

## Part 2: Australian Government Financial Statements

Consistent with the *Charter of Budget Honesty Act 1998* (the Charter), the Government has produced a single set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) 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 net operating balance and net lending/borrowing (fiscal balance)
- a balance sheet, which shows net worth, net financial worth, net financial liabilities and net debt
- a cash flow statement, which includes the calculation of the underlying cash balance.

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

The financial statements for the Final Budget Outcome for 2020-21 have been prepared on a basis consistent with the 2021-22 Budget. This enables comparison of the 2020-21 revised estimates published at the 2021-22 Budget and the outcome.

The statements reflect the Government's policy that the ABS GFS remains the basis of budget accounting policy, except where AAS is applied 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 Standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

## Australian Government Financial Statements

**Table 2.1: Australian Government general government sector operating statement**

		2020-21 Estimate at 2021-22 Budget	Month of June 2021 (a)	2020-21 Outcome	Change on 2021-22 Budget
	Note	\$m	\$m	\$m	\$m
<b>Revenue</b>					
Taxation revenue	3	465,771	42,266	480,221	14,450
Sales of goods and services	4	15,947	1,306	16,022	76
Interest income	5	2,901	560	3,033	132
Dividend and distribution income(b)	5	8,038	3,933	10,156	2,119
Other	6	12,231	1,289	13,580	1,349
<b>Total revenue</b>		<b>504,888</b>	<b>49,353</b>	<b>523,012</b>	<b>18,125</b>
<b>Expenses</b>					
Gross operating expenses					
Wages and salaries(c)	7	21,779	1,817	21,373	-406
Superannuation	7	12,387	838	12,256	-131
Depreciation and amortisation	8	11,851	1,251	11,738	-112
Supply of goods and services	9	144,601	15,745	141,622	-2,979
Other operating expenses(c)	7	8,405	804	7,972	-433
<i>Total gross operating expenses</i>		<i>199,021</i>	<i>20,454</i>	<i>194,961</i>	<i>-4,061</i>
Superannuation interest expense	7	7,004	757	7,177	173
Interest expenses(d)	10	19,812	2,068	19,187	-625
Current transfers					
Current grants	11	167,111	21,363	166,966	-145
Subsidy expenses		86,892	1,347	86,845	-47
Personal benefits	12	161,889	9,610	160,484	-1,405
<i>Total current transfers</i>		<i>415,892</i>	<i>32,320</i>	<i>414,295</i>	<i>-1,597</i>
Capital transfers					
Mutually agreed write-downs(d)	11	2,954	80	2,791	-163
Other capital grants		14,755	5,566	13,506	-1,248
<i>Total capital transfers</i>		<i>17,709</i>	<i>5,645</i>	<i>16,298</i>	<i>-1,411</i>
<b>Total expenses</b>		<b>659,437</b>	<b>61,244</b>	<b>651,916</b>	<b>-7,521</b>
<b>Net operating balance</b>		<b>-154,549</b>	<b>-11,892</b>	<b>-128,904</b>	<b>25,645</b>
<b>Other economic flows - included in operating result</b>					
Net write-downs of assets		-4,003	-6,707	-11,318	-7,316
Assets recognised for the first time		195	31	154	-41
Actuarial revaluations		126	-9,627	-9,633	-9,759
Net foreign exchange gains		-479	136	-355	124
Net swap interest received		1,148	-51	1,210	62
Market valuation of debt		37,494	-7,318	28,876	-8,617
Other gains/(losses)		15,502	10,892	33,333	17,830
<b>Total other economic flows – included in operating result</b>		<b>49,984</b>	<b>-12,644</b>	<b>42,267</b>	<b>-7,717</b>
<b>Operating Result(e)</b>		<b>-104,565</b>	<b>-24,535</b>	<b>-86,637</b>	<b>17,928</b>

**Table 2.1: Australian Government general government sector operating statement (continued)**

	2020-21 Estimate at 2021-22 Budget	Month of June 2021 (a)	2020-21 Outcome	Change on 2021-22 Budget
Note	\$m	\$m	\$m	\$m
<b>Non-owner movements in equity</b>				
Revaluation of equity investments	-10,149	-3,721	-3,728	6,420
Actuarial revaluations	-1,242	-22,072	-22,072	-20,830
Other economic revaluations	-2,614	-438	-2,290	324
<b>Total other economic flows – included in equity</b>	<b>-14,005</b>	<b>-26,232</b>	<b>-28,090</b>	<b>-14,086</b>
<b>Comprehensive result – Total change in net worth</b>	<b>-118,570</b>	<b>-50,767</b>	<b>-114,727</b>	<b>3,842</b>
<b>Net operating balance</b>	<b>-154,549</b>	<b>-11,892</b>	<b>-128,904</b>	<b>25,645</b>
<b>Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	18,318	3,962	16,936	-1,382
less Sales of non-financial assets	228	116	302	74
less Depreciation	11,851	1,251	11,738	-112
plus Change in inventories	2,381	71	2,305	-76
plus Other movements in non-financial assets	0	-16	3	3
<b>Total net acquisition of non-financial assets</b>	<b>8,620</b>	<b>2,650</b>	<b>7,204</b>	<b>-1,416</b>
<b>Fiscal balance (Net lending/borrowing)(f)</b>	<b>-163,169</b>	<b>-14,542</b>	<b>-136,108</b>	<b>27,061</b>

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

(b) 'Dividend income' has been renamed 'dividend and distribution income' to more accurately reflect the transactions included in this item.

(c) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(d) From the 2021-22 Budget, the value of debt not expected to be repaid (DNER) on initial recognition of income contingent concessional loans is reported as a mutually agreed write-down, which is a form of capital transfer. It was previously reported as other financing costs.

(e) Operating result under AAS.

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

**Table 2.2: Australian Government general government sector balance sheet**

		2020-21 Estimate at 2021-22 Budget	2020-21 Outcome	Change on 2021-22 Budget
	Note	\$m	\$m	\$m
<b>Assets</b>				
Financial assets				
Cash and deposits(a)		46,693	62,412	15,719
Advances paid	13	82,235	81,404	-832
Investments, loans and placements(a)	14	181,717	188,815	7,098
Other receivables	13	67,065	66,855	-210
Equity investments				
Investments in other public sector entities		55,821	61,341	5,520
Equity accounted investments		3,528	3,642	114
Investments – shares		72,829	82,561	9,732
<i>Total financial assets</i>		<i>509,888</i>	<i>547,029</i>	<i>37,141</i>
Non-financial assets				
	15			
Land		11,817	12,068	251
Buildings		43,970	43,314	-656
Plant, equipment and infrastructure		93,468	92,183	-1,286
Inventories		11,710	10,605	-1,105
Intangibles		9,821	9,809	-12
Investment properties		210	191	-19
Biological assets		28	35	7
Heritage and cultural assets		11,979	11,860	-119
Assets held for sale		250	589	340
Other non-financial assets		37	40	3
<i>Total non-financial assets</i>		<i>183,290</i>	<i>180,694</i>	<i>-2,596</i>
<b>Total assets</b>		<b>693,178</b>	<b>727,724</b>	<b>34,546</b>
<b>Liabilities</b>				
Interest bearing liabilities				
Deposits held		484	598	114
Government securities		891,811	888,419	-3,391
Loans	16	16,345	16,394	49
Lease liabilities		19,527	19,441	-87
<i>Total interest bearing liabilities</i>		<i>928,166</i>	<i>924,851</i>	<i>-3,315</i>

