

STATEMENT 9: 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. This is the first Budget that includes financial statement estimates for the PFC sector. The financial statements comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

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

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

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

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

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

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Table 1: Australian Government general government sector operating statement

	Note	Estimates			Projections	
		2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Revenue						
Taxation revenue	3	359,117	380,074	406,617	433,790	464,205
Sales of goods and services	4	9,277	9,542	11,791	16,331	20,069
Interest income	5	3,653	4,083	4,680	5,159	6,184
Dividend income	5	4,796	3,143	3,561	3,911	3,310
Other	6	7,255	8,508	6,777	6,986	7,519
Total revenue		384,098	405,350	433,427	466,178	501,288
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	18,939	19,801	19,948	19,968	20,098
Superannuation	7	6,803	4,760	4,737	4,755	4,787
Depreciation and amortisation	8	6,804	7,182	7,466	7,719	8,154
Supply of goods and services	9	80,474	85,046	85,729	94,569	98,788
Other operating expenses(a)	7	5,502	5,510	5,499	5,565	5,657
<i>Total gross operating expenses</i>		<i>118,522</i>	<i>122,298</i>	<i>123,380</i>	<i>132,577</i>	<i>137,483</i>
Superannuation interest expense	7	8,989	9,869	10,259	10,648	11,034
Interest expenses	10	15,915	17,270	19,040	19,652	20,141
Current transfers						
Current grants	11	124,435	128,415	136,519	147,698	161,362
Subsidy expenses		12,522	12,654	13,401	13,779	14,517
Personal benefits	12	130,663	133,123	136,821	135,931	146,061
<i>Total current transfers</i>		<i>267,620</i>	<i>274,191</i>	<i>286,741</i>	<i>297,407</i>	<i>321,940</i>
Capital transfers						
Mutually agreed write-downs		2,124	2,199	2,366	2,560	2,713
Other capital grants		7,164	8,641	10,867	8,972	6,116
<i>Total capital transfers</i>		<i>9,288</i>	<i>10,840</i>	<i>13,234</i>	<i>11,532</i>	<i>8,830</i>
Total expenses		420,335	434,469	452,654	471,816	499,428
Net operating balance		-36,237	-29,118	-19,227	-5,638	1,860
Other economic flows - included in operating result						
Net write-downs of assets						
(including bad and doubtful debts)		-6,878	-8,638	-9,358	-10,302	-9,842
Assets recognised for the first time		319	335	351	362	380
Liabilities recognised for the first time		0	0	0	0	0
Actuarial revaluations		0	0	0	0	0
Net foreign exchange gains		-247	46	33	14	1
Net swap interest received		-799	0	0	0	0
Market valuation of debt		-14,521	3,625	3,115	2,603	2,398
Other gains/(losses)		20,826	5,604	4,768	7,579	7,143
Total other economic flows - included in operating result		-1,300	972	-1,090	256	80
Operating result(b)		-37,537	-28,147	-20,317	-5,382	1,940

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

	Note	Estimates			Projections	
		2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Non-owner movements in equity						
Revaluation of equity investments		2,681	-2,221	29	31	49
Actuarial revaluations		-3,383	105	314	353	426
Other economic revaluations		-3,554	135	1,019	76	145
Total other economic flows - included in equity		-4,256	-1,981	1,362	460	620
Comprehensive result -						
Total change in net worth		-41,793	-30,128	-18,955	-4,922	2,560
Net operating balance		-36,237	-29,118	-19,227	-5,638	1,860
Net acquisition of non-financial assets						
Purchases of non-financial assets		11,622	11,408	11,612	12,606	13,859
<i>less</i> Sales of non-financial assets		2,348	491	267	1,709	828
<i>less</i> Depreciation		6,804	7,182	7,466	7,719	8,154
<i>plus</i> Change in inventories		494	352	408	377	209
<i>plus</i> Other movements in non-financial assets		174	-234	-89	44	4
Total net acquisition of non-financial assets		3,138	3,854	4,198	3,598	5,090
Fiscal balance (Net lending/borrowing)(c)		-39,375	-32,972	-23,425	-9,236	-3,230

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

(b) Operating result under AAS.

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

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Table 2: Australian Government general government sector balance sheet

	Note	Estimates			Projections	
		2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Assets						
Financial assets						
Cash and deposits		3,144	3,435	4,187	4,988	5,709
Advances paid	13	45,874	52,901	63,368	73,722	84,896
Investments, loans and placements	14	131,157	137,947	161,712	162,641	168,306
Other receivables	13	44,828	45,980	48,549	50,623	53,261
Equity investments						
Investments in other public sector entities		39,708	45,471	53,920	53,986	54,012
Equity accounted investments		326	326	323	323	323
Investments - shares		44,847	46,537	48,447	51,873	55,524
Total financial assets		309,884	332,597	380,507	398,156	422,030
Non-financial assets						
Land	15	9,287	9,144	9,152	9,122	9,218
Buildings		26,043	26,927	27,536	28,427	29,306
Plant, equipment and infrastructure		57,012	59,766	62,622	65,575	69,703
Inventories		8,360	8,211	8,181	8,087	7,808
Intangibles		6,312	6,547	6,686	7,231	7,463
Investment property		195	195	195	195	195
Biological assets		36	36	36	36	36
Heritage and cultural assets		10,843	10,852	10,864	10,877	10,889
Assets held for sale		113	72	72	72	72
Other non-financial assets		582	348	260	303	308
Total non-financial assets		118,784	122,098	125,604	129,925	134,998
Total assets		428,668	454,695	506,111	528,081	557,029
Liabilities						
Interest bearing liabilities						
Deposits held		211	211	211	211	211
Government securities		418,307	464,298	527,453	550,072	569,504
Loans	16	10,347	14,148	13,607	13,502	13,400
Other borrowing		1,545	1,428	1,352	1,290	1,242
Total interest bearing liabilities		430,409	480,084	542,624	565,074	584,357

