

## **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	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Revenue</b>					
Taxation revenue	3	386,345	412,842	439,780	467,206
Sales of goods and services	4	8,905	11,737	15,434	16,614
Interest income	5	3,771	4,322	5,142	6,168
Dividend income	5	2,687	3,294	3,662	4,016
Other	6	9,404	9,028	9,043	8,695
<b>Total revenue</b>		<b>411,112</b>	<b>441,223</b>	<b>473,062</b>	<b>502,699</b>
<b>Expenses</b>					
Gross operating expenses					
Wages and salaries(a)	7	20,060	19,858	19,961	20,279
Superannuation	7	9,720	4,585	4,652	4,682
Depreciation and amortisation	8	7,855	8,066	8,500	9,077
Supply of goods and services	9	87,762	89,050	96,062	99,868
Other operating expenses(a)	7	5,572	5,537	5,636	5,733
<i>Total gross operating expenses</i>		<i>130,969</i>	<i>127,097</i>	<i>134,811</i>	<i>139,638</i>
Superannuation interest expense	7	8,446	10,445	10,809	11,179
Interest expenses	10	17,637	18,935	19,977	20,797
Current transfers					
Current grants	11	135,615	146,476	159,703	166,880
Subsidy expenses		13,509	14,213	15,242	16,486
Personal benefits	12	129,749	130,251	133,928	141,875
<i>Total current transfers</i>		<i>278,873</i>	<i>290,939</i>	<i>308,873</i>	<i>325,240</i>
Capital transfers					
Mutually agreed write-downs	11	1,479	1,509	1,601	1,693
Other capital grants		11,239	11,457	7,561	5,428
<i>Total capital transfers</i>		<i>12,718</i>	<i>12,966</i>	<i>9,162</i>	<i>7,121</i>
<b>Total expenses</b>		<b>448,642</b>	<b>460,382</b>	<b>483,632</b>	<b>503,975</b>
<b>Net operating balance</b>		<b>-37,530</b>	<b>-19,159</b>	<b>-10,571</b>	<b>-1,276</b>
<b>Other economic flows - included in operating result</b>					
Net write-downs of assets					
(including bad and doubtful debts)		-8,178	-8,984	-9,084	-9,033
Assets recognised for the first time		328	285	287	289
Liabilities recognised for the first time		0	0	0	0
Actuarial revaluations		-8	-1	-8	-12
Net foreign exchange gains		-187	88	120	27
Net swap interest received		45	0	0	0
Market valuation of debt		24,243	1,030	959	743
Other gains/(losses)		4,558	6,737	5,925	6,097
<b>Total other economic flows - included in operating result</b>		<b>20,801</b>	<b>-845</b>	<b>-1,802</b>	<b>-1,889</b>
<b>Operating result(b)</b>		<b>-16,728</b>	<b>-20,004</b>	<b>-12,372</b>	<b>-3,165</b>

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

	Note	Estimates		Projections	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Non-owner movements in equity</b>					
Revaluation of equity investments		-4,846	31	49	0
Actuarial revaluations		1,665	-66	-99	-146
Other economic revaluations		175	-190	-209	195
<b>Total other economic flows - included in equity</b>		<b>-3,006</b>	<b>-225</b>	<b>-259</b>	<b>49</b>
<b>Comprehensive result -</b>					
<b>Total change in net worth</b>		<b>-19,734</b>	<b>-20,229</b>	<b>-12,631</b>	<b>-3,117</b>
<b>Net operating balance</b>		<b>-37,530</b>	<b>-19,159</b>	<b>-10,571</b>	<b>-1,276</b>
<b>Net acquisition of non-financial assets</b>					
Purchases of non-financial assets		12,284	12,913	13,575	14,372
<i>less</i> Sales of non-financial assets		897	2,015	512	240
<i>less</i> Depreciation		7,855	8,066	8,500	9,077
<i>plus</i> Change in inventories		421	296	171	108
<i>plus</i> Other movements in non-financial assets		0	-8	-7	-2
<b>Total net acquisition of non-financial assets</b>		<b>3,953</b>	<b>3,119</b>	<b>4,727</b>	<b>5,161</b>
<b>Fiscal balance (Net lending/borrowing)(c)</b>		<b>-41,482</b>	<b>-22,278</b>	<b>-15,298</b>	<b>-6,437</b>

