

Section 3: Budgeted Financial Statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2016-17 Budget year, including the impact of Budget measures and resourcing on financial statements.

**Financial
Statements**

3.1 Budgeted Financial Statements

3.1.1 Differences Between Entity Resourcing and Financial Statements

This section is not applicable to the Department of Health.

3.1.2 Explanatory Notes and Analysis of Budgeted Financial Statements

Departmental

The departmental budgeted financial statements include the Department of Health, the Therapeutic Goods Administration (TGA), the Office of Gene Technology Regulator (OGTR), and the National Industrial Chemicals Notification and Assessments Scheme (NICNAS).

Comprehensive Income Statement

The Department is anticipating a break-even position net of unfunded expenses including depreciation, in the current and forward years.

Revenues predominantly relate to the cost recovery operations of TGA and NICNAS.

An increase in expenses and revenues from 2016-17 onwards with a part year effect in 2015-16, are a result of the transfer of the Ageing and Aged Care and the Medicare provider compliance functions from the Department of Social Services (DSS) and the Department of Human Services (DHS) respectively, under the Administrative Arrangement Order (AAO) made on 30 September 2015.

Balance Sheet

An increase in non-financial assets and provisions from 2015-16 reflects the AAO on 30 September 2015, with the transfer of leasehold improvements, plant and equipment and employee provision balances for employees transferred to the Department.

In addition, non-financial assets increased due to the fair value increment for land and buildings at the end of the 2014-15 year. Assets and liabilities are anticipated to remain relatively stable across the forward years.

Cash Flow

Cash flows are consistent with projected income and expense, appropriations from Government, and expenditure on property, plant and equipment, and intangibles.

Administered

Major Estimate Changes

The Ageing and Aged Care functions were transferred from the Department of Social Services as a result of revised Administrative Arrangements Orders of 30 September 2015. The 2015-16 estimates therefore reflect a part year effect and 2016-17 and forward years provide the full year revenue and expense estimates of this function transfer.

The Health and Hospitals Fund Special Account ceased in October 2015 and was replaced by a Special Appropriation under the *Health Insurance Act 1973*. Payments to State and Territory Governments are now paid through the COAG Reform Fund by the Department of Treasury.

Schedule of Budgeted Income and Expenses

Revenue estimates include levies for the medical indemnity and recoveries for pharmaceutical, aged care and Medicare recoveries.

Personal benefits include pharmaceutical and medical benefits and the Private Health Insurance rebate.

Subsidies mainly include payments for the ageing and aged care functions.

Write down and impairment of assets provides for the obsolescence and expiry of the drug stockpile inventory and the concessional loan discount relates to the recognition of the expenses up-front when making concessional interest loans to aged care providers.

Schedule of Budgeted Assets and Liabilities

The administered Schedule of Budgeted Assets and Liabilities primarily reports movements in liabilities, including estimates for accrued liabilities for unpaid amounts relating to medical benefits, pharmaceutical benefits, and the private health insurance rebate.

The administered Schedule of Budgeted Assets and Liabilities also includes estimates for the value of the National Medical Stockpile inventories, provisions for medical indemnity and investments for the Biomedical Translation Fund.

Control of My Health Record will be transferred to the newly created Australian Digital Health Agency effective 1 July 2016.

Schedule of Administered Capital Budget

Capital funding of \$150.5 million has been provided in 2016-17 to provide for further investment in the Biomedical Translation Fund and replenishment of the National Medical Stockpile.

Cash Flows

Cash flows are consistent with projected income and expenses, capital injections from Government and investments in inventory and the Biomedical Translation Fund.

3.2 Budgeted Financial Statements Tables

Table 3.1: Comprehensive Income Statement (showing net cost of services for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
EXPENSES					
Employee benefits	520,497	583,308	580,788	591,110	586,428
Supplier expenses	238,010	204,951	205,093	195,366	195,940
Depreciation and amortisation	21,851	28,817	30,368	33,412	30,246
Write-down and impairment of assets	252	-	-	-	-
Other expenses	4,054	11,900	4,000	4,000	4,000
Total expenses	784,664	828,976	820,249	823,888	816,614
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	171,211	173,153	176,061	182,862	183,359
Interest	-	-	2,154	2,154	2,154
Other revenue	2,407	2,428	2,450	2,473	2,498
Total revenue	173,618	175,581	180,665	187,489	188,011
Gains					
Other	-	-	-	-	-
Total gains	-	-	-	-	-
Total own-source income	173,618	175,581	180,665	187,489	188,011
Net cost of (contribution by) services	611,046	653,395	639,584	636,399	628,603
Revenue from Government	594,997	625,680	615,724	614,815	610,343
Surplus (deficit)	(16,049)	(27,715)	(23,860)	(21,584)	(18,260)
Surplus (deficit) attributable to the Australian Government	(16,049)	(27,715)	(23,860)	(21,584)	(18,260)
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income attributable to the Australian Government	(16,049)	(27,715)	(23,860)	(21,584)	(18,260)

