

## STATEMENT 10: 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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## STATEMENT 10: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

**Table 1: Australian Government general government sector operating statement**

	Note	Estimates			Projections	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>Revenue</b>						
Taxation revenue	3	386,172	415,428	441,772	474,494	503,741
Sales of goods and services	4	8,894	11,496	14,654	15,563	15,746
Interest income	5	3,753	4,397	5,470	6,645	7,685
Dividend income	5	3,653	3,517	4,125	4,623	3,519
Other	6	9,618	9,578	10,077	9,494	9,687
<b>Total revenue</b>		<b>412,091</b>	<b>444,414</b>	<b>476,099</b>	<b>510,819</b>	<b>540,378</b>
<b>Expenses</b>						
Gross operating expenses						
Wages and salaries(a)	7	19,926	19,906	20,072	20,165	20,241
Superannuation	7	9,702	4,578	4,617	4,647	4,644
Depreciation and amortisation	8	9,547	9,226	8,981	9,326	9,811
Supply of goods and services	9	91,334	102,477	115,171	122,189	127,083
Other operating expenses(a)	7	5,686	5,761	5,682	5,735	5,809
<i>Total gross operating expenses</i>		<i>136,195</i>	<i>141,948</i>	<i>154,523</i>	<i>162,062</i>	<i>167,588</i>
Superannuation interest expense	7	8,446	10,392	10,761	11,133	11,502
Interest expenses	10	17,582	18,544	19,797	20,799	20,445
Current transfers						
Current grants	11	134,064	138,221	146,258	148,279	153,352
Subsidy expenses		12,663	12,064	12,465	13,184	13,962
Personal benefits	12	129,941	130,507	132,854	139,379	148,887
<i>Total current transfers</i>		<i>276,668</i>	<i>280,792</i>	<i>291,578</i>	<i>300,841</i>	<i>316,201</i>
Capital transfers						
Mutually agreed write-downs		1,389	1,429	1,521	1,604	1,707
Other capital grants		10,478	11,157	8,683	6,759	5,464
<i>Total capital transfers</i>		<i>11,867</i>	<i>12,586</i>	<i>10,204</i>	<i>8,363</i>	<i>7,171</i>
<b>Total expenses</b>		<b>450,757</b>	<b>464,262</b>	<b>486,863</b>	<b>503,198</b>	<b>522,907</b>
<b>Net operating balance</b>		<b>-38,666</b>	<b>-19,848</b>	<b>-10,765</b>	<b>7,622</b>	<b>17,471</b>
<b>Other economic flows - included in operating result</b>						
Net write-downs of assets						
(including bad and doubtful debts)		-9,013	-9,310	-9,252	-9,485	-9,345
Assets recognised for the first time		315	285	300	316	332
Liabilities recognised for the first time		0	0	0	0	0
Actuarial revaluations		373	25	14	4	-4
Net foreign exchange gains		157	-125	0	289	311
Net swap interest received		25	0	0	0	0
Market valuation of debt		19,594	1,832	1,558	1,257	778
Other gains/(losses)		6,989	7,572	4,733	5,366	6,073
<b>Total other economic flows - included in operating result</b>		<b>18,440</b>	<b>281</b>	<b>-2,647</b>	<b>-2,253</b>	<b>-1,856</b>
<b>Operating result(b)</b>		<b>-20,226</b>	<b>-19,567</b>	<b>-13,412</b>	<b>5,369</b>	<b>15,615</b>

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

	Note	Estimates			Projections	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>Non-owner movements in equity</b>						
Revaluation of equity investments		-7,075	-6,693	-21	3	4
Actuarial revaluations		-138	8	1	-1	-7
Other economic revaluations		-5,354	-162	-336	-260	-266
<b>Total other economic flows - included in equity</b>		<b>-12,567</b>	<b>-6,847</b>	<b>-356</b>	<b>-257</b>	<b>-270</b>
<b>Comprehensive result -</b>						
<b>Total change in net worth</b>		<b>-32,793</b>	<b>-26,414</b>	<b>-13,768</b>	<b>5,111</b>	<b>15,345</b>
<b>Net operating balance</b>		<b>-38,666</b>	<b>-19,848</b>	<b>-10,765</b>	<b>7,622</b>	<b>17,471</b>
<b>Net acquisition of non-financial assets</b>						
Purchases of non-financial assets		12,181	13,582	13,958	14,655	15,735
<i>less</i> Sales of non-financial assets		790	4,041	239	390	69
<i>less</i> Depreciation		9,547	9,226	8,981	9,326	9,811
<i>plus</i> Change in inventories		205	177	39	-42	184
<i>plus</i> Other movements in non-financial assets		-2	-8	-6	-5	-3
<b>Total net acquisition of non-financial assets</b>		<b>2,047</b>	<b>484</b>	<b>4,770</b>	<b>4,892</b>	<b>6,037</b>
<b>Fiscal balance (Net lending/borrowing)(c)</b>		<b>-40,713</b>	<b>-20,331</b>	<b>-15,535</b>	<b>2,729</b>	<b>11,434</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.

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**Table 2: Australian Government general government sector balance sheet**

	Note	Estimates			Projections	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>Assets</b>						
Financial assets						
Cash and deposits		3,408	3,411	3,452	3,991	4,179
Advances paid(a)	13	54,073	72,083	88,567	101,390	93,622
Investments, loans and placements	14	181,854	170,989	174,267	183,656	194,589
Other receivables	13	49,736	54,322	57,163	59,468	60,263
Equity investments(a)						
Investment in other public sector entities		48,126	44,323	46,128	48,660	52,157
Equity accounted investments		366	479	566	592	544
Investments - shares		43,440	47,905	52,481	56,190	60,018
<b>Total financial assets</b>		<b>381,003</b>	<b>393,511</b>	<b>422,625</b>	<b>453,947</b>	<b>465,373</b>
Non-financial assets						
Land	15	10,296	10,215	10,119	9,834	9,877
Buildings		25,795	25,883	26,593	27,455	28,295
Plant, equipment and infrastructure		72,022	74,595	77,825	81,782	86,510
Inventories		8,482	8,349	8,072	7,713	7,585
Intangibles		7,912	8,711	9,440	9,699	9,818
Investment properties		164	164	164	164	164
Biological assets		49	49	49	49	49
Heritage and cultural assets		11,439	11,412	11,382	11,351	11,302
Assets held for sale		227	227	144	144	144
Other non-financial assets		111	103	97	92	89
<b>Total non-financial assets</b>		<b>136,497</b>	<b>139,709</b>	<b>143,885</b>	<b>148,282</b>	<b>153,834</b>
<b>Total assets</b>		<b>517,500</b>	<b>533,220</b>	<b>566,510</b>	<b>602,230</b>	<b>619,207</b>
<b>Liabilities</b>						
Interest bearing liabilities						
Deposits held		217	217	217	217	217
Government securities		546,915	584,562	624,701	646,987	641,691
Loans	16	15,685	15,065	14,955	15,066	15,216
Other borrowing		1,609	1,569	1,527	1,482	1,435
<b>Total interest bearing liabilities</b>		<b>564,426</b>	<b>601,414</b>	<b>641,399</b>	<b>663,752</b>	<b>658,559</b>