(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	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Assets</b>					
Financial assets					
Cash and deposits		2,942	2,978	3,690	3,960
Advances paid	13	59,987	78,107	92,613	103,370
Investments, loans and placements	14	177,400	176,043	179,529	187,842
Other receivables	13	47,959	50,572	53,160	54,794
Equity investments					
Investments in other public sector entities		51,944	52,153	52,568	52,921
Equity accounted investments		299	309	319	329
Investments - shares		43,343	46,347	49,686	53,413
<i>Total financial assets</i>		<i>383,874</i>	<i>406,510</i>	<i>431,566</i>	<i>456,629</i>
Non-financial assets					
Land	15	10,613	10,605	10,640	10,664
Buildings		25,982	26,554	27,032	27,596
Plant, equipment and infrastructure		73,645	77,295	81,207	85,514
Inventories		8,499	8,274	7,908	7,470
Intangibles		8,097	8,532	8,985	9,257
Investment properties		164	164	164	164
Biological assets		49	49	49	49
Heritage and cultural assets		11,413	11,362	11,310	11,257
Assets held for sale		227	161	161	161
Other non-financial assets		112	104	96	94
<i>Total non-financial assets</i>		<i>138,801</i>	<i>143,099</i>	<i>147,553</i>	<i>152,225</i>
<b>Total assets</b>		<b>522,675</b>	<b>549,609</b>	<b>579,118</b>	<b>608,854</b>
<b>Liabilities</b>					
Interest bearing liabilities					
Deposits held		217	217	217	217
Government securities		540,184	583,400	618,144	642,465
Loans	16	15,455	14,903	14,889	14,809
Other borrowing		1,666	1,617	1,565	1,512
<i>Total interest bearing liabilities</i>		<i>557,522</i>	<i>600,137</i>	<i>634,815</i>	<i>659,003</i>
Provisions and payables					
Superannuation liability	17	175,047	181,487	187,969	194,476
Other employee liabilities	17	18,638	18,953	19,331	19,746
Suppliers payable	18	6,358	6,329	6,400	6,379
Personal benefits provisions and payables	18	12,677	12,237	12,815	13,457
Subsidies provisions and payables	18	931	1,203	1,512	1,884
Grants provisions and payables	18	11,710	11,004	10,507	11,012
Other provisions and payables	18	20,513	19,207	19,350	19,593
<i>Total provisions and payables</i>		<i>245,874</i>	<i>250,421</i>	<i>257,883</i>	<i>266,548</i>
<b>Total liabilities</b>		<b>803,396</b>	<b>850,559</b>	<b>892,699</b>	<b>925,551</b>
<b>Net worth(a)</b>		<b>-280,721</b>	<b>-300,950</b>	<b>-313,580</b>	<b>-316,697</b>
<i>Net financial worth(b)</i>		<i>-419,522</i>	<i>-444,049</i>	<i>-461,133</i>	<i>-468,923</i>
<i>Net financial liabilities(c)</i>		<i>471,466</i>	<i>496,201</i>	<i>513,701</i>	<i>521,844</i>
<i>Net debt(d)</i>		<i>317,193</i>	<i>343,009</i>	<i>358,983</i>	<i>363,832</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<sup>(a)</sup>**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Cash receipts from operating activities</b>				
Taxes received	378,756	403,601	429,340	457,373
Receipts from sales of goods and services	8,766	11,698	15,358	16,538
Interest receipts	2,990	3,166	3,521	4,046
Dividends and income tax equivalents	5,828	3,370	3,517	3,895
Other receipts	8,673	8,823	8,421	7,948
<b>Total operating receipts</b>	<b>405,013</b>	<b>430,658</b>	<b>460,157</b>	<b>489,800</b>
<b>Cash payments for operating activities</b>				
Payments for employees	-28,259	-28,509	-29,033	-29,735
Payments for goods and services	-87,328	-89,026	-95,868	-99,675
Grants and subsidies paid	-159,698	-170,286	-179,539	-185,136
Interest paid	-15,377	-16,520	-17,796	-18,731
Personal benefit payments	-132,884	-134,046	-135,609	-142,989
Other payments	-5,235	-5,189	-5,245	-5,337
<b>Total operating payments</b>	<b>-428,781</b>	<b>-443,574</b>	<b>-463,089</b>	<b>-481,603</b>
<b>Net cash flows from operating activities</b>	<b>-23,768</b>	<b>-12,916</b>	<b>-2,932</b>	<b>8,196</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	2,337	575	512	240
Purchases of non-financial assets	-12,282	-12,932	-13,679	-14,555
<b>Net cash flows from investments in non-financial assets</b>	<b>-9,945</b>	<b>-12,357</b>	<b>-13,167</b>	<b>-14,315</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-18,792</b>	<b>-19,947</b>	<b>-16,168</b>	<b>-11,787</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-27,724	2,581	-1,421	-5,596
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-27,724</b>	<b>2,581</b>	<b>-1,421</b>	<b>-5,596</b>
<b>Cash receipts from financing activities</b>				
Borrowing	82,682	46,278	38,075	26,897
Other financing	133	0	0	0
<b>Total cash receipts from financing activities</b>	<b>82,815</b>	<b>46,278</b>	<b>38,075</b>	<b>26,897</b>
<b>Cash payments for financing activities</b>				
Borrowing	0	0	0	0
Other financing	-3,281	-3,604	-3,675	-3,126
<b>Total cash payments for financing activities</b>	<b>-3,281</b>	<b>-3,604</b>	<b>-3,675</b>	<b>-3,126</b>
<b>Net cash flows from financing activities</b>	<b>79,533</b>	<b>42,674</b>	<b>34,400</b>	<b>23,771</b>
<b>Net increase/(decrease) in cash held</b>	<b>-696</b>	<b>36</b>	<b>712</b>	<b>270</b>

**Table B3: Australian Government general government sector cash flow statement (continued)<sup>(a)</sup>**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Net cash flows from operating activities and investments in non-financial assets (surplus+)/deficit(-)</b>	<b>-33,713</b>	<b>-25,273</b>	<b>-16,099</b>	<b>-6,118</b>
Finance leases and similar arrangements(b)	0	0	0	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-33,713</b>	<b>-25,273</b>	<b>-16,099</b>	<b>-6,118</b>
less Net Future Fund earnings	2,801	3,422	3,612	3,874
<b>Equals underlying cash balance(c)</b>	<b>-36,514</b>	<b>-28,694</b>	<b>-19,711</b>	<b>-9,992</b>
plus Net cash flows from investments in financial assets for policy purposes	-18,792	-19,947	-16,168	-11,787
plus Net Future Fund earnings	2,801	3,422	3,612	3,874
<b>Equals headline cash balance</b>	<b>-52,505</b>	<b>-45,220</b>	<b>-32,267</b>	<b>-17,905</b>

(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
	2016-17 \$m
<b>Revenue</b>	
Current grants and subsidies	122
Sales of goods and services	10,545
Interest income	45
Other	14
<b>Total revenue</b>	<b>10,726</b>
<b>Expenses</b>	
Gross operating expenses	
Wages and salaries(a)	4,161
Superannuation	512
Depreciation and amortisation	1,838
Supply of goods and services	6,915
Other operating expenses(a)	424
<i>Total gross operating expenses</i>	<i>13,852</i>
Interest expenses	509
Other property expenses	120
Current transfers	
Tax expenses	28
<i>Total current transfers</i>	<i>28</i>
<b>Total expenses</b>	<b>14,509</b>
<b>Net operating balance</b>	<b>-3,783</b>
<b>Other economic flows</b>	<b>-1,676</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-5,459</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	9,741
<i>less</i> Sales of non-financial assets	<i>306</i>
<i>less</i> Depreciation	<i>1,838</i>
<i>plus</i> Change in inventories	<i>78</i>
<i>plus</i> Other movements in non-financial assets	<i>-3</i>
<b>Total net acquisition of non-financial assets</b>	<b>7,672</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-11,455</b>

