

## PART 2: AUSTRALIAN GOVERNMENT 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). 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 financial statements for the *Final Budget Outcome 2016-17* have been prepared on a basis consistent with the 2017-18 Budget. This enables comparison of the 2016-17 revised estimates published at the 2017-18 Budget and the outcome.

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 part also contains an update of the Australian Loan Council Allocation.

## AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

**Table 10: Australian Government general government sector operating statement**

		2016-17 Estimate at 2017-18 Budget \$m	Month of June 2017 (d) \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
	Note				
<b>Revenue</b>					
Taxation revenue	3	386,172	30,186	388,641	2,469
Sales of goods and services	4	8,894	239	8,230	-664
Interest income	5	3,753	-379	2,992	-762
Dividend income	5	3,653	1,819	4,998	1,344
Other	6	9,618	921	10,863	1,245
<b>Total revenue</b>		<b>412,091</b>	<b>32,786</b>	<b>415,723</b>	<b>3,632</b>
<b>Expenses</b>					
Gross operating expenses					
Wages and salaries(a)	7	19,926	1,553	19,059	-867
Superannuation	7	9,702	708	9,831	129
Depreciation and amortisation	8	9,547	448	8,214	-1,333
Supply of goods and services	9	91,334	11,244	93,038	1,704
Other operating expenses(a)	7	5,686	659	5,906	220
<i>Total gross operating expenses</i>		<i>136,195</i>	<i>14,612</i>	<i>136,048</i>	<i>-146</i>
Superannuation interest expense	7	8,446	235	8,445	-1
Interest expenses	10	17,582	1,385	17,059	-523
Current transfers					
Current grants	11	134,064	12,859	134,489	426
Subsidy expenses		12,663	-1,018	11,002	-1,661
Personal benefits	12	129,941	10,074	129,596	-345
<i>Total current transfers</i>		<i>276,668</i>	<i>21,915</i>	<i>275,088</i>	<i>-1,580</i>
Capital transfers					
Mutually agreed write-downs		1,389	45	1,203	-186
Other capital grants		10,478	4,286	9,964	-514
<i>Total capital transfers</i>		<i>11,867</i>	<i>4,331</i>	<i>11,167</i>	<i>-700</i>
<b>Total expenses</b>		<b>450,757</b>	<b>42,478</b>	<b>447,807</b>	<b>-2,950</b>
<b>Net operating balance</b>		<b>-38,666</b>	<b>-9,692</b>	<b>-32,084</b>	<b>6,582</b>
<b>Other economic flows - included in operating result</b>					
Net write-downs of assets					
(including bad and doubtful debts)		-9,013	-4,371	-13,605	-4,592
Assets recognised for the first time		315	55	218	-97
Actuarial revaluations		373	462	462	89
Net foreign exchange gains		157	375	1,439	1,283
Net swap interest received		25	2	98	73
Market valuation of debt		19,594	7,557	19,386	-209
Other gains/(losses)		6,989	-1,485	4,993	-1,997
<b>Total other economic flows - included in operating result</b>		<b>18,440</b>	<b>2,594</b>	<b>12,990</b>	<b>-5,450</b>
<b>Operating Result(b)</b>		<b>-20,226</b>	<b>-7,098</b>	<b>-19,094</b>	<b>1,132</b>

**Table 10: Australian Government general government sector operating statement (continued)**

	2016-17 Estimate at 2017-18 Budget	Month of June 2017 (d)	2016-17 Outcome	Change on 2017-18 Budget
Note	\$m	\$m	\$m	\$m
<b>Non-owner movements in equity</b>				
Revaluation of equity investments	-7,075	-5,302	-5,324	1,751
Actuarial revaluations	-138	-2,269	-2,269	-2,131
Other economic revaluations	-5,354	-2,514	2,135	7,489
<b>Total other economic flows - included in equity</b>	<b>-12,567</b>	<b>-10,085</b>	<b>-5,458</b>	<b>7,109</b>
<b>Comprehensive result - Total change in net worth</b>	<b>-32,793</b>	<b>-17,183</b>	<b>-24,552</b>	<b>8,240</b>
<b>Net operating balance</b>	<b>-38,666</b>	<b>-9,692</b>	<b>-32,084</b>	<b>6,582</b>
<b>Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	12,181	1,772	11,545	-636
less Sales of non-financial assets	790	157	873	84
less Depreciation	9,547	448	8,214	-1,333
plus Change in inventories	205	239	392	188
plus Other movements in non-financial assets	-2	-39	27	29
<b>Total net acquisition of non-financial assets</b>	<b>2,047</b>	<b>1,367</b>	<b>2,876</b>	<b>829</b>
<b>Fiscal balance (Net lending/borrowing)(c)</b>	<b>-40,713</b>	<b>-11,059</b>	<b>-34,960</b>	<b>5,753</b>

(a) Consistent with the 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.

(d) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued; this can result in negative movements.

**Table 11: Australian Government general government sector balance sheet**

		2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
	Note			
<b>Assets</b>				
Financial assets				
Cash and deposits		3,408	5,140	1,732
Advances paid(a)	13	54,073	44,917	-9,156
Investments, loans and placements	14	181,854	193,251	11,397
Other receivables	13	49,736	50,247	511
Equity investments(a)				
Investments in other public sector entities		48,126	49,671	1,545
Equity accounted investments		366	12	-354
Investments - shares		43,440	42,204	-1,236
<i>Total financial assets</i>		<b>381,003</b>	<b>385,442</b>	<b>4,439</b>
Non-financial assets				
	15			
Land		10,296	11,002	706
Buildings		25,795	25,693	-102
Plant, equipment and infrastructure		72,022	73,585	1,563
Inventories		8,482	8,547	66
Intangibles		7,912	7,451	-462
Investment properties		164	113	-51
Biological assets		49	54	5
Heritage and cultural assets		11,439	11,629	190
Assets held for sale		227	195	-32
Other non-financial assets		111	60	-51
<i>Total non-financial assets</i>		<b>136,497</b>	<b>138,328</b>	<b>1,831</b>
<b>Total assets</b>		<b>517,500</b>	<b>523,770</b>	<b>6,270</b>
<b>Liabilities</b>				
Interest bearing liabilities				
Deposits held		217	218	1
Government securities		546,915	547,254	339
Loans	16	15,685	16,528	843
Other borrowing		1,609	1,628	19
<i>Total interest bearing liabilities</i>		<b>564,426</b>	<b>565,628</b>	<b>1,202</b>
Provisions and payables				
Superannuation liability	17	174,989	279,459	104,470
Other employee liabilities	17	18,180	18,133	-47
Suppliers payable	18	5,659	6,279	620
Personal benefits provisions and payables	18	13,189	11,696	-1,493
Subsidies provisions and payables	18	451	550	98
Grants provisions and payables	18	11,537	11,544	7
Other provisions and payables	18	20,763	21,378	615
<i>Total provisions and payables</i>		<b>244,768</b>	<b>349,039</b>	<b>104,271</b>
<b>Total liabilities</b>		<b>809,194</b>	<b>914,667</b>	<b>105,473</b>
<b>Net worth(b)</b>		<b>-291,695</b>	<b>-390,897</b>	<b>-99,203</b>

**Table 11: Australian Government general government sector balance sheet (continued)**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<i>Net financial worth(c)</i>	-428,191	-529,225	-101,034
<i>Net financial liabilities(d)</i>	476,317	578,896	102,579
<i>Net debt(e)</i>	325,091	322,320	-2,771

(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.