**Table 2.2: Australian Government general government sector balance sheet (continued)**

		2020-21 Estimate at 2021-22 Budget	2020-21 Outcome	Change on 2021-22 Budget
	Note	\$m	\$m	\$m
Provisions and payables				
Superannuation liability	17	243,455	406,940	163,485
Other employee liabilities	17	33,124	37,778	4,654
Suppliers payables	18	8,507	9,894	1,387
Personal benefits payables	18	3,137	3,015	-122
Subsidies payables	18	1,090	989	-101
Grants payables	18	4,332	6,800	2,467
Other payables	18	3,302	4,782	1,480
Provisions	18	54,560	57,904	3,344
<i>Total provisions and payables</i>		<i>351,507</i>	<i>528,102</i>	<i>176,596</i>
<b>Total liabilities</b>		<b>1,279,673</b>	<b>1,452,953</b>	<b>173,280</b>
<b>Net worth(b)</b>		<b>-586,495</b>	<b>-725,230</b>	<b>-138,734</b>
<i>Net financial worth(c)</i>		<i>-769,785</i>	<i>-905,924</i>	<i>-136,139</i>
<i>Net financial liabilities(d)</i>		<i>825,606</i>	<i>967,265</i>	<i>141,659</i>
<i>Net debt(e)</i>		<i>617,521</i>	<i>592,221</i>	<i>-25,300</i>

- (a) In the 2021-22 Budget, Australian Office of Financial Management moved from primarily using term deposits to a cash management account for investing cash for short-term liquidity management. This resulted in a decrease in investments, loans and placements and an increase in cash and deposits.
- (b) Net worth equals total assets minus total liabilities.
- (c) Net financial worth equals total financial assets minus total liabilities.
- (d) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.
- (e) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

**Table 2.3: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	2020-21 Estimate at 2021-22 Budget \$m	Month of June 2021 (b) \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Cash receipts from operating activities</b>				
Taxes received	459,470	44,084	473,850	14,380
Receipts from sales of goods and services	16,381	220	16,390	9
Interest receipts	2,995	332	2,812	-183
Dividends, distributions and income tax equivalents(c)	8,493	1,005	9,757	1,264
Other receipts(d)	12,259	4,367	16,755	4,496
<b>Total operating receipts</b>	<b>499,596</b>	<b>50,008</b>	<b>519,563</b>	<b>19,967</b>
<b>Cash payments for operating activities</b>				
Payments to employees(d)(e)	-32,100	-5,015	-34,134	-2,034
Payments for goods and services	-140,017	-12,934	-137,436	2,581
Grants and subsidies paid	-281,234	-25,224	-277,677	3,558
Interest paid	-17,121	-1,022	-17,102	18
Personal benefit payments	-163,952	-11,453	-163,747	205
Other payments(e)	-7,873	-406	-7,178	695
<b>Total operating payments</b>	<b>-642,297</b>	<b>-56,054</b>	<b>-637,274</b>	<b>5,023</b>
<b>Net cash flows from operating activities</b>	<b>-142,701</b>	<b>-6,047</b>	<b>-117,711</b>	<b>24,990</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	235	172	350	115
Purchases of non-financial assets	-16,056	-2,690	-14,283	1,773
<b>Net cash flows from investments in non-financial assets</b>	<b>-15,821</b>	<b>-2,518</b>	<b>-13,933</b>	<b>1,888</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-7,286</b>	<b>305</b>	<b>-3,364</b>	<b>3,922</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>60,898</b>	<b>-1,290</b>	<b>57,614</b>	<b>-3,285</b>
<b>Cash receipts from financing activities</b>				
Borrowing	345,507	12,871	309,085	-36,422
Other financing	1,142	489	5,351	4,209
<b>Total cash receipts from financing activities</b>	<b>346,649</b>	<b>13,359</b>	<b>314,436</b>	<b>-32,212</b>
<b>Cash payments for financing activities</b>				
Borrowing	-197,595	-8,524	-173,144	24,451
Other financing	-6,904	-781	-10,939	-4,035
<b>Total cash payments for financing activities</b>	<b>-204,499</b>	<b>-9,305</b>	<b>-184,083</b>	<b>20,416</b>
<b>Net cash flows from financing activities</b>	<b>142,150</b>	<b>4,055</b>	<b>130,353</b>	<b>-11,796</b>
<b>Net increase/(decrease) in cash held</b>	<b>37,240</b>	<b>-5,494</b>	<b>52,959</b>	<b>15,719</b>

**Table 2.3: Australian Government general government sector cash flow statement (continued)<sup>(a)</sup>**

	2020-21 Estimate at 2021-22 Budget	Month of June 2021 (b)	2020-21 Outcome	Change on 2021-22 Budget
	\$m	\$m	\$m	\$m
<b>GFS cash surplus(+)/deficit(-)(f)</b>	<b>-158,522</b>	<b>-8,564</b>	<b>-131,644</b>	<b>26,878</b>
<i>plus</i> Net cash flows from financing activities for leases(g)	-2,430	-235	-2,526	-96
<b>Equals underlying cash balance(h)</b>	<b>-160,952</b>	<b>-8,799</b>	<b>-134,171</b>	<b>26,781</b>
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-7,286	305	-3,364	3,922
<b>Equals headline cash balance</b>	<b>-168,238</b>	<b>-8,494</b>	<b>-137,535</b>	<b>30,703</b>

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

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

(c) 'Dividends and income tax equivalents' has been renamed to 'dividends, distributions and income tax equivalents' to more accurately reflect the types of receipts included in this item.

(d) As result of a voluntary accounting policy change, the pass-through of defined benefit member superannuation receipts and payments are reported on a gross basis in the cash flow statement. It was previously reported on a net basis. This change has no net impact to the underlying cash balance for 2020-21.

(e) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.

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

(g) Principal payments on lease liabilities, which are financing cash payments, are deducted in the calculation of the underlying cash balance to maintain consistency of measure following the implementation of AASB 16.

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

**Table 2.4: Australian Government public non-financial corporations sector operating statement**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Revenue</b>			
Grants and subsidies	874	1,422	548
Sales of goods and services	17,075	17,652	577
Interest income	21	20	-2
Other	53	71	18
<b>Total revenue</b>	<b>18,024</b>	<b>19,166</b>	<b>1,142</b>
<b>Expenses</b>			
Gross operating expenses			
Wages and salaries(a)	4,603	4,504	-99
Superannuation	506	538	32
Depreciation and amortisation	4,761	4,878	117
Supply of goods and services	9,304	9,927	623
Other operating expenses(a)	825	728	-97
<i>Total gross operating expenses</i>	<i>19,999</i>	<i>20,575</i>	<i>576</i>
Interest expenses	1,788	1,783	-5
Other property expenses	241	258	17
Current transfers			
Tax expenses	134	326	191
<i>Total current transfers</i>	<i>134</i>	<i>326</i>	<i>191</i>
<b>Total expenses</b>	<b>22,162</b>	<b>22,941</b>	<b>779</b>
<b>Net operating balance</b>	<b>-4,139</b>	<b>-3,775</b>	<b>363</b>
<b>Other economic flows</b>	<b>-398</b>	<b>1,179</b>	<b>1,577</b>
<b>Comprehensive result – Total change in net worth excluding contribution from owners</b>	<b>-4,536</b>	<b>-2,596</b>	<b>1,940</b>
<b>Net acquisition of non-financial assets</b>			
Purchases of non-financial assets	7,101	6,354	-747
<i>less</i> Sales of non-financial assets	<i>1</i>	<i>17</i>	<i>16</i>
<i>less</i> Depreciation	<i>4,761</i>	<i>4,878</i>	<i>117</i>
<i>plus</i> Change in inventories	<i>27</i>	<i>30</i>	<i>2</i>
<i>plus</i> Other movements in non-financial assets	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total net acquisition of non-financial assets</b>	<b>2,366</b>	<b>1,488</b>	<b>-878</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-6,505</b>	<b>-5,264</b>	<b>1,241</b>