Table 3.1: Comprehensive Income Statement (showing net cost of services for the period ended 30 June) (continued)**Note: Reconciliation of comprehensive income attributable to the entity**

	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
Total comprehensive income (loss) attributable to the Australian Government	(16,049)	(27,715)	(23,860)	(21,584)	(18,260)
plus non-appropriated expenses including depreciation and amortisation expenses	16,049	27,715	23,860	21,584	18,260
Total comprehensive income (loss) attributable to the entity	-	-	-	-	-

Table 3.2: Budgeted Departmental Balance Sheet (as at 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	82,989	69,374	65,042	71,093	76,729
Receivables	139,713	148,920	146,484	146,484	146,484
Other	5,257	5,257	5,257	5,257	5,257
Total financial assets	227,959	223,551	216,783	222,834	228,470
Non-financial assets					
Land and buildings	58,139	52,628	50,684	43,201	36,535
Property, plant and equipment	9,058	10,062	11,026	11,442	11,766
Intangibles	121,664	151,860	148,979	139,458	137,780
Other	5,288	4,788	4,788	4,788	4,788
Total non-financial assets	194,149	219,338	215,477	198,889	190,869
Total assets	422,108	442,889	432,260	421,723	419,339
LIABILITIES					
Payables					
Suppliers	75,737	85,930	91,818	91,387	101,068
Other payables	46,611	45,100	41,775	38,452	35,187
Total payables	122,348	131,030	133,593	129,839	136,255
Provisions					
Employees	146,963	162,835	160,646	161,538	158,622
Other provisions	28,244	27,349	26,975	29,837	26,337
Total provisions	175,207	190,184	187,621	191,375	184,959
Total liabilities	297,555	321,214	321,214	321,214	321,214
Net Assets	124,553	121,675	111,046	100,509	98,125
EQUITY					
Contributed equity	263,746	288,583	301,814	312,861	328,737
Reserves	30,507	30,507	30,507	30,507	30,507
Accumulated deficits	(169,700)	(197,415)	(221,275)	(242,859)	(261,119)
Total equity	124,553	121,675	111,046	100,509	98,125

**Table 3.3: Departmental Statement of Changes in Equity – Summary of Movement
(Budget year 2016-17)**

	Retained earnings	Asset revaluation reserve	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2016				
Balance carried forward from previous period	(169,700)	30,507	263,746	124,553
Surplus (deficit) for the period	(27,715)	-	-	(27,715)
Equity injection - appropriations	-	-	18,349	18,349
Departmental capital budget	-	-	6,488	6,488
Restructuring			-	-
Estimated closing balance as at 30 June 2017	(197,415)	30,507	288,583	121,675

Table 3.4: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	210,972	217,839	218,061	223,862	223,359
Appropriations	609,225	627,735	616,171	613,426	609,142
Interest	-	-	2,154	2,154	2,154
Net GST received	24,946	24,810	24,010	20,570	20,000
Other cash received	1,085	1,782	1,380	1,403	1,428
Total cash received	846,228	872,166	861,776	861,415	856,083
Cash used					
Employees	463,516	467,646	495,333	510,454	497,063
Suppliers	305,461	311,040	286,298	274,498	279,897
Net GST paid	4,349	4,347	4,355	-	-
Cash to the Official Public Account	63,558	65,147	64,980	64,192	62,000
Other	1,095	7,932	1,866	452	5,151
Total cash used	837,979	856,112	852,832	849,596	844,111
Net cash from (or used by) operating activities	8,249	16,054	8,944	11,819	11,972
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	9,200	-	-	-	-
Total cash received	9,200	-	-	-	-
Cash used					
Purchase of property, plant and equipment	54,002	54,506	26,507	16,824	22,226
Total cash used	54,002	54,506	26,507	16,824	22,226
Net cash from (or used by) investing activities	(44,802)	(54,506)	(26,507)	(16,824)	(22,226)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	39,911	24,837	13,231	11,056	15,890
Total cash received	39,911	24,837	13,231	11,056	15,890
Net cash from (or used by) financing activities	39,911	24,837	13,231	11,056	15,890
Net increase (or decrease) in cash held	3,358	(13,615)	(4,332)	6,051	5,636
Cash and cash equivalents at the beginning of the reporting period	79,631	82,989	69,374	65,042	71,093
Cash and cash equivalents at the end of the reporting period	82,989	69,374	65,042	71,093	76,729

