

APPENDIX B: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

Consistent with the *Charter of Budget Honesty Act 1998* (the Charter), the Government has produced a single set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. The financial statements comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

- an operating statement, including other economic flows, which shows the net operating balance and net lending/borrowing (fiscal balance);
- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

The statements reflect the policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework – the Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standards Board standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

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

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table B1: Australian Government general government sector operating statement

	Note	Estimates		Projections	
		2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Revenue					
Taxation revenue	3	421,508	443,137	473,429	502,395
Sales of goods and services	4	10,491	13,980	14,838	15,124
Interest income	5	3,580	4,463	5,432	6,004
Dividend income	5	3,112	3,935	4,325	4,745
Other	6	10,012	10,073	9,787	9,951
Total revenue		448,702	475,588	507,811	538,220
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	20,083	20,151	20,385	20,595
Superannuation	7	7,748	4,817	4,877	4,909
Depreciation and amortisation	8	9,507	9,063	8,938	9,437
Supply of goods and services	9	104,308	116,347	123,092	127,945
Other operating expenses(a)	7	5,832	5,673	5,737	5,892
<i>Total gross operating expenses</i>		<i>147,478</i>	<i>156,052</i>	<i>163,028</i>	<i>168,778</i>
Superannuation interest expense	7	9,240	10,761	11,133	11,502
Interest expenses	10	18,027	19,304	20,166	19,520
Current transfers					
Current grants	11	140,142	147,954	149,667	154,543
Subsidy expenses		11,869	12,503	13,126	13,744
Personal benefits	12	128,483	128,479	135,514	142,407
<i>Total current transfers</i>		<i>280,495</i>	<i>288,935</i>	<i>298,306</i>	<i>310,693</i>
Capital transfers					
Mutually agreed write-downs		1,913	1,395	1,486	1,578
Other capital grants		9,784	9,065	6,907	5,246
<i>Total capital transfers</i>		<i>11,697</i>	<i>10,460</i>	<i>8,393</i>	<i>6,824</i>
Total expenses		466,937	485,512	501,026	517,318
Net operating balance		-18,235	-9,924	6,785	20,902
Other economic flows – included in operating result					
Net write-downs of assets					
(including bad and doubtful debts)		-7,852	-8,274	-8,350	-8,321
Assets recognised for the first time		204	213	221	229
Actuarial revaluations		8	7	-8	-9
Net foreign exchange gains		-64	-4	206	253
Net swap interest received		250	0	0	0
Market valuation of debt		-1,303	2,272	1,984	1,547
Other gains/(losses)		7,443	3,419	3,520	3,975
Total other economic flows – included in operating result		-1,314	-2,366	-2,426	-2,327
Operating Result(b)		-19,549	-12,290	4,359	18,575

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

	Note	Estimates		Projections	
		2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Non-owner movements in equity					
Revaluation of equity investments		-6,231	0	0	0
Actuarial revaluations		-2,274	1	0	-7
Other economic revaluations		-302	-354	-371	-393
Total other economic flows - included in equity		-8,807	-353	-372	-399
Comprehensive result - Total change in net worth		-28,355	-12,644	3,987	18,176
Net operating balance		-18,235	-9,924	6,785	20,902
Net acquisition of non-financial assets					
Purchases of non-financial assets		12,993	13,952	14,502	15,558
<i>less</i> Sales of non-financial assets		3,699	263	433	83
<i>less</i> Depreciation		9,507	9,063	8,938	9,437
<i>plus</i> Change in inventories		405	197	132	56
<i>plus</i> Other movements in non-financial assets		1	1	-2	0
Total net acquisition of non-financial assets		193	4,823	5,261	6,094
Fiscal balance (Net lending/borrowing)(c)		-18,428	-14,747	1,524	14,808

(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.

Table B2: Australian Government general government sector balance sheet

	Note	Estimates		Projections	
		2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Assets					
Financial assets					
Cash and deposits		4,400	4,417	5,172	5,161
Advances paid(a)	13	63,049	77,431	86,561	73,306
Investments, loans and placements	14	186,430	184,487	194,659	203,991
Other receivables	13	53,945	56,791	58,800	61,294
Equity investments(a)					
Investments in other public sector entities		46,725	48,664	51,205	54,712
Equity accounted investments		200	287	313	315
Investments - shares		42,546	47,014	51,983	55,589
<i>Total financial assets</i>		<i>397,295</i>	<i>419,092</i>	<i>448,693</i>	<i>454,368</i>
Non-financial assets					
Land	15	10,882	10,807	10,533	10,569
Buildings		26,280	27,417	28,833	30,567
Plant, equipment and infrastructure		74,670	77,132	80,642	84,577
Inventories		8,538	8,316	8,034	7,679
Intangibles		8,381	9,167	9,337	9,364
Investment properties		113	113	113	113
Biological assets		54	54	54	54
Heritage and cultural assets		11,601	11,570	11,538	11,489
Assets held for sale		86	86	86	86
Other non-financial assets		61	62	60	60
<i>Total non-financial assets</i>		<i>140,666</i>	<i>144,726</i>	<i>149,231</i>	<i>154,559</i>
Total assets		537,962	563,818	597,923	608,927
Liabilities					
Interest bearing liabilities					
Deposits held		218	218	218	218
Government securities		580,340	612,350	634,375	620,507
Loans	16	15,518	15,405	15,455	15,566
Other borrowing		1,582	1,540	1,494	1,445
<i>Total interest bearing liabilities</i>		<i>597,658</i>	<i>629,513</i>	<i>651,542</i>	<i>637,736</i>