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

	Note	Estimates			Projections	
		2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Provisions and payables						
Superannuation liability	17	167,327	173,921	180,532	187,117	193,677
Other employee liabilities	17	16,030	16,105	16,362	16,659	16,971
Suppliers payable	18	4,956	4,914	4,887	5,008	5,012
Personal benefits provisions and payables	18	13,261	12,826	12,446	11,414	11,485
Subsidies provisions and payables	18	4,585	4,854	5,071	5,178	5,367
Grants provisions and payables	18	10,325	8,472	9,162	8,684	8,427
Other provisions and payables	18	13,086	14,959	15,421	14,262	14,488
<i>Total provisions and payables</i>		<i>229,571</i>	<i>236,051</i>	<i>243,882</i>	<i>248,323</i>	<i>255,427</i>
Total liabilities		659,979	716,135	786,505	813,397	839,785
Net worth(a)		-231,311	-261,440	-280,395	-285,316	-282,756
<i>Net financial worth(b)</i>		<i>-350,096</i>	<i>-383,538</i>	<i>-405,998</i>	<i>-415,241</i>	<i>-417,754</i>
<i>Net financial liabilities(c)</i>		<i>389,804</i>	<i>429,009</i>	<i>459,919</i>	<i>469,227</i>	<i>471,766</i>
<i>Net debt(d)</i>		<i>250,234</i>	<i>285,802</i>	<i>313,356</i>	<i>323,723</i>	<i>325,447</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.

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

	Estimates			Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Cash receipts from operating activities					
Taxes received	351,452	370,140	396,422	422,762	452,469
Receipts from sales of goods and services	9,218	9,475	11,735	16,274	20,008
Interest receipts	3,131	3,334	3,537	3,692	4,069
Dividends and income tax equivalents	4,121	4,623	3,305	3,745	4,054
Other receipts	7,164	8,549	7,196	6,846	6,804
Total operating receipts	375,087	396,121	422,194	453,319	487,405
Cash payments for operating activities					
Payments for employees	-26,061	-27,891	-28,021	-28,421	-28,924
Payments for goods and services	-80,293	-85,076	-85,811	-94,409	-98,631
Grants and subsidies paid	-146,048	-150,792	-160,611	-169,991	-180,713
Interest paid	-14,037	-14,953	-15,464	-16,028	-17,070
Personal benefit payments	-131,520	-134,744	-138,405	-137,731	-146,707
Other payments	-5,247	-5,218	-5,110	-5,116	-5,244
Total operating payments	-403,206	-418,674	-433,423	-451,697	-477,288
Net cash flows from operating activities	-28,119	-22,553	-11,229	1,622	10,117
Cash flows from investments in non-financial assets					
Sales of non-financial assets	2,222	1,859	267	276	828
Purchases of non-financial assets	-11,795	-11,161	-11,495	-12,596	-13,813
Net cash flows from investments in non-financial assets	-9,572	-9,302	-11,228	-12,320	-12,985
Net cash flows from investments in financial assets for policy purposes	-5,500	-12,908	-21,397	-13,983	-14,452
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	-9,021	-3,129	-20,044	1,721	-2,886
Net cash flows from investments in financial assets for liquidity purposes	-9,021	-3,129	-20,044	1,721	-2,886
Cash receipts from financing activities					
Borrowing	53,695	50,790	67,956	27,405	24,294
Other financing	48	11	0	0	0
Total cash receipts from financing activities	53,743	50,801	67,956	27,405	24,294
Cash payments for financing activities					
Borrowing	0	0	0	0	0
Other financing	-2,231	-2,620	-3,304	-3,645	-3,368
Total cash payments for financing activities	-2,231	-2,620	-3,304	-3,645	-3,368
Net cash flows from financing activities	51,512	48,182	64,652	23,760	20,926
Net increase/(decrease) in cash held	-701	291	753	801	721

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

	Estimates			Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-37,691	-31,855	-22,457	-10,697	-2,868
Finance leases and similar arrangements(b)	0	-2	-5	0	0
GFS cash surplus(+)/deficit(-)	-37,691	-31,856	-22,462	-10,697	-2,868
<i>less</i> Net Future Fund earnings	3,429	3,258	3,375	3,699	4,037
Equals underlying cash balance(c)	-41,121	-35,115	-25,836	-14,396	-6,905
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-5,500	-12,908	-21,397	-13,983	-14,452
<i>plus</i> Net Future Fund earnings	3,429	3,258	3,375	3,699	4,037
Equals headline cash balance	-43,191	-44,764	-43,859	-24,681	-17,320

(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	
	2014-15 \$m	2015-16 \$m
Revenue		
Current grants and subsidies	73	31
Sales of goods and services	9,640	9,627
Interest income	41	44
Other	10	27
Total revenue	9,764	9,729
Expenses		
Gross operating expenses		
Wages and salaries(a)	3,793	3,889
Superannuation	381	386
Depreciation and amortisation	1,256	1,705
Supply of goods and services	5,271	5,985
Other operating expenses(a)	543	400
<i>Total gross operating expenses</i>	<i>11,244</i>	<i>12,366</i>
Interest expenses	445	519
Other property expenses	65	118
Current transfers		
Tax expenses	70	22
<i>Total current transfers</i>	<i>70</i>	<i>22</i>
Total expenses	11,825	13,025
Net operating balance	-2,061	-3,295
Other economic flows	-410	134
Comprehensive result - Total change in net worth excluding contribution from owners	-2,471	-3,161
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,678	6,089
<i>less</i> Sales of non-financial assets	<i>77</i>	<i>20</i>
<i>less</i> Depreciation	<i>1,256</i>	<i>1,705</i>
<i>plus</i> Change in inventories	<i>7</i>	<i>14</i>
<i>plus</i> Other movements in non-financial assets	<i>1,200</i>	<i>869</i>
Total net acquisition of non-financial assets	2,552	5,247
Fiscal balance (Net lending/borrowing)(b)	-4,613	-8,543

