

FINAL BUDGET OUTCOME

2010-11

CIRCULATED BY

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AND

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FOR THE INFORMATION OF HONOURABLE MEMBERS

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FOREWORD

The *Final Budget Outcome 2010-11* has been prepared in a manner consistent with the *Charter of Budget Honesty Act 1998* (the Charter). The Charter requires that, inter alia, the Government provide a final budget outcome report no later than three months after the end of the financial year. Consistent with these requirements, this report encompasses Australian Government general government sector fiscal outcomes for the 2010-11 financial year and is based on external reporting standards.

- **Part 1** provides the general government sector budget aggregates for 2010-11 together with an analysis of the 2010-11 final budget outcome. This includes summary analysis of cash flows, revenue, expenses, net capital investment and the balance sheet (net debt, net financial worth and net worth).
- **Part 2** presents the Australian Government financial statements for 2010-11 with the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) as the basis for accounting policy, except for where the Government has decided to depart because Australian Accounting Standards provide a better conceptual treatment for presenting information of relevance to users of public sector financial reports. This data covers the general government sector as well as the Australian Government public corporations sectors.
- **Part 3** provides details for 2010-11 on Australia's Federal Relations, updated from that contained in the 2011-12 Budget Paper No. 3, *Australia's Federal Relations*.

Appendix A contains expenses data on a functional and sub-functional basis. Historical fiscal data are presented in **Appendix B**.

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Notes

- (a) The following definitions are used in this Budget Paper:
- ‘real’ means adjusted for the effect of inflation;
 - real growth in expenses and payments is calculated using the Consumer Price Index (CPI) as the deflator; and
 - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
 - estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
 - estimates midway between rounding points are rounded up; and
 - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (d) The following notations are used:
- | | |
|---------|---|
| NEC/nec | not elsewhere classified |
| - | nil |
| na | not applicable (unless otherwise specified) |
| (e) | estimates (unless otherwise specified) |
| (p) | projections (unless otherwise specified) |
| \$m | \$ million |
| \$b | \$ billion |

Contents

- (e) The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. References to the 'States' or 'each State' include the Territories. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

- (f) In this paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

PART 1: AUSTRALIAN GOVERNMENT BUDGET OUTCOME

OVERVIEW

The 2010-11 Final Budget Outcome (FBO) highlights the significant impact of legacy effects of the global financial crisis, the recent natural disasters and a strong Australian dollar on the Government's fiscal position.

In 2010-11, the Australian Government general government sector recorded an underlying cash deficit of \$47.7 billion (3.4 per cent of gross domestic product (GDP)). The fiscal balance was in deficit by \$51.5 billion (3.7 per cent of GDP).

While Australia avoided recession during the global financial crisis, the economy slowed markedly and businesses accumulated losses that continue to be offset against tax liabilities. From the onset of the global financial crisis it had been anticipated that these losses would hit tax receipts hardest in 2010-11. Tax receipts in 2010-11 came in around \$40 billion (13 per cent) below the level that was forecast in the 2008-09 Budget before the crisis.

The recent natural disasters subtracted $\frac{3}{4}$ of a percentage point from real GDP growth in 2010-11, driven by substantial production losses in the mining and agricultural sectors. The production losses, in turn, lowered tax receipts significantly.

The significant appreciation of the Australian dollar during 2010-11 also had a dampening impact on corporate profits in both the mining and non-mining sectors, further reducing tax receipts.

Factors that weighed down on receipts in 2010-11 are likely to continue to have some impact going forward. Particularly, the weakness in company tax receipts has continued through to collections in 2011-12.

The Government's sustained commitment to the fiscal strategy with ongoing spending restraint and recovering revenues means that the budget is expected to return to surplus in 2012-13, as set out in the 2011-12 Budget.

In cash terms, the final budget outcome for 2010-11 was \$1.6 billion lower than the underlying cash deficit estimated at the time of the 2011-12 Budget, with total cash receipts (excluding Future Fund earnings) \$2.0 billion lower than expected and total cash payments \$3.6 billion lower than expected.