Table B2: Australian Government general government sector balance sheet (continued)

	Note	Estimates		Projections	
		2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Provisions and payables					
Superannuation liability	17	181,257	187,638	194,015	200,359
Other employee liabilities	17	18,600	19,017	19,475	19,907
Suppliers payables	18	8,015	8,089	8,187	8,309
Personal benefits payables	18	2,993	3,091	3,460	3,265
Subsidies payables	18	554	555	560	546
Grants payables	18	3,350	3,144	3,967	3,577
Other payables	18	2,183	2,185	2,221	2,252
Provisions	18	34,012	33,889	33,812	34,116
<i>Total provisions and payables</i>		<i>250,964</i>	<i>257,608</i>	<i>265,698</i>	<i>272,332</i>
Total liabilities		848,622	887,121	917,240	910,068
Net worth(b)		-310,660	-323,304	-319,316	-301,141
<i>Net financial worth(c)</i>		<i>-451,326</i>	<i>-468,030</i>	<i>-468,547</i>	<i>-455,700</i>
<i>Net financial liabilities(d)</i>		<i>498,052</i>	<i>516,693</i>	<i>519,752</i>	<i>510,411</i>
<i>Net debt(e)</i>		<i>343,778</i>	<i>363,177</i>	<i>365,150</i>	<i>355,277</i>

(a) Due to the implementation of the 2015 ABS GFS Manual, Australia' subscriptions to the International Development Association and the Asian Development Fund were reclassified in the 2017-18 Budget from nominal value 'advances paid' to fair value '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 B3: Australian Government general government sector cash flow statement^(a)

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Cash receipts from operating activities				
Taxes received(b)	409,350	432,324	462,669	491,505
Receipts from sales of goods and services(b)	10,609	14,091	14,930	15,230
Interest receipts	3,249	4,051	4,893	5,342
Dividends and income tax equivalents	4,174	3,407	4,105	4,542
Other receipts	8,305	8,522	8,783	8,908
Total operating receipts	435,686	462,395	495,381	525,526
Cash payments for operating activities				
Payments for employees	-28,917	-29,342	-29,968	-30,665
Payments for goods and services	-101,030	-113,790	-121,090	-126,066
Grants and subsidies paid	-162,144	-169,329	-168,800	-172,966
Interest paid	-16,623	-17,263	-17,790	-19,837
Personal benefit payments	-130,231	-131,021	-137,228	-144,614
Other payments	-5,498	-5,312	-5,364	-5,407
Total operating payments	-444,443	-466,057	-480,239	-499,554
Net cash flows from operating activities	-8,757	-3,662	15,141	25,972
Cash flows from investments in non-financial assets				
Sales of non-financial assets	1,389	695	865	83
Purchases of non-financial assets	-13,163	-14,022	-14,784	-15,892
Net cash flows from investments in non-financial assets	-11,774	-13,327	-13,918	-15,809
Net cash flows from investments in financial assets for policy purposes	-19,042	-19,245	-14,430	7,248
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	8,165	3,365	-8,691	-5,865
Net cash flows from investments in financial assets for liquidity purposes	8,165	3,365	-8,691	-5,865
Cash receipts from financing activities				
Borrowing	119,603	148,578	143,005	123,109
Other financing	1,692	0	0	0
Total cash receipts from financing activities	121,296	148,578	143,006	123,109
Cash payments for financing activities				
Borrowing	-85,858	-112,807	-117,497	-131,414
Other financing	-4,769	-2,885	-2,856	-3,252
Total cash payments for financing activities	-90,626	-115,692	-120,353	-134,666
Net cash flows from financing activities	30,669	32,886	22,653	-11,557
Net increase/(decrease) in cash held	-739	17	755	-11

Table B3: Australian Government general government sector cash flow statement (continued)^(a)

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
GFS cash surplus(+)/deficit(-)(c)(d)	-20,531	-16,989	1,223	10,163
<i>less</i> Finance leases and similar arrangements(c)(e)	0	0	0	0
<i>less</i> Net Future Fund earnings(f)	3,076	3,503	3,861	na
Equals underlying cash balance(g)	-23,608	-20,493	-2,638	10,163
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-19,042	-19,245	-14,430	7,248
<i>plus</i> Net Future Fund earnings(f)	3,076	3,503	3,861	na
Equals headline cash balance	-39,573	-36,235	-13,206	17,412
<i>Memorandum:</i>				
<i>Net Future Fund earnings(f)</i>	<i>3,076</i>	<i>3,503</i>	<i>3,861</i>	<i>4,115</i>

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

(b) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation receipts to taxation receipts and financial institutions supervisory levies were reclassified from taxation receipts to non-taxation receipts.

(c) 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.

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

(e) 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.

(f) 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.