(a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries 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 2.5: Australian Government public non-financial corporations sector balance sheet**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Assets</b>			
Financial assets			
Cash and deposits	1,690	2,167	477
Investments, loans and placements	596	1,030	433
Other receivables	3,166	3,314	148
Equity investments	195	244	49
<i>Total financial assets</i>	<i>5,646</i>	<i>6,754</i>	<i>1,108</i>
Non-financial assets			
Land and other fixed assets	57,614	57,488	-125
Other non-financial assets(a)	4,091	3,892	-199
<i>Total non-financial assets</i>	<i>61,705</i>	<i>61,381</i>	<i>-324</i>
<b>Total assets</b>	<b>67,351</b>	<b>68,135</b>	<b>784</b>
<b>Liabilities</b>			
Interest bearing liabilities			
Deposits held	13	18	5
Advances received and loans	28,684	28,392	-291
Lease liabilities	12,625	12,507	-118
<i>Total interest bearing liabilities</i>	<i>41,322</i>	<i>40,917</i>	<i>-405</i>
Provisions and payables			
Superannuation liability	19	26	8
Other employee liabilities	2,203	1,965	-238
Other payables	5,460	5,047	-412
Other provisions(a)	679	1,101	422
<i>Total provisions and payables</i>	<i>8,360</i>	<i>8,140</i>	<i>-221</i>
<b>Total liabilities</b>	<b>49,682</b>	<b>49,057</b>	<b>-625</b>
<b>Shares and other contributed capital</b>	<b>17,669</b>	<b>19,078</b>	<b>1,409</b>
<b>Net worth(b)</b>	<b>17,669</b>	<b>19,078</b>	<b>1,409</b>
<i>Net financial worth(c)</i>	<i>-44,035</i>	<i>-42,303</i>	<i>1,733</i>
<i>Net debt(d)</i>	<i>39,036</i>	<i>37,721</i>	<i>-1,315</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth equals total assets minus total liabilities. Under the 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 the 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 is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits and investments, loans and placements).

**Table 2.6: Australian Government public non-financial corporations sector cash flow statement<sup>(a)</sup>**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Cash receipts from operating activities</b>			
Receipts from sales of goods and services	18,785	19,547	762
Grants and subsidies received	1,043	1,374	331
GST input credit receipts	1,237	279	-957
Other receipts	31	45	14
<b>Total operating receipts</b>	<b>21,096</b>	<b>21,245</b>	<b>149</b>
<b>Cash payments for operating activities</b>			
Payments to employees(b)	-5,011	-4,958	53
Payment for goods and services	-12,091	-11,905	186
Interest paid	-1,783	-1,657	126
GST payments to taxation authority	-751	-351	400
Distributions paid	-246	-258	-13
Other payments(b)	-882	-879	3
<b>Total operating payments</b>	<b>-20,763</b>	<b>-20,009</b>	<b>754</b>
<b>Net cash flows from operating activities</b>	<b>333</b>	<b>1,236</b>	<b>903</b>
<b>Cash flows from investments in non-financial assets</b>			
Sales of non-financial assets	3	19	15
Purchases of non-financial assets	-6,306	-6,189	118
<b>Net cash flows from investments in non-financial assets</b>	<b>-6,303</b>	<b>-6,170</b>	<b>133</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-4</b>	<b>-1</b>	<b>3</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-442</b>	<b>-190</b>	<b>252</b>
<b>Net cash flows from financing activities</b>			
Borrowing (net)	3,622	3,226	-395
Other financing (net)	2,223	1,805	-419
<b>Net cash flows from financing activities</b>	<b>5,845</b>	<b>5,031</b>	<b>-814</b>
<b>Net increase/(decrease) in cash held</b>	<b>-571</b>	<b>-94</b>	<b>477</b>
<b>Cash at the beginning of the year</b>	<b>2,261</b>	<b>2,261</b>	<b>0</b>
<b>Cash at the end of the year</b>	<b>1,690</b>	<b>2,167</b>	<b>477</b>
<b>GFS cash surplus(+)/deficit(-)(c)</b>	<b>-5,970</b>	<b>-4,934</b>	<b>1,036</b>
<i>plus</i> Net cash flows from financing activities for leases(d)	-389	-437	-48
<b>Adjusted GFS cash surplus(+)/deficit(-)(d)</b>	<b>-6,360</b>	<b>-5,371</b>	<b>988</b>

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

(b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.

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

(d) To retain a consistent measure of the GFS cash surplus/deficit following the implementation of AASB 16, its calculation is adjusted to include the principal payments on lease liabilities.

**Table 2.7: Australian Government total non-financial public sector operating statement**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Revenue</b>			
Taxation revenue	465,236	479,757	14,521
Sales of goods and services	32,121	32,765	644
Interest income	2,222	2,353	131
Dividend and distribution income(a)	7,797	9,899	2,101
Other	12,170	13,577	1,407
<b>Total revenue</b>	<b>519,545</b>	<b>538,350</b>	<b>18,805</b>
<b>Expenses</b>			
Gross operating expenses			
Wages and salaries(b)	26,382	25,877	-505
Superannuation	12,893	12,789	-104
Depreciation and amortisation	16,612	16,617	5
Supply of goods and services	152,874	150,522	-2,352
Other operating expenses(b)	9,230	8,700	-530
<i>Total gross operating expenses</i>	<i>217,990</i>	<i>214,504</i>	<i>-3,485</i>
Superannuation interest expense	7,004	7,177	173
Interest expenses(c)	20,899	20,270	-630
Current transfers			
Current grants	167,111	166,966	-145
Subsidy expenses	85,338	85,389	51
Personal benefits	161,889	160,484	-1,405
<i>Total current transfers</i>	<i>414,337</i>	<i>412,838</i>	<i>-1,499</i>
Capital transfers(c)	17,497	16,059	-1,438
<b>Total expenses</b>	<b>677,727</b>	<b>670,849</b>	<b>-6,879</b>
<b>Net operating balance</b>	<b>-158,182</b>	<b>-132,499</b>	<b>25,683</b>
<b>Other economic flows</b>	<b>38,293</b>	<b>14,640</b>	<b>-23,654</b>
<b>Comprehensive result – Total change in net worth</b>	<b>-119,889</b>	<b>-117,860</b>	<b>2,030</b>
<b>Net acquisition of non-financial assets</b>			
Purchases of non-financial assets	25,418	23,286	-2,132
<i>less</i> Sales of non-financial assets	<i>230</i>	<i>319</i>	<i>90</i>
<i>less</i> Depreciation	<i>16,612</i>	<i>16,617</i>	<i>5</i>
<i>plus</i> Change in inventories	<i>2,409</i>	<i>2,335</i>	<i>-74</i>
<i>plus</i> Other movements in non-financial assets	<i>0</i>	<i>3</i>	<i>3</i>
<b>Total net acquisition of non-financial assets</b>	<b>10,986</b>	<b>8,688</b>	<b>-2,298</b>
<b>Fiscal balance (Net lending/borrowing)(d)</b>	<b>-169,168</b>	<b>-141,187</b>	<b>27,981</b>

(a) 'Dividend income' has been renamed 'dividend and distribution income' to more accurately reflect the transactions included in this item.

(b) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(c) From the 2021-22 Budget, the value of debt not expected to be repaid (DNER) on initial recognition of income contingent concessional loans is reported as a mutually agreed write-down, which is a form of capital transfer. It was previously reported as other financing costs.