(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	
	2014-15 \$m	2015-16 \$m
Assets		
Financial assets		
Cash and deposits	1,703	2,073
Investments, loans and placements	106	287
Other receivables	1,681	1,653
Equity investments	3	3
<i>Total financial assets</i>	<i>3,492</i>	<i>4,016</i>
Non-financial assets		
Land and other fixed assets	18,773	23,355
Other non-financial assets(a)	3,626	4,496
<i>Total non-financial assets</i>	<i>22,400</i>	<i>27,850</i>
Total assets	25,892	31,866
Liabilities		
Interest bearing liabilities		
Advances received	319	188
Loans	2,242	2,497
Other borrowing	3,766	4,030
<i>Total interest bearing liabilities</i>	<i>6,327</i>	<i>6,715</i>
Provisions and payables		
Superannuation liability	5	5
Other employee liabilities	1,463	1,357
Other provisions and payables(a)	3,510	4,009
<i>Total provisions and payables</i>	<i>4,977</i>	<i>5,371</i>
Total liabilities	11,304	12,086
Shares and other contributed capital	14,588	19,780
Net worth(b)	14,588	19,780
<i>Net financial worth(c)</i>	<i>-7,812</i>	<i>-8,070</i>
<i>Net debt(d)</i>	<i>4,518</i>	<i>4,355</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 (deposit held, advances received, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

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

	Estimates	
	2014-15 \$m	2015-16 \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	10,257	10,397
GST input credit receipts	428	633
Other receipts	65	42
Total operating receipts	10,750	11,072
Cash payments for operating activities		
Payments to employees	-4,510	-4,682
Payment for goods and services	-7,016	-7,175
Interest paid	-67	-62
GST payments to taxation authority	-43	-69
Other payments	-48	-60
Total operating payments	-11,683	-12,048
Net cash flows from operating activities	-933	-977
Cash flows from investments in non-financial assets		
Sales of non-financial assets	71	26
Purchases of non-financial assets	-3,851	-6,959
Net cash flows from investments in non-financial assets	-3,781	-6,933
Net cash flows from investments in financial assets for policy purposes	0	0
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	72	-12
Net cash flows from investments in financial assets for liquidity purposes	72	-12
Net cash flows from financing activities		
Borrowing (net)	-86	106
Other financing (net)	5,150	8,303
Distributions paid (net)	-100	-117
Net cash flows from financing activities	4,965	8,292
Net increase/(decrease) in cash held	323	370
Cash at the beginning of the year	1,380	1,703
Cash at the end of the year	1,703	2,073
Net cash from operating activities and investments in non-financial assets	-4,714	-7,910
Distributions paid	-100	-117
Equals surplus(+)/deficit(-)	-4,814	-8,026
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	-4,814	-8,026

(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	
	2014-15 \$m	2015-16 \$m
Revenue		
Taxation revenue	359,046	380,052
Sales of goods and services	17,533	18,170
Interest income	3,676	4,108
Dividend income	4,731	3,025
Other	7,265	8,535
Total revenue	392,250	413,891
Expenses		
Gross operating expenses		
Wages and salaries(a)	22,732	23,690
Superannuation	7,184	5,146
Depreciation and amortisation	8,060	8,887
Supply of goods and services	84,362	90,031
Other operating expenses(a)	6,045	5,910
<i>Total gross operating expenses</i>	<i>128,382</i>	<i>133,664</i>
Superannuation interest expense	8,989	9,869
Interest expenses	16,341	17,770
Current transfers		
Current grants	124,435	128,415
Subsidy expenses	12,449	12,623
Personal benefits	130,663	133,123
<i>Total current transfers</i>	<i>267,547</i>	<i>274,160</i>
Capital transfers	9,288	10,840
Total expenses	430,548	446,304
Net operating balance	-38,298	-32,414
Other economic flows	-3,775	2,409
Comprehensive result - Total change in net worth	-42,073	-30,005
Net acquisition of non-financial assets		
Purchases of non-financial assets	14,300	17,498
<i>less</i> Sales of non-financial assets	<i>2,425</i>	<i>511</i>
<i>less</i> Depreciation	<i>8,060</i>	<i>8,887</i>
<i>plus</i> Change in inventories	<i>501</i>	<i>366</i>
<i>plus</i> Other movements in non-financial assets	<i>1,373</i>	<i>635</i>
Total net acquisition of non-financial assets	5,690	9,101
Fiscal balance (Net lending/borrowing)(b)	-43,988	-41,515

(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	
	2014-15 \$m	2015-16 \$m
Assets		
Financial assets		
Cash and deposits	4,846	5,508
Advances paid	45,555	52,713
Investments, loans and placements	131,263	138,234
Other receivables	46,360	47,546
Equity investments	69,487	71,872
<i>Total financial assets</i>	<i>297,512</i>	<i>315,873</i>
Non-financial assets		
Land and other fixed assets	130,319	138,255
Other non-financial assets	10,864	11,694
<i>Total non-financial assets</i>	<i>141,184</i>	<i>149,948</i>
Total assets	438,696	465,821
Liabilities		
Interest bearing liabilities		
Deposits held	211	211
Advances received	0	0
Government securities	418,307	464,298
Loans	12,589	16,645
Other borrowing	5,311	5,458
<i>Total interest bearing liabilities</i>	<i>436,417</i>	<i>486,611</i>
Provisions and payables		
Superannuation liability	167,332	173,926
Other employee liabilities	17,493	17,462
Other provisions and payables	49,575	49,948
<i>Total provisions and payables</i>	<i>234,400</i>	<i>241,336</i>
Total liabilities	670,817	727,947
Shares and other contributed capital	14,588	19,780
Net worth(a)	-232,121	-262,126
<i>Net financial worth(b)</i>	<i>-373,305</i>	<i>-412,074</i>
<i>Net debt(c)</i>	<i>254,752</i>	<i>290,156</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.