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

Table B4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2017-18	\$m
Revenue		
Current grants and subsidies		142
Sales of goods and services		11,533
Interest income		26
Other		18
Total revenue		11,718
Expenses		
Gross operating expenses		
Wages and salaries(a)		4,504
Superannuation		384
Depreciation and amortisation		2,974
Supply of goods and services		8,388
Other operating expenses(a)		474
<i>Total gross operating expenses</i>		<i>16,725</i>
Interest expenses		764
Other property expenses		163
Current transfers		
Tax expenses		41
<i>Total current transfers</i>		<i>41</i>
Total expenses		17,694
Net operating balance		-5,975
Other economic flows		77
Comprehensive result - Total change in net worth excluding contribution from owners		-5,899
Net acquisition of non-financial assets		
Purchases of non-financial assets		10,433
<i>less</i> Sales of non-financial assets		<i>308</i>
<i>less</i> Depreciation		<i>2,974</i>
<i>plus</i> Change in inventories		<i>7</i>
<i>plus</i> Other movements in non-financial assets		<i>306</i>
Total net acquisition of non-financial assets		7,464
Fiscal balance (Net lending/borrowing)(b)		-13,439

(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 B5: Australian Government public non-financial corporations sector balance sheet

	Estimates
	2017-18
	\$m
Assets	
Financial assets	
Cash and deposits	2,397
Investments, loans and placements	623
Other receivables	2,187
Equity investments	409
<i>Total financial assets</i>	5,616
Non-financial assets	
Land and other fixed assets(a)	38,292
Other non-financial assets(a)(b)	3,420
<i>Total non-financial assets</i>	41,712
Total assets	47,328
Liabilities	
Interest bearing liabilities	
Deposits held	6
Advances received	310
Loans	10,885
Other borrowing	7,942
<i>Total interest bearing liabilities</i>	19,142
Provisions and payables	
Superannuation liability	19
Other employee liabilities	1,645
Other payables	5,212
Other provisions(b)	398
<i>Total provisions and payables</i>	7,274
Total liabilities	26,416
Shares and other contributed capital	20,912
Net worth(c)	20,912
<i>Net financial worth(d)</i>	-20,800
<i>Net debt(e)</i>	16,122

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

Table B6: Australian Government public non-financial corporations sector cash flow statement^(a)

	Estimates
	2017-18 \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	12,342
Grants and subsidies received	103
GST input credit receipts	904
Other receipts	38
Total operating receipts	13,388
Cash payments for operating activities	
Payments to employees(b)	-4,313
Payment for goods and services	-8,479
Interest paid	-719
GST payments to taxation authority	-117
Other payments(b)	-1,365
Total operating payments	-14,994
Net cash flows from operating activities	-1,606
Cash flows from investments in non-financial assets	
Sales of non-financial assets	308
Purchases of non-financial assets	-9,782
Net cash flows from investments in non-financial assets	-9,474
Net cash flows from investments in financial assets for policy purposes	-7
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	32
Net cash flows from investments in financial assets for liquidity purposes	32
Net cash flows from financing activities	
Borrowing (net)	8,816
Other financing (net)	2,617
Distributions paid (net)	-165
Net cash flows from financing activities	11,268
Net increase/(decrease) in cash held	213
Cash at the beginning of the year	2,184
Cash at the end of the year	2,397
Net cash from operating activities and investments in non-financial assets	-11,080
Distributions paid	-165
GFS cash surplus(+)/deficit(-)(c)	-11,245

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

(b) Other employee related payments are reported under other payments consistent with the treatment in the general government sector.

(c) 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 B7: Australian Government total non-financial public sector operating statement

	Estimates
	2017-18 \$m
Revenue	
Taxation revenue	421,467
Sales of goods and services	21,028
Interest income	3,498
Dividend income	2,948
Other	10,146
Total revenue	459,087
Expenses	
Gross operating expenses	
Wages and salaries(a)	24,587
Superannuation	8,117
Depreciation and amortisation	12,481
Supply of goods and services	111,697
Other operating expenses(a)	6,309
<i>Total gross operating expenses</i>	<i>163,191</i>
Superannuation interest expense	9,240
Interest expenses	18,684
Current transfers	
Current grants	140,142
Subsidy expenses	11,863
Personal benefits	128,483
<i>Total current transfers</i>	<i>280,489</i>
Capital transfers	11,694
Total expenses	483,297
Net operating balance	-24,210
Other economic flows	-4,012
Comprehensive result - Total change in net worth	-28,222
Net acquisition of non-financial assets	
Purchases of non-financial assets	23,426
<i>less</i> Sales of non-financial assets	<i>4,007</i>
<i>less</i> Depreciation	<i>12,481</i>
<i>plus</i> Change in inventories	<i>412</i>
<i>plus</i> Other movements in non-financial assets	<i>307</i>
Total net acquisition of non-financial assets	7,657
Fiscal balance (Net lending/borrowing)(b)	-31,867

(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 B8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2017-18	
	\$m	
Assets		
Financial assets		
Cash and deposits	6,798	
Advances paid	53,896	
Investments, loans and placements	187,037	
Other receivables	55,756	
Equity investments	68,787	
<i>Total financial assets</i>	<i>372,275</i>	
Non-financial assets		
Land and fixed assets	170,263	
Other non-financial assets	12,103	
<i>Total non-financial assets</i>	<i>182,366</i>	
Total assets	554,640	
Liabilities		
Interest bearing liabilities		
Deposits held	224	
Advances received	0	
Government securities	580,340	
Loans	17,543	
Other borrowing	9,524	
<i>Total interest bearing liabilities</i>	<i>607,631</i>	
Provisions and payables		
Superannuation liability	181,276	
Other employee liabilities	20,245	
Other payables	21,942	
Other provisions	34,387	
<i>Total provisions and payables</i>	<i>257,850</i>	
Total liabilities	865,481	
Net worth(a)	-310,841	
<i>Net financial worth(b)</i>	<i>-493,207</i>	
<i>Net debt(c)</i>	<i>359,900</i>	