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

**Table 2.8: Australian Government total non-financial public sector balance sheet**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Assets</b>			
Financial assets			
Cash and deposits(a)	48,383	64,576	16,193
Advances paid	68,047	67,931	-116
Investments, loans and placements(a)	182,293	189,829	7,536
Other receivables	69,606	69,612	6
Equity investments	97,852	110,372	12,519
<i>Total financial assets</i>	<i>466,181</i>	<i>502,320</i>	<i>36,138</i>
Non-financial assets			
Land and other fixed assets	230,549	227,506	-3,044
Other non-financial assets	14,487	14,608	120
<i>Total non-financial assets</i>	<i>245,037</i>	<i>242,113</i>	<i>-2,923</i>
<b>Total assets</b>	<b>711,218</b>	<b>744,433</b>	<b>33,215</b>
<b>Liabilities</b>			
Interest bearing liabilities			
Deposits held	496	613	116
Government securities	891,811	888,419	-3,391
Advances received and loans	30,820	31,298	478
Lease liabilities	32,145	31,939	-207
<i>Total interest bearing liabilities</i>	<i>955,273</i>	<i>952,269</i>	<i>-3,004</i>
Provisions and payables			
Superannuation liability	243,474	406,967	163,493
Other employee liabilities	35,327	39,743	4,416
Other payables	24,751	30,370	5,620
Other provisions	55,233	58,471	3,238
<i>Total provisions and payables</i>	<i>358,784</i>	<i>535,551</i>	<i>176,766</i>
<b>Total liabilities</b>	<b>1,314,057</b>	<b>1,487,819</b>	<b>173,762</b>
<b>Net worth(b)</b>	<b>-602,839</b>	<b>-743,386</b>	<b>-140,547</b>
<i>Net financial worth(c)</i>	<i>-847,876</i>	<i>-985,499</i>	<i>-137,624</i>
<i>Net debt(d)</i>	<i>656,550</i>	<i>629,933</i>	<i>-26,617</i>

(a) In the 2021-22 Budget, Australian Office of Financial Management moved from primarily using term deposits to a cash management account for investing cash for short-term liquidity management. This resulted in a decrease in investments, loans and placements and an increase in cash and deposits.

(b) Under AASB 1049, net worth equals total assets minus total liabilities. Under the 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 the 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 is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

**Table 2.9: Australian Government total non-financial public sector cash flow statement<sup>(a)</sup>**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Cash receipts from operating activities</b>			
Taxes received	459,369	473,762	14,393
Receipts from sales of goods and services	32,245	33,477	1,232
Interest receipts	2,327	2,131	-196
Dividends, distributions and income tax equivalents(b)	8,252	9,500	1,248
Other receipts(c)	12,082	16,702	4,620
<b>Total operating receipts</b>	<b>514,275</b>	<b>535,572</b>	<b>21,297</b>
<b>Cash payments for operating activities</b>			
Payments to employees(c)(d)	-37,111	-39,088	-1,977
Payments for goods and services	-149,162	-146,951	2,210
Grants and subsidies paid	-279,608	-276,309	3,300
Interest paid	-18,212	-18,069	143
Personal benefit payments	-163,952	-163,747	205
Other payments(d)	-8,576	-7,885	692
<b>Total operating payments</b>	<b>-656,621</b>	<b>-652,049</b>	<b>4,573</b>
<b>Net cash flows from operating activities</b>	<b>-142,347</b>	<b>-116,477</b>	<b>25,870</b>
<b>Cash flows from investments in non-financial assets</b>			
Sales of non-financial assets	238	369	130
Purchases of non-financial assets	-22,362	-20,472	1,891
<b>Net cash flows from investments in non-financial assets</b>	<b>-22,124</b>	<b>-20,103</b>	<b>2,021</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-10,224</b>	<b>-7,533</b>	<b>2,692</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>60,460</b>	<b>57,424</b>	<b>-3,035</b>
<b>Net cash flows from financing activities</b>			
Borrowing (net)	157,076	145,422	-11,654
Other financing (net)	-6,167	-5,868	300
<b>Net cash flows from financing activities</b>	<b>150,908</b>	<b>139,554</b>	<b>-11,354</b>
<b>Net increase/(decrease) in cash held</b>	<b>36,672</b>	<b>52,865</b>	<b>16,193</b>
<b>Cash at the beginning of the year</b>	<b>11,711</b>	<b>11,711</b>	<b>0</b>
<b>Cash at the end of the year</b>	<b>48,383</b>	<b>64,576</b>	<b>16,193</b>

**Table 2.9: Australian Government total non-financial public sector cash flow statement (continued)<sup>(a)</sup>**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>GFS cash surplus(+)/deficit(-)(e)</b>	<b>-164,471</b>	<b>-136,580</b>	<b>27,891</b>
<i>plus</i> Net cash flows from financing activities for leases(f)	-2,817	-2,963	-146
<b>Adjusted GFS cash surplus(+)/deficit(-)(f)</b>	<b>-167,289</b>	<b>-139,544</b>	<b>27,745</b>

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

(b) 'Dividends and income tax equivalents' has been renamed to 'dividends, distributions and income tax equivalents' to more accurately reflect the types of receipts included in this item.

(c) As result of a voluntary accounting policy change, the pass-through of defined benefit member superannuation receipts and payments are reported on a gross basis in the cash flow statement. It was previously reported on a net basis. This change has no net impact to the underlying cash balance for 2020-21.

(d) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.

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

(f) To retain a consistent measure of the GFS cash surplus/deficit following the implementation of AASB 16, its calculation is adjusted to include the principal payments on lease liabilities.

**Table 2.10: Australian Government public financial corporations sector operating statement**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Revenue</b>			
Grants and subsidies	156	158	2
Sales of goods and services	768	776	8
Interest income	4,735	4,505	-230
Other	94	109	15
<b>Total revenue</b>	<b>5,753</b>	<b>5,548</b>	<b>-206</b>
<b>Expenses</b>			
Gross operating expenses			
Wages and salaries(a)	209	233	24
Superannuation	77	105	29
Depreciation and amortisation	69	79	10
Supply of goods and services	513	428	-85
Other operating expenses(a)	56	50	-7
<i>Total gross operating expenses</i>	<i>923</i>	<i>895</i>	<i>-28</i>
Interest expenses	378	316	-63
Other property expenses	2,116	2,687	571
Current transfers			
Tax expenses	6	7	1
<i>Total current transfers</i>	<i>6</i>	<i>7</i>	<i>1</i>
<b>Total expenses</b>	<b>3,424</b>	<b>3,905</b>	<b>481</b>
<b>Net operating balance</b>	<b>2,329</b>	<b>1,643</b>	<b>-686</b>
<b>Other economic flows</b>	<b>-11,968</b>	<b>-8,374</b>	<b>3,593</b>
<b>Comprehensive result – Total change in net worth excluding contribution from owners</b>	<b>-9,638</b>	<b>-6,732</b>	<b>2,907</b>
<b>Net acquisition of non-financial assets</b>			
Purchases of non-financial assets	2	76	74
<i>less</i> Sales of non-financial assets	<i>0</i>	<i>1</i>	<i>1</i>
<i>less</i> Depreciation	<i>69</i>	<i>79</i>	<i>10</i>
<i>plus</i> Change in inventories	<i>-42</i>	<i>18</i>	<i>60</i>
<i>plus</i> Other movements in non-financial assets	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total net acquisition of non-financial assets</b>	<b>-109</b>	<b>14</b>	<b>123</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>2,438</b>	<b>1,629</b>	<b>-809</b>