**Table 12: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	2016-17 Estimate at 2017-18 Budget \$m	Month of June 2017 (b) \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Cash receipts from operating activities</b>				
Taxes received(c)	377,201	35,625	379,271	2,070
Receipts from sales of goods and services(c)	8,786	340	8,050	-736
Interest receipts	3,003	178	2,925	-78
Dividends and income tax equivalents	5,820	456	6,874	1,054
Other receipts	8,695	1,849	10,466	1,771
<b>Total operating receipts</b>	<b>403,505</b>	<b>38,447</b>	<b>407,586</b>	<b>4,081</b>
<b>Cash payments for operating activities</b>				
Payments for employees	-27,918	-2,603	-27,143	775
Payments for goods and services	-90,127	-10,071	-91,815	-1,688
Grants and subsidies paid	-157,615	-16,089	-155,981	1,634
Interest paid	-15,251	-364	-15,290	-39
Personal benefit payments	-132,186	-11,175	-132,377	-191
Other payments	-5,464	-10	-5,632	-168
<b>Total operating payments</b>	<b>-428,560</b>	<b>-40,312</b>	<b>-428,238</b>	<b>322</b>
<b>Net cash flows from operating activities</b>	<b>-25,055</b>	<b>-1,865</b>	<b>-20,652</b>	<b>4,403</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	2,219	1,587	2,282	63
Purchases of non-financial assets	-11,979	-2,178	-11,079	900
<b>Net cash flows from investments in non-financial assets</b>	<b>-9,760</b>	<b>-591</b>	<b>-8,797</b>	<b>963</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-16,246</b>	<b>-597</b>	<b>-13,501</b>	<b>2,745</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-30,734	-1,546	-37,318	-6,584
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-30,734</b>	<b>-1,546</b>	<b>-37,318</b>	<b>-6,584</b>
<b>Cash receipts from financing activities</b>				
Borrowing	84,770	5,484	84,908	138
Other financing	73	307	364	291
<b>Total cash receipts from financing activities</b>	<b>84,843</b>	<b>5,791</b>	<b>85,272</b>	<b>429</b>
<b>Cash payments for financing activities</b>				
Borrowing	0	0	0	0
Other financing	-3,279	-294	-3,501	-222
<b>Total cash payments for financing activities</b>	<b>-3,279</b>	<b>-294</b>	<b>-3,501</b>	<b>-222</b>
<b>Net cash flows from financing activities</b>	<b>81,565</b>	<b>5,497</b>	<b>81,771</b>	<b>206</b>
<b>Net increase/(decrease) in cash held</b>	<b>-230</b>	<b>899</b>	<b>1,503</b>	<b>1,732</b>

**Table 12: Australian Government general government sector cash flow statement (continued)<sup>(a)</sup>**

	2016-17 Estimate at 2017-18 Budget \$m	Month of June 2017 (b) \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>GFS cash surplus(+)/deficit(-)(d)(e)</b>	<b>-34,816</b>	<b>-2,456</b>	<b>-29,449</b>	<b>5,367</b>
Finance leases and similar arrangements(d)(f)	0	-42	-58	-58
<i>less</i> Net Future Fund earnings	2,784	225	3,644	860
<b>Equals underlying cash balance(g)</b>	<b>-37,600</b>	<b>-2,724</b>	<b>-33,151</b>	<b>4,449</b>
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-16,246	-597	-13,501	2,745
<i>plus</i> Net Future Fund earnings	2,784	225	3,644	860
<b>Equals headline cash balance</b>	<b>-51,061</b>	<b>-3,096</b>	<b>-43,008</b>	<b>8,053</b>

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

(b) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued; this can result in negative movements.

(c) In the 2016-17 FBO, the majority of corporations law fees have been reclassified from non-taxation receipts to taxation receipts and financial institutions supervisory levies have been reclassified from taxation receipts to non-taxation receipts. The taxation receipts and non-taxation receipts series have been back-cast in Appendix B – Historical Australian Government Data from 2001-02 to reflect the sustained change in the nature of these receipts. This results in a net increase in taxation receipts and a net decrease in non-taxation receipts.

(d) Due to the implementation of the 2015 ABS GFS Manual, from the 2017-18 Budget, finance leases are no longer deducted in the derivation of the GFS cash surplus/deficit.

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

(f) 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.

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

**Table 13: Australian Government public non-financial corporations sector operating statement**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Revenue</b>			
Current grants and subsidies	120	126	6
Sales of goods and services	10,614	10,678	64
Interest income	47	56	8
Other	16	35	18
<b>Total revenue</b>	<b>10,798</b>	<b>10,894</b>	<b>97</b>
<b>Expenses</b>			
Gross operating expenses			
Wages and salaries(a)	4,289	4,085	-204
Superannuation	387	509	122
Depreciation and amortisation	2,128	2,185	57
Supply of goods and services	6,820	6,889	69
Other operating expenses(a)	482	609	128
<i>Total gross operating expenses</i>	<i>14,107</i>	<i>14,278</i>	<i>171</i>
Interest expenses	521	526	5
Other property expenses	168	168	0
Current transfers			
Tax expenses	47	63	16
<i>Total current transfers</i>	<i>47</i>	<i>63</i>	<i>16</i>
<b>Total expenses</b>	<b>14,843</b>	<b>15,035</b>	<b>192</b>
<b>Net operating balance</b>	<b>-4,045</b>	<b>-4,141</b>	<b>-96</b>
<b>Other economic flows</b>	<b>-1,369</b>	<b>2,270</b>	<b>3,640</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-5,414</b>	<b>-1,870</b>	<b>3,544</b>
<b>Net acquisition of non-financial assets</b>			
Purchases of non-financial assets	8,991	8,012	-979
<i>less</i> Sales of non-financial assets	<i>79</i>	<i>64</i>	<i>-15</i>
<i>less</i> Depreciation	<i>2,128</i>	<i>2,185</i>	<i>57</i>
<i>plus</i> Change in inventories	<i>17</i>	<i>12</i>	<i>-5</i>
<i>plus</i> Other movements in non-financial assets	<i>33</i>	<i>2</i>	<i>-30</i>
<b>Total net acquisition of non-financial assets</b>	<b>6,834</b>	<b>5,778</b>	<b>-1,056</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-10,879</b>	<b>-9,918</b>	<b>961</b>

