# Commentary on the Consolidated Financial Statements

## Introduction

The 2021-22 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 government sectors (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, PNFC and PFC sectors[[2]](#footnote-2). The GGS results in the 2021‑22 CFS materially align with the 2021-22 Final Budget Outcome.

At a glance

Table 1: Financial results for the year ended 30 June 2022

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Revenue | 623.2 | 541.2 | 82.0 | 15.2 |
| Expenses | 643.7 | 671.6 | (28.0) | 4.2 |
| **Net operating balance(a)** | **(20.5)** | **(130.5)** | **110.0** | **84.3** |
| Per cent of GDP | (0.9) | (6.3) |  |  |
| Net capital investment | 11.1 | 8.5 | 2.6 | 29.4 |
| **Fiscal balance(b)** | **(31.5)** | **(139.0)** | **107.4** | **77.3** |
| Per cent of GDP | (1.4) | (6.7) |  |  |
| Total assets | 1,053.4 | 1,000.1 | 53.2 | 5.3 |
| Total liabilities | 1,660.5 | 1,743.4 | (82.8) | 4.8 |
| **Net worth(c)** | **(607.2)** | **(743.2)** | **136.0** | **18.3** |
| Per cent of GDP | (26.4) | (35.9) |  |  |
| Net cash flows from operating activities | (5.1) | (115.5) | 110.4 | 95.6 |
| Net cash flows from investments in non-financial assets | (23.8) | (20.2) | (3.6) | 17.3 |
| **Cash surplus/(deficit)** | **(28.9)** | **(135.7)** | **106.8** | **78.7** |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Revenue | 623.2 | 541.2 | 82.0 | 15.2 |
| Per cent of GDP | 27.1 | 26.2 |  |  |
| Expenses | 643.7 | 671.6 | (28.0) | 4.2 |
| Per cent of GDP | 28.0 | 32.5 |  |  |
| **Net operating balance** | **(20.5)** | **(130.5)** | **110.0** | **84.3** |
| Per cent of GDP | (0.9) | (6.3) |  |  |
| Net capital investment | 11.1 | 8.5 | 2.6 | 29.4 |
| Per cent of GDP | 0.5 | 0.4 |  |  |
| **Fiscal balance** | **(31.5)** | **(139.0)** | **107.4** | **77.3** |
| Per cent of GDP | (1.4) | (6.7) |  |  |

Chart 1: Operating statement (per cent of GDP) since 2012-13

#### Balance sheet (net worth)

Table 3: Balance sheet

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Financial assets | 787.8 | 752.1 | 35.7 | 4.7 |
| Non-financial assets | 265.6 | 248.1 | 17.5 | 7.1 |
| **Total assets** | **1,053.4** | **1,000.1** | **53.2** | **5.3** |
| **Total liabilities** | **1,660.5** | **1,743.4** | **(82.8)** | **4.8** |
| **Net worth** | **(607.2)** | **(743.2)** | **136.0** | **18.3** |
| Per cent of GDP | (26.4) | (35.9) |  |  |
| **Net financial worth(a)** | **(872.8)** | **(991.3)** | **118.5** | **12.0** |
| Per cent of GDP | (38.0) | (47.9) |  |  |
| **Net debt(b)** | **429.3** | **495.0** | **(65.7)** | **13.3** |
| Per cent of GDP | 18.7 | 23.9 |  |  |
| **Net interest payments** | **(8.6)** | **(12.9)** | **4.3** | **33.3** |
| Per cent of GDP | (0.3) | (0.6) |  |  |

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 2012-13

## Discussion and Analysis

### Net operating balance

The Australian Government’s net operating balance was a $20.5 billion deficit for the year ended 30 June 2022, an improvement of $110.0 billion against the 30 June 2021 result.

Table 4: Operating statement

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Revenue | 623.2 | 541.2 | 82.0 | 15.2 |
| Expenses | 643.7 | 671.6 | (28.0) | 4.2 |
| **Net operating balance** | **(20.5)** | **(130.5)** | **110.0** | **84.3** |
| *Less* Net acquisitions of non-financial assets | 11.1 | 8.5 | 2.6 | 29.4 |
| **Fiscal balance** | **(31.5)** | **(139.0)** | **107.4** | **77.3** |

Chart 3 below shows the composition of the Australian Government’s net operating balance since 2012-13.

Chart 3: Operating statement since 2012-13

#### Revenue

The Australian Government’s revenue increased by $82.0 billion (15.2 per cent) in 2021-22 to $623.2 billion.

Table 5: Revenue

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Taxation revenue | 549.4 | 479.9 | 69.5 | 14.5 |
| Non-taxation revenue | 73.8 | 61.3 | 12.6 | 20.2 |
| **Total revenue** | **623.2** | **541.2** | **82.0** | **15.2** |

#### Taxation revenue

The Australian Government’s total taxation revenue for the year ended 30 June 2022 was $549.4 billion. The composition of taxation revenue is shown in Chart 4 below.