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

	Estimates	
	2014-15 \$m	2015-16 \$m
Cash receipts from operating activities		
Taxes received	351,409	370,081
Receipts from sales of goods and services	17,913	18,713
Interest receipts	3,151	3,347
Dividends and income tax equivalents	4,021	4,506
Other receipts	7,190	8,559
Total operating receipts	383,684	405,206
Cash payments for operating activities		
Payments to employees	-30,571	-32,573
Payments for goods and services	-85,362	-90,528
Grants and subsidies paid	-146,048	-150,792
Interest paid	-14,085	-14,996
Personal benefit payments	-131,520	-134,744
Other payments	-5,251	-5,218
Total operating payments	-412,836	-428,852
Net cash flows from operating activities	-29,152	-23,646
Cash flows from investments in non-financial assets		
Sales of non-financial assets	2,293	1,885
Purchases of non-financial assets	-15,646	-18,120
Net cash flows from investments in non-financial assets	-13,353	-16,235
Net cash flows from investments in financial assets for policy purposes	-362	-4,555
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-8,949	-3,141
Net cash flows from investments in financial assets for liquidity purposes	-8,949	-3,141
Net cash flows from financing activities		
Borrowing (net)	53,609	50,896
Other financing (net)	-2,171	-2,658
Net cash flows from financing activities	51,439	48,238
Net increase/(decrease) in cash held	-378	661
Cash at the beginning of the year	5,225	4,846
Cash at the end of the year	4,846	5,508
Net cash from operating activities and investments in non-financial assets	-42,505	-39,881
Distributions paid	0	0
Equals surplus(+)/deficit(-)	-42,505	-39,881
Finance leases and similar arrangements(b)	0	-2
GFS cash surplus(+)/deficit(-)	-42,505	-39,882

(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 10: Australian Government public financial corporations sector operating statement

	Estimates	
	2014-15 \$m	2015-16 \$m
Revenue		
Current grants and subsidies	150	154
Sales of goods and services(a)	3,233	727
Interest income	2,290	2,478
Other	99	78
Total revenue	5,772	3,437
Expenses		
Gross operating expenses		
Wages and salaries (a)(b)	269	151
Superannuation	67	33
Depreciation and amortisation	44	34
Supply of goods and services(a)(c)	2,818	441
Other operating expenses(a)(b)(c)	425	382
<i>Total gross operating expenses</i>	<i>3,623</i>	<i>1,042</i>
Interest expenses	1,331	1,307
Other property expenses	1,478	468
Current transfers		
Tax expenses	47	6
<i>Total current transfers</i>	<i>47</i>	<i>6</i>
Total expenses	6,479	2,822
Net operating balance	-707	615
Other economic flows	3,983	45
Comprehensive result - Total change in net worth excluding contribution from owners	3,276	660
Net acquisition of non-financial assets		
Purchases of non-financial assets	11	1
<i>less</i> Sales of non-financial assets	<i>80</i>	<i>0</i>
<i>less</i> Depreciation	<i>44</i>	<i>34</i>
<i>plus</i> Change in inventories	<i>-11</i>	<i>0</i>
<i>plus</i> Other movements in non-financial assets	<i>-2</i>	<i>0</i>
Total net acquisition of non-financial assets	-127	-34
Fiscal balance (Net lending/borrowing)(d)	-579	649

(a) The reduction in 2015-16 largely reflects the sale of Medibank Private.

(b) Consistent with ABS GFS classification and PNFC presentation, from the 2015-16 Budget, other employee related expenses, such as employee entitlements, are reclassified from wages and salaries to other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(c) Consistent with ABS GFS classification and PNFC presentation, from the 2015-16 Budget, supply of goods and services has been separated from other operating expenses.

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

Table 11: Australian Government public financial corporations sector balance sheet^(a)

	Estimates	
	2014-15 \$m	2015-16 \$m
Assets		
Financial assets		
Cash and deposits	369	358
Investments, loans and placements	160,736	161,894
Other receivables	324	279
Equity investments	376	376
<i>Total financial assets</i>	<i>161,805</i>	<i>162,907</i>
Non-financial assets		
Land and other fixed assets	615	612
Other non-financial assets(b)	41	41
<i>Total non-financial assets</i>	<i>656</i>	<i>652</i>
Total assets	162,461	163,560
Liabilities		
Interest bearing liabilities		
Deposits held	121,805	121,805
Borrowing	12,821	12,677
<i>Total interest bearing liabilities</i>	<i>134,626</i>	<i>134,482</i>
Provisions and payables		
Superannuation liability	197	197
Other employee liabilities	1,547	1,718
Other provisions and payables(b)	1,978	2,390
<i>Total provisions and payables</i>	<i>3,722</i>	<i>4,305</i>
Total liabilities	138,348	138,787
Shares and other contributed capital	24,113	24,773
Net worth(c)	24,113	24,773
<i>Net financial worth(d)</i>	<i>23,457</i>	<i>24,120</i>
<i>Net debt(e)</i>	<i>-26,479</i>	<i>-27,771</i>

(a) Assumes no valuation or currency movement.

(b) Excludes the impact of commercial taxation adjustments.

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

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

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

Table 12: Australian Government public financial corporations sector cash flow statement^(a)

	Estimates	
	2014-15 \$m	2015-16 \$m
Cash receipts from operating activities		
Receipts from sales of goods and services(b)	2,939	718
Grants and subsidies received	0	0
GST input credit receipts	15	0
Interest receipts	1,719	2,532
Other receipts	410	392
Total operating receipts	5,083	3,642
Cash payments for operating activities		
Payments to employees(b)	-513	-429
Payment for goods and services(b)	-2,714	-439
Interest paid	-1,021	-1,344
GST payments to taxation authority	0	-1
Other payments(b)	-7,518	-1,227
Total operating payments	-11,767	-3,440
Net cash flows from operating activities	-6,683	202
Cash flows from investments in non-financial assets		
Sales of non-financial assets	80	0
Purchases of non-financial assets	-18	0
Net cash flows from investments in non-financial assets	62	0
Net cash flows from investments in financial assets for policy purposes	0	0
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-114	-4
Net cash flows from investments in financial assets for liquidity purposes	-114	-4
Net cash flows from financing activities		
Borrowing (net)	2,438	-157
Deposits received (net)	0	0
Other financing (net)	4,569	15
Distributions paid (net)	-932	-67
Net cash flows from financing activities	6,075	-209
Net increase/(decrease) in cash held	-661	-10
Cash at the beginning of the year	1,030	369
Cash at the end of the year	369	358
Net cash from operating activities and investments in non-financial assets	-6,622	202
Distributions paid	-932	-67
Equals surplus(+)/deficit(-)	-7,554	135
Finance leases and similar arrangements(c)	0	0
GFS cash surplus(+)/deficit(-)	-7,554	135

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

(b) The reduction in 2015-16 largely reflects the sale of Medibank Private.

