# Commentary on theConsolidated Financial Statements

## Introduction

The 2020-21 Consolidated Financial Statements (CFS) for the
Australian Government present the whole of government and general government sector (GGS) financial reports and are prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). They are required by section 48 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The CFS includes the consolidated results for all Australian Government controlled entities as well as disaggregated information on the sectors of government (GGS, public non‑financial corporations (PNFC) and public financial corporations (PFC))[[1]](#footnote-1). Unless explicitly stated, the financial results reported in this commentary comprise consolidated amounts for the Australian Government as a whole, inclusive of the GGS and PNFC and PFC sectors[[2]](#footnote-2). The GGS results in the 2020-21 CFS materially align with the 2020-21 Final Budget Outcome.

At a glance

Table 1: Financial results for the year ended 30 June 2021

|  |  |  |  |
| --- | --- | --- | --- |
|   | 2020-21 | 2019-203 | Change |
|   | $b | $b | $b |
| Revenue  | 541.2 | 500.5 | 40.7 |
| Expenses | 671.6 | 599.3 | 72.3 |
| **Net operating balance (a)** | **(130.5)** | **(98.8)** | **(31.6)** |
| Per cent of GDP | 6.3 | 5.0 |   |
| Net capital investment  | 8.5 | 8.1 | 0.4 |
| **Fiscal balance (b)** | **(139.0)** | **(106.9)** | **(32.0)** |
| Per cent of GDP | 6.7 | 5.4 |   |
| Total assets | 1,000.1 | 838.9 | 161.2 |
| Total liabilities | 1,743.4 | 1,518.8 | 224.5 |
| **Net worth (c)** | **(743.2)** | **(679.9)** | **(63.3)** |
| Per cent of GDP | 35.9 | 34.3 |   |
| Net cash flows from operating activities | (115.5) | (68.5) | (47.0) |
| Net cash flows from investments in non-financial assets | (20.2) | (18.9) | (1.2) |
| **Cash surplus/(deficit)** | **(135.7)** | **(87.5)** | **(48.2)** |

1. Net operating balance equals total revenue minus total expenses.
2. Fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment.
3. Net worth is calculated as total assets minus total liabilities.

#### Operating statement (net operating balance)

Table 2: Operating statement

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2020-21 | 2019-20 | Change | Change |
|   | $b | $b | $b | % |
| Revenue  | 541.2 | 500.5 | 40.7 | 8.1 |
| Per cent of GDP | 26.2 | 25.3 |   | 0.9 |
| Expenses | 671.6 | 599.3 | 72.3 | 12.1 |
| Per cent of GDP | 32.5 | 30.2 |   | 2.3 |
| **Net operating balance** | **(130.5)** | **(98.8)** | **(31.6)** | **32.0** |
| Per cent of GDP | 6.3 | 5.0 |   | 1.3 |
| Net capital investment  | 8.5 | 8.1 | 0.4 | 5.4 |
| Per cent of GDP | 0.4 | 0.4 |   | 0.0 |
| **Fiscal balance** | **(139.0)** | **(106.9)** | **(32.0)** | **30.0** |
| Per cent of GDP | 6.7 | 5.4 |   | 1.3 |