(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
	2016-17 \$m
<b>Assets</b>	
Financial assets	
Cash and deposits	2,872
Investments, loans and placements	130
Other receivables	1,664
Equity investments	3
<i>Total financial assets</i>	4,669
Non-financial assets	
Land and other fixed assets	35,711
Other non-financial assets(a)	241
<i>Total non-financial assets</i>	35,952
<b>Total assets</b>	<b>40,621</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	3
Advances received	286
Loans	2,023
Other borrowing	6,622
<i>Total interest bearing liabilities</i>	8,934
Provisions and payables	
Superannuation liability	191
Other employee liabilities	1,723
Other provisions and payables(a)	6,065
<i>Total provisions and payables</i>	7,978
<b>Total liabilities</b>	<b>16,912</b>
<b>Shares and other contributed capital</b>	<b>23,709</b>
<b>Net worth(b)</b>	<b>23,709</b>
<i>Net financial worth(c)</i>	-12,243
<i>Net debt(d)</i>	5,932

(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<sup>(a)</sup>**

	Estimates
	2016-17 \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	11,570
GST input credit receipts	921
Other receipts	125
<b>Total operating receipts</b>	<b>12,616</b>
<b>Cash payments for operating activities</b>	
Payments to employees	-5,047
Payment for goods and services	-7,955
Interest paid	-479
GST payments to taxation authority	0
Other payments	-42
<b>Total operating payments</b>	<b>-13,524</b>
<b>Net cash flows from operating activities</b>	<b>-908</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	300
Purchases of non-financial assets	-8,102
<b>Net cash flows from investments in non-financial assets</b>	<b>-7,802</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	510
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>510</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	-477
Other financing (net)	9,116
Distributions paid (net)	-125
<b>Net cash flows from financing activities</b>	<b>8,514</b>
<b>Net increase/(decrease) in cash held</b>	<b>314</b>
<b>Cash at the beginning of the year</b>	<b>2,558</b>
<b>Cash at the end of the year</b>	<b>2,872</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-8,710</b>
Distributions paid	-125
<b>Equals surplus(+)/deficit(-)</b>	<b>-8,835</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-8,835</b>

(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
	2016-17 \$m
<b>Revenue</b>	
Taxation revenue	386,317
Sales of goods and services	18,501
Interest income	3,798
Dividend income	2,567
Other	9,419
<b>Total revenue</b>	<b>420,601</b>
<b>Expenses</b>	
Gross operating expenses	
Wages and salaries(a)	24,222
Superannuation	10,232
Depreciation and amortisation	9,694
Supply of goods and services	93,729
Other operating expenses(a)	5,996
<i>Total gross operating expenses</i>	<i>143,872</i>
Superannuation interest expense	8,446
Interest expenses	18,127
Current transfers	
Current grants	135,615
Subsidy expenses	13,387
Personal benefits	129,749
<i>Total current transfers</i>	<i>278,751</i>
Capital transfers	12,718
<b>Total expenses</b>	<b>461,914</b>
<b>Net operating balance</b>	<b>-41,313</b>
<b>Other economic flows</b>	<b>19,818</b>
<b>Comprehensive result - Total change in net worth</b>	<b>-21,495</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	22,025
<i>less</i> Sales of non-financial assets	<i>1,203</i>
<i>less</i> Depreciation	<i>9,694</i>
<i>plus</i> Change in inventories	<i>499</i>
<i>plus</i> Other movements in non-financial assets	<i>-3</i>
<b>Total net acquisition of non-financial assets</b>	<b>11,625</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-52,938</b>

(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
	2016-17 \$m
<b>Assets</b>	
Financial assets	
Cash and deposits	5,814
Advances paid	59,700
Investments, loans and placements	177,531
Other receivables	49,500
Equity investments	69,866
<i>Total financial assets</i>	<i>362,411</i>
Non-financial assets	
Land and other fixed assets	165,862
Other non-financial assets	8,891
<i>Total non-financial assets</i>	<i>174,753</i>
<b>Total assets</b>	<b>537,164</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	221
Advances received	0
Government securities	540,184
Loans	17,478
Other borrowing	8,288
<i>Total interest bearing liabilities</i>	<i>566,170</i>
Provisions and payables	
Superannuation liability	175,238
Other employee liabilities	20,361
Other provisions and payables	58,131
<i>Total provisions and payables</i>	<i>253,729</i>
<b>Total liabilities</b>	<b>819,899</b>
<b>Shares and other contributed capital</b>	<b>23,709</b>
<b>Net worth(a)</b>	<b>-282,735</b>
<i>Net financial worth(b)</i>	<i>-457,488</i>
<i>Net debt(c)</i>	<i>323,125</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<sup>(a)</sup>**

	Estimates
	2016-17 \$m
<b>Cash receipts from operating activities</b>	
Taxes received	378,737
Receipts from sales of goods and services	18,922
Interest receipts	3,023
Dividends and income tax equivalents	5,703
Other receipts	8,746
<b>Total operating receipts</b>	<b>415,132</b>
<b>Cash payments for operating activities</b>	
Payments to employees	-33,306
Payments for goods and services	-92,950
Grants and subsidies paid	-159,698
Interest paid	-15,837
Personal benefit payments	-132,884
Other payments	-5,259
<b>Total operating payments</b>	<b>-439,934</b>
<b>Net cash flows from operating activities</b>	<b>-24,801</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	2,637
Purchases of non-financial assets	-20,384
<b>Net cash flows from investments in non-financial assets</b>	<b>-17,747</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-9,341</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-27,214
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-27,214</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	82,205
Other financing (net)	-3,483
<b>Net cash flows from financing activities</b>	<b>78,722</b>
<b>Net increase/(decrease) in cash held</b>	<b>-382</b>
<b>Cash at the beginning of the year</b>	<b>6,196</b>
<b>Cash at the end of the year</b>	<b>5,814</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-42,548</b>
Distributions paid	0
<b>Equals surplus(+)/deficit(-)</b>	<b>-42,548</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-42,548</b>

