

APPENDIX B: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

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

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

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

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

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

Consistent with the 2018-19 Budget, the Commonwealth's Loan Council Allocation is no longer reported. The Australian Loan Council unanimously agreed to remove the Australian, state and territory governments' reporting requirements from the UPF and transfer the administration of the UPF to the Council on Federal Financial Relations.

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table B1: Australian Government general government sector operating statement

	Note	Estimates		Projections	
		2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Revenue					
Taxation revenue	3	457,997	476,765	500,863	529,619
Sales of goods and services	4	14,024	15,833	16,076	16,658
Interest income	5	4,810	5,785	6,489	6,842
Dividend income	5	4,648	5,420	5,354	6,155
Other	6	11,809	10,701	9,404	9,067
Total revenue		493,288	514,505	538,186	568,341
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	20,551	20,682	20,772	21,283
Superannuation	7	9,291	6,045	6,018	6,076
Depreciation and amortisation	8	8,606	7,932	8,186	8,478
Supply of goods and services	9	118,012	126,211	128,648	134,126
Other operating expenses(a)	7	6,677	6,546	6,664	6,900
<i>Total gross operating expenses</i>		<i>163,136</i>	<i>167,416</i>	<i>170,288</i>	<i>176,862</i>
Superannuation interest expense	7	9,446	11,049	11,387	11,715
Interest expenses	10	18,498	19,686	19,368	18,953
Current transfers					
Current grants	11	149,036	152,764	158,379	164,448
Subsidy expenses		11,491	12,674	13,165	13,747
Personal benefits	12	125,837	131,186	136,223	144,021
<i>Total current transfers</i>		<i>286,364</i>	<i>296,624</i>	<i>307,767</i>	<i>322,216</i>
Capital transfers					
Mutually agreed write-downs		1,450	1,506	1,607	1,698
Other capital grants		9,469	8,111	7,367	7,107
<i>Total capital transfers</i>		<i>10,919</i>	<i>9,617</i>	<i>8,975</i>	<i>8,806</i>
Total expenses		488,363	504,392	517,785	538,552
Net operating balance		4,926	10,113	20,401	29,788
Other economic flows – included in operating result					
Net write-downs of assets					
(including bad and doubtful debts)		-8,202	-8,030	-7,988	-8,373
Assets recognised for the first time		200	204	208	212
Actuarial revaluations		70	33	26	14
Net foreign exchange gains		-269	-64	522	423
Net swap interest received		-218	0	0	0
Market valuation of debt		-2,282	2,507	2,004	1,353
Other gains/(losses)		7,491	4,817	4,730	5,457
Total other economic flows – included in operating result		-3,211	-534	-497	-915
Operating Result(b)		1,715	9,579	19,903	28,873

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

	Note	Estimates		Projections	
		2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Non-owner movements in equity					
Revaluation of equity investments		-3,529	25	0	86
Actuarial revaluations		-5,794	152	107	-39
Other economic revaluations		-76	-12	31	35
Total other economic flows - included in equity		-9,399	165	138	83
Comprehensive result - Total change in net worth		-7,685	9,745	20,042	28,956
Net operating balance		4,926	10,113	20,401	29,788
Net acquisition of non-financial assets					
Purchases of non-financial assets		15,556	14,789	16,516	18,374
<i>less</i> Sales of non-financial assets		285	1,083	292	159
<i>less</i> Depreciation		8,606	7,932	8,186	8,478
<i>plus</i> Change in inventories		159	6	32	60
<i>plus</i> Other movements in non-financial assets		2	-3	0	0
Total net acquisition of non-financial assets		6,826	5,776	8,071	9,798
Fiscal balance (Net lending/borrowing)(c)		-1,901	4,337	12,330	19,990

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

(b) Operating result under AAS.

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

Appendix B: Australian Government Budget Financial Statements

Table B2: Australian Government general government sector balance sheet

	Note	Estimates		Projections	
		2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Assets					
Financial assets					
Cash and deposits		5,849	6,150	6,006	5,861
Advances paid	13	72,662	84,168	90,027	94,708
Investments, loans and placements	14	174,371	185,306	194,323	210,055
Other receivables	13	54,623	56,704	57,992	60,604
Equity investments					
Investments in other public sector entities		56,251	58,247	60,464	63,080
Equity accounted investments		265	382	456	481
Investments - shares		66,355	69,098	71,606	76,310
<i>Total financial assets</i>		<i>430,375</i>	<i>460,054</i>	<i>480,876</i>	<i>511,098</i>
Non-financial assets					
Land	15	11,492	11,472	11,480	11,425
Buildings		27,078	27,695	29,114	31,005
Plant, equipment and infrastructure		81,751	87,055	92,862	99,586
Inventories		8,437	8,087	7,770	7,482
Intangibles		9,397	9,797	10,082	10,381
Investment properties		173	173	173	173
Biological assets		36	36	36	36
Heritage and cultural assets		11,599	11,582	11,560	11,542
Assets held for sale		181	182	182	182
Other non-financial assets		34	31	31	31
<i>Total non-financial assets</i>		<i>150,178</i>	<i>156,110</i>	<i>163,292</i>	<i>171,844</i>
Total assets		580,554	616,164	644,168	682,942
Liabilities					
Interest bearing liabilities					
Deposits held		381	381	381	381
Government securities		586,341	600,639	601,594	604,241
Loans	16	16,615	16,569	16,883	17,166
Other borrowing		1,493	1,460	1,433	1,388
<i>Total interest bearing liabilities</i>		<i>604,830</i>	<i>619,049</i>	<i>620,291</i>	<i>623,176</i>