(a) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table B9: Australian Government total non-financial public sector cash flow statement^(a)

	Estimates	
	2017-18	
	\$m	
Cash receipts from operating activities		
Taxes received		409,153
Receipts from sales of goods and services		21,907
Interest receipts		3,172
Dividends and income tax equivalents		4,009
Other receipts		9,327
Total operating receipts		447,568
Cash payments for operating activities		
Payments to employees		-33,230
Payments for goods and services		-108,413
Grants and subsidies paid		-162,138
Interest paid		-17,236
Personal benefit payments		-130,231
Other payments		-6,847
Total operating payments		-458,095
Net cash flows from operating activities		-10,528
Cash flows from investments in non-financial assets		
Sales of non-financial assets		1,697
Purchases of non-financial assets		-22,945
Net cash flows from investments in non-financial assets		-21,248
Net cash flows from investments in financial assets for policy purposes		-6,961
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments		8,197
Net cash flows from investments in financial assets for liquidity purposes		8,197
Net cash flows from financing activities		
Borrowing (net)		33,686
Other financing (net)		-3,691
Net cash flows from financing activities		29,996
Net increase/(decrease) in cash held		-544
Cash at the beginning of the year		7,342
Cash at the end of the year		6,798
Net cash from operating activities and investments in non-financial assets		-31,776
Distributions paid		0
GFS cash surplus(+)/deficit(-)(b)		-31,776

(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 B10: Australia Government public financial corporations sector operating statement

	Estimates
	2017-18 \$m
Revenue	
Current grants and subsidies	149
Sales of goods and services	697
Interest income	1,872
Other	43
Total revenue	2,762
Expenses	
Gross operating expenses	
Wages and salaries(a)	163
Superannuation	62
Depreciation and amortisation	57
Supply of goods and services	472
Other operating expenses(a)	205
<i>Total gross operating expenses</i>	<i>960</i>
Interest expenses	1,124
Other property expenses	398
Current transfers	
Tax expenses	0
<i>Total current transfers</i>	<i>0</i>
Total expenses	2,482
Net operating balance	279
Other economic flows	-2,978
Comprehensive result - Total change in net worth excluding contribution from owners	-2,699
Net acquisition of non-financial assets	
Purchases of non-financial assets	1
<i>less</i> Sales of non-financial assets	0
<i>less</i> Depreciation	57
<i>plus</i> Change in inventories	-19
<i>plus</i> Other movements in non-financial assets	0
Total net acquisition of non-financial assets	-75
Fiscal balance (Net lending/borrowing)(b)	355

(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 B11: Australian Government public financial corporations sector balance sheet^(a)

	Estimates	
	2017-18	\$m
Assets		
Financial assets		
Cash and deposits		694
Investments, loans and placements		163,062
Other receivables		120
Equity investments		447
<i>Total financial assets</i>		164,324
Non-financial assets		
Land and other fixed assets(b)		844
Other non-financial assets(b)(c)		85
<i>Total non-financial assets</i>		929
Total assets		165,253
Liabilities		
Interest bearing liabilities		
Deposits held		132,220
Borrowing		7,876
<i>Total interest bearing liabilities</i>		140,096
Provisions and payables		
Superannuation liability		265
Other employee liabilities		1,495
Other payables		751
Other provisions(c)		1
<i>Total provisions and payables</i>		2,512
Total liabilities		142,608
Shares and other contributed capital		22,645
Net worth(d)		22,645
<i>Net financial worth(e)</i>		21,716
<i>Net debt(f)</i>		-23,661

(a) Assumes no valuation or currency movement.

(b) 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.

(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, advances paid and investments, loans and placements.

Table B12: Australian Government public financial corporations sector cash flow statement^(a)

	Estimates	
	2017-18	
	\$m	
Cash receipts from operating activities		
Receipts from sales of goods and services	716	
Grants and subsidies received	149	
GST input credit receipts	4	
Interest receipts	1,873	
Other receipts	43	
Total operating receipts	2,785	
Cash payments for operating activities		
Payments to employees(b)	-170	
Payment for goods and services	-485	
Interest paid	-1,105	
GST payments to taxation authority	0	
Other payments(b)	-270	
Total operating payments	-2,031	
Net cash flows from operating activities	754	
Cash flows from investments in non-financial assets		
Sales of non-financial assets	0	
Purchases of non-financial assets	-57	
Net cash flows from investments in non-financial assets	-57	
Net cash flows from investments in financial assets for policy purposes	-102	
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	35,993	
Net cash flows from investments in financial assets for liquidity purposes	35,993	
Net cash flows from financing activities		
Borrowing (net)	-35,331	
Deposits received (net)	0	
Other financing (net)	44	
Distributions paid (net)	-1,129	
Net cash flows from financing activities	-36,416	
Net increase/(decrease) in cash held	173	
Cash at the beginning of the year	520	
Cash at the end of the year	694	
Net cash from operating activities and investments in non-financial assets	698	
Distributions paid	-1,129	
GFS cash surplus(+)/deficit(-)(c)	-432	

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

(b) Other employee related payments are reported under other payments consistent with the treatment in the general government sector.