(c) 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 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
- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards (IFRS) as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Detailed accounting policies, as well as a set of notes and other disclosures, as required by AAS, are disclosed in the annual Consolidated Financial Statements.

Fiscal reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

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

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AASB 1049 and the UFP also provide a basis for reporting of the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. ABS GFS does not require total assets to be attributed to functions. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in Statement 5: *Expenses and Net Capital Investment*. In accordance with the UFP, purchases of non-financial assets by function are also disclosed in Statement 5.

AASB 1055 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the *Mid-Year Economic and Fiscal Outlook 2014-15* (MYEFO) are disclosed in Statement 3: *Fiscal Strategy and Outlook*, with decisions taken since the MYEFO disclosed in Budget Paper No. 2 *Budget Measures 2015-16*. All policy decisions taken between the 2014-15 Budget and the 2014-15 MYEFO are disclosed in Appendix A of the MYEFO.

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

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 13.

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

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

Table 13: 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 using the perpetual inventory method from September quarter 2009. 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)	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

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Table 13: 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 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
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 difference			
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 licenses take effect, which may be after the auction of licences, as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	AAS

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Note 3: Taxation revenue by type

	Estimates			Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Individuals and other withholding taxes					
Gross income tax withholding	167,860	178,460	189,130	201,270	215,620
Gross other individuals	40,600	43,800	47,230	51,680	56,520
less Refunds	27,300	28,000	28,400	30,000	31,600
Total individuals and other withholding taxation	181,160	194,260	207,960	222,950	240,540
Fringe benefits tax	4,480	5,020	5,230	5,060	5,300
Company tax	69,900	69,800	75,500	82,100	88,200
Superannuation fund taxes	6,200	9,180	10,670	11,350	11,900
Minerals resource rent tax(a)	60	0	0	0	0
Petroleum resource rent tax	1,640	1,420	1,450	1,370	1,380
Income taxation revenue	263,440	279,680	300,810	322,830	347,320
Goods and services tax	56,690	60,330	64,130	67,790	71,780
Wine equalisation tax	820	840	870	910	960
Luxury car tax	510	450	410	420	430
Excise and customs duty					
Petrol	6,020	6,130	6,250	6,610	7,010
Diesel	8,830	9,140	9,530	9,940	10,500
Other fuel products	2,980	2,850	2,890	2,970	3,090
Tobacco	8,290	9,390	10,180	10,410	10,720
Beer	2,350	2,400	2,500	2,640	2,770
Spirits	1,980	2,030	2,140	2,240	2,370
Other alcoholic beverages(b)	910	960	1,000	1,050	1,130
Other customs duty					
Textiles, clothing and footwear	650	380	290	220	180
Passenger motor vehicles	700	420	400	420	450
Other imports	1,600	1,120	1,010	1,030	1,090
less: Refunds and drawbacks	420	420	420	420	420
Total excise and customs duty	33,890	34,400	35,770	37,110	38,890
Carbon pricing mechanism	0	0	0	0	0
Agricultural levies	492	472	480	488	494
Other taxes	3,275	3,902	4,148	4,242	4,331
Mirror taxes	509	546	581	615	636
less Transfers to States in relation to mirror tax revenue	509	546	581	615	636
Mirror tax revenue	0	0	0	0	0
Indirect taxation revenue	95,677	100,394	105,807	110,960	116,885
Taxation revenue	359,117	380,074	406,617	433,790	464,205

Statement 9: Australian Government Budget Financial Statements

Note 3: Taxation revenue by type (continued)

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
<i>Memorandum:</i>					
<i>Total excise</i>	24,140	24,920	25,940	27,060	28,440
<i>Total customs duty</i>	9,750	9,480	9,830	10,050	10,450
<i>Capital gains tax(c)</i>	8,900	11,500	13,900	15,900	17,400
<i>Medicare and DisabilityCare Australia levy</i>	14,050	14,870	15,570	16,290	17,100

- (a) Net revenue from the MRRT is expected to be \$40 million in 2014-15 which represents the net revenue impact across different revenue heads. This includes the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The MRRT will not apply beyond 30 September 2014.
- (b) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
- (c) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes.

Note 3(a): Taxation revenue by source

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	185,660	199,300	213,220	228,020	245,850
Income and capital gains levied on enterprises	77,780	80,380	87,590	94,810	101,470
Total taxes on income, profits and capital gains	263,440	279,680	300,810	322,830	347,320
Taxes on employers' payroll and labour force	738	760	755	757	776
Taxes on the provision of goods and services					
Sales/goods and services tax	58,020	61,620	65,410	69,120	73,170
Excises and levies	24,632	25,392	26,420	27,548	28,934
Taxes on international trade	9,750	9,480	9,830	10,050	10,450
Total taxes on the provision of goods and services	92,402	96,492	101,660	106,718	112,554
Other sale of goods and services	2,537	3,142	3,393	3,484	3,555
Total taxation revenue	359,117	380,074	406,617	433,790	464,205
<i>Memorandum:</i>					
<i>Medicare and DisabilityCare Australia levy</i>	14,050	14,870	15,570	16,290	17,100

Note 4: Sales of goods and services revenue

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Sales of goods	1,620	1,653	1,884	1,943	1,655
Rendering of services	4,060	4,181	6,113	10,531	14,629
Operating lease rental	66	61	60	61	61
Fees from regulatory services	3,531	3,647	3,735	3,796	3,724
Total sales of goods and services revenue	9,277	9,542	11,791	16,331	20,069