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

	Note	Estimates			Projections	
		2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Provisions and payables						
Superannuation liability	17	174,989	181,303	187,684	194,069	200,416
Other employee liabilities	17	18,180	18,560	18,950	19,408	19,825
Suppliers payable	18	5,659	5,874	5,915	5,902	5,879
Personal benefits provisions and payables	18	13,189	13,552	14,007	14,348	14,439
Subsidies provisions and payables	18	451	439	441	447	433
Grants provisions and payables	18	11,537	10,589	10,051	10,604	9,976
Other provisions and payables	18	20,763	19,599	19,938	20,466	21,100
<i>Total provisions and payables</i>		<i>244,768</i>	<i>249,915</i>	<i>256,988</i>	<i>265,244</i>	<i>272,068</i>
<b>Total liabilities</b>		<b>809,194</b>	<b>851,329</b>	<b>898,387</b>	<b>928,996</b>	<b>930,627</b>
<b>Net worth(b)</b>		<b>-291,695</b>	<b>-318,109</b>	<b>-331,877</b>	<b>-326,766</b>	<b>-311,421</b>
<i>Net financial worth(c)</i>		<i>-428,191</i>	<i>-457,818</i>	<i>-475,762</i>	<i>-475,048</i>	<i>-465,255</i>
<i>Net financial liabilities(d)</i>		<i>476,317</i>	<i>502,141</i>	<i>521,889</i>	<i>523,709</i>	<i>517,412</i>
<i>Net debt(e)</i>		<i>325,091</i>	<i>354,931</i>	<i>375,112</i>	<i>374,715</i>	<i>366,169</i>

(a) Due to the implementation of the 2015 ABS GFS Manual, Australia's subscriptions to the International Development Association and the Asian Development Fund were reclassified in the 2017-18 Budget from 'advances paid' to 'equity investments' on the balance sheet.

(b) Net worth is calculated as total assets minus total liabilities.

(c) Net financial worth equals total financial assets minus total liabilities.

(d) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(e) 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.



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**Table 3: 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	2020-21 \$m
<b>Cash receipts from operating activities</b>					
Taxes received	377,201	404,302	430,747	463,195	492,488
Receipts from sales of goods and services	8,786	11,497	14,600	15,511	15,694
Interest receipts	3,003	3,233	3,840	4,442	4,898
Dividends and income tax equivalents	5,820	3,996	3,637	4,323	4,829
Other receipts	8,695	9,104	9,004	8,614	8,344
<b>Total operating receipts</b>	<b>403,505</b>	<b>432,133</b>	<b>461,829</b>	<b>496,085</b>	<b>526,253</b>
<b>Cash payments for operating activities</b>					
Payments for employees	-27,918	-28,553	-29,061	-29,508	-30,042
Payments for goods and services	-90,127	-101,003	-113,055	-120,159	-125,302
Grants and subsidies paid	-157,615	-161,202	-166,915	-166,894	-172,160
Interest paid	-15,251	-16,589	-17,562	-18,163	-20,404
Personal benefit payments	-132,186	-133,463	-134,709	-140,895	-149,839
Other payments	-5,464	-5,369	-5,289	-5,320	-5,393
<b>Total operating payments</b>	<b>-428,560</b>	<b>-446,179</b>	<b>-466,592</b>	<b>-480,938</b>	<b>-503,140</b>
<b>Net cash flows from operating activities</b>	<b>-25,055</b>	<b>-14,046</b>	<b>-4,763</b>	<b>15,147</b>	<b>23,113</b>
<b>Cash flows from investments in non-financial assets</b>					
Sales of non-financial assets	2,219	1,361	671	822	69
Purchases of non-financial assets	-11,979	-13,506	-13,817	-14,695	-15,765
<b>Net cash flows from investments in non-financial assets</b>	<b>-9,760</b>	<b>-12,145</b>	<b>-13,146</b>	<b>-13,872</b>	<b>-15,696</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-16,246</b>	<b>-22,221</b>	<b>-19,212</b>	<b>-16,077</b>	<b>4,252</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>					
Increase in investments	-30,734	10,475	-3,118	-6,771	-7,711
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-30,734</b>	<b>10,475</b>	<b>-3,118</b>	<b>-6,771</b>	<b>-7,711</b>
<b>Net cash receipts from financing activities</b>					
Borrowing	84,770	41,366	43,368	25,163	0
Other financing	73	0	0	0	0
<b>Total net cash receipts from financing activities</b>	<b>84,843</b>	<b>41,366</b>	<b>43,368</b>	<b>25,163</b>	<b>0</b>
<b>Net cash payments for financing activities</b>					
Borrowing	0	0	0	0	-357
Other financing	-3,279	-3,427	-3,088	-3,051	-3,413
<b>Total net cash payments for financing activities</b>	<b>-3,279</b>	<b>-3,427</b>	<b>-3,088</b>	<b>-3,051</b>	<b>-3,771</b>
<b>Net cash flows from financing activities</b>	<b>81,565</b>	<b>37,939</b>	<b>40,280</b>	<b>22,112</b>	<b>-3,771</b>
<b>Net increase/(decrease) in cash held</b>	<b>-230</b>	<b>3</b>	<b>41</b>	<b>539</b>	<b>188</b>

**Table 3: Australian Government general government sector cash flow statement<sup>(a)</sup> (continued)**

	Estimates			Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>GFS cash surplus(+)/deficit(-)(b)(c)</b>	<b>-34,816</b>	<b>-26,191</b>	<b>-17,909</b>	<b>1,275</b>	<b>7,417</b>
<i>less</i> Finance leases and similar arrangements(b)(d)	0	0	0	0	0
<i>less</i> Net Future Fund earnings(e)	2,784	3,205	3,513	3,745	na
<b>Equals underlying cash balance(f)</b>	<b>-37,600</b>	<b>-29,396</b>	<b>-21,422</b>	<b>-2,470</b>	<b>7,417</b>
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-16,246	-22,221	-19,212	-16,077	4,252
<i>plus</i> Net Future Fund earnings(e)	2,784	3,205	3,513	3,745	na
<b>Equals headline cash balance</b>	<b>-51,061</b>	<b>-48,411</b>	<b>-37,121</b>	<b>-14,802</b>	<b>11,669</b>
<i>Memorandum:</i>					
<i>Net Future Fund earnings(e)</i>	2,784	3,205	3,513	3,745	4,001

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

(b) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are not deducted in the derivation of the GFS cash surplus/deficit.

(c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.

(d) The acquisition of assets under finance leases worsens the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

(e) Under the *Future Fund Act 2006*, net Future Fund earnings will be available to meet the Government superannuation liability in 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

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

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

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Revenue</b>		
Current grants and subsidies	120	146
Sales of goods and services	10,614	11,833
Interest income	47	16
Other	16	20
<b>Total revenue</b>	<b>10,798</b>	<b>12,016</b>
<b>Expenses</b>		
Gross operating expenses		
Wages and salaries(a)	4,289	4,512
Superannuation	387	396
Depreciation and amortisation	2,128	3,008
Supply of goods and services	6,820	9,368
Other operating expenses(a)	482	314
<i>Total gross operating expenses</i>	<i>14,107</i>	<i>17,598</i>
Interest expenses	521	805
Other property expenses	168	171
Current transfers		
Tax expenses	47	17
<i>Total current transfers</i>	<i>47</i>	<i>17</i>
<b>Total expenses</b>	<b>14,843</b>	<b>18,591</b>
<b>Net operating balance</b>	<b>-4,045</b>	<b>-6,575</b>
<b>Other economic flows</b>	<b>-1,369</b>	<b>-2</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-5,414</b>	<b>-6,577</b>
<b>Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	8,991	10,834
<i>less</i> Sales of non-financial assets	79	20
<i>less</i> Depreciation	2,128	3,008
<i>plus</i> Change in inventories	17	5
<i>plus</i> Other movements in non-financial assets	33	-1
<b>Total net acquisition of non-financial assets</b>	<b>6,834</b>	<b>7,810</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-10,879</b>	<b>-14,385</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 5: Australian Government public non-financial corporations sector balance sheet**