Table 1: Australian Government general government sector budget aggregates

	2009-10 Outcome	2010-11 Estimate at 2011-12 Budget	2010-11 Outcome
	\$b	\$b	\$b
Receipts(a)	284.7	303.7	302.0
Per cent of GDP	22.2	21.9	21.7
Payments(b)	336.9	349.7	346.1
Per cent of GDP	26.2	25.2	24.9
Future Fund earnings	2.5	3.4	3.7
Underlying cash balance(c)	-54.8	-49.4	-47.7
Per cent of GDP	-4.3	-3.6	-3.4
Revenue(a)	292.8	310.8	309.9
Per cent of GDP	22.8	22.4	22.3
Expenses	339.2	350.8	356.1
Per cent of GDP	26.4	25.3	25.6
Net operating balance	-46.5	-40.0	-46.2
Net capital investment	6.4	5.7	5.3
Fiscal balance	-52.9	-45.7	-51.5
Per cent of GDP	-4.1	-3.3	-3.7
<i>Memorandum item:</i>			
Headline cash balance	-56.5	-54.1	-51.1

(a) Includes Future Fund earnings.

(b) Equivalent to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(c) Excludes Future Fund earnings.

At the end of 2010-11, Australian Government general government sector net debt was \$84.6 billion (6.1 per cent of GDP), which was \$2.2 billion higher than estimated at the time of the 2011-12 Budget. Australian Government general government sector net financial worth was -\$200.8 billion at the end of 2010-11, while net worth was -\$95.4 billion at the end of 2010-11.

UNDERLYING CASH BALANCE

The 2010-11 underlying cash deficit was \$47.7 billion, \$1.6 billion lower than estimated at the 2011-12 Budget. This was the result of lower cash receipts (excluding Future Fund earnings) of \$2.0 billion and lower cash payments of \$3.6 billion.

Table 2: Summary of Australian Government general government sector cash flows

	2010-11 Estimate at 2011-12 Budget \$b	2010-11 Outcome \$b
Cash receipts		
Operating cash receipts excluding Future Fund earnings	299.9	298.0
Future Fund earnings	3.4	3.7
<i>Total operating receipts</i>	303.3	301.6
Capital cash receipts(a)	0.4	0.4
Total cash receipts	303.7	302.0
Cash payments		
Operating cash payments	338.9	336.1
Capital cash payments(b)	10.8	9.9
Total cash payments	349.7	346.0
Finance leases and similar arrangements(c)	0.0	0.1
GFS cash surplus(+)/deficit(-)	-46.0	-44.1
Per cent of GDP	-3.3	-3.2
less Future Fund earnings	3.4	3.7
Underlying cash balance(d)	-49.4	-47.7
Per cent of GDP	-3.6	-3.4
<i>Memorandum items:</i>		
Net cash flows from investments in financial assets for policy purposes	-8.1	-7.0
plus Future Fund earnings	3.4	3.7
Headline cash balance	-54.1	-51.1

(a) Equivalent to cash receipts from the sale of non-financial assets in the cash flow statement.

(b) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.

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

(d) Excludes Future Fund earnings.

RECEIPTS

Total cash receipts (excluding Future Fund earnings) were \$298.4 billion in 2010-11, around \$2.0 billion lower than estimated in the 2011-12 Budget. This mainly reflects lower than expected tax receipts.

Tax receipts for 2010-11 were \$280.8 billion, \$1.7 billion (0.6 per cent) lower than estimated in the 2011-12 Budget. Excluding GST, tax receipts were \$2.0 billion (0.8 per cent) lower than expected in the 2011-12 Budget. The downward revision in tax receipts is largely a result of:

- a shortfall in company tax receipts of \$838 million (1.5 per cent) below the estimate in the 2011-12 Budget, primarily reflecting weaker than expected taxable income of companies; and

Part 1: Australian Government Budget Outcome

- lower than estimated income tax withholding of \$446 million (0.3 per cent), superannuation funds tax of \$571 million (8.0 per cent), and fringe benefits tax of \$297 million (8.3 per cent) compared to the 2011-12 Budget estimates, reflecting softer than anticipated labour market outcomes.

