

STATEMENT 9: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

The budget financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector and the total non-financial public sector (NFPS). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the budget be based on external reporting standards and for departures from these standards to be disclosed.

The Government has produced a single set of financial statements that comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), meeting the requirement of the Charter, with departures disclosed. The financial statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

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

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

CONTENTS

Statement 9: Australian Government Budget Financial Statements 9-5
Notes to the general government sector financial statements9-16

Appendix A: Financial reporting standards and budget concepts 9-31

Appendix B: Australian Loan Council Allocation..... 9-45

STATEMENT 9: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

Table 1: Australian Government general government sector operating statement

	Note	Estimates			Projections	
		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Revenue						
Taxation revenue	3	338,727	366,664	390,606	415,974	445,595
Sales of goods and services	4	8,757	8,577	8,443	8,614	8,776
Interest income	5	3,764	4,313	4,477	4,980	5,448
Dividend income	5	2,429	2,426	2,265	2,476	2,604
Other	6	6,284	5,768	5,820	6,052	6,146
Total revenue		359,961	387,749	411,612	438,097	468,569
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	19,355	19,772	19,800	20,556	21,059
Superannuation	7	8,102	4,039	4,040	4,090	4,196
Depreciation and amortisation	8	6,022	5,813	6,058	6,312	6,480
Supply of goods and services	9	72,019	75,918	78,414	83,298	86,816
Other operating expenses(a)	7	5,411	5,467	5,686	5,893	6,214
<i>Total gross operating expenses</i>		<i>110,910</i>	<i>111,009</i>	<i>113,997</i>	<i>120,149</i>	<i>124,765</i>
Superannuation interest expense	7	6,778	8,462	8,773	9,093	9,423
Interest expenses	10	13,281	14,008	14,289	14,423	14,173
Current transfers						
Current grants	11	109,950	118,137	125,111	130,239	138,621
Subsidy expenses		13,201	14,944	15,358	13,758	15,453
Personal benefits	12	117,397	121,699	128,484	134,528	144,329
<i>Total current transfers</i>		<i>240,548</i>	<i>254,780</i>	<i>268,953</i>	<i>278,525</i>	<i>298,403</i>
Capital transfers	11					
Mutually agreed write-downs		1,997	2,137	2,277	2,453	2,633
Other capital grants		7,926	7,905	7,373	6,372	5,350
<i>Total capital transfers</i>		<i>9,923</i>	<i>10,042</i>	<i>9,650</i>	<i>8,824</i>	<i>7,983</i>
Total expenses		381,439	398,301	415,663	431,015	454,747
Net operating balance		-21,478	-10,552	-4,051	7,082	13,822
Other economic flows - included in operating result(b)						
Net write-downs of assets (including bad and doubtful debts)		-7,092	-7,488	-6,540	-7,807	-8,584
Assets recognised for the first time		535	559	585	611	639
Liabilities recognised for the first time		0	0	0	0	0
Actuarial revaluations		-798	0	0	0	0
Net foreign exchange gains		82	73	100	55	7
Net swap interest received		256	0	0	0	0
Market valuation of debt		3,467	2,924	2,370	1,868	1,549
Other gains/(losses)		12,709	3,655	4,699	5,565	3,407
Total other economic flows - included in operating result		9,159	-278	1,216	293	-2,983
Operating result(c)		-12,319	-10,830	-2,835	7,374	10,840
Non-owner movements in equity(b)						
Revaluation of equity investments		-2,201	-2,223	0	0	0
Actuarial revaluations		-745	140	181	218	252
Other economic revaluations		661	567	252	86	1,121
Total other economic flows - included in equity		-2,284	-1,517	434	304	1,373
Comprehensive result -						
Total change in net worth		-14,604	-12,347	-2,402	7,678	12,213
Net operating balance		-21,478	-10,552	-4,051	7,082	13,822

Statement 9: Budget Financial Statements

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

	Note	Estimates			Projections	
		2012-13	2013-14	2014-15	2015-16	2016-17
		\$m	\$m	\$m	\$m	\$m
Net acquisition of non-financial assets						
Purchases of non-financial assets		7,528	8,755	8,613	9,908	9,411
<i>less</i> Sales of non-financial assets		3,661	346	1,156	1,686	220
<i>less</i> Depreciation		6,022	5,813	6,058	6,312	6,480
<i>plus</i> Change in inventories		371	270	233	320	366
<i>plus</i> Other movements in non-financial assets		573	78	573	-1,104	-74
Total net acquisition of non-financial assets		-1,212	2,945	2,204	1,126	3,003
Fiscal balance (Net lending/borrowing)(d)		-20,266	-13,497	-6,255	5,955	10,819

- (a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.
- (b) The presentation of other economic flows has changed to align more closely with AASB 1049. The AASB 1049 version of other economic flows previously published as Note 13 is no longer presented.
- (c) Operating result under AEIFRS accounting standards.
- (d) The term fiscal balance is not used by the ABS.

Statement 9: Budget Financial Statements

Table 2: Australian Government general government sector balance sheet

	Note	Estimates			Projections	
		2012-13	2013-14	2014-15	2015-16	2016-17
		\$m	\$m	\$m	\$m	\$m
Assets						
Financial assets						
Cash and deposits	19(a)	2,470	2,679	3,085	3,630	3,877
Advances paid	13	35,409	41,017	47,452	54,008	61,975
Investments, loans and placements	14	103,278	112,965	116,226	120,520	131,325
Other receivables	13	44,464	46,756	49,310	52,111	58,880
Equity investments						
Investments in other public sector entities		22,803	26,208	32,845	38,553	43,600
Equity accounted investments		330	331	334	337	340
Investments - shares		33,431	34,026	36,782	39,664	43,046
Total financial assets		242,184	263,982	286,035	308,824	343,044
Non-financial assets						
Land	15	8,680	8,719	8,663	8,634	8,602
Buildings		23,433	24,454	24,613	25,592	25,784
Plant, equipment and infrastructure		53,705	54,888	56,776	58,825	60,805
Inventories		7,317	7,206	7,039	6,966	6,920
Intangibles		5,602	5,712	5,719	5,788	5,948
Investment property		182	182	182	182	182
Biological assets		37	37	37	37	37
Heritage and cultural assets		10,451	10,465	10,477	10,488	10,501
Assets held for sale		83	83	121	83	83
Other non-financial assets		795	873	1,446	342	268
Total non-financial assets		110,284	112,619	115,073	116,937	119,130
Total assets		352,469	376,601	401,108	425,761	462,174
Liabilities						
Interest bearing liabilities						
Deposits held		192	192	192	192	192
Government securities		292,845	321,252	345,421	356,674	370,335
Loans	16	8,588	11,851	11,347	11,161	11,088
Other borrowing		1,134	1,470	1,354	1,303	1,224
Total interest bearing liabilities		302,760	334,765	358,314	369,330	382,839
Provisions and payables						
Superannuation liability	17	143,509	148,710	154,001	159,356	164,806
Other employee liabilities	17	14,600	14,829	14,984	14,974	15,391
Suppliers payable	18	4,264	4,259	4,320	4,380	4,340
Personal benefits provisions and payable	18	14,240	13,952	14,273	14,585	15,071
Subsidies provisions and payable	18	3,216	3,475	3,460	3,845	5,092
Grants provisions and payable	18	17,030	15,892	13,162	11,942	12,555
Other provisions and payables	18	13,961	14,178	14,454	15,531	18,049
Total provisions and payables		210,820	215,294	218,654	224,613	235,305
Total liabilities		513,580	550,059	576,968	593,943	618,144
Net worth(a)		-161,112	-173,458	-175,860	-168,182	-155,969
<i>Net financial worth(b)</i>		<i>-271,396</i>	<i>-286,077</i>	<i>-290,933</i>	<i>-285,119</i>	<i>-275,099</i>
<i>Net financial liabilities(c)</i>		<i>294,198</i>	<i>312,285</i>	<i>323,779</i>	<i>323,673</i>	<i>318,700</i>
<i>Net debt(d)</i>		<i>161,603</i>	<i>178,104</i>	<i>191,552</i>	<i>191,172</i>	<i>185,662</i>