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Assets</b>		
Financial assets		
Cash and deposits	2,412	1,670
Investments, loans and placements	528	475
Other receivables	1,624	1,933
Equity investments	400	382
<i>Total financial assets</i>	<i>4,963</i>	<i>4,460</i>
Non-financial assets		
Land and other fixed assets(a)	30,464	38,947
Other non-financial assets(a)(b)	3,049	3,238
<i>Total non-financial assets</i>	<i>33,513</i>	<i>42,185</i>
<b>Total assets</b>	<b>38,476</b>	<b>46,645</b>
<b>Liabilities</b>		
Interest bearing liabilities		
Deposits held	5	5
Advances received	286	286
Loans	2,391	11,441
Other borrowing	6,225	7,800
<i>Total interest bearing liabilities</i>	<i>8,907</i>	<i>19,533</i>
Provisions and payables		
Superannuation liability	46	46
Other employee liabilities	1,639	1,616
Other provisions and payables(b)	5,687	6,957
<i>Total provisions and payables</i>	<i>7,372</i>	<i>8,619</i>
<b>Total liabilities</b>	<b>16,278</b>	<b>28,152</b>
<b>Shares and other contributed capital</b>	<b>22,198</b>	<b>18,493</b>
<b>Net worth(c)</b>	<b>22,198</b>	<b>18,493</b>
<i>Net financial worth(d)</i>	<i>-11,315</i>	<i>-23,692</i>
<i>Net debt(e)</i>	<i>5,967</i>	<i>17,388</i>

(a) The estimate for intangible produced assets has now been reclassified from land and other fixed assets to other non-financial assets to provide consistency across sectors.

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

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Cash receipts from operating activities</b>		
Receipts from sales of goods and services	11,388	12,337
GST input credit receipts	673	862
Other receipts	136	152
<b>Total operating receipts</b>	<b>12,197</b>	<b>13,350</b>
<b>Cash payments for operating activities</b>		
Payments to employees	-5,188	-5,134
Payment for goods and services	-7,732	-10,918
Interest paid	-487	-762
GST payments to taxation authority	0	0
Other payments	-47	-17
<b>Total operating payments</b>	<b>-13,454</b>	<b>-16,831</b>
<b>Net cash flows from operating activities</b>	<b>-1,257</b>	<b>-3,481</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	86	20
Purchases of non-financial assets	-6,290	-7,997
<b>Net cash flows from investments in non-financial assets</b>	<b>-6,204</b>	<b>-7,977</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	48	145
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>48</b>	<b>145</b>
<b>Net cash flows from financing activities</b>		
Borrowing (net)	-83	8,979
Other financing (net)	7,518	1,761
Distributions paid (net)	-169	-170
<b>Net cash flows from financing activities</b>	<b>7,267</b>	<b>10,571</b>
<b>Net increase/(decrease) in cash held</b>	<b>-146</b>	<b>-741</b>
<b>Cash at the beginning of the year</b>	<b>2,558</b>	<b>2,412</b>
<b>Cash at the end of the year</b>	<b>2,412</b>	<b>1,670</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-7,461</b>	<b>-11,457</b>
Distributions paid	-169	-170
<b>GFS cash surplus(+)/deficit(-)(b)</b>	<b>-7,629</b>	<b>-11,627</b>

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

(b) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are not deducted in the derivation of the GFS cash surplus/deficit.

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

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Revenue</b>		
Taxation revenue	386,125	415,041
Sales of goods and services	18,468	22,316
Interest income	3,782	4,267
Dividend income	3,485	3,346
Other	9,634	9,598
<b>Total revenue</b>	<b>421,496</b>	<b>454,568</b>
<b>Expenses</b>		
Gross operating expenses		
Wages and salaries(a)	24,215	24,418
Superannuation	10,088	4,974
Depreciation and amortisation	11,676	12,234
Supply of goods and services	97,114	110,833
Other operating expenses(a)	6,168	6,075
<i>Total gross operating expenses</i>	<i>149,261</i>	<i>158,534</i>
Superannuation interest expense	8,446	10,392
Interest expenses	18,084	19,204
Current transfers		
Current grants	134,064	138,221
Subsidy expenses	12,543	11,548
Personal benefits	129,941	130,507
<i>Total current transfers</i>	<i>276,548</i>	<i>280,276</i>
Capital transfers	11,867	12,586
<b>Total expenses</b>	<b>464,207</b>	<b>480,991</b>
<b>Net operating balance</b>	<b>-42,711</b>	<b>-26,423</b>
<b>Other economic flows</b>	<b>8,527</b>	<b>103</b>
<b>Comprehensive result - Total change in net worth</b>	<b>-34,184</b>	<b>-26,320</b>
<b>Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	21,172	24,415
<i>less</i> Sales of non-financial assets	868	4,062
<i>less</i> Depreciation	11,676	12,234
<i>plus</i> Change in inventories	222	183
<i>plus</i> Other movements in non-financial assets	30	-8
<b>Total net acquisition of non-financial assets</b>	<b>8,881</b>	<b>8,293</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-51,592</b>	<b>-34,716</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.

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

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Assets</b>		
Financial assets		
Cash and deposits	5,819	5,081
Advances paid	53,787	71,798
Investments, loans and placements	182,382	171,463
Other receivables	51,206	56,098
Equity investments	68,489	73,045
<i>Total financial assets</i>	<i>361,683</i>	<i>377,486</i>
Non-financial assets		
Land and other fixed assets	158,497	169,402
Other non-financial assets	11,513	12,492
<i>Total non-financial assets</i>	<i>170,010</i>	<i>181,894</i>
<b>Total assets</b>	<b>531,693</b>	<b>559,380</b>
<b>Liabilities</b>		
Interest bearing liabilities		
Deposits held	223	223
Advances received	0	0
Government securities	546,915	584,562
Loans	18,075	26,507
Other borrowing	7,834	9,369
<i>Total interest bearing liabilities</i>	<i>573,047</i>	<i>620,661</i>
Provisions and payables		
Superannuation liability	175,034	181,349
Other employee liabilities	19,819	20,176
Other provisions and payables	57,133	56,853
<i>Total provisions and payables</i>	<i>251,986</i>	<i>258,378</i>
<b>Total liabilities</b>	<b>825,032</b>	<b>879,039</b>
<b>Shares and other contributed capital</b>	<b>22,198</b>	<b>18,493</b>
<b>Net worth(a)</b>	<b>-293,340</b>	<b>-319,659</b>
<i>Net financial worth(b)</i>	<i>-463,350</i>	<i>-501,553</i>
<i>Net debt(c)</i>	<i>331,059</i>	<i>372,319</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 9: Australian Government total non-financial public sector cash flow statement<sup>(a)</sup>**