Weaker collections of company tax and taxes on wages were partially offset by stronger than estimated other individuals' tax receipts, largely driven by stronger than expected capital gains outcomes.

Indirect taxes were in line with the estimate in the 2011-12 Budget with stronger than expected GST receipts broadly offsetting weaker than expected excise duty receipts. Receipts from GST were \$304 million (0.7 per cent) above the estimate in the 2011-12 Budget. Excise and customs duty tax receipts were \$475 million (1.5 per cent) lower than estimated, mainly reflecting weaker than expected tobacco collections.

Non-tax receipts (excluding Future Fund earnings) were \$17.5 billion in 2010-11, \$284 million lower than the estimate in the 2011-12 Budget. The reduction in non-tax receipts (excluding Future Fund earnings) largely relates to an over-estimation of receipts of \$213 million at Budget in the Defence portfolio.

Table 3: Australian Government general government sector receipts

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m	Change on 2011-12 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	130,100	129,654	-446
Gross other individuals	27,400	27,795	395
less: Refunds	24,850	24,711	-139
Total individuals and other withholding taxation	132,650	132,739	89
Fringe benefits tax	3,600	3,303	-297
Company tax	57,100	56,262	-838
Superannuation funds	7,090	6,519	-571
Petroleum resource rent tax	840	806	-34
Income taxation receipts	201,280	199,628	-1,652
Sales taxes			
Goods and services tax	45,779	46,083	304
Wine equalisation tax	700	722	22
Luxury car tax	500	483	-17
Total sales taxes	46,979	47,288	309
Excise duty			
Petrol	5,900	5,892	-8
Diesel	7,320	7,435	115
Beer	1,950	1,952	2
Tobacco	6,720	6,387	-333
Other excisable products	4,180	4,089	-91
Of which: Other excisable beverages(a)	900	897	-3
Total excise duty receipts	26,070	25,756	-314
Customs duty			
Textiles, clothing and footwear	610	639	29
Passenger motor vehicles	480	507	27
Excise-like goods	3,530	3,364	-166
Other imports	1,230	1,287	57
less: Refunds and drawbacks	260	368	108
Total customs duty receipts	5,590	5,429	-161
Other indirect taxation			
Agricultural levies	404	445	42
Other taxes	2,193	2,292	100
Total other indirect taxation receipts	2,596	2,738	141
Indirect taxation receipts	81,235	81,211	-24
Taxation receipts	282,515	280,839	-1,676
Sales of goods and services	7,901	7,522	-379
Interest received	4,954	4,943	-12
Dividends	2,984	3,248	264
Other non-taxation receipts	5,335	5,472	137
Non-taxation receipts(b)	21,175	21,185	10
Total receipts(b)	303,690	302,024	-1,666
<i>Memorandum:</i>			
<i>Medicare levy receipts</i>	8,330	8,269	-61

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(b) Includes Future Fund earnings.

PAYMENTS

Total cash payments were \$346.1 billion in 2010-11, \$3.6 billion lower than estimated in the 2011-12 Budget. The reduction in payments was largely a result of lower than forecast payments for:

- the Natural Disaster Relief and Recovery Arrangements program, as a result of fewer than expected claims for reimbursement from the States and Territories, primarily in relation to floods in Queensland in 2009 and 2010 and the 2009 Victorian bushfires (\$774 million);
- the National Health and Hospitals Network (\$384 million), in part owing to reward funding relating to the Elective Surgery Waiting List Reduction Plan not being paid in 2010-11. The reward funding is subject to an assessment by the COAG Reform Council, and is now expected to occur in 2011-12;
- a range of health programs, including e-Health, Medicare, pharmaceutical and health workforce related programs, largely reflecting lower than anticipated demand and some goods and services now being delivered in 2011-12 (\$354 million);
- a range of grant programs administered by the Department of Education, Employment and Workplace Relations, including the Higher Education Support program, the Education Infrastructure program and the National Training System program (\$334 million). These underspends were in part owing to lower than expected take-up and longer than expected negotiations to finalise agreements;
- the Pharmaceutical Benefits Scheme, largely reflecting lower than expected usage of a group of drugs used for cancer therapies (Antineoplastics group) (\$259 million);
- improving Australia's energy efficiency programs, primarily reflecting a decline in the demand for householder-initiated inspections and a reduction in inspection costs under the Home Insulation Safety Plan (\$228 million);
- some Department of Defence capital projects (\$212 million), primarily owing to the stronger Australian dollar and payments for a number of major capital projects now being made in 2011-12;
- water reform, mainly reflecting lower than projected settlements for water purchases under the Restoring the Balance in the Murray-Darling Basin program and lower than expected payments for projects under the Water Smart Australia, Sustainable Rural Water Use and Infrastructure, and National Water Security Plan for Cities and Towns programs (\$195 million);
- Health Workforce Australia (HWA), primarily resulting from the longer than anticipated time taken to establish HWA, including to hire staff, set up the