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

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

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

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

Statement 9: Budget Financial Statements

Table 3: Australian Government general government sector cash flow statement^(a)

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Cash receipts from operating activities					
Taxes received	326,297	354,854	377,751	405,809	431,494
Receipts from sales of goods and services	9,043	8,639	8,409	8,562	8,726
Interest receipts	3,674	4,074	4,055	4,575	4,837
Dividends and income tax equivalents	3,186	2,526	2,317	2,520	2,571
Other receipts	6,574	5,496	5,518	5,778	5,795
Total operating receipts	348,773	375,589	398,050	427,245	453,423
Cash payments for operating activities					
Payments for employees	-26,156	-26,909	-27,116	-28,357	-28,947
Payments for goods and services	-72,855	-76,293	-78,496	-83,534	-87,006
Grants and subsidies paid	-126,872	-139,740	-147,934	-149,752	-156,210
Interest paid	-11,912	-11,909	-12,460	-14,328	-12,563
Personal benefit payments	-116,257	-122,319	-128,470	-134,549	-143,991
Other payments	-5,288	-5,271	-5,560	-5,727	-5,776
Total operating payments	-359,339	-382,442	-400,037	-416,247	-434,493
Net cash flows from operating activities	-10,566	-6,853	-1,986	10,999	18,930
Cash flows from investments in non-financial assets					
Sales of non-financial assets	1,637	405	3,121	1,686	220
Purchases of non-financial assets	-7,542	-8,288	-9,112	-8,723	-9,255
Net cash flows from investments in non-financial assets	-5,905	-7,883	-5,992	-7,037	-9,036
Net cash flows from investments in financial assets for policy purposes	-5,288	-10,073	-13,061	-12,595	-13,171
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	-3,733	-4,919	-3,959	-4,445	-10,587
Net cash flows from investments in financial assets for liquidity purposes	-3,733	-4,919	-3,959	-4,445	-10,587
Cash receipts from financing activities					
Borrowing	27,022	31,996	27,804	16,132	17,333
Other financing	0	0	0	0	0
Total cash receipts from financing activities	27,022	31,996	27,804	16,132	17,333
Cash payments for financing activities					
Borrowing	0	0	0	0	0
Other financing	-1,583	-2,059	-2,400	-2,509	-3,223
Total cash payments for financing activities	-1,583	-2,059	-2,400	-2,509	-3,223
Net cash flows from financing activities	25,439	29,937	25,404	13,624	14,110
Net increase/(decrease) in cash held	-54	209	406	545	247

Table 3: Australian Government general government sector cash flow statement (continued)^(a)

	Estimates			Projections	
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-16,471	-14,736	-7,978	3,962	9,894
Finance leases and similar arrangements(b)	-404	-469	0	0	0
GFS cash surplus(+)/deficit(-)	-16,876	-15,205	-7,978	3,962	9,894
less Net Future Fund earnings	2,501	2,838	2,910	3,112	3,304
Equals underlying cash balance(c)	-19,377	-18,043	-10,888	849	6,591
plus Net cash flows from investments in financial assets for policy purposes	-5,288	-10,073	-13,061	-12,595	-13,171
plus Net Future Fund earnings	2,501	2,838	2,910	3,112	3,304
Equals headline cash balance	-22,163	-25,278	-21,039	-8,633	-3,276

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

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

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

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

	Estimates	
	2012-13 \$m	2013-14 \$m
Revenue		
Current grants and subsidies	28	26
Sales of goods and services	8,951	9,878
Interest income	75	68
Other	1	0
Total revenue	9,055	9,973
Expenses		
Gross operating expenses		
Wages and salaries(a)	3,378	3,978
Superannuation	275	470
Depreciation and amortisation	714	1,193
Supply of goods and services	4,403	4,912
Other operating expenses(a)	472	543
<i>Total gross operating expenses</i>	<i>9,241</i>	<i>11,096</i>
Interest expenses	168	316
Other property expenses	284	206
Current transfers		
Tax expenses	135	59
<i>Total current transfers</i>	<i>135</i>	<i>59</i>
Total expenses	9,828	11,677
Net operating balance	-773	-1,704
Other economic flows	-540	111
Comprehensive result - Total change in net worth excluding contribution from owners	-1,314	-1,593
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,485	4,448
<i>less</i> Sales of non-financial assets	33	87
<i>less</i> Depreciation	714	1,193
<i>plus</i> Change in inventories	15	0
<i>plus</i> Other movements in non-financial assets	617	346
Total net acquisition of non-financial assets	2,370	3,514
Fiscal balance (Net lending/borrowing)(b)	-3,143	-5,218

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table 5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2012-13 \$m	2013-14 \$m
Assets		
Financial assets		
Cash and deposits	1,409	1,624
Investments, loans and placements	98	85
Other receivables	1,869	2,003
Equity investments	11	11
<i>Total financial assets</i>	<i>3,386</i>	<i>3,722</i>
Non-financial assets		
Land and fixed assets	12,553	17,845
Other non-financial assets(a)	1,629	1,953
<i>Total non-financial assets</i>	<i>14,182</i>	<i>19,798</i>
Total assets	17,568	23,520
Liabilities		
Interest bearing liabilities		
Borrowing	3,694	6,096
<i>Total interest bearing liabilities</i>	<i>3,694</i>	<i>6,096</i>
Provisions and payables		
Other employee liabilities	1,795	1,680
Other provisions and payables(a)	2,462	2,599
<i>Total provisions and payables</i>	<i>4,257</i>	<i>4,279</i>
Total liabilities	7,951	10,375
Shares and other contributed capital	9,617	13,145
Net worth(b)	9,617	13,145
<i>Net financial worth(c)</i>	<i>-4,565</i>	<i>-6,653</i>
<i>Net debt(d)</i>	<i>2,187</i>	<i>4,388</i>

(a) Excludes the impact of commercial taxation adjustments.

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

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

(d) Net debt equals the sum of interest bearing liabilities (deposits held, advances received and borrowing), minus the sum of cash and deposits and investments, loans and placements.