(c) 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 Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for MYEFO reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework;¹ 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.

1 From 1 July 2017, the 2015 ABS GFS Manual replaced the 2005 ABS GFS Manual. The 2015 ABS GFS Manual was updated to incorporate the changes included by the International Monetary Fund outlined in its IMF GFS Manual 2014.

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 the 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).

Explanations of major variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2017-18 Budget are disclosed in Part 3, with decisions taken since the 2017-18 Budget disclosed in Appendix A.

Updates to fiscal risks and contingent liabilities since the 2017-18 Budget are disclosed in Appendix C.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table B13.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Differences from the AAS measurement of items outlined above and reconciliation have not been included as they would effectively create different measures of the same aggregate.

Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

Table B13: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment ²	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

2 From 1 July 2017, the 2015 ABS GFS Manual replaced the 2005 ABS GFS Manual. The 2015 ABS GFS Manual was updated to incorporate the changes included by the International Monetary Fund outlined in its IMF GFS Manual 2014.

Table B13: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Fiscal aggregate differences			
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
Classification differences			
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 at which 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 at which control is transferred. Recognise cash at the time of receipt.	AAS

Note 3: Taxation revenue by type

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Individuals and other withholding taxes				
Gross income tax withholding	190,600	200,900	216,400	231,000
Gross other individuals	47,800	49,700	53,800	58,000
less Refunds	29,200	30,900	32,500	33,500
Total individuals and other withholding taxation	209,200	219,700	237,700	255,500
Fringe benefits tax	4,080	4,290	4,580	4,830
Company tax	83,800	88,800	94,100	96,900
Superannuation fund taxes	10,570	10,260	11,220	12,320
Petroleum resource rent tax	1,030	1,110	1,110	1,110
Income taxation revenue	308,680	324,160	348,710	370,660
Goods and services tax	65,560	68,550	71,360	75,300
Wine equalisation tax	920	1,000	1,070	1,110
Luxury car tax	680	700	750	790
Excise and Custom duty				
Petrol	6,200	6,260	6,540	6,850
Diesel	10,880	11,240	11,790	12,440
Other fuel products	1,920	1,930	2,000	2,060
Tobacco	11,530	12,570	13,700	14,940
Beer	2,360	2,410	2,440	2,560
Spirits	2,070	2,150	2,220	2,310
Other alcoholic beverages(a)	950	980	1,030	1,040
Other customs duty				
Textiles, clothing and footwear	180	180	180	190
Passenger motor vehicles	500	500	500	550
Other imports	980	980	1,010	1,070
less Refunds and drawbacks	420	420	420	420
Total excise and customs duty	37,150	38,780	40,990	43,590
Major bank levy	1,600	1,700	1,800	1,900
Agricultural levies	533	536	547	557
Other taxes(b)	6,385	7,711	8,202	8,488
Mirror taxes	561	587	617	649
less Transfers to States in relation to mirror tax revenue	561	587	617	649
Mirror tax revenue	0	0	0	0
Indirect taxation revenue	112,828	118,977	124,719	131,735
Taxation revenue	421,508	443,137	473,429	502,395

Note 3: Taxation revenue by type (continued)

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<i>Memorandum:</i>				
<i>Total excise</i>	22,350	22,890	23,880	25,020
<i>Total customs duty</i>	14,800	15,890	17,110	18,570
<i>Capital gains tax(c)</i>	16,100	17,500	18,900	20,400

- (a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
- (b) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to non-taxation revenue. See also Note 3(a), Taxation revenue by source and Note 4, Sales of goods and services revenue.
- (c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	213,280	223,990	242,280	260,330
Income and capital gains levied on enterprises	95,400	100,170	106,430	110,330
Total taxes on income, profits and capital gains	308,680	324,160	348,710	370,660
Taxes on employers' payroll and labour force	800	841	852	885
Taxes on the provision of goods and services				
Sales/goods and services tax	67,160	70,250	73,180	77,200
Excises and levies	22,883	23,426	24,427	25,577
Taxes on international trade	14,800	15,890	17,110	18,570
Total taxes on the provision of goods and services	104,843	109,566	114,717	121,347
Taxes on the use of goods and performance of activities(a)	7,185	8,570	9,150	9,503
Total taxation revenue	421,508	443,137	473,429	502,395

(a) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to 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

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Sales of goods	1,478	1,683	1,755	1,688
Rendering of services	6,849	10,157	10,980	11,309
Operating lease rental	196	202	204	207
Fees from regulatory services(a)	1,968	1,938	1,899	1,920
Total sales of goods and services revenue	10,491	13,980	14,838	15,124

(a) In the 2016-17 FBO, the majority of corporations law fees were reclassified from non-taxation revenue to taxation revenue and financial institutions supervisory levies were reclassified from taxation revenue to 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