Chart 4: Composition of taxation revenue

\* Other includes: Customs duty ($16.9 billion); Other indirect taxation ($8.6 billion); Fringe benefits tax ($3.3 billion); and Resource rent taxes ($2.2 billion).

Taxation revenue increased by $69.5 billion (14.5 per cent) in comparison to 2020‑21. This increase is primarily driven by:

* a $28.9 billion increase in **individuals and other withholding taxes** largely due to stronger labour market conditions, supporting higher employment and wages;
* a $26.5 billion increase in **company tax** as a result of high bulk non-rural commodity prices; and
* a $13.5 billion increase in **superannuation fund taxes** reflecting higher earnings and contributions.

Refer to Note 2A of the 2021-22 CFS for further information.

#### Non-taxation revenue

The Australian Government’s total non-taxation revenue for the year ended 30 June 2022 was $73.8 billion. For more information, refer to Notes 2B to 2D of the 2021-22 CFS.

#### Expenses

The Australian Government’s total expenses as at 30 June 2022 were $643.7 billion.

Table 6: Expenses

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Gross operating expenses | 238.4 | 215.4 | 22.9 | 10.6 |
| Interest expense | 30.5 | 27.5 | 3.1 | 10.9 |
| Grants and capital transfers | 203.5 | 183.0 | 20.5 | 11.2 |
| Personal benefits | 154.5 | 160.5 | (6.0) | 3.7 |
| Subsidies | 16.9 | 85.2 | (68.4) | 80.2 |
| **Total expenses** | **643.7** | **671.6** | **(28.0)** | **4.2** |

The Australian Government’s total expenses decreased by $28.0 billion (4.2 per cent) since 30 June 2021. The composition of expenses is shown in Chart 5 below.

Chart 5: Composition of expenses

The key movements in expenses were:

* a decrease in **subsidy** and **personal benefit expenses** of $74.4 billion, primarily reflecting the cessation of pandemic related programs including JobKeeper and Cashflow boost payments for businesses and lower utilisation of unemployment benefits due to a stronger labour market; partially offset by
* an increase in **gross operating expenses** of $22.9 billion driven by:
  + an increase in benefits to households in goods and services of $10.7 billion, relating to an increase in participants under the National Disability Insurance Scheme ($5.3 billion) and increased spending in medical and pharmaceutical benefits ($5.4 billion); and
  + an increase in the general supply of goods and services of $9.9 billion, which in part, is driven by increased expenditure relating to the Defence function ($3.5 billion); and
* an increase in **grants** to states and territories of $20.5 billion, largely due to demand driven COVID-19 measures.

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 2021-22.

Chart 6: Total expenses by function

^ Other purposes includes public debt transactions, general purpose inter-government transactions and natural disaster relief. Grants to and through state and territory governments are recorded against the ‘other purposes’ function.

\* Other includes: Fuel and energy ($12.8 billion); Housing and community amenities ($7.1 billion); Public order and safety ($6.5 billion); Recreation and culture ($4.3 billion); Mining, manufacturing and construction ($3.9 billion); and Agriculture, forestry and fishing ($3.2 billion).

Refer to Note 3 of the 2021-22 CFS for further information on expenses.

#### Net worth

The Australian Government’s net worth increased by $136.0 billion in 2021-22 to a negative net worth of $607.2 billion as at 30 June 2022.

Table 7: Balance sheet

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Financial assets | 787.8 | 752.1 | 35.7 | 4.7 |
| Non-financial assets | 265.6 | 248.1 | 17.5 | 7.1 |
| **Total assets** | **1,053.4** | **1,000.1** | **53.2** | **5.3** |
| Interest bearing liabilities | 1,108.9 | 1,111.9 | (3.0) | 0.3 |
| Provisions and payables | 551.6 | 631.5 | (79.9) | 12.6 |
| **Total liabilities** | **1,660.5** | **1,743.4** | **(82.8)** | **4.8** |
| **Net worth** | **(607.2)** | **(743.2)** | **136.0** | **18.3** |

Chart 7 below shows the composition of the Australian Government’s financial position since 2012-13.

Chart 7: Balance sheet since 2012-13

#### Assets

The Australian Government’s total assets as at 30 June 2022 were $1,053.4 billion.

Table 8: Assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Financial assets |  |  |  |  |
| Cash and deposits | 8.7 | 7.7 | 1.0 | 13.0 |
| Advances paid | 70.6 | 71.6 | (1.0) | 1.4 |
| Other receivables and accrued revenue | 68.6 | 59.3 | 9.4 | 15.9 |
| Investments, loans and placements | 564.0 | 526.2 | 37.8 | 7.2 |
| Equity investments | 75.9 | 87.3 | (11.4) | 13.1 |
| Total financial assets | 787.8 | 752.1 | 35.7 | 4.7 |
| Non-financial assets | 265.6 | 248.1 | 17.5 | 7.1 |
| **Total assets** | **1,053.4** | **1,000.1** | **53.2** | **5.3** |

The Australian Government’s total assets increased by $53.2 billion (5.3 per cent) since 30 June 2021. The composition of assets is shown in Chart 8 below.