Chart 1: Operating statement (per cent of GDP) since 2011-12



#### Balance sheet (net worth)

Table 3: Balance sheet

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2020-21 | 2019-20 | Change | Change |
|   | $b | $b | $b | % |
| Financial assets | 752.1 | 597.1 | 155.0 | 26.0 |
| Non-financial assets | 248.1 | 241.8 | 6.2 | 2.6 |
| **Total assets** | **1,000.1** | **838.9** | **161.2** | **19.2** |
| **Total liabilities** | **1,743.4** | **1,518.8** | **224.5** | **14.8** |
| **Net worth** | **(743.2)** | **(679.9)** | **(63.3)** | **9.3** |
| Per cent of GDP | 35.9 | 34.3 |   | 1.6 |
| **Net financial worth(a)** | **(991.3)** | **(921.7)** | **(69.5)** | **7.5** |
| Per cent of GDP | 47.9 | 46.5 |   | 1.4 |
| **Net debt(b)** | **495.0** | **388.9** | **106.1** | **27.3** |
| Per cent of GDP | 23.9 | 19.6 |   | 4.3 |
| **Net interest payments** | **(12.9)** | **(13.5)** | **0.6** | **4.7** |
| Per cent of GDP | 0.6 | 0.7 |   | 0.1 |

1. Net financial worth equals total financial assets minus total liabilities.
2. Net debt is the sum of deposits held, government securities, loans and lease liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Chart 2: Balance sheet (per cent of GDP) since 2011-12



## Discussion and Analysis

### Net operating balance

The Australian Government’s net operating balance was a $130.5 billion deficit for the year ended 30 June 2021, a deterioration of $31.6 billion against the 30 June 2020 result. The change in the net operating balance reflects the significant impact of the global COVID-19 pandemic and the Government’s economic response to support the Australian economy.

Table 4: Operating statement

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2020-21 | 2019-20 | Change | Change |
|   | $b | $b | $b | % |
| Revenue  | 541.2 | 500.5 | 40.7 | 8.1 |
| Expenses | 671.6 | 599.3 | 72.3 | 12.1 |
| **Net operating balance** | **(130.5)** | **(98.8)** | **(31.6)** | **32.0** |
| *Less* Net acquisitions of non-financial assets | 8.5 | 8.1 | 0.4 | 5.4 |
| **Fiscal balance** | **(139.0)** | **(106.9)** | **(32.0)** | **30.0** |

Chart 3 below shows the composition of the Australian Government’s net operating balance since 2011-12.

Chart 3: Operating statement since 2011-12



#### Revenue

The Australian Government’s revenue increased by $40.7 billion (8.1 per cent) in 2020-21 to $541.2 billion.

Table 5: Revenue

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2020-21 | 2019-20 | Change | Change |
|   | $b | $b | $b | % |
| Taxation revenue | 479.9 | 447.1 | 32.8 | 7.3 |
| Non-taxation revenue | 61.3 | 53.4 | 7.9 | 14.7 |
| **Total revenue** | **541.2** | **500.5** | **40.7** | **8.1** |

#### Taxation revenue

The Australian Government’s total taxation revenue for the year ended 30 June 2021 was $479.9 billion. The composition of taxation revenue is shown in Chart 4 below.

Chart 4: Composition of taxation revenue

\* Other includes: Superannuation funds taxes ($13.0 billion); Other indirect taxation ($8.3 billion); Fringe benefits tax ($3.5 billion); and Resource rent taxes ($0.9 billion).

Taxation revenue increased by $32.8 billion (7.3 per cent) in comparison to 2019‑20. This increase is primarily driven by:

* an increase of $11.5 billion in **company tax** as a result of stronger profitability, including in the resources sector;
* an increase of $9.9 billion in **sales taxes** driven by stronger household consumption;
* an increase of $6.4 billion in **superannuation fund taxes** largely due to significant foreign exchange gains; and
* an increase of $5.9 billion in **individuals and other withholding taxes** reflecting stronger labour market conditions.

Refer to Note 2A of the 2020-21 CFS for further information.

#### Non-taxation revenue

The Australian Government’s total non-taxation revenue for the year ended 30 June 2021 was $61.3 billion. For more information, refer to Notes 2B to 2D of the 2020-21 CFS.

#### Expenses

The Australian Government’s total expenses for the year ended 30 June 2021 were $671.6 billion. The composition of expenses is shown in Chart 5 below.