Table 3.5: Departmental Capital Budget Statement (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
CAPITAL APPROPRIATIONS					
Equity injections - Bill 2	32,290	18,349	1,866	1,866	1,866
Capital budget - Bill 1 (DCB)	7,621	6,488	11,365	9,181	14,010
Total capital appropriations	39,911	24,837	13,231	11,047	15,876
Total new capital appropriations represented by:					
Purchase of non-financial assets	39,911	24,837	13,231	11,047	15,876
Total items	39,911	24,837	13,231	11,047	15,876
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations - equity injection ¹	25,170	29,364	3,670	1,866	1,866
Funded by capital appropriation - DCB ²	12,086	7,944	11,365	9,181	14,010
Funded internally from departmental resources	16,746	17,198	11,472	5,777	6,350
Funded by finance leases	-	-	-	-	-
Total acquisitions of non-financial assets	54,002	54,506	26,507	16,824	22,226
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	54,002	54,506	26,507	16,824	22,226
less additions by finance lease	-	-	-	-	-
Total cash used to acquire assets	54,002	54,506	26,507	16,824	22,226

¹ Includes both current Appropriation Bill No. 2 and prior Act 2/4/6 appropriations.

² Includes purchases from current and previous years' Departmental Capital Budgets (DCB).

Table 3.6: Statement of Asset Movements (Budget year 2016-17)

	Buildings \$'000	Other property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2016				
Gross book value	65,263	11,024	240,789	317,076
Accumulated depreciation/amortisation and impairment	(7,124)	(1,966)	(119,125)	(128,215)
Opening net book balance	58,139	9,058	121,664	188,861
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase - appropriation equity	-	-	29,364	29,364
By purchase - appropriation ordinary annual services	2,195	539	5,210	7,944
By purchase - other	750	3,160	13,288	17,198
Sub-total	2,945	3,699	47,862	54,506
Other movements				
Depreciation/amortisation expense	(8,456)	(2,695)	(17,666)	(28,817)
Transfer due to restructuring	-	-	-	-
Total other movements	(8,456)	(2,695)	(17,666)	(28,817)
As at 30 June 2017				
Gross book value	68,208	14,723	288,651	371,582
Accumulated depreciation/amortisation and impairment	(15,580)	(4,661)	(136,791)	(157,032)
Closing net book balance	52,628	10,062	151,860	214,550

Table 3.7: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
EXPENSES					
Suppliers	506,481	539,636	530,647	509,370	512,469
Subsidies	9,189,162	13,042,844	13,910,460	14,925,310	16,165,364
Personal benefits	38,582,700	39,790,370	40,954,727	42,653,127	44,505,382
Grants	6,163,976	8,155,592	8,389,643	8,816,490	8,990,963
Depreciation and amortisation	22,625	963	963	963	963
Write down and impairment of assets	105,379	17,577	28,276	20,796	20,796
Payments to corporate entities	346,502	405,074	371,659	263,390	260,985
Other expenses	4,702	13,313	2,583	-	-
Total expenses administered on behalf of Government	54,921,527	61,965,369	64,188,958	67,189,446	70,456,922
INCOME					
Revenue					
Taxation revenue					
Other taxes	15,000	15,300	15,600	15,900	16,300
Total taxation revenue	15,000	15,300	15,600	15,900	16,300
Non-taxation revenue					
Interest	5,839	8,847	10,161	9,902	8,920
Health and Hospitals Fund ¹	54,984	-	-	-	-
Medical Research Future Fund	-	60,876	121,565	214,913	386,373
Other revenue	1,619,107	2,141,483	2,208,510	2,046,988	1,922,627
Total non-taxation revenue	1,679,930	2,211,206	2,340,236	2,271,803	2,317,920
Total own-source revenue administered on behalf of Government	1,694,930	2,226,506	2,355,836	2,287,703	2,334,220
Gains					
Other gains	-	-	-	-	-
Total gains administered on behalf of Government	-	-	-	-	-
Total revenue administered on behalf of Government	1,694,930	2,226,506	2,355,836	2,287,703	2,334,220

¹ The Health and Hospitals Fund Special Account ceased in October 2015 and was replaced by a Special Appropriation under the *Health Insurance Act 1973*.