(a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries 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 2.11: Australian Government public financial corporations sector balance sheet**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Assets</b>			
Financial assets			
Cash and deposits	664	896	233
Investments, loans and placements(a)	405,291	544,956	139,665
Other receivables	164	252	88
Equity investments	726	818	91
<i>Total financial assets</i>	<i>406,845</i>	<i>546,922</i>	<i>140,077</i>
Non-financial assets			
Land and other fixed assets	913	939	26
Other non-financial assets(b)	92	93	1
<i>Total non-financial assets</i>	<i>1,005</i>	<i>1,032</i>	<i>27</i>
<b>Total assets</b>	<b>407,850</b>	<b>547,954</b>	<b>140,104</b>
<b>Liabilities</b>			
Interest bearing liabilities			
Deposits held(a)	371,800	511,095	139,294
Borrowing	8,666	6,693	-1,973
<i>Total interest bearing liabilities</i>	<i>380,466</i>	<i>517,788</i>	<i>137,322</i>
Provisions and payables			
Superannuation liability	944	539	-405
Other employee liabilities	216	227	11
Other payables	3,179	3,409	230
Other provisions(b)	1,786	1,772	-14
<i>Total provisions and payables</i>	<i>6,125</i>	<i>5,947</i>	<i>-178</i>
<b>Total liabilities</b>	<b>386,591</b>	<b>523,734</b>	<b>137,144</b>
<b>Shares and other contributed capital</b>	<b>21,260</b>	<b>24,220</b>	<b>2,960</b>
<b>Net worth(c)</b>	<b>21,260</b>	<b>24,220</b>	<b>2,960</b>
<i>Net financial worth(d)</i>	<i>20,254</i>	<i>23,188</i>	<i>2,933</i>
<i>Net debt(e)</i>	<i>-25,489</i>	<i>-28,065</i>	<i>-2,576</i>

(a) Reserve Bank of Australia budget estimates are based on assumptions subject to greater variability due to the nature of the business and exposure to external factors, such as foreign exchange and yield movements.

(b) Excludes the impact of commercial taxation adjustments.

(c) Under AASB 1049, net worth equals total assets minus total liabilities. Under the 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 the 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 is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits and investments, loans and placements).



**Table 2.12: Australian Government public financial corporations sector cash flow statement<sup>(a)</sup>**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Cash receipts from operating activities</b>			
Receipts from sales of goods and services	783	748	-35
Grants and subsidies received	156	160	4
GST input credit receipts	13	18	5
Interest receipts	4,724	3,591	-1,132
Other receipts	14	27	13
<b>Total operating receipts</b>	<b>5,690</b>	<b>4,544</b>	<b>-1,145</b>
<b>Cash payments for operating activities</b>			
Payments to employees(b)	-293	-270	23
Payments for goods and services	-714	-462	252
Interest paid	-266	-221	45
GST payment to taxation authority	-16	-20	-4
Distributions paid	-2,583	-2,583	0
Other payments(b)	-64	-51	13
<b>Total operating payments</b>	<b>-3,935</b>	<b>-3,606</b>	<b>329</b>
<b>Net cash flows from operating activities</b>	<b>1,755</b>	<b>938</b>	<b>-817</b>
<b>Cash flows from investments in non-financial assets</b>			
Sales of non-financial assets	0	0	0
Purchases of non-financial assets	-105	-73	31
<b>Net cash flows from investments in non-financial assets</b>	<b>-105</b>	<b>-73</b>	<b>31</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-615</b>	<b>-588</b>	<b>27</b>
<b>Net cash flows from investments in financial assets for liquidity purposes(c)</b>	<b>-130,231</b>	<b>-267,997</b>	<b>-137,766</b>
<b>Net cash flows from financing activities</b>			
Borrowing and deposits received (net)(c)	122,381	262,665	140,284
Other financing (net)	6,776	5,250	-1,526
<b>Net cash flows from financing activities</b>	<b>129,158</b>	<b>267,915</b>	<b>138,757</b>
<b>Net increase/(decrease) in cash held</b>	<b>-39</b>	<b>194</b>	<b>233</b>
<b>Cash at the beginning of the year</b>	<b>702</b>	<b>702</b>	<b>0</b>
<b>Cash at the end of the year</b>	<b>664</b>	<b>896</b>	<b>233</b>
<b>GFS cash surplus(+)/deficit(-)(d)</b>	<b>1,650</b>	<b>865</b>	<b>-785</b>
<i>plus</i> Net cash flows from financing activities for leases(e)	-1	-6	-5
<b>Adjusted GFS cash surplus(+)/deficit(-)(e)</b>	<b>1,649</b>	<b>859</b>	<b>-790</b>

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

(b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.

(c) Reserve Bank of Australia budget estimates are based on assumptions subject to greater variability due to the nature of the business and exposure to external factors, such as foreign exchange and yield movements.

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

(e) To retain a consistent measure of the GFS cash surplus/deficit following the implementation of AASB 16, its calculation is adjusted to include the principal payments on lease liabilities.

## Notes to the general government sector financial statements

### Note 1: External reporting standards and accounting policies

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

The external standards used for the FBO 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 is based on the International Monetary Fund (IMF) accrual GFS framework
- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards as adopted in Australia for use by the not-for-profit sector and specific standards such as 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 the ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and the 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 Consolidated Financial Statements (CFS).

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. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

The statements for the GGS are based on audit-cleared financial statements for material entities with the exception of the Department of Defence.

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

AASB 1049 and the UPF also provide a basis for reporting 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. The ABS GFS does not require total assets to be attributed to functions. In accordance with the ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in Part 1. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in Part 1.

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

AASB 1055 *Budgetary Reporting* requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variances in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth for the 2020-21 year from the 2020-21 Budget to the *Mid-Year Economic and Fiscal Outlook 2020-21* (MYEFO) are discussed in Part 3 of the 2020-21 MYEFO. Explanations of variances for the 2020-21 year from MYEFO to the 2021-22 Budget are disclosed in Statement 3 of 2021-22 Budget Paper No.1, *Budget Strategy and Outlook*. Explanations of variances from the 2021-22 Budget to the Final Budget Outcome for 2020-21 are disclosed in Part 1.

## **Note 2: Departures from external reporting standards**

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 2.13.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Only one measure of each aggregate has been included on the face statements to avoid confusion.

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 2.13: Major differences between AAS and ABS GFS**

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Circulating coins – seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Valuation 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
Timing recognition of Boosting Cash Flow for Employers	Expense recognition based on underlying economic activity that gives rise to the Cash Flow Boost payment	Recognised when the businesses receive payments after submitting their activity statements and having met all requirements.	AAS
Leases	AASB 16 introduced a single lease accounting framework for lessees, which replaced the distinction between operating and finance leases. Right of use assets and lease liabilities are recognised on the balance sheets for leases that were previously accounted for as operating expense.	The distinction between operating leases and finance leases will be continued for lessees.	AAS
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

**Table 2.13: Major differences between AAS and ABS GFS (continued)**

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
<b>Fiscal aggregates differences</b>			
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
<b>Classification differences</b>			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sale for fiscal balance when 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 sale 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