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Cash receipts from operating activities</b>		
Taxes received	377,154	404,286
Receipts from sales of goods and services	18,267	21,959
Interest receipts	3,038	3,112
Dividends and income tax equivalents	5,661	3,832
Other receipts	8,768	9,226
<b>Total operating receipts</b>	<b>412,889</b>	<b>442,415</b>
<b>Cash payments for operating activities</b>		
Payments to employees	-33,106	-33,687
Payments for goods and services	-95,279	-109,184
Grants and subsidies paid	-157,615	-161,202
Interest paid	-15,719	-17,205
Personal benefit payments	-132,186	-133,463
Other payments	-5,464	-5,369
<b>Total operating payments</b>	<b>-439,369</b>	<b>-460,112</b>
<b>Net cash flows from operating activities</b>	<b>-26,481</b>	<b>-17,696</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	2,305	1,381
Purchases of non-financial assets	-18,269	-21,503
<b>Net cash flows from investments in non-financial assets</b>	<b>-15,964</b>	<b>-20,122</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-8,350</b>	<b>-20,075</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	-30,686	10,621
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-30,686</b>	<b>10,621</b>
<b>Net cash flows from financing activities</b>		
Borrowing (net)	84,687	50,346
Other financing (net)	-3,583	-3,811
<b>Net cash flows from financing activities</b>	<b>81,105</b>	<b>46,534</b>
<b>Net increase/(decrease) in cash held</b>	<b>-376</b>	<b>-738</b>
<b>Cash at the beginning of the year</b>	<b>6,196</b>	<b>5,819</b>
<b>Cash at the end of the year</b>	<b>5,819</b>	<b>5,081</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-42,445</b>	<b>-37,818</b>
Distributions paid	0	0
<b>GFS cash surplus(+)/deficit(-)(b)</b>	<b>-42,445</b>	<b>-37,818</b>

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

(b) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are not deducted in the derivation of the GFS cash surplus/deficit.



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**Table 10: Australian Government public financial corporations sector operating statement**

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Revenue</b>		
Current grants and subsidies	143	149
Sales of goods and services	684	668
Interest income	2,111	2,482
Other	79	43
<b>Total revenue</b>	<b>3,017</b>	<b>3,342</b>
<b>Expenses</b>		
Gross operating expenses		
Wages and salaries(a)	149	157
Superannuation	76	33
Depreciation and amortisation	44	52
Supply of goods and services	505	501
Other operating expenses(a)	205	202
<i>Total gross operating expenses</i>	<i>978</i>	<i>945</i>
Interest expenses	1,125	1,239
Other property expenses	1,130	635
Current transfers		
Tax expenses	0	0
<i>Total current transfers</i>	<i>0</i>	<i>0</i>
<b>Total expenses</b>	<b>3,233</b>	<b>2,819</b>
<b>Net operating balance</b>	<b>-217</b>	<b>523</b>
<b>Other economic flows</b>	<b>-2,816</b>	<b>-531</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-3,032</b>	<b>-9</b>
<b>Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	0	1
<i>less</i> Sales of non-financial assets	<i>0</i>	<i>0</i>
<i>less</i> Depreciation	<i>44</i>	<i>52</i>
<i>plus</i> Change in inventories	<i>-26</i>	<i>0</i>
<i>plus</i> Other movements in non-financial assets	<i>0</i>	<i>0</i>
<b>Total net acquisition of non-financial assets</b>	<b>-70</b>	<b>-51</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-147</b>	<b>574</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 11: Australian Government public financial corporations sector balance sheet<sup>(a)</sup>**

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Assets</b>		
Financial assets		
Cash and deposits	538	528
Investments, loans and placements	180,437	180,080
Other receivables	232	227
Equity investments	396	396
<i>Total financial assets</i>	<i>181,604</i>	<i>181,230</i>
Non-financial assets		
Land and other fixed assets(b)	772	767
Other non-financial assets(b)(c)	99	97
<i>Total non-financial assets</i>	<i>871</i>	<i>865</i>
<b>Total assets</b>	<b>182,475</b>	<b>182,095</b>
<b>Liabilities</b>		
Interest bearing liabilities		
Deposits held	150,451	150,451
Borrowing	6,902	7,025
<i>Total interest bearing liabilities</i>	<i>157,354</i>	<i>157,476</i>
Provisions and payables		
Superannuation liability	684	684
Other employee liabilities	1,422	1,422
Other provisions and payables(c)	1,272	777
<i>Total provisions and payables</i>	<i>3,378</i>	<i>2,883</i>
<b>Total liabilities</b>	<b>160,732</b>	<b>160,360</b>
<b>Shares and other contributed capital</b>	<b>21,744</b>	<b>21,735</b>
<b>Net worth(d)</b>	<b>21,744</b>	<b>21,735</b>
<i>Net financial worth(e)</i>	<i>20,872</i>	<i>20,870</i>
<i>Net debt(f)</i>	<i>-23,622</i>	<i>-23,131</i>

(a) Assumes no valuation or currency movement.

(b) The estimate of intangible produced assets has now been reclassified from land and other fixed assets to other non-financial assets to provide consistency across sectors.

(c) Excludes the impact of commercial taxation adjustments.

(d) 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.

(e) 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.

(f) Net debt equals the sum of deposits held and borrowing, minus the sum of cash and deposits and investments, loans and placements.

**Table 12: Australian Government public financial corporations sector cash flow statement<sup>(a)</sup>**

	Estimates	
	2016-17 \$m	2017-18 \$m
<b>Cash receipts from operating activities</b>		
Receipts from sales of goods and services	706	671
Grants and subsidies received	0	0
GST input credit receipts	15	0
Interest receipts	2,172	2,543
Other receipts	346	215
<b>Total operating receipts</b>	<b>3,239</b>	<b>3,429</b>
<b>Cash payments for operating activities</b>		
Payments to employees	-430	-391
Payment for goods and services	-510	-487
Interest paid	-1,159	-1,275
GST payments to taxation authority	0	-9
Other payments	-12	-10
<b>Total operating payments</b>	<b>-2,110</b>	<b>-2,173</b>
<b>Net cash flows from operating activities</b>	<b>1,128</b>	<b>1,256</b>
<b>Cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	0	0
Purchases of non-financial assets	0	-1
<b>Net cash flows from investments in non-financial assets</b>	<b>0</b>	<b>-1</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>		
Increase in investments	-17,833	-1,181
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-17,833</b>	<b>-1,181</b>
<b>Net cash flows from financing activities</b>		
Borrowing (net)	-8	-40
Deposits received (net)	16,171	0
Other financing (net)	3,947	13
Distributions paid (net)	-3,279	-58
<b>Net cash flows from financing activities</b>	<b>16,831</b>	<b>-85</b>
<b>Net increase/(decrease) in cash held</b>	<b>125</b>	<b>-11</b>
<b>Cash at the beginning of the year</b>	<b>413</b>	<b>538</b>
<b>Cash at the end of the year</b>	<b>538</b>	<b>528</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>1,128</b>	<b>1,256</b>
Distributions paid	-3,279	-58
<b>GFS cash surplus(+)/deficit(-)(b)</b>	<b>-2,151</b>	<b>1,198</b>

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

(b) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are not deducted in the derivation of the GFS cash surplus/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, 2015* (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 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

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<sup>1</sup> From 1 July 2017, the 2015 ABS GFS Manual replaces the 2005 ABS GFS Manual (current at the time of publication). 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.

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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).

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 6: Expenses and Net Capital Investment*. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in *Statement 6*.

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 2016-17* (MYEFO) are disclosed in *Statement 3: Fiscal Strategy and Outlook*, with decisions taken since the MYEFO disclosed in Budget Paper No. 2 *Budget Measures 2017-18*. All policy decisions taken between the 2016-17 Budget and the 2016-17 MYEFO are disclosed in Appendix A of the MYEFO.

Details of the Australian Government's GGS contingent liabilities are disclosed in *Statement 9: 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*, 2015 (cat. no. 5514.0).