(a) Consistent with the 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 14: Australian Government public non-financial corporations sector balance sheet**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Assets</b>			
Financial assets			
Cash and deposits	2,412	2,184	-228
Investments, loans and placements	528	745	217
Other receivables	1,624	1,933	310
Equity investments	400	403	4
<i>Total financial assets</i>	<i>4,963</i>	<i>5,266</i>	<i>303</i>
Non-financial assets			
Land and other fixed assets(a)	30,464	30,437	-28
Other non-financial assets(a)(b)	3,049	3,154	105
<i>Total non-financial assets</i>	<i>33,513</i>	<i>33,591</i>	<i>77</i>
<b>Total assets</b>	<b>38,476</b>	<b>38,857</b>	<b>380</b>
<b>Liabilities</b>			
Interest bearing liabilities			
Deposits held	5	6	1
Advances received	286	292	5
Loans	2,391	2,054	-336
Other borrowing	6,225	5,896	-328
<i>Total interest bearing liabilities</i>	<i>8,907</i>	<i>8,248</i>	<i>-659</i>
Provisions and payables			
Superannuation liability	46	20	-26
Other employee liabilities	1,639	1,717	78
Other provisions and payables(b)	5,687	5,292	-395
<i>Total provisions and payables</i>	<i>7,372</i>	<i>7,028</i>	<i>-343</i>
<b>Total liabilities</b>	<b>16,278</b>	<b>15,276</b>	<b>-1,002</b>
<b>Shares and other contributed capital</b>	<b>22,198</b>	<b>23,580</b>	<b>1,382</b>
<b>Net worth(c)</b>	<b>22,198</b>	<b>23,580</b>	<b>1,382</b>
<i>Net financial worth(d)</i>	<i>-11,315</i>	<i>-10,010</i>	<i>1,305</i>
<i>Net debt(e)</i>	<i>5,967</i>	<i>5,319</i>	<i>-648</i>

(a) In the 2017-18 Budget, the estimate for intangible produced assets was 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 is calculated as total financial assets minus total liabilities. Under ABS GFS, net financial worth is calculated as 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 (deposits held, advances received, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

**Table 15: Australian Government public non-financial corporations sector cash flow statement<sup>(a)</sup>**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Cash receipts from operating activities</b>			
Receipts from sales of goods and services	11,388	11,559	171
Grants and subsidies received	0	0	0
GST input credit receipts	673	650	-23
Other receipts	136	138	2
<b>Total operating receipts</b>	<b>12,197</b>	<b>12,348</b>	<b>150</b>
<b>Cash payments for operating activities</b>			
Payments to employees	-5,188	-5,170	19
Payment for goods and services	-7,732	-7,587	144
Interest paid	-487	-64	423
GST payments to taxation authority	0	-282	-282
Other payments	-47	-1	46
<b>Total operating payments</b>	<b>-13,454</b>	<b>-13,103</b>	<b>350</b>
<b>Net cash flows from operating activities</b>	<b>-1,257</b>	<b>-756</b>	<b>501</b>
<b>Cash flows from investments in non-financial assets</b>			
Sales of non-financial assets	86	58	-28
Purchases of non-financial assets	-6,290	-6,271	19
<b>Net cash flows from investments in non-financial assets</b>	<b>-6,204</b>	<b>-6,213</b>	<b>-9</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>			
Increase in investments	48	13	-35
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>48</b>	<b>13</b>	<b>-35</b>
<b>Net cash flows from financing activities</b>			
Borrowing (net)	-83	-333	-250
Other financing (net)	7,518	7,085	-433
Distributions paid (net)	-169	-169	0
<b>Net cash flows from financing activities</b>	<b>7,267</b>	<b>6,583</b>	<b>-683</b>
<b>Net increase/(decrease) in cash held</b>	<b>-146</b>	<b>-373</b>	<b>-227</b>
<b>Cash at the beginning of the year</b>	<b>2,558</b>	<b>2,558</b>	<b>0</b>
<b>Cash at the end of the year</b>	<b>2,412</b>	<b>2,184</b>	<b>-228</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-7,461</b>	<b>-6,969</b>	<b>492</b>
Distributions paid	-169	-169	0
<b>GFS cash surplus(+)/deficit(-)(b)</b>	<b>-7,629</b>	<b>-7,138</b>	<b>492</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 no longer deducted in the derivation of the GFS cash surplus/deficit.

**Table 16: Australian Government total non-financial public sector operating statement**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Revenue</b>			
Taxation revenue	386,125	388,569	2,443
Sales of goods and services	18,468	17,793	-675
Interest income	3,782	3,035	-747
Dividend income	3,485	4,830	1,344
Other	9,634	10,887	1,253
<b>Total revenue</b>	<b>421,496</b>	<b>425,114</b>	<b>3,618</b>
<b>Expenses</b>			
Gross operating expenses			
Wages and salaries(a)	24,215	23,144	-1,071
Superannuation	10,088	10,328	240
Depreciation and amortisation	11,676	10,399	-1,276
Supply of goods and services	97,114	98,805	1,692
Other operating expenses(a)	6,168	6,506	338
<i>Total gross operating expenses</i>	<i>149,261</i>	<i>149,184</i>	<i>-77</i>
Superannuation interest expense	8,446	8,445	-1
Interest expenses	18,084	17,572	-512
Current transfers			
Current grants	134,064	134,489	426
Subsidy expenses	12,543	10,997	-1,546
Personal benefits	129,941	129,596	-345
<i>Total current transfers</i>	<i>276,548</i>	<i>275,083</i>	<i>-1,465</i>
Capital transfers	11,867	11,054	-813
<b>Total expenses</b>	<b>464,207</b>	<b>461,338</b>	<b>-2,868</b>
<b>Net operating balance</b>	<b>-42,711</b>	<b>-36,225</b>	<b>6,486</b>
<b>Other economic flows</b>	<b>8,527</b>	<b>-6,655</b>	<b>-15,182</b>
<b>Comprehensive result - Total change in net worth</b>	<b>-34,184</b>	<b>-42,879</b>	<b>-8,695</b>
<b>Net acquisition of non-financial assets</b>			
Purchases of non-financial assets	21,172	19,557	-1,616
<i>less</i> Sales of non-financial assets	868	937	69
<i>less</i> Depreciation	11,676	10,399	-1,276
<i>plus</i> Change in inventories	222	405	183
<i>plus</i> Other movements in non-financial assets	30	29	-1
<b>Total net acquisition of non-financial assets</b>	<b>8,881</b>	<b>8,654</b>	<b>-227</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-51,592</b>	<b>-44,879</b>	<b>6,713</b>