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**Note 3: Taxation revenue by type**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	217,500	221,704	4,204
Gross other individuals	49,500	50,225	725
<i>less: Refunds</i>	36,000	36,265	265
Total individuals and other withholding taxation	231,000	235,664	4,664
Fringe benefits tax	4,040	3,501	-539
Company tax	94,300	99,148	4,848
Superannuation fund taxes	11,680	13,037	1,357
Petroleum resource rent tax	840	897	57
<b>Income taxation revenue</b>	<b>341,860</b>	<b>352,246</b>	<b>10,386</b>
Goods and services tax	71,080	74,688	3,608
Wine equalisation tax	1,070	1,101	31
Luxury car tax	800	900	100
Excise and customs duty			
Petrol	5,850	5,995	145
Diesel	12,480	12,761	281
Other fuel products	1,560	1,582	22
Tobacco	15,080	14,264	-816
Beer	2,550	2,547	-3
Spirits	3,070	3,161	91
Other alcoholic beverages(a)	1,270	1,304	34
Other customs duty			
Textiles, clothing and footwear	170	178	8
Passenger motor vehicles	340	372	32
Other imports	1,180	1,191	11
<i>less: Refunds and drawbacks</i>	790	729	-61
Total excise and customs duty	42,760	42,626	-134
Major bank levy	1,640	1,572	-68
Agricultural levies	509	534	25
Other taxes	6,052	6,555	502
Mirror taxes	583	610	28
<i>less: Transfers to states in relation to mirror tax revenue</i>	583	610	28
Mirror tax revenue	0	0	0
<b>Indirect taxation revenue</b>	<b>123,911</b>	<b>127,975</b>	<b>4,064</b>
<b>Taxation revenue</b>	<b>465,771</b>	<b>480,221</b>	<b>14,450</b>
<i>Memorandum:</i>			
<i>Total excise</i>	23,930	24,503	573
<i>Total customs duty</i>	18,830	18,123	-707

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

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

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Taxes on income, profits and capital gains			
Income and capital gains levied on individuals	235,040	239,169	4,129
Income and capital gains levied on enterprises	106,820	113,077	6,257
<b>Total taxes on income, profits and capital gains</b>	<b>341,860</b>	<b>352,246</b>	<b>10,386</b>
Taxes on employers' payroll and labour force	1,350	1,683	333
Taxes on the provision of goods and services			
Sales/goods and services tax	72,950	76,689	3,739
Excises and levies	24,439	25,037	598
Taxes on international trade	18,830	18,123	-707
<b>Total taxes on the provision of goods and services</b>	<b>116,219</b>	<b>119,849</b>	<b>3,629</b>
Taxes on the use of goods and performance of activities	6,342	6,444	101
<b>Total taxation revenue</b>	<b>465,771</b>	<b>480,221</b>	<b>14,450</b>

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

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Sales of goods	1,352	1,332	-19
Rendering of services	12,668	12,534	-134
Lease rental	92	397	306
Fees from regulatory services	1,836	1,759	-77
<b>Total sales of goods and services revenue</b>	<b>15,947</b>	<b>16,022</b>	<b>76</b>

**Note 5: Interest and dividend and distribution revenue**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Interest from other governments</b>			
State and territory debt	15	16	2
Housing agreements	81	81	0
<b>Total interest from other governments</b>	<b>96</b>	<b>97</b>	<b>2</b>
<b>Interest from other sources</b>			
Advances	1,019	1,074	55
Deposits	196	166	-30
Indexation of HELP receivable and other student loans	280	364	85
Other	1,310	1,331	21
<b>Total interest from other sources</b>	<b>2,805</b>	<b>2,935</b>	<b>130</b>
<b>Total interest</b>	<b>2,901</b>	<b>3,033</b>	<b>132</b>
<b>Dividends and distributions(a)</b>			
Dividends from other public sector entities	2,368	2,962	594
Other dividends and distributions	5,670	7,194	1,525
<b>Total dividends and distributions</b>	<b>8,038</b>	<b>10,156</b>	<b>2,119</b>
<b>Total interest and dividend and distribution revenue</b>	<b>10,939</b>	<b>13,189</b>	<b>2,250</b>

(b) 'Dividends' has been renamed to 'dividends and distributions' to more accurately reflect the transactions included in this item.

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

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Industry contributions	170	199	29
Royalties	573	651	78
Seigniorage	69	87	18
Other	11,419	12,643	1,224
<b>Total other sources of non-taxation revenue</b>	<b>12,231</b>	<b>13,580</b>	<b>1,349</b>



**Note 7: Employee and superannuation expense**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Wages and salaries expenses</b>	<b>21,779</b>	<b>21,373</b>	<b>-406</b>
<b>Other operating expenses</b>			
Leave and other entitlements	2,988	2,542	-446
Separations and redundancies	69	178	109
Workers compensation premiums and claims	2,906	2,779	-127
Other	2,442	2,473	31
<b>Total other operating expenses</b>	<b>8,405</b>	<b>7,972</b>	<b>-433</b>
<b>Superannuation expenses</b>			
Superannuation	12,387	12,256	-131
Superannuation interest cost	7,004	7,177	173
<b>Total superannuation expenses</b>	<b>19,390</b>	<b>19,432</b>	<b>42</b>
<b>Total employee and superannuation expense</b>	<b>49,574</b>	<b>48,777</b>	<b>-797</b>

**Note 8: Depreciation and amortisation expense**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Depreciation</b>			
Specialist military equipment	4,749	4,244	-505
Buildings	3,808	4,124	316
Other infrastructure, plant and equipment	2,066	2,213	147
Heritage and cultural assets	76	75	-1
Other	7	4	-3
<b>Total depreciation(a)</b>	<b>10,707</b>	<b>10,661</b>	<b>-46</b>
<b>Total amortisation</b>	<b>1,144</b>	<b>1,078</b>	<b>-66</b>
<b>Total depreciation and amortisation expense</b>	<b>11,851</b>	<b>11,738</b>	<b>-112</b>
<i>Memorandum:</i>			
<b>Depreciation relating to right of use assets</b>			
Specialist military equipment	31	31	0
Buildings	2,247	2,507	260
Other infrastructure, plant and equipment	342	380	38
Other	7	4	-3
<b>Total depreciation of right of use assets</b>	<b>2,627</b>	<b>2,922</b>	<b>295</b>

(a) Includes depreciation of right of use (leased) assets, resulting from implementation of AASB 16.

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

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Supply of goods and services	38,088	38,246	158
Lease expenses	158	158	0
Personal benefits – indirect	96,339	94,457	-1,882
Health care payments	6,013	5,248	-765
Other	4,002	3,513	-489
<b>Total supply of goods and services expense</b>	<b>144,601</b>	<b>141,622</b>	<b>-2,979</b>

**Note 10: Interest expense**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Interest on debt</b>			
Government securities	17,041	17,041	0
Loans	2	3	1
Other	104	68	-36
<b>Total interest on debt</b>	<b>17,148</b>	<b>17,113</b>	<b>-35</b>
<b>Interest on lease liabilities</b>	<b>356</b>	<b>352</b>	<b>-5</b>
<b>Other financing costs(a)</b>	<b>2,307</b>	<b>1,723</b>	<b>-585</b>
<b>Total interest expense</b>	<b>19,812</b>	<b>19,187</b>	<b>-625</b>

(a) From the 2021-22 Budget, the value of debt not expected to be repaid (DNER) on initial recognition of income contingent concessional loans is reported as a mutually agreed write-down, which is a form of capital transfer. It was previously reported as other financing costs.

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

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Current grants expense</b>			
State and territory governments	128,663	131,265	2,603
Private sector	13,416	12,438	-979
Overseas	4,538	4,413	-125
Non-profit organisations	5,341	5,450	109
Multi-jurisdictional sector	12,411	12,175	-236
Other	2,742	1,225	-1,517
<b>Total current grants expense</b>	<b>167,111</b>	<b>166,966</b>	<b>-145</b>
<b>Capital grants expense</b>			
Mutually agreed write-downs(a)	2,954	2,791	-163
Other capital grants			
State and territory governments	12,199	11,207	-992
Local governments	1,590	1,509	-80
Non-profit organisations	580	428	-152
Private sector	96	63	-32
Overseas	0	60	60
Other	290	239	-51
<b>Total capital grants expense</b>	<b>17,709</b>	<b>16,298</b>	<b>-1,411</b>
<b>Total grants expense</b>	<b>184,820</b>	<b>183,264</b>	<b>-1,556</b>

(a) From the 2021-22 Budget, the value of debt not expected to be repaid (DNER) on initial recognition of income contingent concessional loans is reported as a mutually agreed write-down, which is a form of capital transfer. It was previously reported as other financing costs.