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

	Note	Estimates		Projections	
		2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Provisions and payables					
Superannuation liability	17	223,589	230,708	237,741	244,537
Other employee liabilities	17	20,175	20,634	21,065	21,541
Suppliers payables	18	7,392	7,800	8,341	8,408
Personal benefits payables	18	3,359	3,720	3,518	3,524
Subsidies payables	18	508	1,188	1,230	1,260
Grants payables	18	3,710	4,493	4,115	3,703
Other payables	18	2,176	2,093	2,111	2,124
Provisions	18	35,568	37,487	36,723	36,681
<i>Total provisions and payables</i>		<i>296,477</i>	<i>308,123</i>	<i>314,844</i>	<i>321,777</i>
Total liabilities		901,307	927,172	935,135	944,953
Net worth(a)		-320,753	-311,008	-290,967	-262,011
<i>Net financial worth(b)</i>		<i>-470,932</i>	<i>-467,119</i>	<i>-454,259</i>	<i>-433,855</i>
<i>Net financial liabilities(c)</i>		<i>527,182</i>	<i>525,366</i>	<i>514,723</i>	<i>496,935</i>
<i>Net debt(d)</i>		<i>351,948</i>	<i>343,426</i>	<i>329,934</i>	<i>312,552</i>

(a) Net worth equals 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 interest bearing liabilities (deposits held, government securities, loans and other borrowing), minus the sum of cash and deposits, advances paid and investments, loans and placements.

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

	Estimates		Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Cash receipts from operating activities				
Taxes received	447,645	466,646	491,235	518,839
Receipts from sales of goods and services	14,180	15,957	16,174	16,760
Interest receipts	4,397	5,413	6,004	6,302
Dividends and income tax equivalents	4,390	5,230	5,055	5,632
Other receipts	10,751	11,255	7,682	7,097
Total operating receipts	481,363	504,502	526,150	554,629
Cash payments for operating activities				
Payments for employees	-30,191	-30,514	-30,997	-32,219
Payments for goods and services	-117,058	-124,243	-126,353	-132,346
Grants and subsidies paid	-169,851	-173,078	-178,811	-185,112
Interest paid	-18,385	-16,874	-17,340	-16,745
Personal benefit payments	-126,483	-132,069	-137,773	-145,006
Other payments	-6,286	-6,128	-6,233	-6,443
Total operating payments	-468,255	-482,906	-497,507	-517,871
Net cash flows from operating activities	13,108	21,596	28,643	36,759
Cash flows from investments in non-financial assets				
Sales of non-financial assets	720	1,516	237	159
Purchases of non-financial assets	-15,115	-14,450	-16,416	-17,963
Net cash flows from investments in non-financial assets	-14,395	-12,934	-16,179	-17,804
Net cash flows from investments in financial assets for policy purposes	-17,042	-15,837	-10,508	-9,109
Net cash flows from investments in financial assets for liquidity purposes	8,905	-7,897	-4,413	-13,120
Cash receipts from financing activities				
Borrowing	87,489	162,544	254,049	193,127
Other financing	934	7	0	5
Total cash receipts from financing activities	88,422	162,551	254,049	193,132
Cash payments for financing activities				
Borrowing	-76,235	-144,591	-248,690	-187,101
Other financing	-3,698	-2,587	-3,046	-2,901
Total cash payments for financing activities	-79,933	-147,179	-251,736	-190,001
Net cash flows from financing activities	8,490	15,373	2,313	3,130
Net increase/(decrease) in cash held	-934	300	-145	-144

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

	Estimates		Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
GFS cash surplus(+)/deficit(-)(b)	-1,286	8,662	12,464	18,954
<i>less</i> Finance leases and similar arrangements(c)	0	0	0	0
<i>less</i> Net Future Fund earnings(d)	3,886	4,551	na	na
Equals underlying cash balance(e)	-5,172	4,110	12,464	18,954
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-17,042	-15,837	-10,508	-9,109
<i>plus</i> Net Future Fund earnings(d)	3,886	4,551	na	na
Equals headline cash balance	-18,329	-7,175	1,956	9,845
<i>Memorandum:</i>				
<i>Net Future Fund earnings(d)</i>	3,886	4,551	4,690	5,006

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

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

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

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

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

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

	Estimates	
	2018-19	\$m
Revenue		
Current grants and subsidies		106
Sales of goods and services		15,080
Interest income		28
Other		43
Total revenue		15,256
Expenses		
Gross operating expenses		
Wages and salaries(a)		4,448
Superannuation		452
Depreciation and amortisation		3,699
Supply of goods and services		9,960
Other operating expenses(a)		575
<i>Total gross operating expenses</i>		<i>19,134</i>
Interest expenses		1,069
Other property expenses		380
Current transfers		
Tax expenses		188
<i>Total current transfers</i>		<i>188</i>
Total expenses		20,771
Net operating balance		-5,514
Other economic flows		-497
Comprehensive result - Total change in net worth excluding contribution from owners		-6,011
Net acquisition of non-financial assets		
Purchases of non-financial assets		9,234
<i>less</i> Sales of non-financial assets		<i>35</i>
<i>less</i> Depreciation		<i>3,699</i>
<i>plus</i> Change in inventories		<i>8</i>
<i>plus</i> Other movements in non-financial assets		<i>32</i>
Total net acquisition of non-financial assets		5,539
Fiscal balance (Net lending/borrowing)(b)		-11,054