Chart 5: Composition of expenses

The Australian Government’s total expenses increased by $72.3 billion (12.1 per cent) in comparison to 2019-20. The key changes were:

* an increase of $22.3 billion in **capital and current grants**, primarily as a result of increased grants to state and territory governments;
* an increase in **subsidy expenses** of $18.0 billion, primarily reflecting an increase in JobKeeper payments ($25.5 billion) which have been partially offset by a reduction in the temporary tax-free cash flow boosts to support businesses ($11.3 billion);
* an increase in **gross operating expenses** of $16.2 billion driven by:
	+ an increase in benefits to households in goods and services of $12.5 billion, primarily relating to an increase in participants under the National Disability Insurance Scheme ($5.8 billion) and increased spending in medical and pharmaceutical benefits ($4.2 billion); and
	+ an increase in the general supply of goods and services across government entities ($3.1 billion); and
* an increase in **personal benefits** of $15.8 billion, driven by increased payments associated with the Government’s economic response to the COVID-19 pandemic, including JobSeeker and support for seniors and students ($14.5 billion).

Chart 6 below provides a presentation of total expenses based on how the Australian Government allocated resources across the range of policy areas. The chart highlights the relative cost of each function for 2020-21.

Chart 6: Total expenses by function

\* Other includes: Fuel and energy ($10.7 billion); Public order and safety ($6.5 billion); Housing and community amenities ($6.5 billion); Recreation and culture ($4.1 billion); Mining, manufacturing and construction ($4.1 billion); and Agriculture, forestry and fishing ($3.2 billion).

Refer to Note 3 of the 2020-21 CFS for further information on expenses.

#### Net worth

The Australian Government’s net worth declined by $63.3 billion in 2020-21 to a negative net worth of $743.2 billion as at 30 June 2021.

Table 6: Balance sheet

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2020-21 | 2019-20 | Change | Change |
|   | $b | $b | $b | % |
| Financial assets | 752.1 | 597.1 | 155.0 | 26.0 |
| Non-financial assets | 248.1 | 241.8 | 6.2 | 2.6 |
| **Total assets** | **1,000.1** | **838.9** | **161.2** | **19.2** |
| Interest bearing liabilities | 1,111.9 | 866.6 | 245.2 | 28.3 |
| Provisions and payables | 631.5 | 652.2 | (20.7) | 3.2 |
| **Total liabilities** | **1,743.4** | **1,518.8** | **224.5** | **14.8** |
| **Net worth** | **(743.2)** | **(679.9)** | **(63.3)** | **9.3** |

Chart 7 below shows the composition of the Australian Government’s financial position since 2011-12.

Chart 7: Balance sheet since 2011-12



#### Assets

The Australian Government’s total assets as at 30 June 2021 were $1,000.1 billion.

Table 7: Assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2020-21 | 2019-20 | Change | Change |
|   | $b | $b | $b | % |
| Financial assets |   |   |   |   |
| Cash and deposits | 7.7 | 8.0 | (0.2) | 2.5 |
| Advances paid | 71.6 | 64.8 | 6.8 | 10.4 |
| Other receivables and accrued revenue | 59.3 | 66.7 | (7.4) | 11.1 |
| Investments, loans and placements | 526.2 | 394.6 | 131.6 | 33.3 |
| Equity investments | 87.3 | 63.0 | 24.3 | 38.6 |
| Total financial assets | 752.1 | 597.1 | 155.0 | 26.0 |
| Non-financial assets | 248.1 | 241.8 | 6.2 | 2.6 |
| **Total assets** | **1,000.1** | **838.9** | **161.2** | **19.2** |

The Australian Government’s total assets increased by $161.2 billion (19.2 per cent) since 30 June 2020. The composition of assets is shown in Chart 8 below.

Chart 8: Composition of assets

The key changes in **assets** were:

* an increase of $131.6 billion in **investments, loans and placements**, primarily driven by the purchase of government securities held by the Reserve Bank of Australia as part of the Government’s economic response to the COVID-19 pandemic ($117.2 billion);
* an increase of $24.3 billion in **equity investments**, mainly due to an increase in investments held by the Future Fund; and
* an increase of $6.2 billion in **non-financial assets** primarily due to a $2.2 billion increase in specialist military equipment as a result of additions and revaluation adjustments.