Statement 9: Budget Financial Statements

Table 6: Australian Government public non-financial corporations sector cash flow statement^(a)

	Estimates	
	2012-13 \$m	2013-14 \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	9,901	10,414
GST input credit receipts	235	233
Other receipts	77	71
Total operating receipts	10,213	10,718
Cash payments for operating activities		
Payments to employees	-4,040	-4,434
Payment for goods and services	-5,053	-5,564
Interest paid	-60	-70
GST payments to taxation authority	-501	-513
Other payments	-93	-112
Total operating payments	-9,746	-10,694
Net cash flows from operating activities	467	24
Cash flows from investments in non-financial assets		
Sales of non-financial assets	34	87
Purchases of non-financial assets	-3,099	-4,781
Net cash flows from investments in non-financial assets	-3,065	-4,694
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-1,044	-105
Net cash flows from investments in financial assets for liquidity purposes	-1,044	-105
Net cash flows from financing activities		
Borrowing (net)	462	97
Other financing (net)	2,913	5,086
Distributions paid (net)	-294	-192
Net cash flows from financing activities	3,081	4,990
Net increase/(decrease) in cash held	-424	215
Cash at the beginning of the year	1,832	1,409
Cash at the end of the year	1,409	1,624
Net cash from operating activities and investments in non-financial assets	-2,599	-4,670
Distributions paid	-294	-192
Equals surplus(+)/deficit(-)	-2,892	-4,862
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	-2,892	-4,862

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

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

	Estimates	
	2012-13 \$m	2013-14 \$m
Revenue		
Taxation revenue	338,591	366,605
Sales of goods and services	16,391	17,261
Interest income	3,820	4,350
Dividend income	2,146	2,221
Other	6,285	5,769
Total revenue	367,233	396,205
Expenses		
Gross operating expenses		
Wages and salaries(a)	22,733	23,750
Superannuation	8,377	4,510
Depreciation and amortisation	6,736	7,006
Supply of goods and services	75,105	79,635
Other operating expenses(a)	5,883	6,010
<i>Total gross operating expenses</i>	<i>118,834</i>	<i>120,911</i>
Superannuation interest expense	6,778	8,462
Interest expenses	13,428	14,293
Current transfers		
Current grants	109,950	118,137
Subsidy expenses	13,174	14,918
Personal benefits	117,397	121,699
<i>Total current transfers</i>	<i>240,521</i>	<i>254,754</i>
Capital transfers	9,923	10,042
Total expenses	389,484	408,462
Net operating balance	-22,251	-12,256
Other economic flows	7,485	102
Comprehensive result - Total change in net worth	-14,766	-12,154
Net acquisition of non-financial assets		
Purchases of non-financial assets	10,013	13,203
<i>less</i> Sales of non-financial assets	3,694	433
<i>less</i> Depreciation	6,736	7,006
<i>plus</i> Change in inventories	386	270
<i>plus</i> Other movements in non-financial assets	1,190	425
Total net acquisition of non-financial assets	1,158	6,459
Fiscal balance (Net lending/borrowing)(b)	-23,409	-18,716

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

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

	Estimates	
	2012-13 \$m	2013-14 \$m
Assets		
Financial assets		
Cash and deposits	3,879	4,303
Advances paid	35,409	41,017
Investments, loans and placements	103,092	112,765
Other receivables	46,206	48,634
Equity investments	44,622	45,287
<i>Total financial assets</i>	<i>233,207</i>	<i>252,007</i>
Non-financial assets		
Land and fixed assets	116,139	123,577
Other non-financial assets	8,327	8,840
<i>Total non-financial assets</i>	<i>124,466</i>	<i>132,417</i>
Total assets	357,673	384,424
Liabilities		
Interest bearing liabilities		
Deposits held	192	192
Government securities	292,845	321,252
Loans	8,304	11,567
Other borrowing	4,828	7,566
<i>Total interest bearing liabilities</i>	<i>306,170</i>	<i>340,577</i>
Provisions and payables		
Superannuation liability	143,509	148,710
Other employee liabilities	16,395	16,509
Other provisions and payables	55,047	54,230
<i>Total provisions and payables</i>	<i>214,951</i>	<i>219,449</i>
Total liabilities	521,121	560,026
Shares and other contributed capital	9,617	13,145
Net worth(a)	-163,448	-175,602
<i>Net financial worth(b)</i>	<i>-287,913</i>	<i>-308,019</i>
<i>Net debt(c)</i>	<i>163,790</i>	<i>182,492</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, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 9: Australian Government total non-financial public sector cash flow statement^(a)

	Estimates	
	2012-13 \$m	2013-14 \$m
Cash receipts from operating activities		
Taxes received	326,206	354,742
Receipts from sales of goods and services	17,292	17,852
Interest receipts	3,729	4,113
Dividends and income tax equivalents	2,892	2,334
Other receipts	6,575	5,497
Total operating receipts	356,694	384,537
Cash payments for operating activities		
Payments to employees	-30,196	-31,343
Payments for goods and services	-76,522	-80,937
Grants and subsidies paid	-126,872	-139,740
Interest paid	-11,952	-11,948
Personal benefit payments	-116,257	-122,319
Other payments	-5,289	-5,271
Total operating payments	-367,087	-391,559
Net cash flows from operating activities	-10,393	-7,022
Cash flows from investments in non-financial assets		
Sales of non-financial assets	1,672	492
Purchases of non-financial assets	-10,642	-13,069
Net cash flows from investments in non-financial assets	-8,970	-12,577
Net cash flows from investments in financial assets for policy purposes	-2,286	-4,951
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-4,777	-5,024
Net cash flows from investments in financial assets for liquidity purposes	-4,777	-5,024
Net cash flows from financing activities		
Borrowing (net)	27,483	32,092
Other financing (net)	-1,534	-2,095
Net cash flows from financing activities	25,949	29,998
Net increase/(decrease) in cash held	-477	424
Cash at the beginning of the year	4,356	3,879
Cash at the end of the year	3,879	4,303
Net cash from operating activities and investments in non-financial assets	-19,363	-19,599
Distributions paid	0	0
Equals surplus(+)/deficit(-)	-19,363	-19,599
Finance leases and similar arrangements(b)	-404	-469
GFS cash surplus(+)/deficit(-)	-19,768	-20,067

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The major external standards used for budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, (cat no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

The financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2.

A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Table A2 in Appendix A explains the key differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

Budget 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. A list of entities within the GGS, as well as entities within and a description of the public non-financial corporations (PNFC) sector and public financial corporations (PFC) sector, are disclosed in Table A1 in Appendix A.

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

Statement 9: Budget Financial Statements

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

Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the *Mid-Year Economic and Fiscal Outlook 2012-13* (MYEFO) are disclosed in Statement 3.

Details of the Australian Government's GGS contingent liabilities are disclosed in Statement 8.

Authoritative guidance has not been issued under the AAS for the measurement of accrual revenue and expenses under the carbon pricing mechanism. An interpretation of the AAS for the carbon pricing mechanism is provided in Note 2. Current estimates measure revenue and expenses at the expected market price for carbon in the year in which emissions occur. The Department of Finance and Deregulation and the Department of the Treasury will continue to review this treatment in consultation with the ABS and the Australian National Audit Office (ANAO).

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The budget financial statements depart from the external reporting standards as follows.

General government sector

Departures from ABS GFS

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the budget financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The budget financial statements currently adopt AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the budget financial statements or in any reconciliation notes. Instead, the budget financial statements adopt AAS treatment for circulating coins (seigniorage). Under this treatment, seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

ABS GFS records defence weapons platforms (DWP) as a non-financial asset on a market value basis (fair value), rather than expensing at time of acquisition. The value used by ABS is consistent with the National Accounts statistical methodology, and represents an early adoption of changes to the *System of National Accounts 2008*. ABS GFS treatment of DWP is consistent with AAS, as non-financial assets can be valued at fair value as long as they can be reliably measured, otherwise cost is permissible. DWP will be valued at cost in the budget financial statements, as they have in previous

Statement 9: Budget Financial Statements

budgets, while the Australian Government ascertains if a relevant and reliable fair value can be sourced.