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

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

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

	Estimates	
	2018-19	\$m
Assets		
Financial assets		
Cash and deposits		2,367
Investments, loans and placements		1,119
Other receivables		2,436
Equity investments		172
<i>Total financial assets</i>		6,094
Non-financial assets		
Land and other fixed assets		48,293
Other non-financial assets(a)		3,718
<i>Total non-financial assets</i>		52,011
Total assets		58,105
Liabilities		
Interest bearing liabilities		
Deposits held		9
Advances received		292
Loans		16,431
Other borrowing		8,228
<i>Total interest bearing liabilities</i>		24,959
Provisions and payables		
Superannuation liability		30
Other employee liabilities		1,644
Other payables		5,872
Other provisions(a)		575
<i>Total provisions and payables</i>		8,121
Total liabilities		33,080
Shares and other contributed capital		25,025
Net worth(b)		25,025
<i>Net financial worth(c)</i>		-26,986
<i>Net debt(d)</i>		21,473

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth equals total assets minus total liabilities. Under ABS GFS, net worth equals 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, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

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

	Estimates
	2018-19 \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	15,845
Grants and subsidies received	108
GST input credit receipts	1,082
Other receipts	32
Total operating receipts	17,068
Cash payments for operating activities	
Payments to employees	-4,849
Payment for goods and services	-9,704
Interest paid	-459
GST payments to taxation authority	-938
Other payments	-940
Total operating payments	-16,890
Net cash flows from operating activities	178
Cash flows from investments in non-financial assets	
Sales of non-financial assets	207
Purchases of non-financial assets	-8,628
Net cash flows from investments in non-financial assets	-8,420
Net cash flows from investments in financial assets for policy purposes	-8
Net cash flows from investments in financial assets for liquidity purposes	-4
Net cash flows from financing activities	
Borrowing (net)	8,054
Other financing (net)	985
Distributions paid (net)	-389
Net cash flows from financing activities	8,650
Net increase/(decrease) in cash held	396
Cash at the beginning of the year	1,972
Cash at the end of the year	2,368
Net cash from operating activities and investments in non-financial assets	-8,243
Distributions paid	-389
GFS cash surplus(+)/deficit(-)	-8,631

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

Table B7: Australian Government total non-financial public sector operating statement

	Estimates
	2018-19 \$m
Revenue	
Taxation revenue	457,689
Sales of goods and services	28,072
Interest income	4,474
Dividend income	4,367
Other	11,877
Total revenue	506,478
Expenses	
Gross operating expenses	
Wages and salaries(a)	24,999
Superannuation	9,728
Depreciation and amortisation	12,305
Supply of goods and services	126,933
Other operating expenses(a)	7,252
<i>Total gross operating expenses</i>	<i>181,217</i>
Superannuation interest expense	9,446
Interest expenses	19,204
Current transfers	
Current grants	149,036
Subsidy expenses	11,491
Personal benefits	125,837
<i>Total current transfers</i>	<i>286,364</i>
Capital transfers	10,867
Total expenses	507,098
Net operating balance	-619
Other economic flows	-7,242
Comprehensive result - Total change in net worth	-7,861
Net acquisition of non-financial assets	
Purchases of non-financial assets	24,790
<i>less</i> Sales of non-financial assets	<i>320</i>
<i>less</i> Depreciation	<i>12,305</i>
<i>plus</i> Change in inventories	<i>167</i>
<i>plus</i> Other movements in non-financial assets	<i>34</i>
Total net acquisition of non-financial assets	12,366
Fiscal balance (Net lending/borrowing)(b)	-12,985

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

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

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

	Estimates	
	2018-19	\$m
Assets		
Financial assets		
Cash and deposits		8,217
Advances paid		58,944
Investments, loans and placements		175,466
Other receivables		56,902
Equity investments		98,259
<i>Total financial assets</i>		<i>397,787</i>
Non-financial assets		
Land and fixed assets		188,650
Other non-financial assets		13,538
<i>Total non-financial assets</i>		<i>202,188</i>
Total assets		599,975
Liabilities		
Interest bearing liabilities		
Deposits held		390
Advances received		0
Government securities		586,341
Loans		19,596
Other borrowing		9,720
<i>Total interest bearing liabilities</i>		<i>616,048</i>
Provisions and payables		
Superannuation liability		223,619
Other employee liabilities		21,819
Other payables		22,849
Other provisions		36,143
<i>Total provisions and payables</i>		<i>304,430</i>
Total liabilities		920,478
Net worth(a)		-320,503
<i>Net financial worth(b)</i>		<i>-522,691</i>
<i>Net debt(c)</i>		<i>373,421</i>

(a) Under AASB 1049, net worth equals total assets minus total liabilities. Under ABS GFS, net worth equals 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 interest bearing liabilities (deposits held, advances received, government securities, loans and other borrowing), minus the sum of cash and deposits, advances paid and investments, loans and placements.