(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
	2016-17 \$m
<b>Revenue</b>	
Current grants and subsidies	150
Sales of goods and services	690
Interest income	2,000
Other	44
<b>Total revenue</b>	<b>2,884</b>
<b>Expenses</b>	
Gross operating expenses	
Wages and salaries(a)	150
Superannuation	76
Depreciation and amortisation	44
Supply of goods and services	504
Other operating expenses(a)	216
<i>Total gross operating expenses</i>	<i>991</i>
Interest expenses	1,010
Other property expenses	201
Current transfers	
Tax expenses	0
<i>Total current transfers</i>	<i>0</i>
<b>Total expenses</b>	<b>2,202</b>
<b>Net operating balance</b>	<b>682</b>
<b>Other economic flows</b>	<b>-1,776</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-1,094</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	1
<i>less</i> Sales of non-financial assets	<i>65</i>
<i>less</i> Depreciation	<i>44</i>
<i>plus</i> Change in inventories	<i>-26</i>
<i>plus</i> Other movements in non-financial assets	<i>0</i>
<b>Total net acquisition of non-financial assets</b>	<b>-135</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>817</b>

(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 B11: Australian Government public financial corporations sector balance sheet<sup>(a)</sup>**

	Estimates
	2016-17 \$m
<b>Assets</b>	
Financial assets	
Cash and deposits	414
Investments, loans and placements	161,692
Other receivables	271
Equity investments	398
<i>Total financial assets</i>	<i>162,776</i>
Non-financial assets	
Land and other fixed assets	816
Other non-financial assets(b)	34
<i>Total non-financial assets</i>	<i>849</i>
<b>Total assets</b>	<b>163,625</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	130,054
Borrowing	6,539
<i>Total interest bearing liabilities</i>	<i>136,593</i>
Provisions and payables	
Superannuation liability	684
Other employee liabilities	1,441
Other provisions and payables(b)	1,225
<i>Total provisions and payables</i>	<i>3,350</i>
<b>Total liabilities</b>	<b>139,943</b>
<b>Shares and other contributed capital</b>	<b>23,682</b>
<b>Net worth(c)</b>	<b>23,682</b>
<i>Net financial worth(d)</i>	<i>22,833</i>
<i>Net debt(e)</i>	<i>-25,514</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<sup>(a)</sup>**

	Estimates
	2016-17 \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	702
Grants and subsidies received	0
GST input credit receipts	5
Interest receipts	2,060
Other receipts	179
<b>Total operating receipts</b>	<b>2,946</b>
<b>Cash payments for operating activities</b>	
Payments to employees	-441
Payment for goods and services	-493
Interest paid	-1,033
GST payments to taxation authority	0
Other payments	-20
<b>Total operating payments</b>	<b>-1,987</b>
<b>Net cash flows from operating activities</b>	<b>959</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	65
Purchases of non-financial assets	0
<b>Net cash flows from investments in non-financial assets</b>	<b>65</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-112
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-112</b>
<b>Net cash flows from financing activities</b>	
Borrowing (net)	0
Deposits received (net)	0
Other financing (net)	2,374
Distributions paid (net)	-3,285
<b>Net cash flows from financing activities</b>	<b>-911</b>
<b>Net increase/(decrease) in cash held</b>	<b>1</b>
<b>Cash at the beginning of the year</b>	<b>413</b>
<b>Cash at the end of the year</b>	<b>414</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>1,024</b>
Distributions paid	-3,285
<b>Equals surplus(+)/deficit(-)</b>	<b>-2,261</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-2,261</b>

(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 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;<sup>1</sup> 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

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<sup>1</sup> The 2015 ABS GFS Manual will replace the current 2005 ABS GFS Manual for reporting from 1 July 2017. The 2015 ABS GFS Manual has been updated to incorporate the changes included by the International Monetary Fund outlined in its IMF GFS Manual 2014.



## *Appendix B: Australian Government Budget Financial Statements*

aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

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

Explanations of major variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2016-17 Budget are disclosed in Part 3, with decisions taken since the 2016-17 Budget disclosed in Appendix A.

Updates to fiscal risks and contingent liabilities since the 2016-17 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
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
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
<b>Fiscal aggregates differences</b>			
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
<b>Classification differences</b>			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sales for fiscal balance when payment is made and the licences take effect, which may be after the auction of licences, as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	AAS

**Note 3: Taxation revenue by type**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Individuals and other withholding taxes				
Gross income tax withholding	180,680	190,320	202,850	215,550
Gross other individuals	46,700	48,560	51,560	55,450
less Refunds	28,900	29,550	31,250	32,000
Total individuals and other withholding tax	198,480	209,330	223,160	239,000
Fringe benefits tax	4,540	4,550	4,670	4,940
Company tax	68,700	78,600	84,100	88,800
Superannuation fund taxes	8,080	8,790	9,810	10,820
Petroleum resource rent tax(a)	920	890	890	900
<b>Income taxation revenue</b>	<b>280,720</b>	<b>302,160</b>	<b>322,630</b>	<b>344,460</b>
Goods and services tax	62,410	65,680	69,270	72,040
Wine equalisation tax	910	940	1,040	1,100
Luxury car tax	640	640	660	700
Excise and customs duty				
Petrol	6,210	6,410	6,710	7,030
Diesel	9,970	10,370	10,920	11,480
Other fuel products	1,940	1,940	1,970	2,030
Tobacco	10,670	11,440	12,680	13,810
Beer	2,400	2,450	2,510	2,570
Spirits	2,120	2,180	2,270	2,370
Other alcoholic beverages(b)	930	960	990	1,040
Other customs duty				
Textiles, clothing and footwear	300	240	260	290
Passenger motor vehicles	500	520	580	640
Other imports	1,050	730	760	830
less Refunds and drawbacks	420	420	420	420
Total excise and customs duty	35,670	36,820	39,230	41,670
Agricultural levies	519	518	528	533
Other taxes	5,476	6,083	6,423	6,703
Mirror taxes	547	571	598	627
less Transfers to States in relation to mirror tax revenue	547	571	598	627
Mirror tax revenue	0	0	0	0
<b>Indirect taxation revenue</b>	<b>105,625</b>	<b>110,682</b>	<b>117,150</b>	<b>122,747</b>
<b>Taxation revenue</b>	<b>386,345</b>	<b>412,842</b>	<b>439,780</b>	<b>467,206</b>
<i>Memorandum:</i>				
Total excise	21,410	22,090	23,060	24,110
Total customs duty	14,260	14,730	16,170	17,560
Capital gains tax(c)	12,000	14,100	15,800	17,500
Medicare and DisabilityCare Australia levy	15,140	15,820	16,430	17,210