(a) Consistent with the 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 17: Australian Government total non-financial public sector balance sheet**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Assets</b>			
Financial assets			
Cash and deposits	5,819	7,324	1,504
Advances paid	53,787	44,637	-9,150
Investments, loans and placements	182,382	193,984	11,602
Other receivables	51,206	51,708	502
Equity investments	68,489	68,395	-94
<i>Total financial assets</i>	<i>361,683</i>	<i>366,048</i>	<i>4,366</i>
Non-financial assets			
Land and other fixed assets	158,497	160,892	2,395
Other non-financial assets	11,513	11,017	-496
<i>Total non-financial assets</i>	<i>170,010</i>	<i>171,909</i>	<i>1,899</i>
<b>Total assets</b>	<b>531,693</b>	<b>537,958</b>	<b>6,265</b>
<b>Liabilities</b>			
Interest bearing liabilities			
Deposits held	223	224	1
Advances received	0	0	0
Government securities	546,915	547,254	339
Loans	18,075	18,582	507
Other borrowing	7,834	7,525	-309
<i>Total interest bearing liabilities</i>	<i>573,047</i>	<i>573,584</i>	<i>538</i>
Provisions and payables			
Superannuation liability	175,034	279,478	104,444
Other employee liabilities	19,819	19,850	31
Other provisions and payables	57,133	56,257	-876
<i>Total provisions and payables</i>	<i>251,986</i>	<i>355,585</i>	<i>103,600</i>
<b>Total liabilities</b>	<b>825,032</b>	<b>929,170</b>	<b>104,137</b>
<b>Shares and other contributed capital</b>	<b>22,198</b>	<b>23,580</b>	<b>1,382</b>
<b>Net worth(a)</b>	<b>-293,340</b>	<b>-391,212</b>	<b>-97,872</b>
<i>Net financial worth(b)</i>	<i>-463,350</i>	<i>-563,122</i>	<i>-99,772</i>
<i>Net debt(c)</i>	<i>331,059</i>	<i>327,639</i>	<i>-3,419</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 18: Australian Government total non-financial public sector cash flow statement<sup>(a)</sup>**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Cash receipts from operating activities</b>			
Taxes received	377,154	379,240	2,086
Receipts from sales of goods and services	18,267	17,693	-574
Interest receipts	3,038	2,925	-113
Dividends and income tax equivalents	5,661	6,705	1,044
Other receipts	8,768	10,530	1,761
<b>Total operating receipts</b>	<b>412,889</b>	<b>417,093</b>	<b>4,204</b>
<b>Cash payments for operating activities</b>			
Payments to employees	-33,106	-32,313	794
Payments for goods and services	-95,279	-97,087	-1,808
Grants and subsidies paid	-157,615	-155,901	1,714
Interest paid	-15,719	-15,354	365
Personal benefit payments	-132,186	-132,377	-191
Other payments	-5,464	-5,638	-174
<b>Total operating payments</b>	<b>-439,369</b>	<b>-438,669</b>	<b>700</b>
<b>Net cash flows from operating activities</b>	<b>-26,481</b>	<b>-21,577</b>	<b>4,904</b>
<b>Cash flows from investments in non-financial assets</b>			
Sales of non-financial assets	2,305	2,340	35
Purchases of non-financial assets	-18,269	-17,350	919
<b>Net cash flows from investments in non-financial assets</b>	<b>-15,964</b>	<b>-15,010</b>	<b>954</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-8,350</b>	<b>-6,115</b>	<b>2,235</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>			
Increase in investments	-30,686	-37,296	-6,610
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-30,686</b>	<b>-37,296</b>	<b>-6,610</b>
<b>Net cash flows from financing activities</b>			
Borrowing (net)	84,687	84,566	-121
Other financing (net)	-3,583	-3,438	145
<b>Net cash flows from financing activities</b>	<b>81,105</b>	<b>81,128</b>	<b>24</b>
<b>Net increase/(decrease) in cash held</b>	<b>-376</b>	<b>1,130</b>	<b>1,504</b>
<b>Cash at the beginning of the year</b>	<b>6,196</b>	<b>6,196</b>	<b>0</b>
<b>Cash at the end of the year</b>	<b>5,819</b>	<b>7,324</b>	<b>1,504</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-42,445</b>	<b>-36,587</b>	<b>5,858</b>
Distributions paid	0	0	0
<b>GFS cash surplus(+)/deficit(-)(b)</b>	<b>-42,445</b>	<b>-36,587</b>	<b>5,858</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 no longer deducted in the derivation of the GFS cash surplus/deficit.

**Table 19: Australian Government public financial corporations sector operating statement**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Revenue</b>			
Current grants and subsidies	143	145	2
Sales of goods and services	684	698	14
Interest income	2,111	2,188	76
Other	79	78	0
<b>Total revenue</b>	<b>3,017</b>	<b>3,109</b>	<b>92</b>
<b>Expenses</b>			
Gross operating expenses			
Wages and salaries(a)	149	178	29
Superannuation	76	98	23
Depreciation and amortisation	44	56	12
Supply of goods and services	505	439	-66
Other operating expenses(a)	205	207	2
<i>Total gross operating expenses</i>	<i>978</i>	<i>979</i>	<i>0</i>
Interest expenses	1,125	1,154	30
Other property expenses	1,130	1,349	219
Current transfers			
Tax expenses	0	0	0
<i>Total current transfers</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total expenses</b>	<b>3,233</b>	<b>3,482</b>	<b>249</b>
<b>Net operating balance</b>	<b>-217</b>	<b>-373</b>	<b>-157</b>
<b>Other economic flows</b>	<b>-2,816</b>	<b>-1,662</b>	<b>1,154</b>
<b>Comprehensive result - Total change in net worth excluding contribution from owners</b>	<b>-3,032</b>	<b>-2,036</b>	<b>997</b>
<b>Net acquisition of non-financial assets</b>			
Purchases of non-financial assets	0	110	109
<i>less</i> Sales of non-financial assets	0	-2	-2
<i>less</i> Depreciation	44	56	12
<i>plus</i> Change in inventories	-26	-7	19
<i>plus</i> Other movements in non-financial assets	0	0	0
<b>Total net acquisition of non-financial assets</b>	<b>-70</b>	<b>48</b>	<b>118</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-147</b>	<b>-421</b>	<b>-275</b>