Under ABS GFS, concessional loans are recognised at their nominal value, that is, they are not discounted to fair (market) value as there is not considered to be a secondary market. This treatment has not been adopted for the financial statements. Consistent with AAS, loans issued at below market interest rates or with long repayment periods are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense which is written back over the life of the loan.

ABS GFS requires investments in unlisted public sector entities to be valued based on their net assets. Under AAS, investments in public sector entities can be valued at fair value as long as a fair value can be reliably measured, otherwise net assets is permissible. The AAS treatment has been adopted in the financial statements.

Movements in the provision for restoration, decommissioning and make-good of assets have been included in the calculation of the fiscal balance capital adjustment because in many cases they involve legal obligations to expend resources. ABS GFS does not recognise adjustments for such provisions because they are considered a constructive obligation that may not materialise for many years.

ABS GFS treats the issuance and registration of Renewable Energy Certificates (RECs) under the Renewable Energy Target and Australian Carbon Credit Units (ACCUs) under the Carbon Farming Initiative as government financial transactions resulting in the recognition of assets, liabilities, tax revenue and expenses.

Under the interpretation of the AAS, the issuance and registration of such certificates is considered to be an administrative function and does not result in the recognition of an asset or liability and therefore no tax revenue or expense is recognised. The AAS treatment has been adopted in the financial statements.

Departures from AAS (including AASB 1049)

AAS requires the advances paid to the International Development Association, African Development Fund and Asian Development Fund to be recognised at fair value. Under ABS GFS these advances are recorded at nominal value. The ABS GFS treatment is adopted in the financial statements.

Under AAS, prepayments are classified as non-financial assets. In accordance with ABS GFS, prepayments have been classified as financial assets in the budget financial statements. This treatment is consistent with the exclusion of prepayments from net acquisition of non-financial assets in the calculation of the fiscal balance.

The interpretation of the AAS indicates that transactions under the carbon pricing mechanism are recognised in the financial statements where they are expected to result in a receipt or payment of cash by the government at the amount of the expected cash

Statement 9: Budget Financial Statements

settlement. The issuance and surrender of free carbon units and ACCUs used in the settlement of emissions liabilities do not qualify for recognition by the government as assets, liabilities, revenues or expenses.

- Revenues are recognised for the amount of cash received and receivable by the government for carbon units at the time when emissions occur, if able to be reliably measured.
- Expenses are recognised on issue of a free carbon unit, based on the number of free permits that are expected to be cashed in by the permit holders under the buy-back arrangements.
- Receivables/payables are recognised at the amount of cash expected to be received/paid by the government.

Transactions under the carbon pricing mechanism are recognised under ABS GFS at their expected market value at the time of the transaction.

- Revenues are recognised at the expected market value of carbon units at the time when emissions occur.
- Expenses are recognised for ACCUs issued in the fixed price period and all free carbon units at the expected market value at the time of issue.
- Receivables/payables are recognised at the carbon units' expected future market value for the reporting period.

In the fixed price period from 1 July 2012 to 30 June 2015, the price of carbon units that the government will pay under the buy-back arrangements and sell to liable emitters to settle their obligations is set by the government. This set price, which is the prevailing fixed price, has been taken to be the market value for the relevant year. Materially, the ABS GFS treatment has been adopted in the financial statements.

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 attributed to functions. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in Statement 6. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in Statement 6.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of items, where different, in notes to the financial statements. Reconciliation notes have not been included as they would effectively create two measures of the same aggregate.

Statement 9: Budget Financial Statements

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of major variances for the 2012-13 year from the 2012-13 Budget to the 2012-13 MYEFO are discussed in Part 3 of the MYEFO. All policy decisions taken between the 2012-13 Budget and the 2012-13 MYEFO are disclosed in Appendix A of the MYEFO. Explanations of variations since the 2012-13 MYEFO are disclosed in Statement 3 of this document, with decisions taken since the MYEFO disclosed in Budget Paper No. 2.

In addition to above adjustments, there are specific adjustments made to the corporations sectors as outlined below.

Public non-financial corporations (PNFC) sector and total non-financial public sector (NFPS)

Departures from ABS GFS

AASB 1049 defines net worth for the PNFC sector and NFPS as total assets less total liabilities; however, ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC sector). Similarly, AASB 1049 defines net financial worth for these sectors as financial assets less total liabilities, whereas under ABS GFS it is equal to financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC sector and NFPS financial statements.

Departures from AAS (including AASB 1049)

The financial statements for the PNFC sector and NFPS comply with the UPF but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PNFC sector will be disclosed in the consolidated financial statements.

AAS requires dividends paid to be classified as a distribution of equity. Under ABS GFS, dividends paid are classified as an expense. The ABS GFS treatment has been adopted for use in the financial statements.

Australian Government public corporations use commercial tax effect accounting to determine their net tax liability while the ATO determines their tax liability on a due and payable basis. To ensure symmetry in treatment between Australian Government sectors, the ABS removes tax effect adjustments. The ABS GFS treatment has been adopted in the financial statements.

Statement 9: Budget Financial Statements

Note 3: Taxation revenue by type

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Individuals' and other withholding taxes					
Gross income tax withholding	151,660	164,660	178,100	192,120	204,820
Gross other individuals	35,940	37,490	41,580	46,640	51,580
less Refunds	26,750	26,800	28,350	30,250	32,100
Total individuals' and other withholding taxation	160,850	175,350	191,330	208,510	224,300
Fringe benefits tax	3,890	4,320	4,740	5,080	5,390
Company tax	68,132	73,969	74,860	80,666	85,213
Superannuation funds	7,800	8,480	10,210	12,850	14,270
Resource rent taxes(a)	1,740	3,420	3,530	4,180	5,340
Total income taxation revenue	242,412	265,539	284,670	311,286	334,513
Sales taxes					
Goods and services tax	50,220	53,080	55,760	58,920	61,830
Wine equalisation tax	730	780	820	870	920
Luxury car tax	430	400	360	390	420
Total sales taxes	51,380	54,260	56,940	60,180	63,170
Excise duty					
Petrol	6,000	5,790	5,870	5,920	6,000
Diesel	8,610	8,920	9,230	9,430	9,710
Beer	1,950	1,980	2,100	2,220	2,330
Other excisable products(b)	9,030	9,360	9,750	9,880	10,130
of which: Other excisable beverages(c)	900	960	1,000	1,050	1,110
Total excise duty revenue	25,590	26,050	26,950	27,450	28,170
Customs duty					
Textiles, clothing and footwear	680	710	560	410	440
Passenger motor vehicles	920	920	990	1,060	1,140
Excise-like goods(b)	5,660	5,850	6,010	6,220	6,510
Other imports	1,540	1,610	1,670	1,790	1,910
less Refunds and drawbacks	330	260	260	260	260
Total customs duty revenue	8,470	8,830	8,970	9,220	9,740
Carbon pricing mechanism(d)	7,540	8,340	9,270	4,090	6,110
Other indirect taxation					
Agricultural levies	463	443	434	440	446
Other taxes	2,871	3,202	3,372	3,309	3,446
Total other indirect taxation revenue	3,335	3,646	3,806	3,748	3,892
Mirror taxes	485	513	543	576	602
less Transfers to States in relation to mirror tax revenue	485	513	543	576	602
Mirror tax revenue	0	0	0	0	0
Total indirect taxation revenue	96,315	101,126	105,936	104,688	111,082
Total taxation revenue	338,727	366,664	390,606	415,974	445,595
<i>Memorandum:</i>					
Capital gains tax	6,600	8,100	11,100	13,600	15,900
Medicare levy revenue	9,720	10,300	14,190	15,230	16,200

(a) Comprises gross revenue from the PRRT and MRRT. Net revenue from the MRRT is expected to be \$0.2 billion in 2012-13, \$0.7 billion in 2013-14, \$1.0 billion in 2014-15, \$1.4 billion in 2015-16 and \$2.2 billion in 2016-17 which represent the net revenue impact across different revenue heads. These include offsetting reductions in company tax (through deductibility) and interactions with other taxes.