(a) This item includes a small amount of MRRT revenue relating to a pre-2013-14 income year which cannot be separately disclosed owing to taxpayer confidentiality.

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

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

Appendix B: Australian Government Budget Financial Statements

**Note 3(a): Taxation revenue by source**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	203,030	213,880	227,830	243,940
Income and capital gains levied on enterprises	77,690	88,280	94,800	100,520
<b>Total taxes on income, profits and capital gains</b>	<b>280,720</b>	<b>302,160</b>	<b>322,630</b>	<b>344,460</b>
Taxes on employers' payroll and labour force	635	613	648	653
Taxes on the provision of goods and services				
Sales/goods and services tax	63,960	67,260	70,970	73,840
Excises and levies	21,929	22,608	23,588	24,643
Taxes on international trade	14,260	14,730	16,170	17,560
<b>Total taxes on the provision of goods and services</b>	<b>100,149</b>	<b>104,598</b>	<b>110,728</b>	<b>116,043</b>
Other taxes	4,841	5,470	5,775	6,050
<b>Total taxation revenue</b>	<b>386,345</b>	<b>412,842</b>	<b>439,780</b>	<b>467,206</b>
<i>Memorandum:</i>				
<i>Medicare and DisabilityCare Australia levy</i>	<i>15,140</i>	<i>15,820</i>	<i>16,430</i>	<i>17,210</i>

**Note 4: Sales of goods and services revenue**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
Sales of goods	1,483	1,653	1,723	1,774
Rendering of services	5,445	8,044	11,600	12,589
Operating lease rental	65	67	69	69
Fees from regulatory services	1,912	1,972	2,043	2,182
<b>Total sales of goods and services revenue</b>	<b>8,905</b>	<b>11,737</b>	<b>15,434</b>	<b>16,614</b>

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**Note 5: Interest and dividend revenue**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Interest from other governments</b>				
State and Territory debt	51	69	79	96
Housing agreements	124	119	114	109
<b>Total interest from other governments</b>	<b>176</b>	<b>188</b>	<b>193</b>	<b>204</b>
<b>Interest from other sources</b>				
Advances	58	80	106	121
Deposits	92	92	93	94
Bank deposits	123	110	115	122
Indexation of HELP receivable and other student loans	494	801	1,012	1,350
Other	2,829	3,051	3,624	4,277
<b>Total interest from other sources</b>	<b>3,596</b>	<b>4,134</b>	<b>4,949</b>	<b>5,964</b>
<b>Total interest</b>	<b>3,771</b>	<b>4,322</b>	<b>5,142</b>	<b>6,168</b>
<b>Dividends</b>				
Dividends from other public sector entities	345	280	418	537
Other dividends	2,341	3,014	3,244	3,478
<b>Total dividends</b>	<b>2,687</b>	<b>3,294</b>	<b>3,662</b>	<b>4,016</b>
<b>Total interest and dividend revenue</b>	<b>6,458</b>	<b>7,616</b>	<b>8,804</b>	<b>10,184</b>

**Note 6: Other sources of non-taxation revenue**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Industry contributions	139	141	140	138
Royalties	835	710	640	616
Seigniorage	104	105	97	90
Other	8,326	8,073	8,166	7,851
<b>Total other sources of non-taxation revenue</b>	<b>9,404</b>	<b>9,028</b>	<b>9,043</b>	<b>8,695</b>

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**Note 7: Employee and superannuation expense**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Wages and salaries expenses</b>	<b>20,060</b>	<b>19,858</b>	<b>19,961</b>	<b>20,279</b>
<b>Other operating expenses</b>				
Leave and other entitlements	2,256	2,182	2,194	2,174
Separations and redundancies	55	40	39	39
Workers compensation premiums and claims	1,012	1,004	1,014	1,062
Other	2,249	2,311	2,388	2,458
<b>Total other operating expenses</b>	<b>5,572</b>	<b>5,537</b>	<b>5,636</b>	<b>5,733</b>
<b>Superannuation expenses</b>				
Superannuation	9,720	4,585	4,652	4,682
Superannuation interest cost	8,446	10,445	10,809	11,179
<b>Total superannuation expenses</b>	<b>18,166</b>	<b>15,030</b>	<b>15,461</b>	<b>15,860</b>
<b>Total employee and superannuation expense</b>	<b>43,798</b>	<b>40,425</b>	<b>41,058</b>	<b>41,872</b>

**Note 8: Depreciation and amortisation expense**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Depreciation</b>				
Specialist military equipment	3,976	4,129	4,532	5,077
Buildings	1,345	1,353	1,365	1,390
Other infrastructure, plant and equipment	1,446	1,469	1,473	1,483
Heritage and cultural assets	104	106	106	107
<b>Total depreciation</b>	<b>6,872</b>	<b>7,057</b>	<b>7,477</b>	<b>8,057</b>
<b>Total amortisation</b>	<b>983</b>	<b>1,009</b>	<b>1,024</b>	<b>1,020</b>
<b>Total depreciation and amortisation expense</b>	<b>7,855</b>	<b>8,066</b>	<b>8,500</b>	<b>9,077</b>