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Interest from other governments				
State and Territory debt	58	65	78	93
Housing agreements	103	98	93	88
Total interest from other governments	161	163	171	181
Interest from other sources				
Advances	208	265	294	348
Deposits(a)	705	681	681	681
Indexation of HELP receivable and other student loans	753	893	1,232	1,354
Other	1,754	2,460	3,054	3,440
Total interest from other sources	3,419	4,300	5,261	5,823
Total interest	3,580	4,463	5,432	6,004
Dividends				
Dividends from other public sector entities	596	1,054	1,316	1,539
Other dividends	2,515	2,881	3,009	3,206
Total dividends	3,112	3,935	4,325	4,745
Total interest and dividend revenue	6,692	8,397	9,757	10,749

(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

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Industry contributions	158	176	174	172
Royalties	923	813	802	794
Seigniorage	86	81	75	70
Other	8,845	9,003	8,736	8,916
Total other sources of non-taxation revenue	10,012	10,073	9,787	9,951

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Wages and salaries expenses	20,083	20,151	20,385	20,595
Other operating expenses				
Leave and other entitlements	2,286	2,212	2,175	2,196
Separations and redundancies	81	61	61	59
Workers compensation premiums and claims	1,157	1,086	1,101	1,139
Other	2,308	2,313	2,400	2,499
Total other operating expenses	5,832	5,673	5,737	5,892
Superannuation expenses				
Superannuation	7,748	4,817	4,877	4,909
Superannuation interest cost	9,240	10,761	11,133	11,502
Total superannuation expenses	16,988	15,578	16,009	16,411
Total employee and superannuation expense	42,903	41,402	42,131	42,898

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Depreciation				
Specialist military equipment	5,554	5,113	5,033	5,535
Buildings	1,361	1,356	1,335	1,321
Other infrastructure, plant and equipment	1,512	1,517	1,516	1,539
Heritage and cultural assets	85	84	85	85
Total depreciation	8,512	8,071	7,969	8,480
Total amortisation	995	993	970	957
Total depreciation and amortisation expense	9,507	9,063	8,938	9,437

Note 9: Supply of goods and services expense

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Supply of goods and services	31,497	30,731	30,162	30,927
Operating lease rental expenses	2,507	2,590	2,555	2,551
Personal benefits – indirect(a)(b)	62,846	75,656	83,111	87,388
Health care payments	4,922	4,784	4,704	4,654
Other	2,536	2,586	2,559	2,425
Total supply of goods and services expense	104,308	116,347	123,092	127,945

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

(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

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Interest on debt				
Government securities(a)	16,929	17,777	18,248	18,147
Loans	1	1	1	1
Other	221	234	250	267
Total interest on debt	17,150	18,012	18,499	18,415
Other financing costs	877	1,292	1,667	1,106
Total interest expense	18,027	19,304	20,166	19,520

(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	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Current grants expense				
State and Territory governments	110,176	117,772	119,473	124,237
Private sector	8,717	9,026	8,984	9,005
Overseas	3,687	3,955	4,578	3,777
Non-profit organisations	3,903	3,846	3,638	3,534
Multi-jurisdictional sector	10,764	10,757	10,923	11,158
Other(a)	2,894	2,598	2,070	2,832
Total current grants expense	140,142	147,954	149,667	154,543
Capital grants expense				
Mutually agreed write-downs	1,913	1,395	1,486	1,578
Other capital grants				
State and Territory governments	7,881	7,700	6,061	4,750
Local governments	684	355	379	379
Non-profit organisations	928	856	459	118
Private sector	134	102	0	0
Other	157	52	8	0
Total capital grants expense	11,697	10,460	8,393	6,824
Total grants expense	151,839	158,413	158,060	161,367

(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

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Social welfare - assistance to the aged	45,712	47,707	49,785	52,117
Assistance to veterans and dependants	5,146	4,984	4,824	4,694
Assistance to people with disabilities	24,922	25,653	27,068	27,976
Assistance to families with children(a)	31,601	27,721	27,794	27,334
Assistance to the unemployed	10,600	10,594	11,388	11,666
Student assistance	2,571	2,556	2,715	2,798
Other welfare programs	1,092	1,148	1,211	1,228
Financial and fiscal affairs	361	356	368	383
Vocational and industry training	30	31	32	32
Other	6,449	7,729	10,330	14,178
Total personal benefits expense	128,483	128,479	135,514	142,407

(a) The majority of payments under the Child Care Subsidy, which commences from 2018-19, are to be made directly to child care providers. See also Note 9, Supply of goods and services expense.

Note 13: Advances paid and other receivables

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Advances paid				
Loans to State and Territory governments	4,101	4,368	4,831	5,243
Student loans(a)(b)	44,397	49,270	54,033	58,797
Other(b)(c)	15,004	24,428	28,533	10,319
less Provision for doubtful debts	453	636	836	1,053
Total advances paid	63,049	77,431	86,561	73,306
Other receivables				
Goods and services receivable	1,272	1,279	1,295	1,297
Recoveries of benefit payments	5,958	6,804	7,446	8,197
Taxes receivable	25,281	27,260	28,970	30,194
Prepayments	3,676	3,876	4,069	4,214
Other	20,564	21,333	21,463	22,499
less Provision for doubtful debts	2,805	3,760	4,443	5,107
Total other receivables	53,945	56,791	58,800	61,294

- (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) Trade Support Loans and Student Start-up Loans which were previously classified to 'other' are now classified to 'student loans'.
- (c) 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 nominal value 'advances paid' to fair value 'equity investments' on the balance sheet.