(b) Tobacco estimates are not separately reported due to taxpayer confidentiality. Tobacco excise is included in *other excisable products* and tobacco customs duty is included in *excise-like goods*. The Government intends to introduce legislation to enable better public disclosure of tax revenue, even when the identity of particular entities could be determined.

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

(d) Tax revenue includes carbon accrual revenue measured at market price, with details of the accounting treatment of carbon revenue set out in Note 2 to the General Government Sector Financial Statements.

Statement 9: Budget Financial Statements

Note 3(a): Taxation revenue by source

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	164,740	179,720	196,140	213,670	229,760
Income and capital gains levied on enterprises	77,672	85,819	88,530	97,616	104,753
Total taxes on income, profits and capital gains	242,412	265,539	284,670	311,286	334,513
Taxes on employers' payroll and labour force	529	553	590	626	682
Taxes on the provision of goods and services					
Sales/goods and services tax	51,380	54,260	56,940	60,180	63,170
Excises and levies	26,053	26,493	27,384	27,890	28,616
Taxes on international trade	8,470	8,830	8,970	9,220	9,740
Total taxes on the provision of goods and services	85,903	89,583	93,294	97,290	101,526
Other sale of goods and services	9,882	10,989	12,052	6,773	8,874
Total taxation revenue	338,727	366,664	390,606	415,974	445,595
<i>Memorandum:</i>					
Medicare levy revenue	9,720	10,300	14,190	15,230	16,200

Note 4: Sales of goods and services revenue

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Sales of goods	1,492	1,623	1,669	1,696	1,787
Rendering of services	4,031	3,745	3,439	3,464	3,451
Operating lease rental	53	55	58	59	56
Fees from regulatory services	3,182	3,155	3,277	3,395	3,482
Total sales of goods and services revenue	8,757	8,577	8,443	8,614	8,776

Statement 9: Budget Financial Statements

Note 5: Interest and dividend revenue

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Interest from other governments					
State and Territory debt	10	11	14	15	15
Housing agreements	160	155	150	144	139
Total interest from other governments	170	166	164	160	154
Interest from other sources					
Advances	44	48	52	56	62
Deposits	100	92	93	94	102
Bank deposits	157	140	146	153	143
Indexation of HELP receivable and other student loans	503	575	671	790	926
Other	2,790	3,292	3,351	3,727	4,061
Total interest from other sources	3,594	4,147	4,313	4,821	5,295
Total interest	3,764	4,313	4,477	4,980	5,448
Dividends					
Dividends from other public sector entities	691	789	539	627	624
Other dividends	1,739	1,637	1,726	1,849	1,980
Total dividends	2,429	2,426	2,265	2,476	2,604
Total interest and dividend revenue	6,194	6,739	6,742	7,457	8,052

Note 6: Other sources of non-taxation revenue

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Industry contributions	39	38	37	38	37
Royalties	1,785	1,457	1,419	1,431	1,431
Seigniorage	136	135	138	137	138
Other	4,324	4,139	4,226	4,447	4,540
Total other sources of non-taxation revenue	6,284	5,768	5,820	6,052	6,146

Statement 9: Budget Financial Statements

Note 7: Employee and superannuation expense

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Wages and salaries expenses	19,355	19,772	19,800	20,556	21,059
Other operating expenses					
Leave and other entitlements	2,514	2,507	2,553	2,592	2,636
Separations and redundancies	126	46	46	46	45
Workers compensation premiums and claims	700	622	665	711	910
Other	2,072	2,292	2,422	2,543	2,622
Total other operating expenses	5,411	5,467	5,686	5,893	6,214
Superannuation expenses					
Superannuation	8,102	4,039	4,040	4,090	4,196
Superannuation interest cost	6,778	8,462	8,773	9,093	9,423
Total superannuation expenses	14,880	12,501	12,813	13,184	13,619
Total employee and superannuation expense	39,646	37,739	38,299	39,633	40,891

Note 8: Depreciation and amortisation expense

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Depreciation					
Specialist military equipment	2,579	2,326	2,489	2,636	2,827
Buildings	1,273	1,306	1,368	1,437	1,438
Other infrastructure, plant and equipment	1,320	1,363	1,408	1,439	1,436
Heritage and cultural assets	36	37	37	37	37
Total depreciation	5,208	5,032	5,302	5,549	5,737
Total amortisation	815	780	755	763	743
Total depreciation and amortisation expense	6,022	5,813	6,058	6,312	6,480

Note 9: Supply of goods and services expense

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Supply of goods and services	22,931	24,996	24,605	25,300	25,730
Operating lease rental expenses	2,518	2,451	2,477	2,557	2,574
Personal benefits – indirect	39,671	41,419	44,254	48,191	50,932
Health care payments	5,391	5,410	5,471	5,575	5,805
Other	1,509	1,642	1,607	1,675	1,775
Total supply of goods and services expense	72,019	75,918	78,414	83,298	86,816

Note 10: Interest expense

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Interest on debt					
Government securities(a)	12,200	12,453	12,733	12,902	12,890
Loans	9	10	9	8	0
Other(b)	550	526	524	523	526
Total interest on debt	12,759	12,989	13,266	13,432	13,416
Other financing costs	521	1,019	1,022	991	757
Total interest expense	13,281	14,008	14,289	14,423	14,173

(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.

(b) Interest on taxation overpayments has been reclassified from other financing costs to interest on debt.