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

	Estimates
	2018-19 \$m
Cash receipts from operating activities	
Taxes received	447,387
Receipts from sales of goods and services	28,042
Interest receipts	4,061
Dividends and income tax equivalents	4,010
Other receipts	11,217
Total operating receipts	494,718
Cash payments for operating activities	
Payments to employees	-35,025
Payments for goods and services	-124,715
Grants and subsidies paid	-169,800
Interest paid	-18,481
Personal benefit payments	-126,483
Other payments	-6,913
Total operating payments	-481,417
Net cash flows from operating activities	13,301
Cash flows from investments in non-financial assets	
Sales of non-financial assets	928
Purchases of non-financial assets	-23,743
Net cash flows from investments in non-financial assets	-22,815
Net cash flows from investments in financial assets for policy purposes	-8,184
Net cash flows from investments in financial assets for liquidity purposes	8,901
Net cash flows from financing activities	
Borrowing (net)	11,389
Other financing (net)	-3,130
Net cash flows from financing activities	8,259
Net increase/(decrease) in cash held	-538
Cash at the beginning of the year	8,755
Cash at the end of the year	8,217
Net cash from operating activities and investments in non-financial assets	-9,514
Distributions paid	0
GFS cash surplus(+)/deficit(-)	-9,514

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

Table B10: Australia Government public financial corporations sector operating statement

	Estimates
	2018-19 \$m
Revenue	
Current grants and subsidies	113
Sales of goods and services	722
Interest income	2,431
Other	40
Total revenue	3,306
Expenses	
Gross operating expenses	
Wages and salaries(a)	170
Superannuation	50
Depreciation and amortisation	63
Supply of goods and services	506
Other operating expenses(a)	53
<i>Total gross operating expenses</i>	<i>843</i>
Interest expenses	1,248
Other property expenses	1,210
Current transfers	
Tax expenses	5
<i>Total current transfers</i>	<i>5</i>
Total expenses	3,306
Net operating balance	0
Other economic flows	1,984
Comprehensive result - Total change in net worth excluding contribution from owners	1,985
Net acquisition of non-financial assets	
Purchases of non-financial assets	4
<i>less</i> Sales of non-financial assets	159
<i>less</i> Depreciation	63
<i>plus</i> Change in inventories	-33
<i>plus</i> Other movements in non-financial assets	0
Total net acquisition of non-financial assets	-251
Fiscal balance (Net lending/borrowing)(b)	252

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

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

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

	Estimates	
	2018-19	\$m
Assets		
Financial assets		
Cash and deposits		961
Investments, loans and placements		165,900
Other receivables		133
Equity investments		507
<i>Total financial assets</i>		167,501
Non-financial assets		
Land and other fixed assets		787
Other non-financial assets(b)		97
<i>Total non-financial assets</i>		884
Total assets		168,385
Liabilities		
Interest bearing liabilities		
Deposits held		130,627
Borrowing		5,878
<i>Total interest bearing liabilities</i>		136,505
Provisions and payables		
Superannuation liability		393
Other employee liabilities		180
Other payables		1,707
Other provisions(b)		1,302
<i>Total provisions and payables</i>		3,582
Total liabilities		140,087
Shares and other contributed capital		28,298
Net worth(c)		28,298
<i>Net financial worth(d)</i>		27,414
<i>Net debt(e)</i>		-30,356

(a) Assumes no valuation or currency movement.

(b) Excludes the impact of commercial taxation adjustments.

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

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

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

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

	Estimates
	2018-19 \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	740
Grants and subsidies received	113
GST input credit receipts	19
Interest receipts	2,429
Other receipts	23
Total operating receipts	3,325
Cash payments for operating activities	
Payments to employees	-209
Payment for goods and services	-1,605
Interest paid	-1,224
GST payments to taxation authority	-12
Other payments	-67
Total operating payments	-3,117
Net cash flows from operating activities	207
Cash flows from investments in non-financial assets	
Sales of non-financial assets	159
Purchases of non-financial assets	-62
Net cash flows from investments in non-financial assets	97
Net cash flows from investments in financial assets for policy purposes	-433
Net cash flows from investments in financial assets for liquidity purposes	27,177
Net cash flows from financing activities	
Borrowing (net)	-29,730
Deposits received (net)	0
Other financing (net)	3,636
Distributions paid (net)	-628
Net cash flows from financing activities	-26,723
Net increase/(decrease) in cash held	325
Cash at the beginning of the year	635
Cash at the end of the year	961
Net cash from operating activities and investments in non-financial assets	304
Distributions paid	-628
GFS cash surplus(+)/deficit(-)	-323

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

NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for MYEFO reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

The financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Detailed accounting policies, as well as a set of notes and other disclosures, as required by AAS, are disclosed in the Australian Government 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 the net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

Appendix B: Australian Government Budget Financial Statements

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

Explanations of major variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2018-19 Budget are disclosed in Part 3, with decisions taken since the 2018-19 Budget disclosed in Appendix A.

Updates to fiscal risks and contingent liabilities since the 2018-19 Budget are disclosed in Appendix C.

Note 2: Departures from external reporting standards

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

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

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

Table B13: Major differences between AAS and ABS GFS⁸

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense. In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an other economic flow.	ABS GFS
Concessional loans	Concessional elements are treated as an expense on initial recognition and unwound over the loan term.	Concessional elements are treated as an other economic flow.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenue or expenses are recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue. In-kind disability services provided by the state and territory governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue. In-kind disability services provided by the state and territory governments are treated as sales of goods and services revenue.	AAS

⁸ An interest measurement divergence has been removed because the ABS has recently advised that as a result of limitations in source data availability, ABS will continue to publish interest expense on a debtor basis (contract interest rate) rather than on a creditor basis (market interest rate).