**Note 12: Personal benefits expense**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Social welfare – assistance to the aged	53,538	53,378	-160
Assistance to veterans and dependants	4,945	4,907	-38
Assistance to people with disabilities	28,318	28,212	-106
Assistance to families with children	31,032	30,431	-600
Assistance to the unemployed	31,240	29,692	-1,547
Student assistance	4,643	4,597	-46
Other welfare programs	964	998	34
Financial and fiscal affairs	952	879	-73
Vocational and industry training	57	31	-26
Other	6,200	7,359	1,158
<b>Total personal benefits expense</b>	<b>161,889</b>	<b>160,484</b>	<b>-1,405</b>

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

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Advances paid</b>			
Loans to state and territory governments	2,199	2,233	35
Student loans	54,830	55,485	655
Other	25,551	23,981	-1,570
less Impairment allowance	344	295	-49
<b>Total advances paid</b>	<b>82,235</b>	<b>81,404</b>	<b>-832</b>
<b>Other receivables</b>			
Goods and services receivable	1,470	1,145	-325
Recoveries of benefit payments	5,779	5,581	-198
Taxes receivable	36,510	31,398	-5,113
Prepayments	4,157	4,208	51
Other	21,876	27,216	5,340
less Impairment allowance	2,727	2,692	-35
<b>Total other receivables</b>	<b>67,065</b>	<b>66,855</b>	<b>-210</b>

**Note 14: Investments, loans and placements**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Investments – deposits(a)	5,870	7,611	1,741
IMF quota	12,686	12,474	-212
Other	163,160	168,729	5,569
<b>Total investments, loans and placements</b>	<b>181,717</b>	<b>188,815</b>	<b>7,098</b>

(a) In the 2021-22 Budget, Australian Office of Financial Management moved from primarily using term deposits to a cash management account for investing cash for short-term liquidity management. This resulted in a decrease in investments, loans and placements and an increase in cash and deposits.

**Note 15: Non-financial assets**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Land and buildings</b>			
Land	11,817	12,068	251
Buildings	43,970	43,314	-656
<b>Total land and buildings</b>	<b>55,787</b>	<b>55,382</b>	<b>-405</b>
<b>Plant, equipment and infrastructure</b>			
Specialist military equipment	75,854	74,479	-1,375
Other plant, equipment and infrastructure	17,615	17,704	89
<b>Total plant, equipment and infrastructure</b>	<b>93,468</b>	<b>92,183</b>	<b>-1,286</b>
<b>Inventories</b>			
Inventories held for sale	886	852	-33
Inventories not held for sale	10,824	9,753	-1,072
<b>Total inventories</b>	<b>11,710</b>	<b>10,605</b>	<b>-1,105</b>
<b>Intangibles</b>			
Computer software	5,380	4,998	-383
Other	4,441	4,811	371
<b>Total intangibles</b>	<b>9,821</b>	<b>9,809</b>	<b>-12</b>
<b>Total investment properties</b>	<b>210</b>	<b>191</b>	<b>-19</b>
<b>Total biological assets</b>	<b>28</b>	<b>35</b>	<b>7</b>
<b>Total heritage and cultural assets</b>	<b>11,979</b>	<b>11,860</b>	<b>-119</b>
<b>Total assets held for sale</b>	<b>250</b>	<b>589</b>	<b>340</b>
<b>Total other non-financial assets</b>	<b>37</b>	<b>40</b>	<b>3</b>
<b>Total non-financial assets(a)</b>	<b>183,290</b>	<b>180,694</b>	<b>-2,596</b>
<i>Memorandum:</i>			
<b>Total relating to right of use assets</b>			
Land	154	146	-8
Buildings	17,193	16,665	-528
Specialist military equipment	260	260	0
Other plant, equipment and infrastructure	1,516	1,603	87
<b>Total right of use assets</b>	<b>19,123</b>	<b>18,673</b>	<b>-450</b>

(a) Include right of use (leased) assets, resulting from implementation of AASB 16.

**Note 16: Loans**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
Promissory notes	9,935	10,110	176
Special drawing rights	5,951	5,852	-99
Other	459	432	-27
<b>Total loans</b>	<b>16,345</b>	<b>16,394</b>	<b>49</b>

**Note 17: Employee and superannuation liabilities**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Total superannuation liability(a)</b>	<b>243,455</b>	<b>406,940</b>	<b>163,485</b>
<b>Other employee liabilities</b>			
Leave and other entitlements	9,583	9,508	-75
Accrued salaries and wages	498	551	52
Workers compensation claims	1,903	1,939	36
Military compensation	20,428	25,163	4,735
Other	711	618	-93
<b>Total other employee liabilities</b>	<b>33,124</b>	<b>37,778</b>	<b>4,654</b>
<b>Total employee and superannuation liabilities</b>	<b>276,579</b>	<b>444,718</b>	<b>168,139</b>

(a) For budget reporting purposes, a discount rate determined by actuaries 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 2020-21 FBO was calculated using the spot rates on long-term government bonds as at 30 June 2021 that best matched each individual scheme's liability duration. These rates were between 1.6 and 2.3 per cent per annum.

**Note 18: Provisions and payables**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Suppliers payable</b>			
Trade creditors	5,863	7,031	1,168
Lease rental payable	0	1	1
Personal benefits payables – indirect	2,019	1,377	-641
Other creditors	625	1,485	859
<b>Total suppliers payables</b>	<b>8,507</b>	<b>9,894</b>	<b>1,387</b>
<b>Total personal benefits payables – direct</b>	<b>3,137</b>	<b>3,015</b>	<b>-122</b>
<b>Total subsidies payable</b>	<b>1,090</b>	<b>989</b>	<b>-101</b>
<b>Grants payables</b>			
State and territory governments	42	3,906	3,864
Non-profit organisations	162	208	45
Private sector	450	307	-143
Overseas	1,995	2,057	62
Local governments	8	7	0
Other	1,675	314	-1,361
<b>Total grants payables</b>	<b>4,332</b>	<b>6,800</b>	<b>2,467</b>
<b>Total other payables</b>	<b>3,302</b>	<b>4,782</b>	<b>1,480</b>
<b>Provisions</b>			
Provisions for tax refunds	3,105	3,191	87
Grants provisions	8,415	8,059	-356
Personal benefits provisions – direct	7,758	7,448	-309
Personal benefits provisions – indirect	3,596	3,206	-389
Provisions for subsidies	5,058	5,270	212
Other	26,629	30,730	4,101
<b>Total provisions</b>	<b>54,560</b>	<b>57,904</b>	<b>3,344</b>

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**Note 19: Reconciliation of cash**