Note 11: Current and capital grants expense

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Current grants expense					
State and Territory governments	84,585	87,976	93,036	98,855	105,780
Local governments	34	17	6	2	0
Private sector	1,752	2,832	3,205	2,531	1,936
Overseas	4,115	4,873	5,206	5,823	6,982
Non-profit organisations	1,740	1,630	1,721	1,988	1,797
Multi-jurisdictional sector	9,408	9,737	10,072	10,442	10,616
Other	8,316	11,074	11,865	10,599	11,510
Total current grants expense	109,950	118,137	125,111	130,239	138,621
Capital grants expense					
Mutually agreed write-downs	1,997	2,137	2,277	2,453	2,633
Other capital grants					
State and Territory governments	6,931	6,873	6,428	5,469	4,424
Local governments	407	435	352	359	342
Private sector	150	40	0	0	0
Multi-jurisdictional sector	95	98	102	105	107
Other	344	459	492	439	477
Total capital grants expense	9,923	10,042	9,650	8,824	7,983
Total grants expense	119,873	128,179	134,762	139,063	146,604

Statement 9: Budget Financial Statements

Note 12: Personal benefits expense

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	37,282	40,185	42,734	45,696	49,077
Assistance to veterans and dependants	6,202	6,213	6,090	5,983	5,801
Assistance to people with disabilities	21,204	22,578	24,063	25,512	27,228
Assistance to families with children	34,328	34,120	34,680	35,502	36,305
Assistance to the unemployed	8,559	9,550	10,559	9,830	9,859
Student assistance	3,349	3,380	3,243	3,175	3,265
Other welfare programmes	1,396	1,288	1,285	1,288	1,315
Financial and fiscal affairs	359	340	363	388	424
Vocational and industry training	274	276	271	267	267
Other	4,444	3,769	5,196	6,884	10,787
Total personal benefits expense	117,397	121,699	128,484	134,528	144,329

Note 13: Advances paid and other receivables

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Advances paid					
Loans to State and Territory governments	2,805	2,820	2,768	2,682	2,575
Higher Education Loan Program	22,349	26,210	30,953	36,230	42,090
Student Financial Supplement Scheme	653	588	522	454	383
Other	9,628	11,425	13,234	14,669	16,953
less Provision for doubtful debts	26	26	26	26	26
Total advances paid	35,409	41,017	47,452	54,008	61,975
Other receivables					
Goods and services receivable	976	932	927	932	942
Recoveries of benefit payments	2,940	3,117	3,250	3,385	3,512
Taxes receivable	22,344	24,923	29,088	31,258	37,233
Prepayments(a)	2,439	2,257	2,230	2,240	2,270
Other	19,131	19,011	17,414	18,015	18,769
less Provision for doubtful debts	3,366	3,482	3,599	3,719	3,847
Total other receivables	44,464	46,756	49,310	52,111	58,880

(a) Prepayments have been reclassified from other non-financial assets to other receivables to align with ABS GFS.

Note 14: Investments, loans and placements

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Investments - deposits	30,103	30,245	27,994	25,485	29,265
IMF quota	4,830	9,848	9,935	10,022	10,022
Other	68,345	72,872	78,296	85,013	92,038
Total investments, loans and placements	103,278	112,965	116,226	120,520	131,325

Statement 9: Budget Financial Statements

Note 15: Total non-financial assets

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Land and buildings					
Land	8,680	8,719	8,663	8,634	8,602
Buildings	23,433	24,454	24,613	25,592	25,784
Total land and buildings	32,113	33,173	33,276	34,226	34,386
Plant, equipment and infrastructure					
Specialist military equipment	40,794	41,372	43,349	45,657	48,187
Other	12,911	13,516	13,427	13,168	12,618
Total plant, equipment and infrastructure	53,705	54,888	56,776	58,825	60,805
Inventories					
Inventories held for sale	1,144	1,122	1,065	1,063	1,093
Inventories not held for sale	6,173	6,084	5,974	5,903	5,828
Total inventories	7,318	7,206	7,039	6,966	6,920
Intangibles					
Computer software	3,402	3,411	3,233	3,045	2,858
Other	2,199	2,301	2,487	2,743	3,089
Total intangibles	5,602	5,712	5,719	5,788	5,948
Total investment properties	182	182	182	182	182
Total biological assets	37	37	37	37	37
Total heritage and cultural assets	10,451	10,465	10,477	10,488	10,501
Total assets held for sale	83	83	121	83	83
Total other non-financial assets(a)	795	873	1,446	342	268
Total non-financial assets	110,284	112,619	115,073	116,937	119,130

(a) Other non-financial assets exclude prepayments that have been reclassified to other receivables to align with ABS GFS.

Note 16: Loans

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Promissory notes	3,176	6,453	5,978	5,956	5,934
Special drawing rights	4,586	4,627	4,667	4,708	4,708
Other	827	772	702	497	446
Total loans	8,588	11,851	11,347	11,161	11,088

Statement 9: Budget Financial Statements

Note 17: Employee and superannuation liabilities

	Estimates			Projections	
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Total superannuation liability(a)	143,509	148,710	154,001	159,356	164,806
Other employee liabilities					
Leave and other entitlements	7,378	7,426	7,516	7,658	7,809
Accrued salaries and wages	628	651	675	484	513
Workers compensation claims	2,594	2,626	2,656	2,690	2,730
Separations and redundancies	63	60	60	60	60
Other	3,936	4,066	4,078	4,082	4,280
Total other employee liabilities	14,600	14,829	14,984	14,974	15,391
Total employee and superannuation liabilities	158,109	163,539	168,985	174,330	180,197

(a) For budget reporting purposes, a discount rate applied by actuaries in preparing Long-Term Cost Reports is used to value the superannuation liability. This reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with AAS, the long-term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actuals reporting.

Note 18: Provisions and payables

	Estimates			Projections	
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Suppliers payable					
Trade creditors	3,744	3,743	3,807	3,870	3,833
Operating lease rental payable	202	201	203	202	201
Other creditors	318	314	310	308	306
Total suppliers payable	4,264	4,259	4,320	4,380	4,340
Total personal benefits provisions and payable	14,240	13,952	14,273	14,585	15,071
Total subsidies provisions and payable	3,216	3,475	3,460	3,845	5,092
Grants provisions and payable					
State and Territory governments	339	320	319	319	318
Non-profit organisations	218	214	214	214	214
Private sector	488	475	475	475	475
Overseas	1,502	2,129	2,061	1,513	1,954
Local governments	7	7	7	7	7
Other	14,476	12,746	10,086	9,414	9,587
Total grants provisions and payable	17,030	15,892	13,162	11,942	12,555
Other provisions and payables					
Provisions for tax refunds	2,970	3,021	3,037	3,062	3,086
Other	10,991	11,157	11,417	12,469	14,963
Total other provisions and payables	13,961	14,178	14,454	15,531	18,049

Statement 9: Budget Financial Statements

Note 19: Reconciliation of cash

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Operating balance (revenues less expenses)	-21,478	-10,552	-4,051	7,082	13,822
<i>less</i> Revenues not providing cash					
Other	735	928	1,114	1,342	1,592
Total revenues not providing cash	735	928	1,114	1,342	1,592
<i>plus</i> Expenses not requiring cash					
Increase/(decrease) in employee entitlements	8,184	5,570	5,627	5,563	6,119
Depreciation/amortisation expense	6,046	5,832	6,073	6,324	6,494
Mutually agreed write-downs	1,997	2,137	2,277	2,453	2,633
Other	90	384	718	865	-427
Total expenses not requiring cash	16,317	13,923	14,695	15,205	14,819
<i>plus</i> Cash provided/(used) by working capital items					
Decrease/(increase) in inventories	-260	-162	-122	-205	-247
Decrease/(increase) in receivables	-8,501	-8,967	-9,534	-8,860	-13,542
Decrease/(increase) in other financial assets	1,280	1,656	1,628	1,803	2,471
Decrease/(increase) in other non-financial assets	64	169	12	-27	-50
Increase/(decrease) in benefits, subsidies and grants payable	4,212	-1,158	-2,297	-345	3,013
Increase/(decrease) in suppliers' liabilities	-757	17	44	27	-41
Increase/(decrease) in other provisions and payables	-706	-851	-1,248	-2,338	277
Net cash provided/(used) by working capital	-4,670	-9,296	-11,516	-9,945	-8,119
<i>equals</i> (Net cash from/(to) operating activities)	-10,566	-6,853	-1,986	10,999	18,930
<i>plus</i> (Net cash from/(to) investing activities)	-14,926	-22,874	-23,012	-24,077	-32,794
Net cash from operating activities and investment	-25,492	-29,728	-24,998	-13,078	-13,864
<i>plus</i> (Net cash from/(to) financing activities)	25,439	29,937	25,404	13,624	14,110
equals Net increase/(decrease) in cash	-54	209	406	545	247
Cash at the beginning of the year	2,523	2,470	2,679	3,085	3,630
Net increase/(decrease) in cash	-54	209	406	545	247
Cash at the end of the year	2,470	2,679	3,085	3,630	3,877

