

Attachment B

AUSTRALIAN LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balances of the general government (GGS) and public non-financial corporations (PNFC) sectors and total non-financial public sector (NFPS) 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 B15, the Australian Government's revised estimate for the 2016-17 LCA is a \$60.4 billion deficit, which is an improvement of \$1.6 billion from the LCA deficit of \$62.0 billion at the 2016-17 Budget. The revised LCA estimate falls within the tolerance limit set at Budget.

Table B15: 2016-17 Commonwealth Loan Council Allocation

	2016-17 Budget estimate \$m	2016-17 MYEFO estimate \$m
GGs cash surplus(-)/deficit(+)	33,760	33,713
PNFC sector cash surplus(-)/deficit(+)	9,930	8,835
NFPS cash surplus(-)/deficit(+)(a)	43,690	42,548
<i>plus</i> Acquisitions under finance leases and similar arrangements	0	0
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	43,690	42,548
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(b)	-19,678	-18,792
<i>plus</i> Memorandum items(c)	-1,348	-903
Loan Council Allocation	62,020	60,437

(a) May not directly equate to the sum of the GGS and the PNFC sector due to intersectoral transfers which are netted out.

(b) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

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