Note 5 of the 2020-21 CFS provides further information on assets.

#### Liabilities

The Australian Government’s total liabilities were $1,743.4 billion as at 30 June 2021.

Table 8: Liabilities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2020-21 | 2019-20 | Change | Change |
|   | $b | $b | $b | % |
| Interest bearing liabilities | 1,111.9 | 866.6 | 245.2 | 28.3 |
| Provisions and payables | 631.5 | 652.2 | (20.7) | 3.2 |
| **Total liabilities** | **1,743.4** | **1,518.8** | **224.5** | **14.8** |

The Australian Government’s liabilities increased by $224.5 billion (14.8 per cent) since 30 June 2020. The composition of liabilities is shown in Chart 9 below.

**Chart 9: Composition of liabilities**

The increase of $245.2 billion in **interest bearing liabilities** is primarily due to:

* an increase in the deposit liabilities of $277.0 billion primarily driven by an increase in exchange settlement funds ($268.3 billion); partially offset by
* a decrease in the government securities of $42.0 billion driven by a reduction in the issuance volume and market value of Australian Government Securities held by the Australian Office of Financial Management.

The decrease in **provisions and payables** of $20.7 billion primarily resulted from:

* a decrease in unfunded superannuation provisions ($23.6 billion) as a result of an actuarial revaluation (refer Note 9C for further information); and
* a decrease in provisions for Jobkeeper and cash flow boost payments to business as the Government’s economic response to the COVID-19 pandemic moves forward ($18.8 billion); partially offset by
* an increase to the actuarial revaluation of other employee liabilities and other provisions relating to military compensation of $11.9 billion;
* an increase in Australian currency on issue of $5.4 billion; and
* an increase in grants payable to State and Territory governments ($3.8 billion) resulting from GST collections.

Note 6 of the 2020-21 CFS provides further information on liabilities.

#### Cash flows

The Australian Government’s cash balance was $7.7 billion at 30 June 2021. For the year ended 30 June 2021, the Australian Government recorded a cash deficit of $135.7 billion compared to a cash deficit of $87.5 billion for 2019-20.

Table 9: Cash flows

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2020-21 | 2019-20 | Change | Change |
|   | $b | $b | $b | % |
| Cash receipts |   |   |   |   |
| Operating activities | 537.4 | 484.6 | 52.8 | 10.9 |
| Investing activities in non-financial assets | 0.4 | 1.8 | (1.5) | 83.3 |
| Investing activities in financial assets for policy purposes | 7.6 | 6.6 | 1.0 | 15.2 |
| Financing activities (net) | 289.0 | 163.2 | 125.8 | 77.1 |
| **Total cash receipts** | **834.4** | **656.2** | **178.1** | **27.1** |
| Cash payments |   |   |   |   |
| Operating activities | 652.9 | 553.1 | 99.8 | 18.0 |
| Investing activities in non-financial assets | 20.5 | 20.8 | (0.2) | 1.0 |
| Investing activities in financial assets for policy purposes | 16.1 | 13.4 | 2.7 | 20.1 |
| Investing activities in financial assets for liquidity purposes (net) | 133.3 | 58.5 | 74.9 | >100.0 |
| Financing activities (net) | 11.7 | 11.0 | 0.7 | 6.4 |
| **Total cash payments** | **834.6** | **656.7** | **(177.9)** | **27.1** |
| **Net movement in cash** | **(0.2)** | **(0.5)** | **0.2** | **49.7** |
| Cash at beginning of the year | 8.0 | 8.5 | (0.5) | 5.9 |
| **Cash at end of year** | **7.7** | **8.0** | **(0.2)** | **2.5** |
| **Key fiscal aggregate** |   |   |   |   |
| Net cash flows from operating activities | (115.5) | (68.5) | (47.0) | 68.6 |
| Net cash flows from investments in non-financial assets | (20.2) | (18.9) | (1.2) | 6.3 |
| **Cash surplus/(deficit)** | **(135.7)** | **(87.5)** | **(48.2)** | **55.1** |

#### Receipts and payments

The following charts provide a detailed breakdown of Australian Government receipts and payments for 2020-21, showing the relative composition of each dollar received and paid.