(a) Consistent with the 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 20: Australian Government public financial corporations sector balance sheet**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Assets</b>			
Financial assets			
Cash and deposits	538	301	-238
Investments, loans and placements	180,437	197,571	17,134
Other receivables	232	108	-124
Equity investments	396	416	20
<i>Total financial assets</i>	<i>181,604</i>	<i>198,396</i>	<i>16,793</i>
Non-financial assets			
Land and fixed assets(a)	772	826	53
Other non-financial assets(a)(b)	99	88	-11
<i>Total non-financial assets</i>	<i>871</i>	<i>914</i>	<i>42</i>
<b>Total assets</b>	<b>182,475</b>	<b>199,310</b>	<b>16,835</b>
<b>Liabilities</b>			
Interest bearing liabilities			
Deposits held	150,451	166,293	15,841
Borrowing	6,902	6,955	53
<i>Total interest bearing liabilities</i>	<i>157,354</i>	<i>173,248</i>	<i>15,894</i>
Provisions and payables			
Superannuation liability	684	320	-364
Other employee liabilities	1,422	1,456	34
Other provisions and payables(b)	1,272	1,530	259
<i>Total provisions and payables</i>	<i>3,378</i>	<i>3,307</i>	<i>-71</i>
<b>Total liabilities</b>	<b>160,732</b>	<b>176,554</b>	<b>15,823</b>
<b>Shares and other contributed capital</b>	<b>21,744</b>	<b>22,756</b>	<b>1,012</b>
<b>Net worth(c)</b>	<b>21,744</b>	<b>22,756</b>	<b>1,012</b>
<i>Net financial worth(d)</i>	<i>20,872</i>	<i>21,842</i>	<i>970</i>
<i>Net debt(e)</i>	<i>-23,622</i>	<i>-24,624</i>	<i>-1,002</i>

(a) In the 2017-18 Budget, the estimate of intangible produced assets was 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 deposits held and borrowing, minus the sum of cash and deposits and investments, loans and placements.

**Table 21: Australian Government public financial corporations sector cash flow statement<sup>(a)</sup>**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Cash receipts from operating activities</b>			
Receipts from sales of goods and services	706	620	-85
Grants and subsidies received	0	0	0
GST input credit receipts	15	14	-1
Interest receipts	2,172	1,965	-207
Other receipts	346	313	-34
<b>Total operating receipts</b>	<b>3,239</b>	<b>2,912</b>	<b>-327</b>
<b>Cash payments for operating activities</b>			
Payments to employees	-430	-422	7
Payments for goods and services	-510	-283	227
Interest paid	-1,159	-1,164	-6
GST payment to taxation authority	0	-1	-1
Other payments	-12	-75	-63
<b>Total operating payments</b>	<b>-2,110</b>	<b>-1,945</b>	<b>165</b>
<b>Net cash flows from operating activities</b>	<b>1,128</b>	<b>966</b>	<b>-162</b>
<b>Cash flows from investments in non-financial assets</b>			
Sales of non-financial assets	0	0	0
Purchases of non-financial assets	0	-107	-107
<b>Net cash flows from investments in non-financial assets</b>	<b>0</b>	<b>-107</b>	<b>-107</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>	<b>125</b>	<b>125</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>			
Increase in investments	-17,833	-35,992	-18,159
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-17,833</b>	<b>-35,992</b>	<b>-18,159</b>
<b>Net cash flows from financing activities</b>			
Borrowing (net)	-8	-173	-165
Deposits received (net)	16,171	34,874	18,702
Other financing (net)	3,947	3,480	-467
Distributions paid (net)	-3,279	-3,285	-6
<b>Net cash flows from financing activities</b>	<b>16,831</b>	<b>34,895</b>	<b>18,064</b>
<b>Net increase/(decrease) in cash held</b>	<b>125</b>	<b>-113</b>	<b>-238</b>
<b>Cash at the beginning of the year</b>	<b>413</b>	<b>413</b>	<b>0</b>
<b>Cash at the end of the year</b>	<b>538</b>	<b>301</b>	<b>-238</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>1,128</b>	<b>859</b>	<b>-269</b>
Distributions paid	-3,279	-3,285	-6
<b>GFS cash surplus(+)/deficit(-)(b)</b>	<b>-2,151</b>	<b>-2,426</b>	<b>-275</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 no longer 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 final budget outcome be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for final budget outcome 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 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 statements for the GGS are based on audit-cleared financial statements for material entities.

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<sup>1</sup> From 1 July 2017, the 2015 ABS GFS Manual replaces the 2005 ABS GFS Manual. 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.

## *Part 2: Australian Government Financial Statements*

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

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 Part 1. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in Part 1.

AASB 1049 also requires the FBO and Consolidated Financial Statements (CFS) to be released at the same time. The Charter requires the FBO to be released before the end of three months after the end of the financial year, whereas the CFS is not released until it is audit cleared, generally around November each year.

AASB 1055 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of major variances in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth for the 2016-17 year from the 2016-17 Budget to the 2016-17 Mid-Year Economic and Fiscal Outlook (MYEFO) are discussed in Part 3 of the 2016-17 MYEFO. Explanations of variances for the 2016-17 year from MYEFO to the 2017-18 Budget are disclosed in Statement 3 of 2017-18 Budget Paper No. 1, Budget Strategy and Outlook. Explanations of variances from the 2017-18 Budget to the Final Budget Outcome 2016-17 are disclosed in Part 1.