**Table 13: Major differences between AAS and ABS GFS**

Issue	AAS treatment	ABS GFS treatment <sup>2</sup>	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
Valuation of loans	Loans at amortised cost are valued using discounted cash flows at the contractual interest rate. Changes in the valuation of loans are treated as an expense.	Loans are valued using discounted cash flows at the market interest rate. Changes in the valuation of loans are treated as an other economic flow.	AAS for valuation. ABS GFS for changes in valuation.
Concessional loans	Concessional elements are treated as an expense.	Concessional elements are treated as an other economic flow.	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	Capitalised when the asset is purchased.	Capitalised when make-good activity takes place.	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
Interest expense measurement	Interest expense will be recorded on a contractual (debtor) rate basis.	Interest expense will be recorded on a market (creditor) rate basis.	AAS

<sup>2</sup> From 1 July 2017, the 2015 ABS GFS Manual replaces the 2005 ABS GFS Manual (current at the time of publication). 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.

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**Table 13: Major differences between AAS and ABS GFS (continued)**

<b>Issue</b>	<b>AAS treatment</b>	<b>ABS GFS treatment</b>	<b>Treatment adopted</b>
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
<b>Fiscal aggregates differences</b>			
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

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**Note 3: Taxation revenue by type**

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes					
Gross income tax withholding	180,150	188,750	200,400	216,520	231,770
Gross other individuals	46,730	49,860	52,720	57,030	61,220
less Refunds	28,300	29,000	30,900	32,700	34,400
Total individuals and other withholding taxation	198,580	209,610	222,220	240,850	258,590
Fringe benefits tax	4,450	4,430	4,520	4,870	5,130
Company tax	68,900	79,400	86,400	93,300	95,900
Superannuation fund taxes	7,760	8,540	9,510	10,720	12,120
Petroleum resource rent tax(a)	1,050	990	990	1,030	1,000
<b>Income taxation revenue</b>	<b>280,740</b>	<b>302,970</b>	<b>323,640</b>	<b>350,770</b>	<b>372,740</b>
Goods and services tax	62,220	65,710	68,460	71,030	75,230
Wine equalisation tax	870	900	1,000	1,060	1,100
Luxury car tax	660	650	640	690	720
Excise and customs duty					
Petrol	6,100	6,250	6,410	6,790	7,150
Diesel	10,240	10,640	11,140	11,690	12,340
Other fuel products	1,900	1,920	1,920	2,000	2,070
Tobacco	10,690	11,610	12,720	13,920	15,190
Beer	2,350	2,390	2,470	2,520	2,670
Spirits	2,050	2,130	2,210	2,300	2,410
Other alcoholic beverages(b)	920	950	980	1,020	1,050
Other customs duty					
Textiles, clothing and footwear	270	170	170	170	170
Passenger motor vehicles	500	490	500	520	560
Other imports	1,050	790	790	810	840
less: Refunds and drawbacks	420	420	420	420	420
Total excise and customs duty	35,650	36,920	38,890	41,320	44,030
Major bank levy	-	1,600	1,700	1,800	1,900
Agricultural levies	532	537	533	537	546
Other taxes	5,501	6,141	6,910	7,287	7,475
Mirror taxes	530	559	582	612	630
less Transfers to States in relation to mirror tax revenue	530	559	582	612	630
Mirror tax revenue	0	0	0	0	0
<b>Indirect taxation revenue</b>	<b>105,432</b>	<b>112,458</b>	<b>118,132</b>	<b>123,724</b>	<b>131,001</b>
<b>Taxation revenue</b>	<b>386,172</b>	<b>415,428</b>	<b>441,772</b>	<b>474,494</b>	<b>503,741</b>



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**Note 3: Taxation revenue by type (continued)**

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
<i>Memorandum:</i>					
Total excise	21,560	22,190	22,950	24,070	25,320
Total customs duty	14,090	14,730	15,940	17,250	18,710
Capital gains tax(c)	12,700	15,500	16,800	18,400	20,500

(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.

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

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	203,020	214,040	226,740	245,720	263,720
Income and capital gains levied on enterprises	77,720	88,930	96,900	105,050	109,020
<b>Total taxes on income, profits and capital gains</b>	<b>280,740</b>	<b>302,970</b>	<b>323,640</b>	<b>350,770</b>	<b>372,740</b>
Taxes on employers' payroll and labour force	635	635	668	673	697
Taxes on the provision of goods and services					
Sales/goods and services tax	63,750	67,260	70,100	72,780	77,050
Excises and levies	22,092	22,727	23,483	24,607	25,866
Taxes on international trade	14,090	14,730	15,940	17,250	18,710
<b>Total taxes on the provision of goods and services</b>	<b>99,932</b>	<b>104,717</b>	<b>109,523</b>	<b>114,637</b>	<b>121,626</b>
Taxes on the use of goods and performance of activities	4,866	7,106	7,942	8,414	8,678
<b>Total taxation revenue</b>	<b>386,172</b>	<b>415,428</b>	<b>441,772</b>	<b>474,494</b>	<b>503,741</b>

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

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Sales of goods	1,469	1,655	1,724	1,776	1,588
Rendering of services	5,408	7,821	10,859	11,574	11,888
Operating lease rental	89	86	91	93	89
Fees from regulatory services	1,927	1,934	1,980	2,119	2,181
<b>Total sales of goods and services revenue</b>	<b>8,894</b>	<b>11,496</b>	<b>14,654</b>	<b>15,563</b>	<b>15,746</b>

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**Note 5: Interest and dividend revenue**

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
<b>Interest from other governments</b>					
State and Territory debt	51	59	71	85	100
Housing agreements	124	119	114	109	103
<b>Total interest from other governments</b>	<b>175</b>	<b>178</b>	<b>185</b>	<b>194</b>	<b>203</b>
<b>Interest from other sources</b>					
Advances	58	80	106	109	139
Deposits	109	95	95	95	95
Bank deposits	134	108	113	119	118
Indexation of HELP receivable and other student loans	560	822	1,115	1,520	1,737
Other	2,718	3,112	3,857	4,609	5,393
<b>Total interest from other sources</b>	<b>3,578</b>	<b>4,218</b>	<b>5,285</b>	<b>6,452</b>	<b>7,482</b>
<b>Total interest</b>	<b>3,753</b>	<b>4,397</b>	<b>5,470</b>	<b>6,645</b>	<b>7,685</b>
<b>Dividends</b>					
Dividends from other public sector entities	1,340	848	1,296	1,608	300
Other dividends	2,313	2,669	2,829	3,015	3,219
<b>Total dividends</b>	<b>3,653</b>	<b>3,517</b>	<b>4,125</b>	<b>4,623</b>	<b>3,519</b>
<b>Total interest and dividend revenue</b>	<b>7,407</b>	<b>7,913</b>	<b>9,595</b>	<b>11,268</b>	<b>11,204</b>

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

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Industry contributions	124	121	121	119	117
Royalties	963	926	838	838	804
Seigniorage	98	86	81	75	70
Other	8,432	8,444	9,037	8,462	8,696
<b>Total other sources of non-taxation revenue</b>	<b>9,618</b>	<b>9,578</b>	<b>10,077</b>	<b>9,494</b>	<b>9,687</b>