Appendix B: Australian Government Budget Financial Statements

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

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Fiscal aggregate differences			
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
Classification differences			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sales for fiscal balance when payment is made and the licences take effect, which may be after the auction of licences, as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	AAS

Appendix B: Australian Government Budget Financial Statements

Note 3: Taxation revenue by type

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Individuals and other withholding taxes				
Gross income tax withholding	207,600	217,900	230,700	245,300
Gross other individuals	49,500	51,900	55,100	59,500
less: Refunds	30,000	34,600	35,600	37,300
Total individuals and other withholding taxation	227,100	235,200	250,200	267,500
Fringe benefits tax	3,930	4,110	4,350	4,570
Company tax	94,500	97,300	98,700	101,900
Superannuation fund taxes	10,670	8,960	12,910	14,410
Petroleum resource rent tax(a)	1,480	1,520	1,510	1,520
Income taxation revenue	337,680	347,090	367,670	389,900
Goods and services tax	69,180	71,650	75,437	79,425
Wine equalisation tax	1,050	1,120	1,150	1,200
Luxury car tax	700	720	740	770
Excise and Custom duty				
Petrol	6,010	6,190	6,500	6,800
Diesel	11,570	12,150	12,810	13,510
Other fuel products	2,280	2,410	2,460	2,530
Tobacco	12,950	17,500	15,750	16,660
Beer	2,495	2,525	2,640	2,720
Spirits	2,350	2,410	2,480	2,560
Other alcoholic beverages(b)	1,000	1,050	1,060	1,100
Other customs duty				
Textiles, clothing and footwear	200	200	210	220
Passenger motor vehicles	450	440	410	300
Other imports	1,330	1,300	1,150	1,090
less: Refunds and drawbacks	500	500	500	500
Total excise and customs duty	40,135	45,675	44,970	46,990
Major bank levy	1,650	1,750	1,850	1,950
Agricultural levies	561	578	588	598
Other taxes	7,041	8,182	8,458	8,786
Mirror taxes	601	628	656	688
less: Transfers to States in relation to mirror tax revenue	601	628	656	688
Mirror tax revenue	0	0	0	0
Indirect taxation revenue	120,317	129,675	133,193	139,719
Taxation revenue	457,997	476,765	500,863	529,619

Appendix B: Australian Government Budget Financial Statements

Note 3: Taxation revenue by type (continued)

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
<i>Memorandum:</i>				
<i>Total excise</i>	23,385	24,375	25,510	26,710
<i>Total customs duty</i>	16,750	21,300	19,460	20,280
<i>Capital gains tax(c)</i>	16,600	17,000	18,000	19,100

(a) This item includes a small amount of MRRT receipts which has not been separately disclosed owing to taxpayer confidentiality.

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

(c) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	231,030	239,310	254,550	272,070
Income and capital gains levied on enterprises	106,650	107,780	113,120	117,830
Total taxes on income, profits and capital gains	337,680	347,090	367,670	389,900
Taxes on employers' payroll and labour force	1,139	985	971	984
Taxes on the provision of goods and services				
Sales/goods and services tax	70,930	73,490	77,327	81,395
Excises and levies	23,946	24,953	26,098	27,308
Taxes on international trade	16,750	21,300	19,460	20,280
Total taxes on the provision of goods and services	111,626	119,743	122,885	128,983
Taxes on the use of goods and performance of activities	7,552	8,947	9,337	9,752
Total taxation revenue	457,997	476,765	500,863	529,619

Note 4: Sales of goods and services revenue

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Sales of goods	1,409	1,595	1,588	1,633
Rendering of services	10,535	12,173	12,439	12,934
Operating lease rental	106	104	104	106
Fees from regulatory services	1,974	1,961	1,945	1,984
Total sales of goods and services revenue	14,024	15,833	16,076	16,658

Appendix B: Australian Government Budget Financial Statements

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Interest from other governments				
State and territory debt	61	68	76	79
Housing agreements	98	93	88	83
Total interest from other governments	159	161	164	162
Interest from other sources				
Advances	314	343	401	406
Deposits	689	557	577	568
Indexation of HELP receivable and other student loans	882	1,101	1,132	1,308
Other	2,766	3,622	4,215	4,398
Total interest from other sources	4,651	5,624	6,325	6,680
Total interest	4,810	5,785	6,489	6,842
Dividends				
Dividends from other public sector entities	1,524	1,341	1,699	2,256
Other dividends	3,124	4,080	3,655	3,898
Total dividends	4,648	5,420	5,354	6,155
Total interest and dividend revenue	9,458	11,205	11,842	12,997

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Industry contributions	161	170	167	165
Royalties	1,429	1,246	1,152	1,137
Seigniorage	89	87	86	84
Other	10,130	9,197	7,999	7,680
Total other sources of non-taxation revenue	11,809	10,701	9,404	9,067

Appendix B: Australian Government Budget Financial Statements

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Wages and salaries expenses	20,551	20,682	20,772	21,283
Other operating expenses				
Leave and other entitlements	2,447	2,422	2,403	2,437
Separations and redundancies	79	54	52	73
Workers compensation premiums and claims	1,597	1,524	1,598	1,672
Other	2,554	2,547	2,610	2,717
Total other operating expenses	6,677	6,546	6,664	6,900
Superannuation expenses				
Superannuation	9,291	6,045	6,018	6,076
Superannuation interest cost	9,446	11,049	11,387	11,715
Total superannuation expenses	18,737	17,094	17,405	17,791
Total employee and superannuation expense	45,965	44,322	44,841	45,974