### **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 22.

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 22: 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
Valuation changes in assets and liabilities	Most changes in the valuation are treated as an expense.	Changes in valuation due to changes in market conditions or unilateral decisions are treated as an other economic flow.	ABS GFS
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 acquired.	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
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue.  In-kind disability services provided by the States and Territory Governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue.  In-kind disability services provided by the States and Territory Governments are treated as sales of goods and services revenue.	AAS

**Table 22: 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 difference</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**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	180,150	180,618	468
Gross other individuals	46,730	45,133	-1,597
less Refunds	28,300	28,364	64
Total individuals and other withholding taxation	198,580	197,388	-1,192
Fringe benefits tax	4,450	3,905	-545
Company tax	68,900	71,170	2,270
Superannuation funds	7,760	8,228	468
Petroleum resource rent tax(a)	1,050	976	-74
<b>Income taxation revenue</b>	<b>280,740</b>	<b>281,667</b>	<b>927</b>
Goods and services tax	62,220	62,727	507
Wine equalisation tax	870	850	-20
Luxury car tax	660	674	14
Excise and customs duty			
Petrol	6,100	6,201	101
Diesel	10,240	10,387	147
Other fuel products	1,900	1,955	55
Tobacco	10,690	10,612	-78
Beer	2,350	2,384	34
Spirits	2,050	2,059	9
Other alcoholic beverages(b)	920	923	3
Other customs duty			
Textiles, clothing and footwear	270	279	9
Passenger motor vehicles	500	540	40
Other imports	1,050	1,149	99
less Refunds and drawbacks	420	397	-23
Total excise and customs duty	35,650	36,091	441
Agricultural levies	532	554	23
Other taxes(c)	5,501	6,078	577
Mirror taxes	530	543	13
less Transfers to States in relation to mirror tax revenue	530	543	13
Mirror tax revenue	0	0	0
<b>Indirect taxation revenue</b>	<b>105,432</b>	<b>106,974</b>	<b>1,542</b>
<b>Taxation revenue</b>	<b>386,172</b>	<b>388,641</b>	<b>2,469</b>
<i>Memorandum:</i>			
Total excise	21,560	21,895	335
Total customs duty	14,090	14,196	106

(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) In the 2016-17 FBO, the majority of corporations law fees have been reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies have been reclassified from taxation revenue to non-taxation revenue. The taxation revenue and non-taxation revenue series in Appendix B – Historical Australian Government Data have been back-cast from 2001-02 to reflect the sustained change in the nature of these revenues. This results in a net increase in taxation revenue and a net decrease in non-taxation revenue. See also Note 3(a), Taxation revenue by source and Note 4, Sales of goods and services revenue.

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

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Taxes on income, profits and capital gains			
Income and capital gains levied on individuals	203,020	201,309	-1,711
Income and capital gains levied on enterprises	77,720	80,358	2,638
<b>Total taxes on income, profits and capital gains</b>	<b>280,740</b>	<b>281,667</b>	<b>927</b>
Taxes on employers' payroll and labour force	635	605	-30
Taxes on the provision of goods and services			
Sales/goods and services tax	63,750	64,251	501
Excises and levies	22,092	22,449	357
Taxes on international trade	14,090	14,196	106
<b>Total taxes on the provision of goods and services</b>	<b>99,932</b>	<b>100,896</b>	<b>965</b>
Taxes on the use of goods and performance of activities(a)	4,866	5,472	607
<b>Total taxation revenue</b>	<b>386,172</b>	<b>388,641</b>	<b>2,469</b>

(a) In the 2016-17 FBO, the majority of corporations law fees have been reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies have been reclassified from taxation revenue to non-taxation revenue. The taxation revenue and non-taxation revenue series in Appendix B – Historical Australian Government Data have been back-cast from 2001-02 to reflect the sustained change in the nature of these revenues. This results in a net increase in taxation revenue and a net decrease in non-taxation revenue. See also Note 3, Taxation revenue by type and Note 4, Sales of goods and services revenue.

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

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Sales of goods	1,469	1,461	-8
Rendering of services	5,408	5,225	-183
Operating lease rental	89	112	23
Fees from regulatory services(a)	1,927	1,432	-496
<b>Total sales of goods and services revenue</b>	<b>8,894</b>	<b>8,230</b>	<b>-664</b>

(a) In the 2016-17 FBO, the majority of corporations law fees have been reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies have been reclassified from taxation revenue to non-taxation revenue. The taxation revenue and non-taxation revenue series in Appendix B – Historical Australian Government Data have been back-cast from 2001-02 to reflect the sustained change in the nature of these revenues. This results in a net increase in taxation revenue and a net decrease in non-taxation revenue. See also Note 3, Taxation revenue by type and Note 3(a), Taxation revenue by source.

**Note 5: Interest and dividend revenue**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Interest from other governments</b>			
State and Territory debt	51	51	0
Housing agreements	124	107	-17
<b>Total interest from other governments</b>	<b>175</b>	<b>159</b>	<b>-16</b>
<b>Interest from other sources</b>			
Advances	58	144	86
Deposits(a)	243	861	618
Indexation of HELP receivable and other student loans	560	505	-55
Other	2,718	1,323	-1,395
<b>Total interest from other sources</b>	<b>3,578</b>	<b>2,833</b>	<b>-745</b>
<b>Total interest</b>	<b>3,753</b>	<b>2,992</b>	<b>-762</b>
<b>Dividends</b>			
Dividends from other public sector entities	1,340	1,575	235
Other dividends	2,313	3,423	1,109
<b>Total dividends</b>	<b>3,653</b>	<b>4,998</b>	<b>1,344</b>
<b>Total interest and dividend revenue</b>	<b>7,407</b>	<b>7,989</b>	<b>583</b>

(a) Due to the implementation of the new Commonwealth Government reporting system, 'bank deposits' and 'deposits' are amalgamated and reported as 'deposits' from the 2016-17 FBO.

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

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Industry contributions	124	143	19
Royalties	963	992	29
Seigniorage	98	107	9
Other	8,432	9,620	1,188
<b>Total other sources of non-taxation revenue</b>	<b>9,618</b>	<b>10,863</b>	<b>1,245</b>

**Note 7: Employee and superannuation expense**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Wages and salaries expenses</b>	<b>19,926</b>	<b>19,059</b>	<b>-867</b>
<b>Other operating expenses</b>			
Leave and other entitlements	2,298	2,421	123
Separations and redundancies	145	292	147
Workers compensation premiums and claims	1,045	934	-111
Other	2,198	2,259	61
<b>Total other operating expenses</b>	<b>5,686</b>	<b>5,906</b>	<b>220</b>
<b>Superannuation expenses</b>			
Superannuation	9,702	9,831	129
Superannuation interest cost	8,446	8,445	-1
<b>Total superannuation expenses</b>	<b>18,147</b>	<b>18,276</b>	<b>129</b>
<b>Total employee and superannuation expense</b>	<b>43,759</b>	<b>43,241</b>	<b>-518</b>

**Note 8: Depreciation and amortisation expense**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Depreciation</b>			
Specialist military equipment	5,294	4,046	-1,248
Buildings	1,414	1,498	84
Other infrastructure, plant and equipment	1,512	1,551	39
Heritage and cultural assets	81	100	19
<b>Total depreciation</b>	<b>8,301</b>	<b>7,194</b>	<b>-1,106</b>
<b>Total amortisation</b>	<b>1,247</b>	<b>1,020</b>	<b>-227</b>
<b>Total depreciation and amortisation expense</b>	<b>9,547</b>	<b>8,214</b>	<b>-1,333</b>

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

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Supply of goods and services	28,037	29,323	1,285
Operating lease rental expenses	2,401	2,496	95
Personal benefits – indirect(a)(b)	53,954	54,040	87
Health care payments	4,772	4,833	61
Other	2,170	2,346	175
<b>Total supply of goods and services expense</b>	<b>91,334</b>	<b>93,038</b>	<b>1,704</b>

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

(b) Includes reclassification in the 2017-18 Budget of 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.