Statement 9: Budget Financial Statements

Note 19(a): Consolidated Revenue Fund

	Estimates			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Total general government sector cash	2,470	2,679	3,085	3,630	3,877
less CAC Agency cash balances	1,800	1,798	1,860	2,036	2,184
plus Special public monies	382	382	382	382	382
Balance of Consolidated Revenue Fund at 30 June	1,052	1,263	1,607	1,976	2,075

The estimated and projected cash balances reflected in the balance sheet for the Australian Government GGS (Table 2) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997*, and the reported cash balances controlled and administered by entities subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government GGS cash, less cash controlled and administered by CAC Act entities, plus special public monies, represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown above.

Further information on the Consolidated Revenue Fund is included in Budget Paper No. 4, *Agency Resourcing 2013-14*.

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the budget to be based on external reporting standards.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The statements reflect the Government's accounting 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.

AASB 1049 and the Uniform Presentation Framework (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).

General Government Sector Financial Reporting (AASB 1049)

The budget primarily focuses on the financial performance and position of the general government sector (GGS). The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 history and conceptual framework

The Australian Accounting Standards Board (AASB) released AASB 1049 for application from the 2008-09 financial year. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting focuses on the GGS.

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);

Statement 9: Budget Financial Statements

- to allow the presentation of a single set of financial statements in accordance with AASB 1049, the ABS GFS statement of other economic flows has been incorporated into the operating statement;
- 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. A full set of notes and other disclosures required by AAS are included in the annual consolidated financial statements.

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.¹

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.

¹ 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.

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) measures the change in the Australian Government's stock of non-financial assets owing to transactions. As such, it 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.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

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.

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.²

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.

2 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 worth

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

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares and other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

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, government securities, loans, and other borrowing) less the sum of selected financial assets³ (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

3 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 (ABS GFS cash surplus/deficit) 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>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁴
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Net Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government has excluded net Future Fund earnings from the calculation of the underlying cash balance since the 2012-13 MYEFO. This reflects the operations of the Future Fund and treats earnings and costs consistently in the calculation of the underlying cash balance. Previously, the underlying cash balance only excluded the gross earnings of the Future Fund.

Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Future Fund becomes available to meet the Government's superannuation liabilities from 2020.

4 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.

Statement 9: Budget Financial Statements

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

Expected net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 3 of this statement and related tables in Statement 3 and Statement 10.

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.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

To assist in analysing the public sector, data is presented by institutional sector as shown in Figure 1. ABS GFS defines the GGS and the PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Figure 1: Institutional structure of the public sector

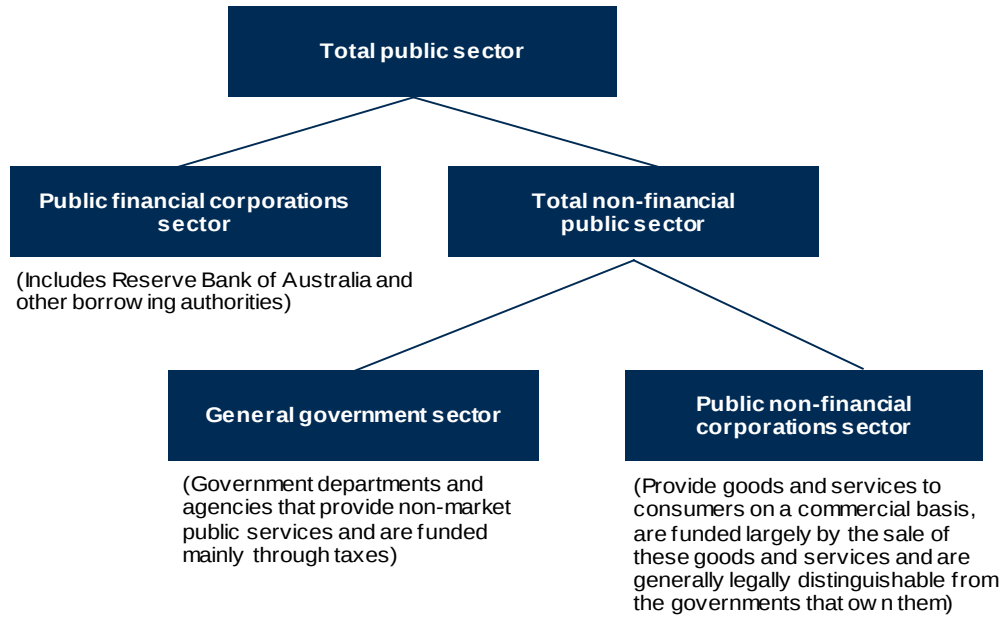


Table A1: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Cotton Research and Development Corporation, Department of Agriculture, Fisheries and Forestry, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation, Wheat Exports Australia, Wine Australia Corporation
Attorney-General's Portfolio Administrative Appeals Tribunal, Attorney-General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs and Border Protection Service, Australian Federal Police, Australian Human Rights Commission, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre, CrimTrac Agency, Family Court and Federal Circuit Court, Federal Court of Australia, High Court of Australia, Insolvency and Trustee Service Australia, Office of the Australian Information Commissioner, Office of the Director of Public Prosecutions, Office of Parliamentary Counsel
Broadband, Communications and the Digital Economy Portfolio Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and the Digital Economy, Special Broadcasting Service Corporation, Telecommunications Universal Service Management Agency
Defence Portfolio AAF Company, Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Limited, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans' Affairs, RAAF Welfare Recreational Company, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Education, Employment and Workplace Relations Portfolio Australian Curriculum, Assessment and Reporting Authority, Australian Institute for Teaching and School Leadership Limited, Comcare, Department of Education, Employment and Workplace Relations, Fair Work Commission, Office of the Fair Work Building Industry Inspectorate (Fair Work Building and Construction), Office of the Fair Work Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)
Families, Housing, Community Services and Indigenous Affairs Portfolio Aboriginal Hostels Limited, Anindilyakwa Land Council, Australian Institute of Family Studies, Central Land Council, Department of Families, Housing, Community Services and Indigenous Affairs, DisabilityCare Australia (National Disability Insurance Scheme Launch Transition Agency), Equal Opportunity for Women in the Workplace Agency, Indigenous Business Australia, Indigenous Land Corporation, Northern Land Council, Outback Stores Pty Ltd, Tiwi Land Council, Torres Strait Regional Authority, Workplace Gender Equality Agency, Wreck Bay Aboriginal Community Council
Finance and Deregulation Portfolio Australian Electoral Commission, Commonwealth Superannuation Corporation, ComSuper, Department of Finance and Deregulation, Future Fund Management Agency
Foreign Affairs and Trade Portfolio AusAID, Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account
Health and Ageing Portfolio Aged Care Standards and Accreditation Agency Ltd, Australian Commission on Safety and Quality in Health Care, Australian Institute of Health and Welfare, Australian National Preventative Health Agency, Australian Organ and Tissue Donation and Transplantation Authority, Australian Radiation Protection and Nuclear Safety Agency, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Limited, Health Workforce Australia, Independent Hospital Pricing Authority, National Blood Authority, National Health Funding Body, National Health and Medical Research Council, National Health Performance Authority, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Human Services Portfolio Department of Human Services
Immigration and Citizenship Portfolio Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal
Industry, Innovation, Climate Change, Science, Research and Tertiary Education Portfolio Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australian Nuclear Science and Technology Organisation, Australian Research Council, Australian Skills Quality Authority (National Vocational Education and Training Regulator), Clean Energy Regulator, Climate Change Authority, Commonwealth Scientific and Industrial Research Organisation, Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education, IIF Investments Pty Limited, IP Australia, Low Carbon Australia Limited, Tertiary Education Quality and Standards Agency
Infrastructure and Transport Portfolio Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure and Transport, National Transport Commission
Prime Minister and Cabinet Portfolio Australian National Audit Office, Australian Public Service Commission, Department of the Prime Minister and Cabinet, National Australia Day Council Limited, National Mental Health Commission, Office of the Commonwealth Ombudsman, Office of the Inspector-General of Intelligence and Security, Office of National Assessments, Office of the Official Secretary to the Governor-General
Regional Australia, Local Government, Arts and Sport Portfolio Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian National Maritime Museum, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Bundanon Trust, Department of Regional Australia, Local Government, Arts and Sport, National Archives of Australia, National Capital Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Portrait Gallery of Australia, Old Parliament House, Screen Australia