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Depreciation				
Specialist military equipment	4,372	3,822	4,106	4,427
Buildings	1,459	1,434	1,438	1,468
Other infrastructure, plant and equipment	1,593	1,533	1,542	1,566
Heritage and cultural assets	87	84	84	83
Total depreciation	7,510	6,874	7,170	7,544
Total amortisation	1,096	1,059	1,016	934
Total depreciation and amortisation expense	8,606	7,932	8,186	8,478

Note 9: Supply of goods and services expense

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Supply of goods and services	32,919	32,143	32,527	33,880
Operating lease rental expenses	2,616	2,510	2,474	2,445
Personal benefits – indirect	75,269	84,165	86,620	90,931
Health care payments	4,727	4,584	4,513	4,450
Other	2,480	2,808	2,514	2,419
Total supply of goods and services expense	118,012	126,211	128,648	134,126

Appendix B: Australian Government Budget Financial Statements

Note 10: Interest expense

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Interest on debt				
Government securities(a)	17,215	17,484	17,237	17,022
Loans	1	1	1	1
Other	235	249	271	287
Total interest on debt	17,451	17,734	17,508	17,310
Other financing costs	1,047	1,952	1,860	1,642
Total interest expense	18,498	19,686	19,368	18,953

(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	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Current grants expense				
State and territory governments	118,747	121,993	126,767	133,509
Private sector	9,858	9,591	9,688	9,810
Overseas	3,883	4,447	3,730	3,732
Non-profit organisations	3,970	3,542	3,384	3,290
Multi-jurisdictional sector	10,536	10,697	11,094	11,267
Other	2,041	2,495	3,717	2,840
Total current grants expense	149,036	152,764	158,379	164,448
Capital grants expense				
Mutually agreed write-downs	1,450	1,506	1,607	1,698
Other capital grants				
State and territory governments	7,563	6,770	6,423	6,211
Local governments	436	379	379	379
Non-profit organisations	968	709	298	68
Private sector	175	0	0	0
Other	325	253	267	449
Total capital grants expense	10,919	9,617	8,975	8,806
Total grants expense	159,955	162,381	167,354	173,254

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Note 12: Personal benefits expense

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	46,912	48,930	50,732	52,721
Assistance to veterans and dependants	4,967	4,835	4,716	4,696
Assistance to people with disabilities	25,355	26,346	26,707	27,846
Assistance to families with children	27,263	28,042	28,205	28,674
Assistance to the unemployed	10,673	10,960	11,354	11,779
Student assistance	2,523	2,604	2,692	2,774
Other welfare programs	1,095	1,174	1,205	1,210
Financial and fiscal affairs	582	391	405	420
Vocational and industry training	32	33	34	35
Other	6,434	7,871	10,173	13,867
Total personal benefits expense	125,837	131,186	136,223	144,021

Note 13: Advances paid and other receivables

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Advances paid				
Loans to state and territory governments	3,903	4,142	4,310	4,214
Student loans	47,782	51,151	54,326	57,288
Other	21,532	29,562	32,224	34,198
less Provision for doubtful debts	554	687	832	991
Total advances paid	72,662	84,168	90,027	94,708
Other receivables				
Goods and services receivable	1,132	1,121	1,120	1,124
Recoveries of benefit payments	6,155	6,768	7,436	7,872
Taxes receivable	26,157	28,458	29,112	30,262
Prepayments	3,441	3,445	3,402	3,373
Other	21,393	21,219	21,822	23,300
less Provision for doubtful debts	3,656	4,308	4,899	5,328
Total other receivables	54,623	56,704	57,992	60,604

Note 14: Investments, loans and placements

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Investments - deposits	36,158	31,430	28,588	36,260
IMF quota	12,598	12,615	13,161	13,735
Other	125,615	141,261	152,574	160,059
Total investments, loans and placements	174,371	185,306	194,323	210,055

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Note 15: Non-financial assets

	Estimates		Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Land and buildings				
Land	11,492	11,472	11,480	11,425
Buildings	27,078	27,695	29,114	31,005
Total land and buildings	38,570	39,167	40,594	42,429
Plant, equipment and infrastructure				
Specialist military equipment	65,664	70,419	75,823	82,422
Other	16,087	16,636	17,039	17,164
Total plant, equipment and infrastructure	81,751	87,055	92,862	99,586
Inventories				
Inventories held for sale	1,352	1,330	1,357	1,410
Inventories not held for sale	7,085	6,757	6,413	6,072
Total inventories	8,437	8,087	7,770	7,482
Intangibles				
Computer software	4,628	4,756	4,843	4,909
Other	4,770	5,041	5,239	5,473
Total intangibles	9,397	9,797	10,082	10,381
Total investment properties	173	173	173	173
Total biological assets	36	36	36	36
Total heritage and cultural assets	11,599	11,582	11,560	11,542
Total assets held for sale	181	182	182	182
Total other non-financial assets	34	31	31	31
Total non-financial assets	150,178	156,110	163,292	171,844

Note 16: Loans

	Estimates		Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Promissory notes	10,331	10,302	10,309	10,311
Special drawing rights	5,910	5,918	6,174	6,443
Other	374	349	401	411
Total loans	16,615	16,569	16,883	17,166