**Note 10: Interest expense**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Interest on debt</b>			
Government securities	15,978	16,029	51
Loans	1	1	0
Other	199	199	0
<b>Total interest on debt</b>	<b>16,178</b>	<b>16,228</b>	<b>51</b>
<b>Other financing costs</b>	<b>1,404</b>	<b>830</b>	<b>-574</b>
<b>Total interest expense</b>	<b>17,582</b>	<b>17,059</b>	<b>-523</b>

**Note 11: Current and capital grants expense**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Current grants expense</b>			
State and Territory governments	106,227	106,350	123
Local governments	2	2	0
Private sector	7,923	8,173	250
Overseas	4,298	4,127	-171
Non-profit organisations	3,833	4,028	195
Multi-jurisdictional sector	10,201	10,164	-38
Other(a)	1,579	1,645	66
<b>Total current grants expense</b>	<b>134,064</b>	<b>134,489</b>	<b>426</b>
<b>Capital grants expense</b>			
Mutually agreed write-downs	1,389	1,203	-186
Other capital grants			
State and Territory governments	8,785	8,551	-234
Local governments	793	779	-14
Non-profit organisations	309	279	-30
Private sector	428	229	-199
Other	163	127	-36
<b>Total capital grants expense</b>	<b>11,867</b>	<b>11,167</b>	<b>-700</b>
<b>Total grants expense</b>	<b>145,931</b>	<b>145,657</b>	<b>-275</b>

(a) Includes reclassification in the 2017-18 Budget of 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.

**Note 12: Personal benefits expense**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Social welfare - assistance to the aged	44,857	44,777	-80
Assistance to veterans and dependants	5,416	5,317	-99
Assistance to people with disabilities	24,552	24,457	-95
Assistance to families with children	32,805	32,810	5
Assistance to the unemployed	10,992	11,044	52
Student assistance	3,120	3,019	-101
Other welfare programs	1,190	995	-196
Financial and fiscal affairs	318	333	15
Vocational and industry training	29	25	-4
Other	6,661	6,819	158
<b>Total personal benefits expense</b>	<b>129,941</b>	<b>129,596</b>	<b>-345</b>

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

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Advances paid</b>			
Loans to State and Territory governments	3,969	3,896	-72
Student loans(a)	45,077	36,701	-8,376
Other(b)	5,312	4,610	-702
less Provision for doubtful debts	285	291	6
<b>Total advances paid</b>	<b>54,073</b>	<b>44,917</b>	<b>-9,156</b>
<b>Other receivables</b>			
Goods and services receivable	1,009	1,335	326
Recoveries of benefit payments	5,667	5,898	231
Taxes receivable	21,033	22,221	1,188
Prepayments	4,423	3,547	-876
Other	19,797	19,360	-437
less Provision for doubtful debts	2,193	2,114	-79
<b>Total other receivables</b>	<b>49,736</b>	<b>50,247</b>	<b>511</b>

(a) Due to the implementation of the new Commonwealth Government reporting system, student related loans including Higher Education Loan Program and Student Financial Supplement Schemes are amalgamated and reported as 'student loans' from the 2016-17 FBO.

(b) 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**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Investments - deposits	60,405	61,043	638
IMF quota	11,859	11,883	24
Other	109,590	120,326	10,736
<b>Total investments, loans and placements</b>	<b>181,854</b>	<b>193,251</b>	<b>11,397</b>

**Note 15: Non-financial assets**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Land and buildings</b>			
Land	10,296	11,002	706
Buildings	25,795	25,693	-102
<b>Total land and buildings</b>	<b>36,091</b>	<b>36,695</b>	<b>604</b>
<b>Plant, equipment and infrastructure</b>			
Specialist military equipment(a)	56,703	58,573	1,870
Other	15,319	15,012	-307
<b>Total plant, equipment and infrastructure</b>	<b>72,022</b>	<b>73,585</b>	<b>1,563</b>
<b>Inventories</b>			
Inventories held for sale	1,428	1,273	-155
Inventories not held for sale	7,053	7,274	221
<b>Total inventories</b>	<b>8,482</b>	<b>8,547</b>	<b>66</b>
<b>Intangibles</b>			
Computer software	4,165	3,852	-313
Other	3,747	3,599	-148
<b>Total intangibles</b>	<b>7,912</b>	<b>7,451</b>	<b>-462</b>
<b>Total investment properties</b>	<b>164</b>	<b>113</b>	<b>-51</b>
<b>Total biological assets</b>	<b>49</b>	<b>54</b>	<b>5</b>
<b>Total heritage and cultural assets</b>	<b>11,439</b>	<b>11,629</b>	<b>190</b>
<b>Total assets held for sale</b>	<b>227</b>	<b>195</b>	<b>-32</b>
<b>Total other non-financial assets</b>	<b>111</b>	<b>60</b>	<b>-51</b>
<b>Total non-financial assets</b>	<b>136,497</b>	<b>138,328</b>	<b>1,831</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**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
Promissory notes	9,534	9,627	93
Special drawing rights	5,563	5,574	11
Other	587	1,327	739
<b>Total loans</b>	<b>15,685</b>	<b>16,528</b>	<b>843</b>

**Note 17: Employee and superannuation liabilities**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Total superannuation liability(a)</b>	<b>174,989</b>	<b>279,459</b>	<b>104,470</b>
<b>Other employee liabilities</b>			
Leave and other entitlements	7,772	7,603	-169
Accrued salaries and wages	212	250	38
Workers compensation claims	2,788	2,794	6
Other	7,408	7,486	78
<b>Total other employee liabilities</b>	<b>18,180</b>	<b>18,133</b>	<b>-47</b>
<b>Total employee and superannuation liabilities</b>	<b>193,168</b>	<b>297,592</b>	<b>104,423</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, the superannuation liability for the 2016-17 Final Budget Outcome was calculated using the long-term government bond rate as at 30 June 2017 that best matches each individual scheme's liability duration. These rates were between 3.0 and 3.5 per cent per annum.