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Resources, Energy and Tourism Portfolio Australian Renewable Energy Agency, Australian Solar Institute Limited, Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety and Environmental Management Authority, Tourism Australia
Sustainability, Environment, Water, Population and Communities Portfolio Bureau of Meteorology, Department of Sustainability, Environment, Water, Population and Communities, Director of National Parks, Great Barrier Reef Marine Park Authority, Murray-Darling Basin Authority, National Water Commission, Sydney Harbour Federation Trust
Treasury Portfolio Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Clean Energy Finance Corporation, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, Inspector-General of Taxation, National Competition Council, Office of the Auditing and Assurance Standards Board, Office of the Australian Accounting Standards Board, Productivity Commission, Royal Australian Mint
Parliamentary Departments Department of the House of Representatives, Department of Parliamentary Services, Department of the Senate, Parliamentary Budget Office
Public financial corporations
Education, Employment and Workplace Relations Portfolio Coal Mining Industry (Long Service Leave Funding) Corporation
Finance and Deregulation Portfolio Medibank Private Ltd
Foreign Affairs and Trade Portfolio Export Finance and Insurance Corporation
Treasury Portfolio Australia Reinsurance Pool Corporation, Reserve Bank of Australia

Table A1: Entities within the sectoral classifications (continued)

Public non-financial corporations
Attorney General's Portfolio Australian Government Solicitor Broadband, Communications and the Digital Economy Portfolio Australian Postal Corporation, NBN Co Ltd Families, Housing, Community Services and Indigenous Affairs Portfolio Voyages Indigenous Tourism Australia Pty Ltd Finance and Deregulation Portfolio Albury-Wodonga Development Corporation, Australian River Co. Ltd, ASC Pty Ltd, Moorebank Intermodal Company Ltd Human Services Portfolio Australian Hearing Services Infrastructure and Transport Portfolio Airservices Australia, Australian Rail Track Corporation Ltd

Differences between ABS GFS and AAS framework (including AASB 1049)

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, over-riding AASB 127 *Consolidated and Separate 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 2001*.⁶

Some of the major differences between AAS and the ABS GFS treatments of transactions are outlined in Table A2. Further information on the differences between

⁶ Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, 2005 (cat. no. 5514.0).

the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table A2: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	Treated as capital expenditure. DWP appear as a non-financial asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement. AASB 1049 requires cost to be used where fair value of the assets cannot be reliably measured.	ABS has updated its treatment in its GFS reports to record DWP as a non-financial asset on a market value basis. This represents an early adoption of changes to the System of National Accounts.	AAS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provisions for bad and doubtful debts	Reported in the balance sheet as an offset to assets. Under AASB 1049, it is included in the operating statement as other economic flows.	Creating provisions for bad and doubtful debts is not considered an economic event and is therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to the International Development Association and Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
Investment in Other Public Sector Entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Included in the Fiscal Balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Renewable Energy Certificates (RECs) and Australian Carbon Credit Units (ACCUs)	The issuance and registration of such certificates is considered to be an administrative function and does not result in the recognition of an asset or liability and therefore no tax revenue or expense is recognised.	The issuance and registration of such certificates is considered to be government financial transactions resulting in the recognition of assets, liabilities, tax revenue and expenses.	AAS

Statement 9: Budget Financial Statements

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Carbon pricing mechanism	The interpretation of the AAS framework indicates that the transactions are recognised in the financial statements where they are expected to result in a receipt or payment of cash by the government at the amount of the expected cash settlement. The issuance and surrender of free carbon units and ACCUs used in the settlement of emissions liabilities do not qualify for recognition by the government as assets, liabilities, revenues or expenses.	Transactions are recognised at their expected market value at the time of the transaction. In the fixed price period from 1 July 2012 to 30 June 2015, the price of carbon units that the government will pay under the buy-back arrangements and sell to liable emitters to settle their obligations is set by the government at the prevailing fixed price and is regarded as the market value.	ABS GFS
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
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 aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS

APPENDIX B: AUSTRALIAN LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balance of the general government and public non-financial corporations sectors and total non-financial public sector acquisitions under finance leases and similar arrangements);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table B1, the Australian Government's revised estimate for the 2013-14 LCA is a \$29.0 billion deficit. This compares with its LCA nomination of a \$10.3 billion deficit endorsed by the Loan Council on 3 April 2013.

The Loan Council Allocation Budget estimate falls outside the tolerance limit set at nomination. This change primarily reflects the weaker outlook for tax receipts.

Table B1: Commonwealth's Loan Council Allocation budget update for 2013-14

		2013-14 Nomination	2013-14 Budget estimate
		\$m	\$m
	GGS cash surplus(-)/deficit(+)	-4,835	14,736
	PNFC sector cash surplus(-)/deficit(+)	2,884	4,862
	NFPS cash surplus(-)/deficit(+)(a)	-1,951	19,599
<i>plus</i>	Acquisitions under finance leases and similar arrangements	470	469
<i>equals</i>	ABS GFS cash surplus(-)/deficit(+)	-1,481	20,067
<i>minus</i>	Net cash flows from investments		
	in financial assets for policy purposes(b)	-12,732	-10,073
<i>plus</i>	Memorandum items(c)	-985	-1,121
	Loan Council Allocation	10,265	29,019
	2013-14 tolerance limit(d)	7,982	7,691

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

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

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

(d) A tolerance limit equal to two per cent of NFPS cash receipts from operating activities applies to the movement between the LCA nomination and budget estimate, and again between the budget estimate and outcome.