Note 17: Employee and superannuation liabilities

	Estimates		Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Total superannuation liability(a)	223,589	230,708	237,741	244,537
Other employee liabilities				
Leave and other entitlements	8,279	8,372	8,461	8,554
Accrued salaries and wages	265	311	316	340
Workers compensation claims	2,475	2,437	2,405	2,387
Military compensation	8,722	9,079	9,447	9,825
Other	434	435	435	435
Total other employee liabilities	20,175	20,634	21,065	21,541
Total employee and superannuation liabilities	243,764	251,341	258,806	266,078

(a) For budget reporting purposes, a discount rate of 5 per cent used by actuaries in preparing the 2017 Long-Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the spot rates on long-term government bonds were used. Consistent with AAS, the superannuation liability for the 2017-18 Final Budget Outcome (FBO) was calculated using the spot rates on long-term government bonds as at 30 June 2018 that best matched each individual scheme's liability duration. These rates were between 2.7 and 3.1 per cent per annum.

Appendix B: Australian Government Budget Financial Statements

Note 18: Provisions and payables

	Estimates		Projections	
	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
Suppliers payables				
Trade creditors	4,426	4,410	4,546	4,569
Operating lease rental payable	493	496	483	458
Personal benefits payables - indirect	804	1,441	1,867	1,943
Other creditors	1,669	1,452	1,446	1,438
Total suppliers payables	7,392	7,800	8,341	8,408
Total personal benefits payables - direct	3,359	3,720	3,518	3,524
Total subsidies payable	508	1,188	1,230	1,260
Grants payables				
State and territory governments	75	64	61	59
Non-profit organisations	234	235	236	236
Private sector	334	333	333	333
Overseas	1,656	2,447	2,070	1,660
Local governments	1	1	1	1
Other	1,411	1,413	1,415	1,415
Total grants payables	3,710	4,493	4,115	3,703
Total other payables	2,176	2,093	2,111	2,124
Provisions				
Provisions for tax refunds	3,464	3,465	3,469	3,474
Grants provisions	7,473	6,773	6,393	6,121
Personal benefits provisions - direct(a)	7,376	7,356	7,263	7,237
Personal benefits provisions - indirect	2,377	2,501	2,578	2,636
Other(a)	14,878	17,394	17,019	17,212
Total provisions	35,568	37,487	36,723	36,681

(a) Consistent with the 2017-18 FBO, Child Support Scheme provisions have been reclassified from 'other' provisions to 'personal benefits provisions – direct' to better reflect the nature of benefits provided to households.

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Note 19: Reconciliation of cash

	Estimates		Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Net Operating balance (revenues less expenses)	4,926	10,113	20,401	29,788
<i>less</i> Revenues not providing cash				
Other	1,326	1,266	2,045	2,196
Total revenues not providing cash	1,326	1,266	2,045	2,196
<i>plus</i> Expenses not requiring cash				
Increase/(decrease) in employee entitlements	9,687	7,729	7,572	7,233
Depreciation/amortisation expense	8,606	7,932	8,186	8,478
Mutually agreed write-downs	1,450	1,506	1,607	1,698
Other	306	1,271	1,856	1,667
Total expenses not requiring cash	20,049	18,439	19,221	19,076
<i>plus</i> Cash provided/(used) by working capital items				
Decrease/(increase) in inventories	-159	-6	-32	-60
Decrease/(increase) in receivables	-8,635	-9,708	-7,710	-9,268
Decrease/(increase) in other financial assets	-687	-427	-788	-841
Decrease/(increase) in other non-financial assets	-334	-242	217	66
Increase/(decrease) in benefits, subsidies and grants payable	833	1,564	-386	-433
Increase/(decrease) in suppliers' liabilities	-501	-92	111	-25
Increase/(decrease) in other provisions and payables	-1,058	3,217	-350	648
Net cash provided/(used) by working capital	-10,541	-5,694	-8,938	-9,913
<i>equals</i> (Net cash from/(to) operating activities)	13,108	21,596	28,643	36,759
<i>plus</i> (Net cash from/(to) investing activities)	-22,532	-36,668	-31,101	-40,033
Net cash from operating activities and investment	-9,423	-15,072	-2,457	-3,274
<i>plus</i> (Net cash from/(to) financing activities)	8,490	15,373	2,313	3,130
<i>equals</i> Net increase/(decrease) in cash	-934	300	-145	-144
Cash at the beginning of the year	6,783	5,849	6,150	6,006
Net increase/(decrease) in cash	-934	300	-145	-144
Cash at the end of the year	5,849	6,150	6,006	5,861

Attachment A

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

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

AASB 1049 Conceptual framework

AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

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

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 10 *Consolidated Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2014*.⁹

⁹ Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or 'other economic flows'). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.¹⁰

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.

'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.

¹⁰ Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

Net operating balance

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

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

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.¹¹

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.

11 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation is deducted in the calculation of net capital investments as the full investment in non-financial assets is included in the calculation of fiscal balance.

Net financial worth

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

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors in government results in a purer measure of financial worth than net financial worth, as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets¹² (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets (excluding equities) held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

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

¹² 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.

The new Australian Accounting Standard, AASB 16 *Leases*, applies to all Australian Government entities from 1 July 2019. The effect of AASB 16 is to introduce a single lease accounting framework. This is achieved by removing the current distinction between operating and finance leases. As a result, leases that were previously accounted for as operating expenses and payments will be included as additional assets and liabilities on the balance sheet. The new standard will have implications for a number of budget aggregates; in particular, there will be a worsening of net debt, net financial worth and the fiscal balance. It will not have a material impact on the underlying cash balance. The estimates will be updated to reflect the changed treatment of leases following finalisation of implementation arrangements.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

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

For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ¹³

13 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.