**Note 18: Provisions and payables**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Suppliers payable</b>			
Trade creditors	4,163	4,701	538
Operating lease rental payable	421	442	22
Other creditors	1,076	1,136	60
<b>Total suppliers payable</b>	<b>5,659</b>	<b>6,279</b>	<b>620</b>
<b>Total personal benefits provisions and payables(a)</b>	<b>13,189</b>	<b>11,696</b>	<b>-1,493</b>
<b>Total subsidies provisions and payables</b>	<b>451</b>	<b>550</b>	<b>98</b>
<b>Grants provisions and payables</b>			
State and territory governments	63	793	729
Non-profit organisations	195	173	-22
Private sector	345	359	14
Overseas	2,308	2,198	-110
Local governments	0	1	1
Other(a)	8,625	8,020	-605
<b>Total grants provisions and payables</b>	<b>11,537</b>	<b>11,544</b>	<b>7</b>
<b>Other provisions and payables</b>			
Provisions for tax refunds	2,978	2,815	-164
Other	17,785	18,563	778
<b>Total other provisions and payables</b>	<b>20,763</b>	<b>21,378</b>	<b>615</b>

(a) Includes reclassification of payments in the 2017-18 Budget under the National Disability Insurance Scheme from grants to indirect personal benefits to reflect the nature of benefits provided to households.

**Note 19: Reconciliation of cash**

	2016-17 Estimate at 2017-18 Budget \$m	2016-17 Outcome \$m	Change on 2017-18 Budget \$m
<b>Net operating balance (revenues less expenses)</b>	<b>-38,666</b>	<b>-32,084</b>	<b>6,582</b>
<i>less</i> Revenues not providing cash			
Other	2,379	1,135	-1,244
<b>Total revenues not providing cash</b>	<b>2,379</b>	<b>1,135</b>	<b>-1,244</b>
<i>plus</i> Expenses not requiring cash			
Increase/(decrease) in employee entitlements	10,009	9,965	-44
Depreciation/amortisation expense	9,547	8,214	-1,333
Mutually agreed write-downs	1,389	1,203	-186
Other	888	2,642	1,754
<b>Total expenses not requiring cash</b>	<b>21,833</b>	<b>22,024</b>	<b>191</b>
<i>plus</i> Cash provided/(used) by working capital items			
Decrease/(increase) in inventories	-205	-460	-255
Decrease/(increase) in receivables	-6,138	-8,676	-2,538
Decrease/(increase) in other financial assets	2,659	-376	-3,035
Decrease/(increase) in other non-financial assets	-188	115	303
Increase/(decrease) in benefits, subsidies and grants payable	-1,121	-3,028	-1,907
Increase/(decrease) in suppliers' liabilities	593	1,021	428
Increase/(decrease) in other provisions and payables	-1,445	1,947	3,392
<b>Net cash provided/(used) by working capital</b>	<b>-5,844</b>	<b>-9,457</b>	<b>-3,613</b>
<i>equals</i> (Net cash from/(to) operating activities)	-25,055	-20,652	4,403
<i>plus</i> (Net cash from/(to) investing activities)	-56,740	-59,616	-2,876
<b>Net cash from operating activities and investment</b>	<b>-81,795</b>	<b>-80,268</b>	<b>1,527</b>
<i>plus</i> (Net cash from/(to) financing activities)	81,565	81,771	206
<b>equals Net increase/(decrease) in cash</b>	<b>-230</b>	<b>1,503</b>	<b>1,732</b>
<b>Cash at the beginning of the year</b>	<b>3,638</b>	<b>3,638</b>	<b>0</b>
Net increase/(decrease) in cash	-230	1,503	1,732
<b>Cash at the end of the year</b>	<b>3,408</b>	<b>5,140</b>	<b>1,732</b>

## Attachment A

### FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Final Budget Outcome* primarily focuses on the financial performance and position of 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. AASB 1049 recognises the GGS as a reporting entity.

#### AASB 1049 Conceptual framework

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>2</sup>

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2 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>3</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>3</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 current 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 operating statement.

### **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>4</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.

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<sup>4</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 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.

### **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>5</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.

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5 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.

### 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 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>6</sup>
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements <sup>7</sup>
<i>less</i>
Net Future Fund earnings
<i>equals</i>
Underlying cash balance

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6 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.

7 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.

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 will be 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.

Net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 12 of this statement and the historical tables in Appendix B.

### **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>8</sup> Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, and net loans to students under the Higher Education Loan Program (HELP).

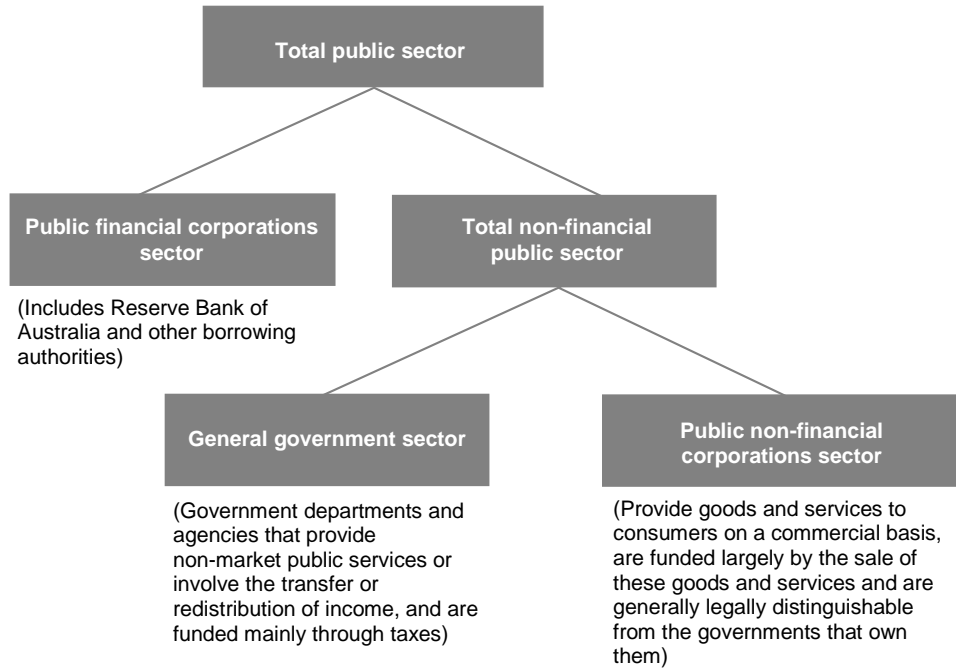
### **Sectoral classifications**

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.

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

**Figure 1: 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 23).

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/Flipchart\\_11\\_September\\_2017\\_0.pdf](http://www.finance.gov.au/sites/default/files/Flipchart_11_September_2017_0.pdf)

**Table 23: 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
<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 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.