**Note 7: Employee and superannuation expense**

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
<b>Wages and salaries expenses</b>	<b>19,926</b>	<b>19,906</b>	<b>20,072</b>	<b>20,165</b>	<b>20,241</b>
<b>Other operating expenses</b>					
Leave and other entitlements	2,298	2,295	2,267	2,228	2,229
Separations and redundancies	145	85	62	62	59
Workers compensation premiums and claims	1,045	1,056	1,052	1,073	1,106
Other	2,198	2,325	2,301	2,372	2,415
<b>Total other operating expenses</b>	<b>5,686</b>	<b>5,761</b>	<b>5,682</b>	<b>5,735</b>	<b>5,809</b>
<b>Superannuation expenses</b>					
Superannuation	9,702	4,578	4,617	4,647	4,644
Superannuation interest cost	8,446	10,392	10,761	11,133	11,502
<b>Total superannuation expenses</b>	<b>18,147</b>	<b>14,970</b>	<b>15,378</b>	<b>15,779</b>	<b>16,146</b>
<b>Total employee and superannuation expense</b>	<b>43,759</b>	<b>40,637</b>	<b>41,131</b>	<b>41,679</b>	<b>42,197</b>

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**Note 8: Depreciation and amortisation expense**

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
<b>Depreciation</b>					
Specialist military equipment	5,294	5,051	4,805	5,169	5,653
Buildings	1,414	1,319	1,295	1,272	1,265
Other infrastructure, plant and equipment	1,512	1,498	1,502	1,512	1,536
Heritage and cultural assets	81	83	83	84	84
<b>Total depreciation</b>	<b>8,301</b>	<b>7,951</b>	<b>7,684</b>	<b>8,037</b>	<b>8,538</b>
<b>Total amortisation</b>	<b>1,247</b>	<b>1,275</b>	<b>1,297</b>	<b>1,289</b>	<b>1,272</b>
<b>Total depreciation and amortisation expense</b>	<b>9,547</b>	<b>9,226</b>	<b>8,981</b>	<b>9,326</b>	<b>9,811</b>

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

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Supply of goods and services	28,037	30,669	29,870	29,701	30,698
Operating lease rental expenses	2,401	2,512	2,543	2,510	2,517
Personal benefits – indirect(a)(b)(c)(d)	53,954	61,871	75,499	82,801	86,869
Health care payments	4,772	4,813	4,677	4,558	4,497
Other	2,170	2,612	2,583	2,620	2,503
<b>Total supply of goods and services expense</b>	<b>91,334</b>	<b>102,477</b>	<b>115,171</b>	<b>122,189</b>	<b>127,083</b>

(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.

(b) Includes reclassification between Personal benefits expenses (Note 12) and Supply of goods and services expense — 'personal benefits — indirect' (Note 9) made in the 2015-16 Final Budget Outcome, reflecting more accurate information about the nature of benefits provided.

(c) Includes reclassification for Home care packages from subsidy expenses to 'personal benefits – indirect' made in the 2016-17 MYEFO to reflect legislative changes to the program.

(d) Includes reclassification since the 2016-17 MYEFO for the payments under the National Disability Insurance Scheme from grants expenses (Note 11) to indirect personal benefits expenses (Note 9), to reflect the nature of benefits provided to households.

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**Note 10: Interest expense**

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
<b>Interest on debt</b>					
Government securities(a)	15,978	17,130	18,067	18,678	18,737
Loans	1	1	1	1	1
Other	199	214	223	236	249
<b>Total interest on debt</b>	<b>16,178</b>	<b>17,345</b>	<b>18,291</b>	<b>18,914</b>	<b>18,987</b>
<b>Other financing costs</b>	<b>1,404</b>	<b>1,200</b>	<b>1,507</b>	<b>1,885</b>	<b>1,458</b>
<b>Total interest expense</b>	<b>17,582</b>	<b>18,544</b>	<b>19,797</b>	<b>20,799</b>	<b>20,445</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	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
<b>Current grants expense</b>					
State and Territory governments	106,227	109,584	117,332	118,604	123,350
Local governments	2	0	0	0	0
Private sector(a)	7,923	8,333	8,314	8,290	8,391
Overseas	4,298	3,604	3,920	4,549	3,932
Non-profit organisations(a)	3,833	4,145	4,123	4,110	3,845
Multi-jurisdictional sector	10,201	10,464	10,393	10,492	10,726
Other(a)(b)	1,579	2,091	2,176	2,233	3,109
<b>Total current grants expense</b>	<b>134,064</b>	<b>138,221</b>	<b>146,258</b>	<b>148,279</b>	<b>153,352</b>
<b>Capital grants expense</b>					
Mutually agreed write-downs	1,389	1,429	1,521	1,604	1,707
Other capital grants					
State and Territory governments	8,785	8,714	7,038	5,648	4,673
Local governments	793	670	355	379	379
Non-profit organisations(a)	309	308	276	69	71
Private sector(a)	428	954	858	499	165
Multi-jurisdictional sector	141	145	155	164	176
Other(a)	22	366	1	0	0
<b>Total capital grants expense</b>	<b>11,867</b>	<b>12,586</b>	<b>10,204</b>	<b>8,363</b>	<b>7,171</b>
<b>Total grants expense</b>	<b>145,931</b>	<b>150,807</b>	<b>156,463</b>	<b>156,642</b>	<b>160,523</b>

(a) Includes reallocation of some programs between grants to non-profit organisations, private sector and other in the 2015-16 Final Budget Outcome reflecting more accurate information about the grants.

(b) Includes reclassification since the 2016-17 MYEFO for the payments under the National Disability Insurance Scheme from grants expenses (Note 11) to indirect personal benefits expenses (Note 9), to reflect the nature of benefits provided to households.

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**Note 12: Personal benefits expense**

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	44,857	45,726	47,844	49,931	52,459
Assistance to veterans and dependants	5,416	5,140	4,979	4,850	4,795
Assistance to people with disabilities	24,552	25,407	26,196	27,155	28,143
Assistance to families with children(a)	32,805	32,961	28,902	29,543	29,922
Assistance to the unemployed	10,992	10,017	11,093	11,785	12,544
Student assistance	3,120	2,570	2,930	3,056	3,289
Other welfare programs	1,190	1,098	1,142	1,168	1,188
Financial and fiscal affairs	318	317	310	321	333
Vocational and industry training	29	29	30	30	30
Other(b)	6,661	7,241	9,428	11,541	16,184
<b>Total personal benefits expense</b>	<b>129,941</b>	<b>130,507</b>	<b>132,854</b>	<b>139,379</b>	<b>148,887</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) Includes reclassification between Personal benefits expenses (Note 12) and Supply of goods and services expense — 'personal benefits — indirect' (Note 9) made in the 2015-16 Final Budget Outcome, 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	2020-21
	\$m	\$m	\$m	\$m	\$m
<b>Advances paid</b>					
Loans to State and Territory governments	3,969	4,211	4,506	4,900	5,298
Higher Education Loan Program	44,711	51,712	59,126	67,172	76,071
Student Financial Supplement Scheme	367	317	267	217	168
Other(a)	5,312	16,236	25,189	29,762	12,902
/less Provision for doubtful debts	285	393	521	662	817
<b>Total advances paid</b>	<b>54,073</b>	<b>72,083</b>	<b>88,567</b>	<b>101,390</b>	<b>93,622</b>
<b>Other receivables</b>					
Goods and services receivable	1,009	951	942	936	935
Recoveries of benefit payments	5,667	7,254	7,281	7,286	6,973
Taxes receivable	21,033	23,924	26,333	28,740	30,477
Prepayments	4,423	4,509	4,592	4,653	4,633
Other	19,797	20,790	21,646	21,849	21,345
/less Provision for doubtful debts	2,193	3,107	3,632	3,996	4,100
<b>Total other receivables</b>	<b>49,736</b>	<b>54,322</b>	<b>57,163</b>	<b>59,468</b>	<b>60,263</b>

(a) Due to the implementation of the 2015 ABS GFS Manual, Australia's subscriptions to the International Development Association and the Asian Development Fund were reclassified in the 2017-18 Budget from 'advances paid' to 'equity investments' on the balance sheet.