Note 14: Investments, loans and placements

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Investments - deposits	54,934	50,345	48,508	47,234
IMF quota	11,711	11,707	12,004	12,370
Other	119,785	122,435	134,147	144,386
Total investments, loans and placements	186,430	184,487	194,659	203,991

Note 15: Non-financial assets

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Land and buildings				
Land	10,882	10,807	10,533	10,569
Buildings	26,280	27,417	28,833	30,567
Total land and buildings	37,162	38,225	39,367	41,136
Plant, equipment and infrastructure				
Specialist military equipment	58,605	60,689	64,115	68,198
Other	16,064	16,443	16,527	16,380
Total plant, equipment and infrastructure	74,670	77,132	80,642	84,577
Inventories				
Inventories held for sale	1,523	1,560	1,544	1,511
Inventories not held for sale	7,015	6,756	6,490	6,168
Total inventories	8,538	8,316	8,034	7,679
Intangibles				
Computer software	4,349	4,436	4,354	4,146
Other	4,033	4,731	4,983	5,218
Total intangibles	8,381	9,167	9,337	9,364
Total investment properties	113	113	113	113
Total biological assets	54	54	54	54
Total heritage and cultural assets	11,601	11,570	11,538	11,489
Total assets held for sale	86	86	86	86
Total other non-financial assets	61	62	60	60
Total non-financial assets	140,666	144,726	149,231	154,559

Note 16: Loans

	Estimates		Projections	
	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
Promissory notes	9,601	9,576	9,552	9,554
Special drawing rights	5,494	5,492	5,631	5,803
Other	423	337	271	209
Total loans	15,518	15,405	15,455	15,566

Note 17: Employee and superannuation liabilities

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Total superannuation liability(a)	181,257	187,638	194,015	200,359
Other employee liabilities				
Leave and other entitlements	7,793	7,904	7,988	8,085
Accrued salaries and wages	259	264	307	308
Workers compensation claims	2,784	2,773	2,777	2,783
Military compensation(b)	7,371	7,682	8,001	8,326
Other(b)	394	394	402	405
Total other employee liabilities	18,600	19,017	19,475	19,907
Total employee and superannuation liabilities	199,857	206,655	213,490	220,266

- (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 FBO 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 broadly between 3.0 and 3.5 per cent per annum.
- (b) Consistent with the presentation of Consolidated Financial Statements, 'military compensation' is separately disclosed from the 2017-18 MYEFO.

Note 18: Provisions and payables

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Suppliers payables				
Trade creditors	5,536	5,501	5,451	5,521
Operating lease rental payable	452	449	441	423
Personal benefits payables - indirect(a)(c)	604	728	888	954
Other creditors	1,423	1,411	1,407	1,411
Total suppliers payables	8,015	8,089	8,187	8,309
Total personal benefits payables - direct(a)(b)	2,993	3,091	3,460	3,265
Total subsidies payable(b)	554	555	560	546
Grants payables				
State and Territory governments	110	129	168	167
Non-profit organisations	185	186	187	188
Private sector	351	350	350	350
Overseas	1,846	1,626	2,421	2,036
Local governments	1	1	1	1
Other(b)(c)	858	852	841	836
Total grants payables(b)	3,350	3,144	3,967	3,577
Total other payables(b)	2,183	2,185	2,221	2,252
Provisions				
Provisions for tax refunds	2,380	2,374	2,369	2,372
Grants provisions(b)(c)	7,648	7,062	6,422	6,173
Personal benefits provisions - direct(a)(b)	6,767	6,320	6,081	5,893
Personal benefits provisions - indirect(a)(b)(c)	2,050	2,529	2,780	2,903
Other(b)	15,167	15,604	16,160	16,776
Total provisions(b)	34,012	33,889	33,812	34,116

- (a) Implementation of the new Commonwealth Government reporting system provides the ability to distinguish direct and indirect personal benefit liabilities (a GFS distinction). From the 2017-18 MYEFO, these liabilities are separately disclosed.
- (b) Consistent with the presentation of the Consolidated Financial Statements, provisions and payables are separately disclosed from the 2017-18 MYEFO.
- (c) 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

	Estimates		Projections	
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Net Operating balance (revenues less expenses)	-18,235	-9,924	6,785	20,902
<i>less</i> Revenues not providing cash				
Other	1,290	1,498	1,668	2,267
Total revenues not providing cash	1,290	1,498	1,668	2,267
<i>plus</i> Expenses not requiring cash				
Increase/(decrease) in employee entitlements	8,623	6,799	6,835	6,769
Depreciation/amortisation expense	9,507	9,063	8,938	9,437
Mutually agreed write-downs	1,913	1,395	1,486	1,578
Other	235	779	1,377	1,209
Total expenses not requiring cash	20,278	18,036	18,636	18,993
<i>plus</i> Cash provided/(used) by working capital items				
Decrease/(increase) in inventories	-405	-197	-132	-56
Decrease/(increase) in receivables	-10,269	-10,408	-9,993	-9,576
Decrease/(increase) in other financial assets	-516	-557	-234	-759
Decrease/(increase) in other non-financial assets	-21	-20	-24	29
Increase/(decrease) in benefits, subsidies and grants payable	536	-276	-65	-462
Increase/(decrease) in suppliers' liabilities	890	32	-7	156
Increase/(decrease) in other provisions and payables	274	1,151	1,844	-987
Net cash provided/(used) by working capital	-9,511	-10,275	-8,611	-11,655
<i>equals</i> (Net cash from/(to) operating activities)	-8,757	-3,662	15,141	25,972
<i>plus</i> (Net cash from/(to) investing activities)	-22,651	-29,207	-37,039	-14,426
Net cash from operating activities and investment	-31,408	-32,869	-21,897	11,546
<i>plus</i> (Net cash from/(to) financing activities)	30,669	32,886	22,653	-11,557
<i>equals</i> Net increase/(decrease) in cash	-739	17	755	-11
Cash at the beginning of the year	5,140	4,400	4,417	5,172
Net increase/(decrease) in cash	-739	17	755	-11
Cash at the end of the year	4,400	4,417	5,172	5,161