Statement 9: Australian Government Budget Financial Statements

Note 5: Interest and dividend revenue

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Interest from other governments					
State and Territory debt	18	36	37	36	35
Housing agreements	134	129	124	119	114
Total interest from other governments	152	165	161	156	149
Interest from other sources					
Advances	46	51	58	98	139
Deposits	85	83	85	87	89
Bank deposits	160	130	129	132	145
Indexation of HELP receivable and other student loans	538	661	982	1,155	1,290
Other	2,671	2,993	3,265	3,531	4,373
Total interest from other sources	3,501	3,918	4,519	5,004	6,036
Total interest	3,653	4,083	4,680	5,159	6,184
Dividends					
Dividends from other public sector entities	1,581	598	849	1,013	201
Other dividends	3,215	2,545	2,712	2,898	3,109
Total dividends	4,796	3,143	3,561	3,911	3,310
Total interest and dividend revenue	8,449	7,226	8,241	9,070	9,495

Note 6: Other sources of non-taxation revenue

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Industry contributions	56	57	58	59	60
Royalties	1,496	886	898	811	660
Seigniorage	110	118	111	105	97
Other	5,593	7,446	5,709	6,012	6,703
Total other sources of non-taxation revenue	7,255	8,508	6,777	6,986	7,519

Statement 9: Australian Government Budget Financial Statements

Note 7: Employee and superannuation expense

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Wages and salaries expenses	18,939	19,801	19,948	19,968	20,098
Other operating expenses					
Leave and other entitlements	2,351	2,327	2,316	2,310	2,333
Separations and redundancies	255	66	56	52	51
Workers compensation premiums and claims	783	857	893	946	969
Other	2,112	2,260	2,234	2,257	2,303
Total other operating expenses	5,502	5,510	5,499	5,565	5,657
Superannuation expenses					
Superannuation	6,803	4,760	4,737	4,755	4,787
Superannuation interest cost	8,989	9,869	10,259	10,648	11,034
Total superannuation expenses	15,792	14,629	14,997	15,403	15,821
Total employee and superannuation expense	40,233	39,940	40,444	40,936	41,576

Note 8: Depreciation and amortisation expense

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Depreciation					
Specialist military equipment	3,053	3,311	3,615	3,887	4,254
Buildings	1,365	1,423	1,402	1,435	1,484
Other infrastructure, plant and equipment	1,433	1,438	1,461	1,484	1,499
Heritage and cultural assets	38	38	38	37	37
Total depreciation	5,889	6,210	6,516	6,844	7,274
Total amortisation	915	972	950	875	880
Total depreciation and amortisation expense	6,804	7,182	7,466	7,719	8,154

Note 9: Supply of goods and services expense

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Supply of goods and services	25,852	27,809	26,280	27,043	27,906
Operating lease rental expenses	2,494	2,536	2,506	2,538	2,576
Personal benefits – indirect(a)	44,666	46,962	48,927	56,660	60,060
Health care payments	5,307	5,336	5,423	5,547	5,696
Other	2,155	2,402	2,593	2,782	2,550
Total supply of goods and services expense	80,474	85,046	85,729	94,569	98,788

(a) Includes Child Care Subsidy from 2017-18, when all payments will be made directly to child care providers. See also Note 12, Personal benefits expense.

Statement 9: Australian Government Budget Financial Statements

Note 10: Interest expense

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Interest on debt					
Government securities(a)	14,450	15,560	16,454	16,845	17,363
Loans	9	10	0	1	1
Other	368	376	371	372	368
Total interest on debt	14,827	15,945	16,825	17,217	17,732
Other financing costs	1,088	1,325	2,216	2,435	2,410
Total interest expense	15,915	17,270	19,040	19,652	20,141

(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	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Current grants expense					
State and Territory governments	95,095	99,619	104,999	109,679	116,103
Local governments	6	2	0	0	0
Private sector	1,176	1,064	863	561	568
Overseas	4,622	3,653	3,882	3,809	3,977
Non-profit organisations	2,480	3,083	2,839	3,231	2,930
Multi-jurisdictional sector	10,076	10,219	9,791	9,912	10,069
Other	10,981	10,776	14,144	20,506	27,715
Total current grants expense	124,435	128,415	136,519	147,698	161,362
Capital grants expense					
Mutually agreed write-downs	2,124	2,199	2,366	2,560	2,713
Other capital grants					
State and Territory governments	6,162	7,425	9,849	7,688	4,530
Local governments	445	665	332	332	332
Private sector	0	0	0	0	0
Multi-jurisdictional sector	102	103	99	100	102
Other	455	447	588	853	1,153
Total capital grants expense	9,288	10,840	13,234	11,532	8,830
Total grants expense	133,723	139,254	149,752	159,229	170,191

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Note 12: Personal benefits expense

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	42,416	44,751	46,779	48,231	50,862
Assistance to veterans and dependants	6,008	5,768	5,578	5,347	5,166
Assistance to people with disabilities	24,243	25,166	26,313	27,472	28,669
Assistance to families with children(a)	34,199	33,263	31,724	26,857	27,609
Assistance to the unemployed	10,810	11,515	11,590	11,445	12,048
Student assistance	3,570	3,041	3,081	3,155	3,439
Other welfare programmes	1,155	1,093	1,101	416	473
Financial and fiscal affairs	477	512	495	483	472
Vocational and industry training	140	95	84	92	93
Other	7,645	7,921	10,076	12,433	17,230
Total personal benefits expense	130,663	133,123	136,821	135,931	146,061