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

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Investments - deposits	60,405	50,804	52,194	47,903	48,289
IMF quota	11,859	11,657	11,657	12,084	12,531
Other	109,590	108,527	110,416	123,669	133,769
<b>Total investments, loans and placements</b>	<b>181,854</b>	<b>170,989</b>	<b>174,267</b>	<b>183,656</b>	<b>194,589</b>

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**Note 15: Non-financial assets**

	Estimates			Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>Land and buildings</b>					
Land	10,296	10,215	10,119	9,834	9,877
Buildings	25,795	25,883	26,593	27,455	28,295
<b>Total land and buildings</b>	<b>36,091</b>	<b>36,099</b>	<b>36,712</b>	<b>37,289</b>	<b>38,171</b>
<b>Plant, equipment and infrastructure</b>					
Specialist military equipment(a)	56,703	58,097	60,759	64,070	68,327
Other	15,319	16,498	17,066	17,712	18,183
<b>Total plant, equipment and infrastructure</b>	<b>72,022</b>	<b>74,595</b>	<b>77,825</b>	<b>81,782</b>	<b>86,510</b>
<b>Inventories</b>					
Inventories held for sale	1,428	1,482	1,395	1,235	1,356
Inventories not held for sale	7,053	6,867	6,677	6,478	6,229
<b>Total inventories</b>	<b>8,482</b>	<b>8,349</b>	<b>8,072</b>	<b>7,713</b>	<b>7,585</b>
<b>Intangibles</b>					
Computer software	4,165	4,493	4,597	4,596	4,477
Other	3,747	4,217	4,843	5,103	5,341
<b>Total intangibles</b>	<b>7,912</b>	<b>8,711</b>	<b>9,440</b>	<b>9,699</b>	<b>9,818</b>
<b>Total investment properties</b>	<b>164</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>49</b>
<b>Total heritage and cultural assets</b>	<b>11,439</b>	<b>11,412</b>	<b>11,382</b>	<b>11,351</b>	<b>11,302</b>
<b>Total assets held for sale</b>	<b>227</b>	<b>227</b>	<b>144</b>	<b>144</b>	<b>144</b>
<b>Total other non-financial assets</b>	<b>111</b>	<b>103</b>	<b>97</b>	<b>92</b>	<b>89</b>
<b>Total non-financial assets</b>	<b>136,497</b>	<b>139,709</b>	<b>143,885</b>	<b>148,282</b>	<b>153,834</b>

(a) 'Specialist military equipment' is included at fair value to align with AASB 1049 which requires harmonisation with ABS GFS treatment.

**Note 16: Loans**

	Estimates			Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Promissory notes	9,534	9,142	9,117	9,094	9,096
Special drawing rights	5,563	5,469	5,469	5,669	5,878
Other	587	455	369	304	242
<b>Total loans</b>	<b>15,685</b>	<b>15,065</b>	<b>14,955</b>	<b>15,066</b>	<b>15,216</b>

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**Note 17: Employee and superannuation liabilities**

	Estimates			Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
<b>Total superannuation liability(a)</b>	<b>174,989</b>	<b>181,303</b>	<b>187,684</b>	<b>194,069</b>	<b>200,416</b>
<b>Other employee liabilities</b>					
Leave and other entitlements	7,772	7,899	8,006	8,115	8,213
Accrued salaries and wages	212	213	219	272	277
Workers compensation claims	2,788	2,758	2,741	2,733	2,733
Other	7,408	7,691	7,985	8,288	8,602
<b>Total other employee liabilities</b>	<b>18,180</b>	<b>18,560</b>	<b>18,950</b>	<b>19,408</b>	<b>19,825</b>
<b>Total employee and superannuation liabilities</b>	<b>193,168</b>	<b>199,863</b>	<b>206,634</b>	<b>213,477</b>	<b>220,241</b>

(a) For budget reporting purposes, 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	2020-21
	\$m	\$m	\$m	\$m	\$m
<b>Suppliers payable</b>					
Trade creditors	4,163	4,244	4,295	4,297	4,286
Operating lease rental payable	421	440	432	420	402
Other creditors	1,076	1,190	1,188	1,185	1,191
<b>Total suppliers payable</b>	<b>5,659</b>	<b>5,874</b>	<b>5,915</b>	<b>5,902</b>	<b>5,879</b>
<b>Total personal benefits provisions and payables(a)</b>	<b>13,189</b>	<b>13,552</b>	<b>14,007</b>	<b>14,348</b>	<b>14,439</b>
<b>Total subsidies provisions and payables</b>	<b>451</b>	<b>439</b>	<b>441</b>	<b>447</b>	<b>433</b>
<b>Grants provisions and payables</b>					
State and Territory governments	63	98	117	152	153
Non-profit organisations	195	202	205	209	213
Private sector	345	342	341	341	341
Overseas	2,308	1,956	1,737	2,531	2,219
Other(a)	8,625	7,991	7,650	7,369	7,050
<b>Total grants provisions and payables</b>	<b>11,537</b>	<b>10,589</b>	<b>10,051</b>	<b>10,604</b>	<b>9,976</b>
<b>Other provisions and payables</b>					
Provisions for tax refunds	2,978	2,994	2,988	2,982	2,993
Other	17,785	16,605	16,950	17,484	18,107
<b>Total other provisions and payables</b>	<b>20,763</b>	<b>19,599</b>	<b>19,938</b>	<b>20,466</b>	<b>21,100</b>

(a) Includes reclassification for the payments under the National Disability Insurance Scheme from grants to indirect personal benefits to reflect the nature of benefits provided to households.

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**Note 19: Reconciliation of cash**

	Estimates			Projections	
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>Net operating balance (revenues less expenses)</b>	<b>-38,666</b>	<b>-19,848</b>	<b>-10,765</b>	<b>7,622</b>	<b>17,471</b>
<i>less</i> <b>Revenues not providing cash</b>					
Other	2,379	2,407	3,077	3,501	4,185
<b>Total revenues not providing cash</b>	<b>2,379</b>	<b>2,407</b>	<b>3,077</b>	<b>3,501</b>	<b>4,185</b>
<i>plus</i> <b>Expenses not requiring cash</b>					
Increase/(decrease) in employee entitlements	10,009	6,702	6,772	6,841	6,757
Depreciation/amortisation expense	9,547	9,226	8,981	9,326	9,811
Mutually agreed write-downs	1,389	1,429	1,521	1,604	1,707
Other	888	985	956	919	892
<b>Total expenses not requiring cash</b>	<b>21,833</b>	<b>18,342</b>	<b>18,231</b>	<b>18,691</b>	<b>19,167</b>
<i>plus</i> <b>Cash provided/(used) by working capital items</b>					
Decrease/(increase) in inventories	-205	-177	-39	42	-184
Decrease/(increase) in receivables	-6,138	-10,674	-10,218	-10,048	-7,461
Decrease/(increase) in other financial assets	2,659	2,834	2,546	2,697	2,547
Decrease/(increase) in other non-financial assets	-188	-44	-35	-25	47
Increase/(decrease) in benefits, subsidies and grants payable	-1,121	-392	92	1,011	-476
Increase/(decrease) in suppliers' liabilities	593	152	10	-53	-69
Increase/(decrease) in other provisions and payables	-1,445	-1,832	-1,508	-1,288	-3,744
<b>Net cash provided/(used) by working capital</b>	<b>-5,844</b>	<b>-10,133</b>	<b>-9,152</b>	<b>-7,664</b>	<b>-9,339</b>
<i>equals</i> (Net cash from/(to) operating activities)	-25,055	-14,046	-4,763	15,147	23,113
<i>plus</i> (Net cash from/(to) investing activities)	-56,740	-23,890	-35,476	-36,721	-19,155
<b>Net cash from operating activities and investment</b>	<b>-81,795</b>	<b>-37,936</b>	<b>-40,239</b>	<b>-21,574</b>	<b>3,958</b>
<i>plus</i> (Net cash from/(to) financing activities)	81,565	37,939	40,280	22,112	-3,771
<b>equals Net increase/(decrease) in cash</b>	<b>-230</b>	<b>3</b>	<b>41</b>	<b>539</b>	<b>188</b>
<b>Cash at the beginning of the year</b>	<b>3,638</b>	<b>3,408</b>	<b>3,411</b>	<b>3,452</b>	<b>3,991</b>
Net increase/(decrease) in cash	-230	3	41	539	188
<b>Cash at the end of the year</b>	<b>3,408</b>	<b>3,411</b>	<b>3,452</b>	<b>3,991</b>	<b>4,179</b>