Table 3.8: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	336,648	336,648	336,648	336,648	336,648
Receivables	1,039,738	1,165,754	1,178,310	1,205,084	1,230,319
Investments	512,249	596,242	596,242	596,242	596,242
Total financial assets	1,888,635	2,098,644	2,111,200	2,137,974	2,163,209
Non-financial assets					
Land and buildings	23,505	22,542	21,579	20,616	19,653
Intangibles	39,772	-	-	-	-
Inventories	111,550	119,510	91,234	70,438	49,642
Total non-financial assets	174,827	142,052	112,813	91,054	69,295
Total assets administered on behalf of Government	2,063,462	2,240,696	2,224,013	2,229,028	2,232,504
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Suppliers	7,110	7,110	7,110	7,110	7,110
Subsidies	154,334	153,048	151,762	150,476	150,476
Personal benefits payable	942,069	984,261	1,018,112	1,067,333	1,077,927
Grants	370,716	409,473	409,275	409,451	410,679
Total payables	1,474,229	1,553,892	1,586,259	1,634,370	1,646,192
Provisions					
Personal benefits	1,011,494	1,011,494	1,011,494	1,011,494	1,011,494
Subsidies	406,975	430,718	459,932	492,531	525,565
Total payables	1,418,469	1,442,212	1,471,426	1,504,025	1,537,059
Total liabilities administered on behalf of Government	2,892,698	2,996,104	3,057,685	3,138,395	3,183,251

Table 3.9: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	5,839	8,847	10,161	9,902	8,920
Taxes	15,000	15,300	15,600	15,900	16,300
GST received	418,981	419,578	443,575	457,373	471,171
Special Account receipts	54,984	60,876	121,565	214,913	386,373
Other	1,264,679	1,923,383	2,175,214	1,982,672	1,881,381
Total cash received	1,759,483	2,427,984	2,766,115	2,680,760	2,764,145
Cash used					
Grants	6,172,986	8,105,548	8,399,932	8,826,403	8,989,735
Subsidies	9,188,759	13,008,934	13,868,914	14,880,135	16,132,330
Personal benefits	38,555,722	39,742,768	40,920,587	42,603,906	44,494,788
Suppliers	513,405	558,066	530,647	509,370	512,469
Payments to corporate entities	346,502	405,074	371,659	263,390	260,985
GST paid	418,981	419,578	443,575	457,373	471,171
Total cash used	55,196,355	62,239,968	64,535,314	67,540,577	70,861,478
Net cash from (or used by) operating activities	(53,436,872)	(59,811,984)	(61,769,199)	(64,859,817)	(68,097,333)
INVESTING ACTIVITIES					
Cash received					
Repayment of advances	18,953	26,318	32,409	37,547	16,011
Total cash received	18,953	26,318	32,409	37,547	16,011
Cash used					
Advances made	68,451	67,040	14,252	-	-
Purchase of PP&E	24,817	-	-	-	-
Purchase of investment	125,000	125,000	-	-	-
Total cash used	218,268	192,040	14,252	-	-
Net cash from (or used by) investing activities	(199,315)	(165,722)	18,157	37,547	16,011
Net increase (or decrease) in cash held	(53,636,187)	(59,977,706)	(61,751,042)	(64,822,270)	(68,081,322)
Cash at beginning of reporting period	336,619	336,648	336,648	336,648	336,648
Cash from Official Public Account for:					
- appropriations	54,783,401	61,919,965	63,983,881	66,867,746	70,003,527
- capital injections	156,741	150,537	-	-	-
- GST appropriations	418,981	419,578	443,575	457,373	471,171
Cash to the Official Public Account for:					
- return of GST	(418,981)	(419,578)	(443,575)	(457,373)	(471,171)
- other	(1,303,926)	(2,092,796)	(2,232,839)	(2,045,476)	(1,922,205)
Cash at end of reporting period	336,648	336,648	336,648	336,648	336,648

Table 3.10: Administered Capital Budget Statement (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
CAPITAL APPROPRIATIONS					
Administered assets	156,741	150,537	-	-	-
Total capital appropriations	156,741	150,537	-	-	-
Total new capital appropriations represented by:					
Purchase of non-financial assets	156,741	150,537	-	-	-
Total items	156,741	150,537	-	-	-
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	156,741	150,537	-	-	-
Total acquisition of non-financial assets	156,741	150,537	-	-	-

Table 3.11: Statement of Administered Asset Movements (Budget year 2016-17)

	Land \$'000	Buildings \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2016				
Gross book value	1,895	23,536	116,361	141,792
Accumulated depreciation/amortisation and impairment	-	(1,926)	(72,236)	(74,162)
Opening net book balance	1,895	21,610	44,125	67,630
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase or internally developed	-	-	-	-
Sub-total	-	-	-	-
Other movements				
Depreciation/amortisation expense	-	(963)	-	(963)
Restructuring	-	-	(44,125)	(44,125)
As at 30 June 2017				
Gross book value	1,895	23,536	-	185,917
Accumulated depreciation/amortisation and impairment	-	(2,889)	-	(2,889)
Closing net book balance	1,895	20,647	-	183,028