	2020-21 Estimate at 2021-22 Budget \$m	2020-21 Outcome \$m	Change on 2021-22 Budget \$m
<b>Net operating balance (revenues less expenses)</b>	<b>-154,549</b>	<b>-128,904</b>	<b>25,645</b>
<i>less</i> Revenues not providing cash			
Other	1,660	2,599	939
<b>Total revenues not providing cash</b>	<b>1,660</b>	<b>2,599</b>	<b>939</b>
<i>plus</i> Expenses not requiring cash			
Increase/(decrease) in employee entitlements	10,062	4,989	-5,073
Depreciation/amortisation expense	11,851	11,738	-112
Mutually agreed write-downs	2,954	2,791	-163
Other	2,976	3,105	129
<b>Total expenses not requiring cash</b>	<b>27,843</b>	<b>22,623</b>	<b>-5,220</b>
<i>plus</i> Cash provided/(used) by working capital items			
Decrease/(increase) in inventories	-2,258	-2,305	-47
Decrease/(increase) in receivables	2,966	2,137	-829
Decrease/(increase) in other financial assets	-1,606	-2,067	-461
Decrease/(increase) in other non-financial assets	510	603	93
Increase/(decrease) in benefits, subsidies and grants payable	-17,648	-16,805	843
Increase/(decrease) in suppliers' liabilities	97	1,728	1,631
Increase/(decrease) in other provisions and payables	3,605	7,879	4,274
<b>Net cash provided/(used) by working capital</b>	<b>-14,334</b>	<b>-8,830</b>	<b>5,504</b>
<i>equals</i> (Net cash from/(to) operating activities)	-142,701	-117,711	24,990
<i>plus</i> (Net cash from/(to) investing activities)	37,791	40,316	2,525
<b>Net cash from operating activities and investment</b>	<b>-104,910</b>	<b>-77,395</b>	<b>27,515</b>
<i>plus</i> (Net cash from/(to) financing activities)	142,150	130,353	-11,796
<b><i>equals</i> Net increase/(decrease) in cash</b>	<b>37,240</b>	<b>52,959</b>	<b>15,719</b>
<b>Cash at the beginning of the year</b>	<b>9,453</b>	<b>9,453</b>	<b>0</b>
Net increase/(decrease) in cash	37,240	52,959	15,719
<b>Cash at the end of the year</b>	<b>46,693</b>	<b>62,412</b>	<b>15,719</b>



## Attachment A

### Financial reporting standards and budget concepts

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

#### AASB 1049 Conceptual framework

AASB 1049 seeks to 'harmonise' the 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. AASB 1049 also provides a basis for whole-of-government reporting, including for the PNFC and PFC sectors.

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 the ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2014*.<sup>1</sup>

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

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

or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.<sup>2</sup>

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

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

### **Operating statement**

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

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

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

'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.

### **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

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

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.

### **Fiscal balance**

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. The fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.<sup>3</sup>

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

### **Balance sheet**

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

### **Net worth**

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

### **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 equity holdings. 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

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<sup>3</sup> The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation is deducted in the calculation of net capital investment as the full investment in non-financial assets is included in the calculation of fiscal balance.

than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

### **Net financial liabilities**

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

### **Net debt**

Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements). Financial assets include the Future Fund's investments in interest bearing securities and collective investment vehicles (CIVs). CIVs enable investors to pool their money and invest the pooled funds, rather than buying securities directly. 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 Australian Government continues to report net debt in accordance with the UPF as described above.

### **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 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>plus</i>
Net cash flows from financing activities for leases
<i>equals</i>
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 excluded 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 this year.

In contrast, net Future Fund earnings have been 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 historical tables in Appendix B.

### **Headline cash balance**

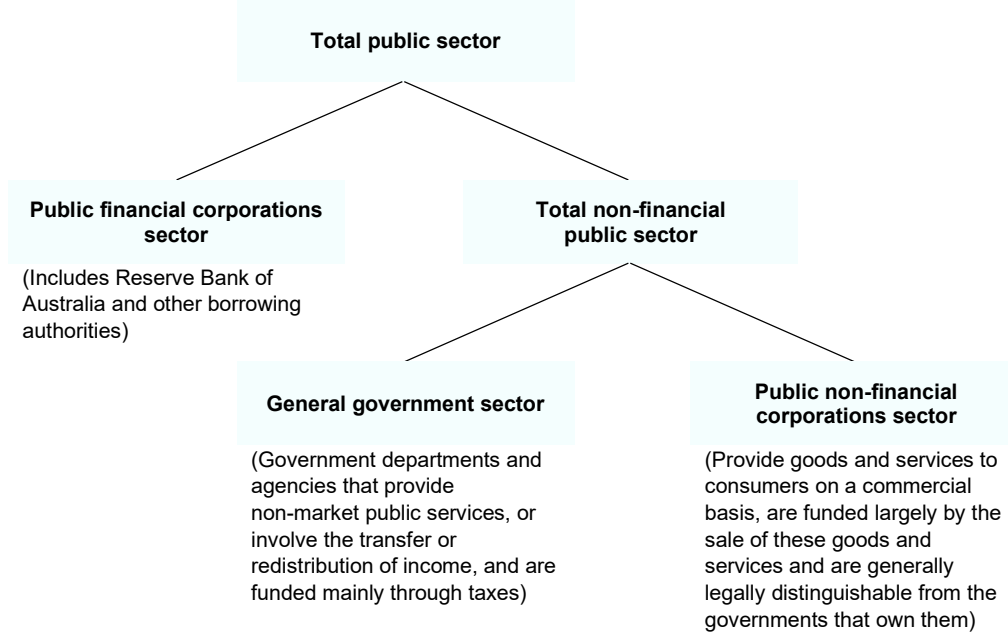
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes to the underlying cash balance.

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

### **Sectoral classifications**

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

**Figure 2.1: Institutional structure of the public sector**



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table 2.14).

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/government/managing-commonwealth-resources/structure-australian-government-public-sector/pgpa-act-flipchart-and-list>.

**Table 2.14: Entities outside of the general government sector – 2020-21**

<b>Public financial corporations</b>
<p>Attorney-General's Portfolio</p> <ul style="list-style-type: none"> <li>• Coal Mining Industry (Long Service Leave Funding) Corporation</li> </ul> <p>Foreign Affairs and Trade Portfolio</p> <ul style="list-style-type: none"> <li>• Export Finance and Insurance Corporation (also referred to as Export Finance Australia)</li> </ul> <p>Industry, Science, Energy and Resources Portfolio</p> <ul style="list-style-type: none"> <li>• CSIRO FollowOn Services Pty Ltd</li> <li>• CSIRO FollowOn Services 2 Pty Ltd</li> <li>• CSIRO General Partner Pty Ltd</li> <li>• CSIRO General Partner 2 Pty Ltd</li> <li>• CSIROGP Fund 2 Pty Ltd</li> </ul>
<p>Treasury Portfolio</p> <ul style="list-style-type: none"> <li>• Australian Reinsurance Pool Corporation</li> <li>• National Housing Finance and Investment Corporation*</li> <li>• Reserve Bank of Australia</li> </ul>

**Table 2.14: Entities outside of the general government sector – 2020-21 (continued)**

<b>Public non-financial corporations</b>
<p>Finance Portfolio</p> <ul style="list-style-type: none"> <li>• ASC Pty Ltd</li> <li>• Australian Naval Infrastructure Pty Ltd</li> </ul> <p>Industry, Science, Energy and Resources Portfolio</p> <ul style="list-style-type: none"> <li>• ANSTO Nuclear Medicine Pty Ltd</li> <li>• Snowy Hydro Limited</li> </ul> <p>Infrastructure, Transport, Regional Development and Communications Portfolio</p> <ul style="list-style-type: none"> <li>• Airservices Australia</li> <li>• Australian Postal Corporation (Australia Post)</li> <li>• Australian Rail Track Corporation Limited</li> <li>• Moorebank Intermodal Company Limited</li> <li>• NBN Co Ltd</li> <li>• WSA Co Ltd</li> </ul> <p>Prime Minister and Cabinet Portfolio</p> <ul style="list-style-type: none"> <li>• Voyages Indigenous Tourism Australia Pty Ltd</li> </ul> <p>Social Services Portfolio</p> <ul style="list-style-type: none"> <li>• Australian Hearing Services (Hearing Australia)</li> </ul>

\* 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). The Facility is included in the GGS.