Attachment A

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The MYEFO primarily focuses on the financial performance and position of the general government sector (GGS). The 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) reporting focuses on the GGS.

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 10 *Consolidated Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2014*.¹

1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, 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.²

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

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.

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

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 in 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.³

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

Balance sheet

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

Net worth

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

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

Net financial 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 of government results in a purer measure of financial worth than net financial worth, as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets⁴ (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.

⁴ Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

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 ⁵
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁶
<i>less</i>
Net Future Fund earnings
<i>equals</i>
Underlying cash balance

5 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.

6 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 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.

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

Headline cash balance

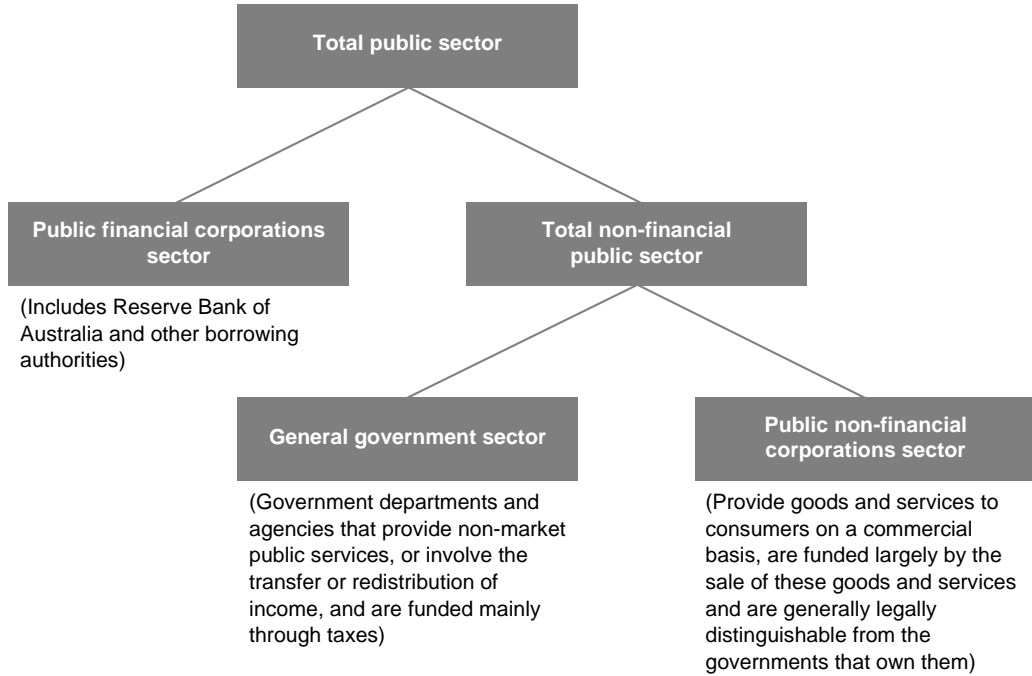
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and net Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and advances paid. Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Advances paid include net loans to the States, and net loans to students.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure B1. ABS GFS defines the general government sector (GGS) and the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors. AASB 1049 has also adopted this sectoral reporting.

Figure B1: Institutional structure of the public sector



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

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/Bodies_List_3_October_2017.pdf.

Table B14: Entities outside of the general government sector

Public financial corporations

Employment Portfolio

- Coal Mining Industry (Long Service Leave Funding) Corporation

Foreign Affairs and Trade Portfolio

- Export Finance and Insurance Corporation

Industry, Innovation and Science Portfolio

- CSIRO General Partner Pty Ltd
- CSIRO General Partner 2 Pty Ltd

Treasury Portfolio

- Australian Reinsurance Pool Corporation
- Reserve Bank of Australia

Public non-financial corporations

Communications and the Arts Portfolio

- Australian Postal Corporation
- NBN Co Limited

Finance Portfolio

- ASC Pty Ltd
- Australian Naval Infrastructure Pty Ltd

Industry, Innovation and Science Portfolio

- ANSTO Nuclear Medicine Pty Ltd

Infrastructure and Regional Development Portfolio

- Airservices Australia
- Australian Rail Track Corporation Limited
- Moorebank Intermodal Company Limited
- WSA Co Ltd

Prime Minister and Cabinet Portfolio

- Voyages Indigenous Tourism Australia Pty Ltd

Social Services Portfolio

- Australian Hearing Services