Appendix B: Australian Government Budget Financial Statements

less

Net Future Fund cash earnings

equals

Underlying cash balance

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

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

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

Headline cash balance

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

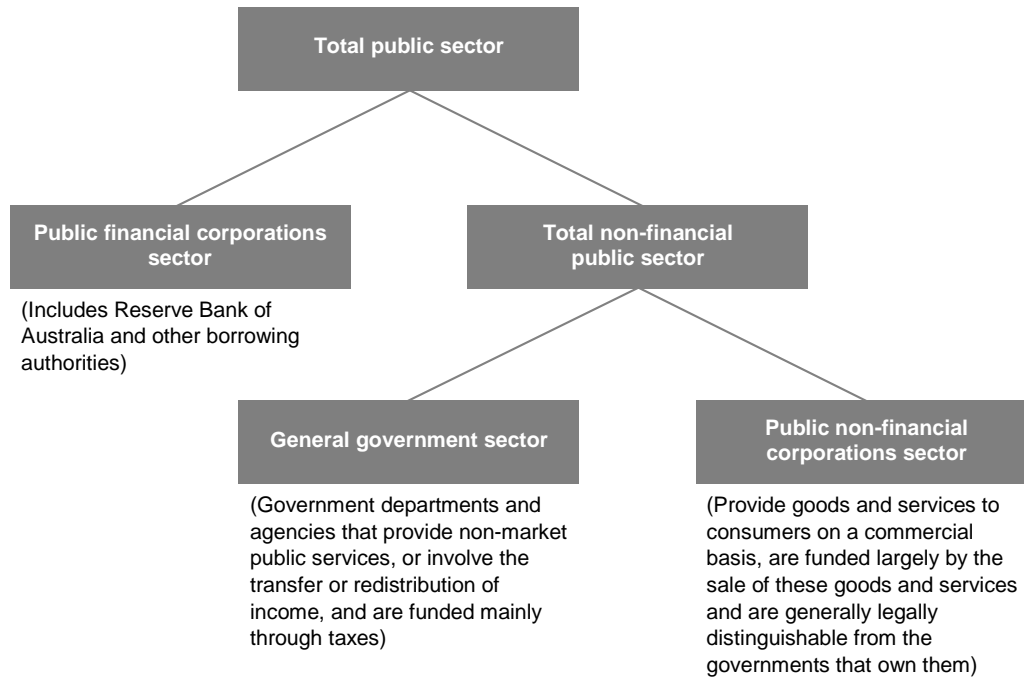
Net cash flows from investments in financial assets for policy purposes include equity transactions and advances paid.¹⁴ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Advances paid include net loans to the states and net loans to students.

Sectoral classifications

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

¹⁴ Net cash flows from investments in financial assets for policy purposes are often referred to as net advances.

Figure B1: Institutional structure of the public sector



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

A table which provides a full list of public sector principal entities under the current portfolio structure is available on the Department of Finance website at: <https://www.finance.gov.au/resource-management/governance/#flipchart>.

Table B14: Entities outside of the general government sector – 2018-19

Public financial corporations
Foreign Affairs and Trade Portfolio
<ul style="list-style-type: none"> • Export Finance and Insurance Corporation
Industry, Innovation and Science Portfolio
<ul style="list-style-type: none"> • CSIRO General Partner Pty Ltd • CSIRO General Partner 2 Pty Ltd
Jobs and Small Business Portfolio
<ul style="list-style-type: none"> • Coal Mining Industry (Long Service Leave Funding) Corporation

Table B14: Entities outside of the general government sector – 2018-19

Public financial corporations (continued)
Treasury Portfolio
<ul style="list-style-type: none"> • Australian Reinsurance Pool Corporation • National Housing Finance and Investment Corporation (Bond Aggregator)* • Reserve Bank of Australia
Public non-financial corporations
Communications and the Arts Portfolio
<ul style="list-style-type: none"> • Australian Postal Corporation (Australia Post) • nbn Co Ltd
Environment and Energy Portfolio
<ul style="list-style-type: none"> • Snowy Hydro Limited
Finance Portfolio
<ul style="list-style-type: none"> • ASC Pty Ltd • Australian Naval Infrastructure Pty Ltd
Social Services Portfolio
<ul style="list-style-type: none"> • Australian Hearing Services (Australian Hearing)
Infrastructure, Regional Development and Cities Portfolio
<ul style="list-style-type: none"> • Airservices Australia • Australian Rail Track Corporation Limited • Moorebank Intermodal Company Limited • WSA Co Ltd
Industry, Innovation and Science Portfolio
<ul style="list-style-type: none"> • ANSTO Nuclear Medicine Pty Ltd
Prime Minister and Cabinet Portfolio
<ul style="list-style-type: none"> • Voyages Indigenous Tourism Australia Pty Ltd

* The National Housing Finance and Investment Corporation (NHFIC), a corporate Commonwealth entity, operates an affordable housing bond aggregator to encourage greater private and institutional investment and provide cheaper and longer term finance to registered providers of affordable housing. The NHFIC bond aggregator is a PFC. NHFIC also administers the National Housing Infrastructure Facility. The Facility is included in the GGS.