## **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 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. 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*.<sup>3</sup>

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<sup>3</sup> Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (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>4</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 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>4</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.

### **Net operating balance**

The net operating balance is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets, but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation). By including all accruing costs, including depreciation, the net operating balance encompasses the full cost of providing government services. This makes it a measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

The net operating balance is a flow measure on the statement of operations.

### **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>5</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

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<sup>5</sup> The net operating balance includes consumption of non-financial assets because depreciation is an expense.

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.

### **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 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>6</sup> (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets (excluding equities) 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.

The 2015 ABS GFS Manual presents debt in a matrix format, with no single net debt aggregate identified. The Commonwealth Government continues to report net debt in accordance with the UPF as described above.

### **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.

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<sup>6</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.

### Underlying cash balance

The underlying cash balance plus net Future Fund earnings is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance.

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>equals</i>
ABS GFS cash surplus/deficit <sup>7</sup>
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements <sup>8</sup>
<i>less</i>
Net Future Fund cash earnings
<i>equals</i>
Underlying cash balance

Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Government excludes net Future Fund cash earnings from the calculation of the underlying cash balance between 2005-06 and 2019-20. From 2020-21 onwards, net Future Fund cash earnings are included in the calculation of the underlying cash balance because the Future Fund becomes available to meet the Government's superannuation liabilities from that year.

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

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7 In accordance with the 2015 ABS GFS Manual, finance leases are not deducted in the derivation of the cash surplus/deficit. This has removed the distinction between the calculation of the cash surplus/deficit under AASB 1049 and the ABS GFS standards that existed under the 2005 ABS GFS Manual.

8 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.

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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 11: Historical Australian Government Data*.

### Headline cash balance

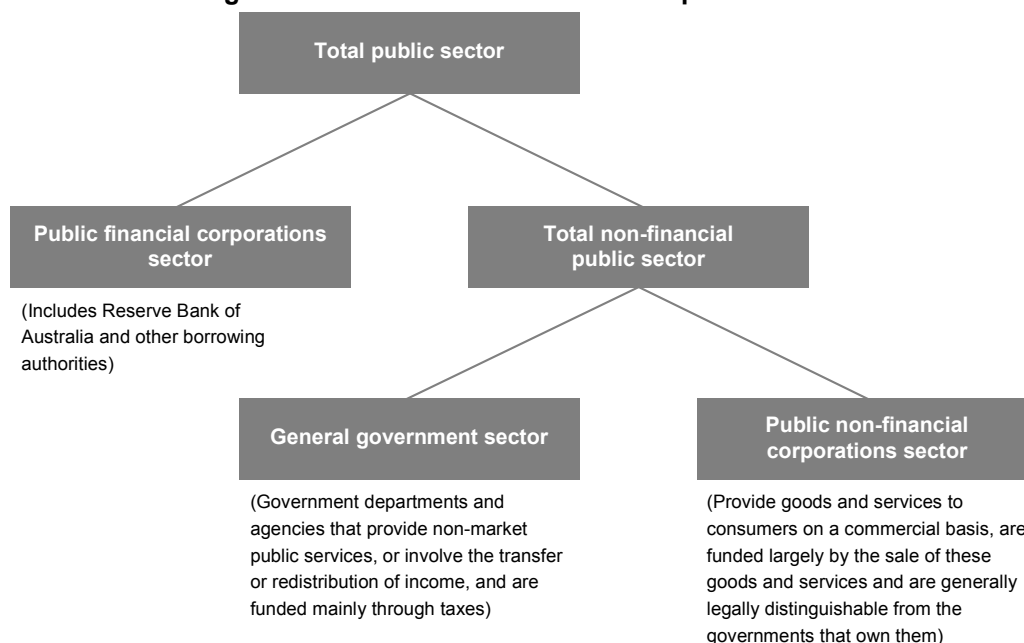
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and net Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.<sup>9</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 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.

**Figure 1: Institutional structure of the public sector**



<sup>9</sup> 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: [http://www.finance.gov.au/sites/default/files/Entity\\_List\\_May\\_2017.pdf](http://www.finance.gov.au/sites/default/files/Entity_List_May_2017.pdf).

**Table A1: 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>
Industry, Innovation and Science Portfolio
<ul style="list-style-type: none"><li>• CSIRO General Partner Pty Ltd</li><li>• CSIRO General Partner 2 Pty Ltd</li></ul>
Treasury Portfolio
<ul style="list-style-type: none"><li>• Australia 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 Ltd</li></ul>
Finance Portfolio
<ul style="list-style-type: none"><li>• ASC Pty Ltd*</li><li>• Australian Naval Infrastructure 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 <sup>^</sup>
<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 Pty Ltd will be separated into three individual Government owned companies. Australian Naval Infrastructure Pty Ltd was established under this structural separation. Full separation is expected to be completed during 2017.

<sup>^</sup>The government has announced that it will establish a government corporation to deliver Stage 1 of the Western Sydney Airport at Badgerys Creek. It is expected that the corporation will be established in the 2017-18 financial year.



## APPENDIX B: AUSTRALIAN LOAN COUNCIL ALLOCATION

Under the Loan Council arrangements, every year the Commonwealth and each State government nominate 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);
- 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 2017-18 LCA is a \$60.8 billion deficit. This compares with its LCA nomination of a \$51.5 billion deficit. The LCA Budget estimate falls outside the tolerance limit set at nomination, partly due to the change in expected net cash flows from investments in financial assets for policy purposes.

**Table B1: Commonwealth's Loan Council Allocation budget update for 2017-18**

	2017-18 Nomination	2017-18 Budget estimate
	\$m	\$m
	25,273	26,191
GGs cash surplus(-)/deficit(+)	7,571	11,627
PNFC sector cash surplus(-)/deficit(+)	32,844	37,818
NFPS cash surplus(-)/deficit(+)(a)	32,844	37,818
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)		
<i>minus</i> Net cash flows from investments		
in financial assets for policy purposes(b)	-19,947	-22,221
<i>plus</i> Memorandum items(c)	-1,277	757
<b>Loan Council Allocation</b>	<b>51,514</b>	<b>60,796</b>
2017-18 tolerance limit(d)	8,831	8,848

(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 Loan Council Allocation, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), the net funding of superannuation; the net financing requirement of the Australian National University; and from this Budget, NFPS acquisitions under finance leases and similar arrangements.

(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.