(a) Excludes Child Care Subsidy from 2017-18, when all payments will 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	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Advances paid					
Loans to State and Territory governments	3,160	3,354	3,262	3,119	2,961
Higher Education Loan Program	30,220	36,482	44,175	52,878	62,691
Student Financial Supplement Scheme	553	505	460	411	361
Other	12,169	12,779	15,677	17,513	19,072
less Provision for doubtful debts	228	220	207	198	189
Total advances paid	45,874	52,901	63,368	73,722	84,896
Other receivables					
Goods and services receivable	784	803	807	805	812
Recoveries of benefit payments	3,818	4,243	4,735	4,767	4,709
Taxes receivable	19,859	21,374	22,580	23,938	26,665
Prepayments	3,063	3,048	3,083	3,041	3,000
Other	18,770	18,101	19,123	20,036	20,098
less Provision for doubtful debts	1,465	1,588	1,779	1,964	2,022
Total other receivables	44,828	45,980	48,549	50,623	53,261

Note 14: Investments, loans and placements

	Estimates			Projections	
	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Investments - deposits	39,805	28,717	37,028	30,645	30,481
IMF quota	5,520	11,538	11,594	11,609	11,609
Other	85,832	97,692	113,090	120,387	126,215
Total investments, loans and placements	131,157	137,947	161,712	162,641	168,306

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Note 15: Total non-financial assets

	Estimates			Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Land and buildings					
Land	9,287	9,144	9,152	9,122	9,218
Buildings	26,043	26,927	27,536	28,427	29,306
Total land and buildings	35,331	36,071	36,688	37,549	38,524
Plant, equipment and infrastructure					
Specialist military equipment	43,646	45,968	48,749	51,614	55,796
Other	13,366	13,798	13,873	13,961	13,907
Total plant, equipment and infrastructure	57,012	59,766	62,622	65,575	69,703
Inventories					
Inventories held for sale	1,447	1,504	1,582	1,637	1,495
Inventories not held for sale	6,913	6,707	6,599	6,450	6,313
Total inventories	8,360	8,211	8,181	8,087	7,808
Intangibles					
Computer software	3,637	3,722	3,660	3,617	3,528
Other	2,675	2,825	3,026	3,614	3,935
Total intangibles	6,312	6,547	6,686	7,231	7,463
Total investment properties	195	195	195	195	195
Total biological assets	36	36	36	36	36
Total heritage and cultural assets	10,843	10,852	10,864	10,877	10,889
Total assets held for sale	113	72	72	72	72
Total other non-financial assets	582	348	260	303	308
Total non-financial assets	118,784	122,098	125,604	129,925	134,998

Note 16: Loans

	Estimates			Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Promissory notes	4,250	8,266	7,769	7,745	7,720
Special drawing rights	5,258	5,258	5,285	5,292	5,292
Other	838	624	554	466	389
Total loans	10,347	14,148	13,607	13,502	13,400

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Note 17: Employee and superannuation liabilities

	Estimates			Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Total superannuation liability(a)	167,327	173,921	180,532	187,117	193,677
Other employee liabilities					
Leave and other entitlements	7,389	7,464	7,521	7,595	7,678
Accrued salaries and wages	718	558	557	569	578
Workers compensation claims	3,363	3,425	3,491	3,555	3,627
Other	4,561	4,658	4,793	4,940	5,087
Total other employee liabilities	16,030	16,105	16,362	16,659	16,971
Total employee and superannuation liabilities	183,357	190,026	196,894	203,777	210,648

(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	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Suppliers payable					
Trade creditors	4,003	3,957	3,922	4,043	4,048
Operating lease rental payable	293	298	302	302	300
Other creditors	660	659	664	663	664
Total suppliers payable	4,956	4,914	4,887	5,008	5,012
Total personal benefits provisions and payables	13,261	12,826	12,446	11,414	11,485
Total subsidies provisions and payables	4,585	4,854	5,071	5,178	5,367
Grants provisions and payables					
State and Territory governments	107	74	73	69	61
Non-profit organisations	62	62	62	62	62
Private sector	237	233	232	232	232
Overseas	1,424	1,108	2,199	1,846	1,692
Local governments	2	2	2	2	2
Other	8,494	6,994	6,595	6,474	6,379
Total grants provisions and payables	10,325	8,472	9,162	8,684	8,427
Other provisions and payables					
Provisions for tax refunds	2,174	2,219	2,235	2,235	2,228
Other	10,912	12,739	13,186	12,027	12,260
Total other provisions and payables	13,086	14,959	15,421	14,262	14,488

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Note 19: Reconciliation of cash

	Estimates			Projections	
	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
Operating balance (revenues less expenses)	-36,237	-29,118	-19,227	-5,638	1,860
<i>less</i> Revenues not providing cash					
Other	1,585	1,483	1,526	1,790	2,370
Total revenues not providing cash	1,585	1,483	1,526	1,790	2,370
<i>plus</i> Expenses not requiring cash					
Increase/(decrease) in employee entitlements	8,826	6,753	7,202	7,262	7,304
Depreciation/amortisation expense	6,804	7,182	7,466	7,719	8,154
Mutually agreed write-downs	2,124	2,199	2,366	2,560	2,713
Other	1,264	1,188	1,116	2,290	2,260
Total expenses not requiring cash	19,018	17,321	18,150	19,831	20,432
<i>plus</i> Cash provided/(used) by working capital items					
Decrease/(increase) in inventories	-272	-118	-161	-116	66
Decrease/(increase) in receivables	-5,611	-8,058	-10,022	-10,309	-10,117
Decrease/(increase) in other financial assets	1,828	1,787	2,450	2,863	2,573
Decrease/(increase) in other non-financial assets	-119	-27	-75	-18	-34
Increase/(decrease) in benefits, subsidies and grants payable	-3,463	-1,808	607	-1,190	158
Increase/(decrease) in suppliers' liabilities	670	-48	-36	115	-19
Increase/(decrease) in other provisions and payables	-2,348	-1,003	-1,390	-2,126	-2,433
Net cash provided/(used) by working capital	-9,315	-9,273	-8,626	-10,781	-9,805
<i>equals</i> (Net cash from/(to) operating activities)	-28,119	-22,553	-11,229	1,622	10,117
<i>plus</i> (Net cash from/(to) investing activities)	-24,093	-25,338	-52,670	-24,581	-30,323
Net cash from operating activities and investment	-52,213	-47,891	-63,899	-22,959	-20,206
<i>plus</i> (Net cash from/(to) financing activities)	51,512	48,182	64,652	23,760	20,926
equals Net increase/(decrease) in cash	-701	291	753	801	721
Cash at the beginning of the year	3,844	3,144	3,435	4,187	4,988
Net increase/(decrease) in cash	-701	291	753	801	721
Cash at the end of the year	3,144	3,435	4,187	4,988	5,709

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The Budget primarily focuses on the financial performance and position of the general government sector (GGS). The ABS defines the GGS as providing public services which are mainly non-market in nature, 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.