Chart 8: Composition of assets

The key changes in **financial assets** were:

* an increase of $37.8 billion in **investments, loans and placements**, primarily driven by an increase in investments held by the Future Fund ($16.5 billion) and an additional IMF allocation to the Government ($13.4 billion);
* an increase of $9.4 billion in **other receivables and accrued revenue** largely reflecting higher tax collections due to growth in employment ($5.9 billion); partially offset by
* a decrease of $11.4 billion in **equity investments**, mainly due to a change in the composition of investments held by the Future Fund.

The key changes in **non-financial assets** were:

* an increase in **specialist military equipment** ($6.4 billion) as a result of additions and revaluation adjustments;
* a $3.0 billion increase in **buildings** primarily due to the construction of Centres of National Resilience; and
* an increase in **inventories** of $1.1 billion, driven by the purchase of supplies for the National Medical Stockpile.

Note 5 of the 2021-22 CFS provides further information on assets.

#### Liabilities

The Australian Government’s total liabilities were $1,660.5 billion as at  2022.

Table 9: Liabilities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Interest bearing liabilities | 1,108.9 | 1,111.9 | (3.0) | 0.3 |
| Provisions and payables | 551.6 | 631.5 | (79.9) | 12.6 |
| **Total liabilities** | **1,660.5** | **1,743.4** | **(82.8)** | **4.8** |

The Australian Government’s liabilities decreased by $82.8 billion (4.8 per cent) since 30 June 2021. The composition of liabilities is shown in Chart 9 below.

**Chart 9: Composition of liabilities**

The decrease in **provisions and payables** of $79.9 billion is primarily driven by:

* a decrease in superannuation provisions ($85.5 billion) largely due to an increase in the rates used to discount expected future superannuation payments (refer Note 9C for further information); partially offset by
* an increase in Australian currency on issue of $6.9 billion.

Note 6 of the 2021-22 CFS provides further information on liabilities.

#### Cash flows

The Australian Government’s cash balance was $8.7 billion at 30 June 2022. For the year ended 30 June 2022, the Australian Government recorded a cash deficit of $28.9 billion compared to a cash deficit of $135.7 billion for 2020-21.

Table 10: Cash flows

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021-22 | 2020-21 | Change | Change |
|  | $b | $b | $b | % |
| Cash receipts |  |  |  |  |
| Operating activities | 606.7 | 537.4 | 69.3 | 12.9 |
| Investing activities in non-financial assets | 0.6 | 0.4 | 0.2 | 50.0 |
| Investing activities in financial assets for policy purposes | 8.4 | 7.6 | 0.8 | 10.5 |
| Financing activities (net) | 131.2 | 289.0 | (157.8) | 54.6 |
| **Total cash receipts** | **746.8** | **834.4** | **(87.6)** | **10.5** |
| Cash payments |  |  |  |  |
| Operating activities | 611.8 | 652.9 | (41.2) | 6.3 |
| Investing activities in non-financial assets | 24.4 | 20.5 | 3.8 | 18.5 |
| Investing activities in financial assets for policy purposes | 13.9 | 16.1 | (2.2) | 13.7 |
| Investing activities in financial assets for liquidity purposes (net) | 54.7 | 133.3 | (78.7) | 59.0 |
| Financing activities (net) | 41.1 | 11.7 | 29.5 | >100.0 |
| **Total cash payments** | **745.8** | **834.6** | **88.8** | **10.6** |
| **Net movement in cash** | **1.0** | **(0.2)** | **1.2** | **>100.0** |
| Cash at beginning of the year | 7.7 | 8.0 | (0.2) | 3.8 |
| **Cash at end of year** | **8.7** | **7.7** | **1.0** | **13.0** |
| **Key fiscal aggregate** |  |  |  |  |
| Net cash flows from operating activities | (5.1) | (115.5) | 110.4 | 95.6 |
| Net cash flows from investments in non-financial assets | (23.8) | (20.2) | (3.6) | 17.3 |
| **Cash surplus/(deficit)** | **(28.9)** | **(135.7)** | **106.8** | **78.7** |

#### Receipts and payments

The following charts provide a detailed breakdown of Australian Government receipts and payments for 2021-22, showing the relative composition of each dollar received and paid.

Chart 10: Composition of each dollar of cash received in 2021-22

Chart 11: Composition of each dollar of cash paid in 2021-22

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.

#### 2021-22 Final Budget Outcome

The 2021-22 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 2021-22 financial year and is based on external reporting standards.

The 2021-22 FBO was released on the 28 September 2022 and is available on the Australian Government website at:

https://archive.budget.gov.au/2021-22/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/2022.

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 — 2021-22, the Mid-Year Economic and Fiscal Outlook 2021-22, the Budget Strategy and Outlook — Budget Paper No.1 — 2022-23 (March) and the Pre-election Economic and Fiscal Outlook 2022 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 2021

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/p2022-244177.

1. The institutional structure of the public sector is explained in Note 1 of the 2021-22 CFS.   
   Note 14 of the 2021-22 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. [↑](#footnote-ref-2)