**Note 9: Supply of goods and services expense**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
Supply of goods and services	27,802	28,111	28,483	29,369
Operating lease rental expenses	2,461	2,500	2,577	2,552
Personal benefits - indirect(a)(b)(c)	50,194	51,017	57,755	60,736
Health care payments	5,008	4,890	4,784	4,710
Other	2,296	2,532	2,463	2,500
<b>Total supply of goods and services expense</b>	<b>87,762</b>	<b>89,050</b>	<b>96,062</b>	<b>99,868</b>

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

(b) Reclassification since the 2016-17 Budget between Personal benefits expense (Note 12) and Supply of goods and services expense — 'personal benefits — indirect' (Note 9) reflecting more accurate information about the nature of benefits provided.

(c) Home care packages are reclassified from subsidy expenses to 'personal benefits — indirect' from 2016-17 to reflect legislative changes to the program.

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**Note 10: Interest expense**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Interest on debt</b>				
Government securities(a)	15,960	17,197	18,234	19,122
Other	257	313	327	337
<b>Total interest on debt</b>	<b>16,217</b>	<b>17,510</b>	<b>18,561</b>	<b>19,460</b>
<b>Other financing costs</b>	<b>1,420</b>	<b>1,425</b>	<b>1,416</b>	<b>1,337</b>
<b>Total interest expense</b>	<b>17,637</b>	<b>18,935</b>	<b>19,977</b>	<b>20,797</b>

(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	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Current grants expense</b>				
State and Territory governments	104,567	109,046	115,665	117,228
Local governments	3	0	0	0
Private sector(a)	7,792	7,850	8,210	8,350
Overseas	4,276	3,678	3,948	4,656
Non-profit organisations(a)	3,212	3,425	3,248	3,109
Multi-jurisdictional sector	10,246	10,280	10,019	10,176
Other(a)	5,519	12,196	18,614	23,360
<b>Total current grants expense</b>	<b>135,615</b>	<b>146,476</b>	<b>159,703</b>	<b>166,880</b>
<b>Capital grants expense</b>				
Mutually agreed write-downs	1,479	1,509	1,601	1,693
Other capital grants				
State and Territory governments	9,239	9,511	6,225	4,636
Local governments	794	668	355	379
Non-profit organisations(a)	370	288	277	71
Private sector(a)	693	847	557	194
Multi-jurisdictional sector	141	142	145	148
Other(a)	2	1	2	0
<b>Total capital grants expense</b>	<b>12,718</b>	<b>12,966</b>	<b>9,162</b>	<b>7,121</b>
<b>Total grants expense</b>	<b>148,333</b>	<b>159,441</b>	<b>168,865</b>	<b>174,001</b>

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



**Note 12: Personal benefits expense**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	44,939	45,867	48,044	50,149
Assistance to veterans and dependants	5,472	5,270	5,113	4,995
Assistance to people with disabilities	24,911	25,829	26,632	27,617
Assistance to families with children(a)	32,928	31,674	28,483	29,139
Assistance to the unemployed	10,453	9,437	10,448	11,085
Student assistance	3,144	2,629	3,018	3,162
Other welfare programs	989	1,144	1,130	1,161
Financial and fiscal affairs	318	306	300	311
Vocational and industry training	41	41	42	42
Other(b)	6,554	8,053	10,718	14,215
<b>Total personal benefits expense</b>	<b>129,749</b>	<b>130,251</b>	<b>133,928</b>	<b>141,875</b>

(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.

(b) Reclassification since the 2016-17 Budget between Personal benefits expense (Note 12) and Supply of goods and services expense — 'personal benefits — indirect' (Note 9) reflecting more accurate information about the nature of benefits provided.

**Note 13: Advances paid and other receivables**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Advances paid</b>				
Loans to State and Territory governments(a)	4,057	4,269	4,582	5,079
Higher Education Loan Program	42,468	48,123	53,743	59,667
Student Financial Supplement Scheme	367	317	267	217
Other(a)	13,396	25,815	34,570	39,104
less Provision for doubtful debts	300	417	550	698
<b>Total advances paid</b>	<b>59,987</b>	<b>78,107</b>	<b>92,613</b>	<b>103,370</b>
<b>Other receivables</b>				
Goods and services receivable	1,029	1,010	1,029	1,049
Recoveries of benefit payments	6,044	7,635	7,629	7,575
Taxes receivable	20,146	21,707	23,622	25,018
Prepayments	4,415	4,474	4,593	4,801
Other	18,583	18,914	19,963	20,422
less Provision for doubtful debts	2,258	3,167	3,676	4,072
<b>Total other receivables</b>	<b>47,959</b>	<b>50,572</b>	<b>53,160</b>	<b>54,794</b>

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

**Note 14: Investments, loans and placements**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
Investments - deposits	57,425	54,891	54,668	48,016
IMF quota	12,066	12,239	12,422	12,422
Other	107,909	108,913	112,439	127,404
<b>Total investments, loans and placements</b>	<b>177,400</b>	<b>176,043</b>	<b>179,529</b>	<b>187,842</b>