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 2001*.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, 2005* (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. All other economic flows are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets. This measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth

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.

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.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.

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.

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 liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors in government results is 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 assets⁴ (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.

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.

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.

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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 ⁵
<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. Prior to the 2012-13 MYEFO, 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.

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.

Net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 3 of this statement and related tables in Statement 3: *Fiscal Strategy and Outlook*, and Statement 10, *Historical Australian Government Data*.

5 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.

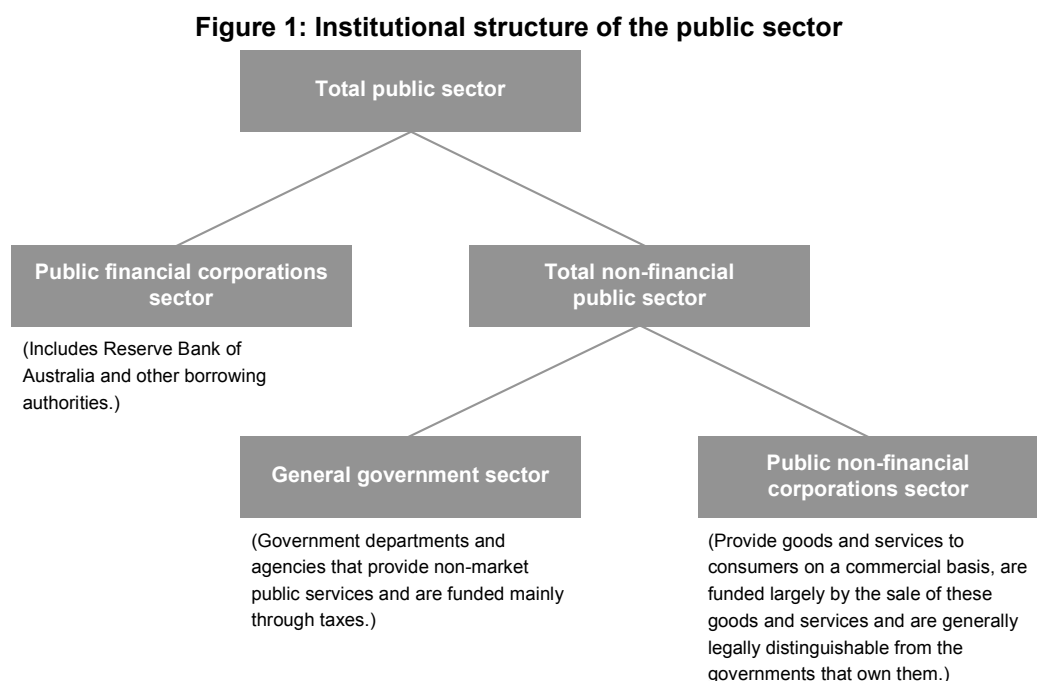
Headline cash balance

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.⁶ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure 1. ABS GFS defines the general government sector (GGS) and the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors. AASB 1049 has also adopted this sectoral reporting.



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table A1).

⁶ Cash flows from investments in financial assets for policy purposes are often referred to as net advances.

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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/list-ggs-pnfc-pfc-pgpa.pdf?V=2>

Table A1: Entities outside of the general government sector

Public financial corporations
Employment Portfolio
Coal Mining Industry (Long Service Leave Funding) Corporation
Finance Portfolio
Medibank Private Ltd*
Foreign Affairs and Trade Portfolio
Export Finance and Insurance Corporation
Treasury Portfolio
Australia Reinsurance Pool Corporation, Reserve Bank of Australia
Public non-financial corporations
Attorney General's Portfolio
Australian Government Solicitor*
Communications Portfolio
Australian Postal Corporation, NBN Co Ltd
Finance Portfolio
Albury-Wodonga Development Corporation*, ASC Pty Ltd, Australian River Co. Ltd*
Industry and Science Portfolio
ANSTO Nuclear Medicine Pty Ltd
Infrastructure and Regional Development Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd, Moorebank Intermodal Company Ltd
Prime Minister and Cabinet Portfolio
Voyages Indigenous Tourism Australia Pty Ltd
Social Services Portfolio
Australian Hearing Services

* Medibank Private Ltd, Australian Government Solicitor, Albury-Wodonga Development Corporation and Australian River Co. Ltd have ceased operations or are expected to cease operations as separate Commonwealth entities on or by 1 July 2015.

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 2015-16 LCA is a \$51.8 billion deficit. This compares with its LCA nomination of a \$45.4 billion deficit endorsed by the Loan Council on 9 April 2015. The LCA Budget estimate falls within the tolerance limit set at nomination.

Table B1: Commonwealth's Loan Council Allocation budget update for 2015-16

	2015-16 Nomination \$m	2015-16 Budget estimate \$m
GGs cash surplus(-)/deficit(+)	27,714	31,855
PNFC sector cash surplus(-)/deficit(+)	4,484	8,026
NFPS cash surplus(-)/deficit(+)(a)	32,198	39,881
Acquisitions under finance leases and similar arrangements	2	2
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	32,200	39,882
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(b)	-14,217	-12,908
<i>plus</i> Memorandum items(c)	-1,044	-1,038
Loan Council Allocation	45,373	51,752
2015-16 tolerance limit(d)	8,176	8,104

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

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

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