Chart 10: Composition of each dollar of cash received in 2020-21

Chart 11: Composition of each dollar of cash paid in 2020-21

Chart 12 provides the trend of the Australian Government’s receipts and payments for operating activities and the sales and purchases of non-financial assets since 2011-12.

Chart 12: Receipts and payments – operating and non-financial assets



APPENDIX A

Previous years

The CFS since 1995-96 are available on the Department of Finance website at:
http://www.finance.gov.au/publications/commonwealth-consolidated-financial-statements.

The historical series datasets are available in electronic format at:
http://data.gov.au/dataset/australian-government-consolidated-financial-statements-tables-and-data.

Links to other publications

The Australian Government publishes a range of information about its projected and actual financial position. Links to some of these documents are set out below. The information in the following documents has been prepared for different purposes and therefore does not form part of the CFS. Further, the documents listed below are not subject to audit.

#### 2020-21 Final Budget Outcome

The 2020-21 Final Budget Outcome (FBO) was prepared in a manner consistent with the *Charter of Budget Honesty Act 1998* (the Charter). The Charter requires that the Government provide the FBO no later than three months after the end of the financial year. Consistent with these requirements, the FBO encompasses Australian Government GGS fiscal outcomes for the 2020-21 financial year and is based on external reporting standards.

The 2020-21 FBO was released on the 30 September 2021 and is available on the Australian Government website at:

https://archive.budget.gov.au/2020-21/index.htm.

#### Australian Government Monthly Financial Statements

The Australian Government GGS monthly financial statements (MFS) are prepared on a basis consistent with the Budget as required under section 47 of the PGPA Act. The statements are prepared in accordance with AASB 1049.

The Australian Government GGS MFS are available on the website of the Minister for Finance as well as the Department of Finance website:

https://www.finance.gov.au/publications/commonwealth-monthly-financial-statements/ and http://www.financeminister.gov.au/media-releases/2021.

The historical series datasets are available in electronic format at: <http://data.gov.au/dataset/australian-government-general-government-sector-monthly-financial-statements-tables-and-data>.

#### Budget Strategy and Outlook and Mid-Year Economic and Fiscal Outlook

The Budget Strategy and Outlook — Budget Paper No.1 — 2020-21, the Mid-Year Economic and Fiscal Outlook 2020-21 and the Budget Strategy and Outlook — Budget Paper No.1 — 2021-22 have been prepared in accordance with the Charter.

These Budget papers are available on the Australian Government website at http://www.budget.gov.au/.

#### Tax Benchmarks and Variations Statement 2020

The Tax Benchmarks and Variations Statement provides details of concessions, benefits, incentives and charges provided through the tax system (tax expenditures) to taxpayers by the Australian Government. Information is published on the Treasury website at:

https://treasury.gov.au/publication/p2021-145906.

1. The institutional structure of the public sector is explained in Note 1 of the 2020-21 CFS.
Note 14 of the 2020-21 CFS provides the list of Australian Government controlled reporting entities, including their sectoral classification. [↑](#footnote-ref-1)
2. The balances and movements detailed in the commentary have been rounded to the nearest tenth of a billion. Discrepancies between totals and sums of components are due to rounding.

3 The 2019-20 comparatives include restatements. Refer to Note 1.5 of the 2020-21 CFS for further information. [↑](#footnote-ref-2)