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**Note 15: Non-financial assets**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Land and buildings</b>				
Land	10,613	10,605	10,640	10,664
Buildings	25,982	26,554	27,032	27,596
<b>Total land and buildings</b>	<b>36,594</b>	<b>37,159</b>	<b>37,672</b>	<b>38,260</b>
<b>Plant, equipment and infrastructure</b>				
Specialist military equipment(a)	58,188	60,816	64,222	67,926
Other	15,457	16,478	16,985	17,587
<b>Total plant, equipment and infrastructure</b>	<b>73,645</b>	<b>77,295</b>	<b>81,207</b>	<b>85,514</b>
<b>Inventories</b>				
Inventories held for sale	1,494	1,549	1,462	1,302
Inventories not held for sale	7,005	6,725	6,447	6,167
<b>Total inventories</b>	<b>8,499</b>	<b>8,274</b>	<b>7,908</b>	<b>7,470</b>
<b>Intangibles</b>				
Computer software	4,348	4,363	4,402	4,418
Other	3,749	4,169	4,583	4,839
<b>Total intangibles</b>	<b>8,097</b>	<b>8,532</b>	<b>8,985</b>	<b>9,257</b>
<b>Total investment properties</b>	<b>164</b>	<b>164</b>	<b>164</b>	<b>164</b>
<b>Total biological assets</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>49</b>
<b>Total heritage and cultural assets</b>	<b>11,413</b>	<b>11,362</b>	<b>11,310</b>	<b>11,257</b>
<b>Total assets held for sale</b>	<b>227</b>	<b>161</b>	<b>161</b>	<b>161</b>
<b>Total other non-financial assets</b>	<b>112</b>	<b>104</b>	<b>96</b>	<b>94</b>
<b>Total non-financial assets</b>	<b>138,801</b>	<b>143,099</b>	<b>147,553</b>	<b>152,225</b>

(a) 'Specialist military equipment' is included at fair value rather than cost, as foreshadowed in the 2016-17 Budget.

**Note 16: Loans**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Promissory notes	9,287	8,779	8,755	8,731
Special drawing rights	5,657	5,741	5,827	5,827
Other	511	383	306	251
<b>Total loans</b>	<b>15,455</b>	<b>14,903</b>	<b>14,889</b>	<b>14,809</b>

**Note 17: Employee and superannuation liabilities**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Total superannuation liability(a)</b>	<b>175,047</b>	<b>181,487</b>	<b>187,969</b>	<b>194,476</b>
<b>Other employee liabilities</b>				
Leave and other entitlements	7,832	7,888	7,988	8,079
Accrued salaries and wages	216	220	227	271
Workers compensation claims	3,168	3,165	3,170	3,178
Other	7,422	7,680	7,946	8,219
<b>Total other employee liabilities</b>	<b>18,638</b>	<b>18,953</b>	<b>19,331</b>	<b>19,746</b>
<b>Total employee and superannuation liabilities</b>	<b>193,685</b>	<b>200,441</b>	<b>207,300</b>	<b>214,223</b>

(a) For budget reporting purposes (including the Budget and Mid-Year Economic and Fiscal Outlook), a discount rate of 6 per cent used by actuaries in preparing Long-Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with Australian Accounting Standards, for the 2015-16 Final Budget Outcome the long-term government bond rate as at 30 June 2016 was used to calculate the superannuation liability. This rate was 2.7 per cent.

**Note 18: Provisions and payables**

	Estimates		Projections	
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Suppliers payable</b>				
Trade creditors	4,343	4,423	4,497	4,490
Operating lease rental payable	416	429	427	416
Other creditors	1,599	1,477	1,475	1,473
<b>Total suppliers payable</b>	<b>6,358</b>	<b>6,329</b>	<b>6,400</b>	<b>6,379</b>
<b>Total personal benefits provisions and payables</b>	<b>12,677</b>	<b>12,237</b>	<b>12,815</b>	<b>13,457</b>
<b>Total subsidies provisions and payables</b>	<b>931</b>	<b>1,203</b>	<b>1,512</b>	<b>1,884</b>
<b>Grants provisions and payables</b>				
State and Territory governments	98	93	89	89
Non-profit organisations	198	201	203	205
Private sector	365	365	365	365
Overseas	2,308	1,956	1,737	2,531
Other	8,740	8,390	8,114	7,823
<b>Total grants provisions and payables</b>	<b>11,710</b>	<b>11,004</b>	<b>10,507</b>	<b>11,012</b>
<b>Other provisions and payables</b>				
Provisions for tax refunds	2,997	3,011	3,003	2,997
Other	17,517	16,197	16,346	16,597
<b>Total other provisions and payables</b>	<b>20,513</b>	<b>19,207</b>	<b>19,350</b>	<b>19,593</b>

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**Note 19: Reconciliation of cash**

	Estimates		Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>Net operating balance (revenues less expenses)</b>	<b>-37,530</b>	<b>-19,159</b>	<b>-10,571</b>	<b>-1,276</b>
<i>less</i> <b>Revenues not providing cash</b>				
Other	2,336	1,979	2,133	2,635
<b>Total revenues not providing cash</b>	<b>2,336</b>	<b>1,979</b>	<b>2,133</b>	<b>2,635</b>
<i>plus</i> <b>Expenses not requiring cash</b>				
Increase/(decrease) in employee entitlements	10,295	6,717	6,767	6,775
Depreciation/amortisation expense	7,855	8,066	8,500	9,077
Mutually agreed write-downs	1,479	1,509	1,601	1,694
Other	479	1,026	995	469
<b>Total expenses not requiring cash</b>	<b>20,108</b>	<b>17,317</b>	<b>17,863</b>	<b>18,014</b>
<i>plus</i> <b>Cash provided / (used) by working capital items</b>				
Decrease/(increase) in inventories	-243	-112	19	89
Decrease/(increase) in receivables	-4,252	-9,235	-9,229	-8,451
Decrease/(increase) in other financial assets	2,690	2,997	2,990	2,730
Decrease/(increase) in other non-financial assets	-207	-44	-36	-30
Increase/(decrease) in benefits, subsidies and grants payable	-960	-668	562	1,631
Increase/(decrease) in suppliers' liabilities	755	138	45	-59
Increase/(decrease) in other provisions and payables	-1,795	-2,172	-2,443	-1,815
<b>Net cash provided / (used) by working capital</b>	<b>-4,011</b>	<b>-9,096</b>	<b>-8,092</b>	<b>-5,906</b>
<i>equals</i> (Net cash from/(to) operating activities)	-23,768	-12,916	-2,932	8,196
<i>plus</i> (Net cash from/(to) investing activities)	-56,461	-29,723	-30,756	-31,698
<b>Net cash from operating activities and investment</b>	<b>-80,229</b>	<b>-42,639</b>	<b>-33,688</b>	<b>-23,501</b>
<i>plus</i> (Net cash from/(to) financing activities)	79,533	42,674	34,400	23,771
<b>equals Net increase/(decrease) in cash</b>	<b>-696</b>	<b>36</b>	<b>712</b>	<b>270</b>
<b>Cash at the beginning of the year</b>	<b>3,638</b>	<b>2,942</b>	<b>2,978</b>	<b>3,690</b>
Net increase/(decrease) in cash	-696	36	712	270
<b>Cash at the end of the year</b>	<b>2,942</b>	<b>2,978</b>	<b>3,690</b>	<b>3,960</b>

