	18,616	18,740
<i>plus</i> Cash provided/(used) by working capital items					
Decrease/(increase) in inventories	-135	-260	-42	-54	-131
Decrease/(increase) in receivables	-7,398	-6,351	-10,230	-10,744	-9,754
Decrease/(increase) in other financial assets	1,716	2,478	2,945	2,811	2,425
Decrease/(increase) in other non-financial assets	0	-61	-49	-37	-27
Increase/(decrease) in benefits, subsidies and grants payable	-298	-67	-1,423	190	1,958
Increase/(decrease) in suppliers' liabilities	690	74	73	64	-24
Increase/(decrease) in other provisions and payables	-1,646	-1,884	-2,383	-2,762	-2,058
Net cash provided/(used) by working capital	-7,072	-6,070	-11,110	-10,533	-7,610
<i>equals</i> (Net cash from/(to) operating activities)	-25,712	-24,909	-10,565	833	11,673
<i>plus</i> (Net cash from/(to) investing activities)	-35,169	-48,108	-36,905	-23,050	-27,210
Net cash from operating activities and investment	-60,881	-73,017	-47,469	-22,217	-15,537
<i>plus</i> (Net cash from/(to) financing activities)	61,238	74,379	46,035	21,937	15,065
equals Net increase/(decrease) in cash	356	1,362	-1,434	-280	-472
Cash at the beginning of the year	3,156	3,512	4,874	3,440	3,160
Net increase/(decrease) in cash	356	1,362	-1,434	-280	-472
Cash at the end of the year	3,512	4,874	3,440	3,160	2,688

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

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

AASB 1049 HISTORY AND CONCEPTUAL FRAMEWORK

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

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

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 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

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

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

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

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

Operating statement

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

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

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

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

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

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

Fiscal balance

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

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

Balance sheet

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

Net worth

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

Net financial worth

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

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

Net financial liabilities

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

Net debt

Net debt is the sum of selected financial liabilities (deposits held, 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.

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

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

The Government has excluded net Future Fund cash earnings from the calculation of the underlying cash balance. Prior to the 2012-13 MYEFO, the underlying cash balance only excluded the gross earnings of the Future Fund. Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Future Fund becomes available to meet the Government's superannuation liabilities from 2020. 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 3 of this statement and related tables in *Statement 3: Fiscal Strategy and Outlook* and *Statement 10 - Historical Australian Government Data*.

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

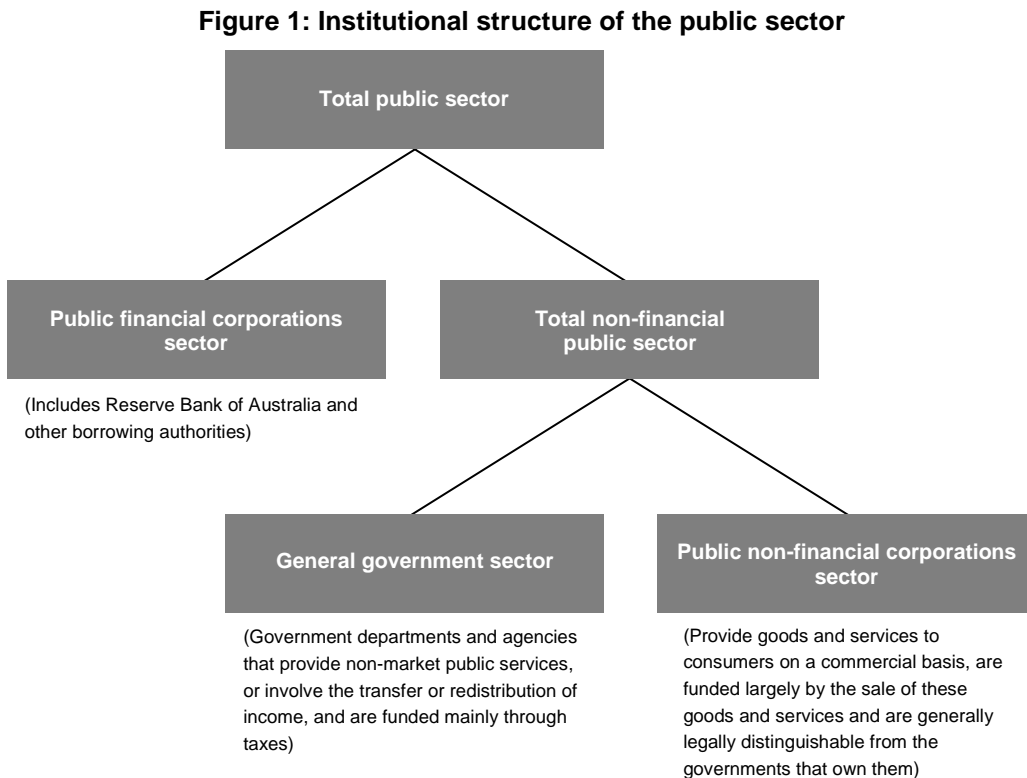
Headline cash balance

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

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

Sectoral classifications

To assist in analysing the public sector, data 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.



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

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

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 A1: 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

APPENDIX B: AUSTRALIAN LOAN COUNCIL ALLOCATION

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

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

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

As set out in Table B1, the Commonwealth's revised estimate for the 2016-17 LCA is a \$62.0 billion deficit. This compares with its LCA nomination of a \$55.0 billion deficit for the year. The LCA Budget estimate falls within the tolerance limit set at nomination.

Table B1: Commonwealth's Loan Council Allocation budget update for 2016-17

	2016-17 Nomination \$m	2016-17 Budget estimate \$m
GGs cash surplus(-)/deficit(+)	29,950	33,760
PNFC sector cash surplus(-)/deficit(+)	7,484	9,930
NFPS cash surplus(-)/deficit(+)(a)	37,434	43,690
Acquisitions under finance leases and similar arrangements	-5	0
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	37,430	43,690
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(b)	-18,922	-19,678
<i>plus</i> Memorandum items(c)	-1,348	-1,348
Loan Council Allocation	55,004	62,020
2016-17 tolerance limit(d)	8,489	8,386

(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, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), the net funding of superannuation and the net financing requirement of the Australian National University.

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