## 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*.<sup>1</sup>

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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.<sup>2</sup>

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.

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<sup>2</sup> 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.<sup>3</sup>

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.

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<sup>3</sup> 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 assets<sup>4</sup> (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.

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<sup>4</sup> 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 <sup>5</sup>
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Net Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government has excluded net Future Fund earnings from the calculations of the underlying cash balance. Prior to the 2012-13 MYEFO, the underlying cash balance only excluded the gross earnings of the Future Fund. Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Future Fund becomes available to meet the Government's superannuation liabilities from 2020. At this time, when drawdowns from the Future Fund are permitted under governing legislation, the Government's cash saving-investment balance would no longer be adjusted to reflect reinvestment of Future Fund earnings.

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

Net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table B3 of this statement and related tables in Part 3 and Appendix D.

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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

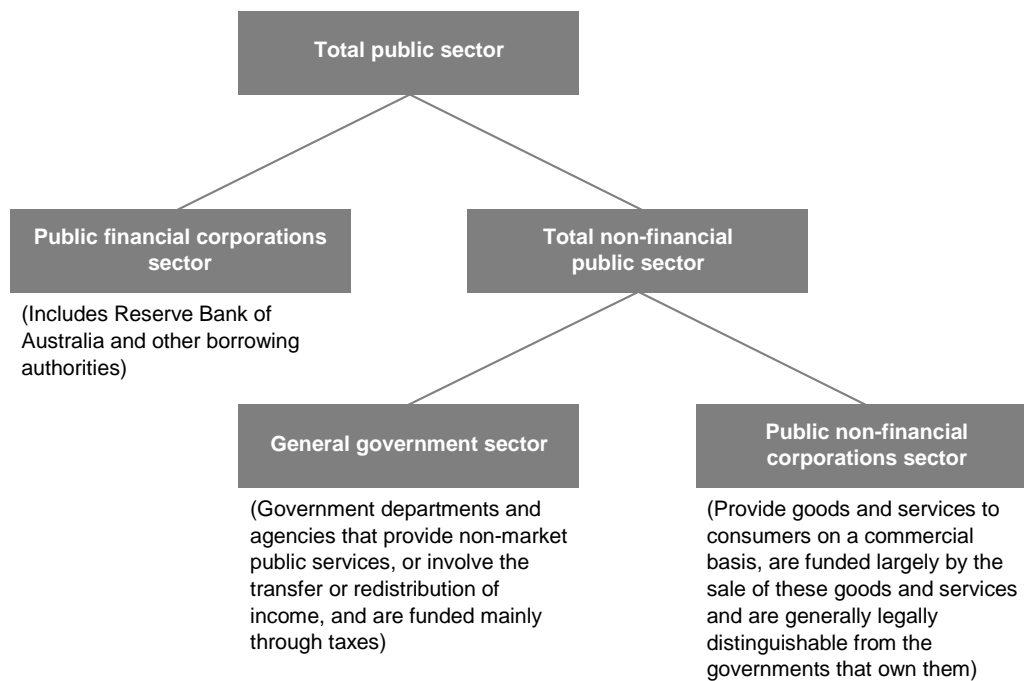
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.<sup>6</sup> 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**



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

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

A table which provides a full list of public sector principal entities is available on the Department of Finance website at:  
[http://www.finance.gov.au/sites/default/files/PGPA\\_Entity\\_List-October\\_2016.pdf](http://www.finance.gov.au/sites/default/files/PGPA_Entity_List-October_2016.pdf).

**Table B14: Entities outside of the general government sector**

<b>Public financial corporations</b>
Employment Portfolio
<ul style="list-style-type: none"><li>• Coal Mining Industry (Long Service Leave Funding) Corporation</li></ul>
Foreign Affairs and Trade Portfolio
<ul style="list-style-type: none"><li>• Export Finance and Insurance Corporation</li></ul>
Treasury Portfolio
<ul style="list-style-type: none"><li>• Australian Reinsurance Pool Corporation</li><li>• Reserve Bank of Australia</li></ul>
<b>Public non-financial corporations</b>
Communications and the Arts Portfolio
<ul style="list-style-type: none"><li>• Australian Postal Corporation</li><li>• NBN Co Limited</li></ul>
Finance Portfolio
<ul style="list-style-type: none"><li>• ASC Pty Ltd*</li></ul>
Industry, Innovation and Science Portfolio
<ul style="list-style-type: none"><li>• ANSTO Nuclear Medicine Pty Ltd</li></ul>
Infrastructure and Regional Development Portfolio
<ul style="list-style-type: none"><li>• Airservices Australia</li><li>• Australian Rail Track Corporation Ltd</li><li>• Moorebank Intermodal Company Ltd</li></ul>
Prime Minister and Cabinet Portfolio
<ul style="list-style-type: none"><li>• Voyages Indigenous Tourism Australia Pty Ltd</li></ul>
Social Services Portfolio
<ul style="list-style-type: none"><li>• Australian Hearing Services</li></ul>

\*The government has announced that ASC will be separated into three individual Government owned companies. Full separation is expected to be completed in 2017.