organisational infrastructure and negotiate contracts for the Clinical Training Funding program (\$195 million);

- the Australian Government Disaster Financial Support Payments program, primarily reflecting an over-estimation of direct financial assistance payments following the natural disasters in the summer of 2010-11 (\$162 million);
- the Water for the Future National Partnership, primarily as a result of longer than expected negotiations with State and Territory governments (\$148 million);
- a range of grant and subsidy programs administered by the Department of Resources, Energy and Tourism, including the Clean Energy Initiative programs and the Ethanol Production Grants program (\$125 million). The lower grant and subsidy payments reflect project milestones now scheduled for 2011-12 and disruptions to ethanol production in Queensland owing to floods and cyclone Yasi; and
- the Nation Building road program, where expenses were accrued in 2010-11 but not paid until July 2011 (\$125 million).

These decreases in cash payments have been partially offset by the provision for underspends included in the contingency reserve at Budget.

FISCAL BALANCE

The 2010-11 fiscal balance deficit was \$51.5 billion. This was \$5.8 billion higher than estimated at the 2011-12 Budget while the underlying cash deficit was \$1.6 billion lower than at Budget. The main driver for this difference is the change in accounting treatment for disaster recovery payments made to the States and Territories under the Natural Disaster Relief and Recovery Arrangements program.

REVENUE

Total revenue was \$309.9 billion in 2010-11, \$888 million lower than estimated in the 2011-12 Budget.

Accrual tax revenue was \$289.0 billion in 2010-11, \$1.3 billion below the estimate in the 2011-12 Budget.

- The \$383 million difference between the accrual and cash tax variances is largely driven by the higher than expected number of assessments which were processed in 2010-11, but have not yet translated into cash receipts.

Total non-tax revenue was \$20.9 billion in 2010-11. This was \$405 million higher than estimated at the 2011-12 Budget while non-tax receipts (excluding Future Fund earnings) were \$17.5 billion, \$284 million lower than estimated at Budget.

- The \$689 million difference in outcomes between revenue and non-tax receipts (excluding Future Fund earnings) is largely a result of a \$860 million increase in revenue for the Future Fund owing to higher than expected dividends declared in the June quarter. Future Fund earnings are not included in the underlying cash balance.

Table 4: Australian Government general government sector revenue

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m	Change on 2011-12 Budget \$m
Individuals and other withholding taxes			
Gross income tax withholding	131,320	130,790	-530
Gross other individuals	29,860	30,642	782
less: Refunds	24,850	24,660	-190
Total individuals and other withholding taxation	136,330	136,772	442
Fringe benefits tax	3,670	3,348	-322
Company tax	57,880	57,312	-568
Superannuation funds	7,220	6,693	-527
Petroleum resource rent tax	940	806	-134
Income taxation revenue	206,040	204,931	-1,109
Sales taxes			
Goods and services tax	48,180	48,093	-87
Wine equalisation tax	720	747	27
Luxury car tax	500	489	-11
Total sales taxes	49,400	49,329	-71
Excise duty			
Petrol	5,910	5,907	-3
Diesel	7,300	7,454	154
Beer	1,950	1,957	7
Tobacco	6,720	6,387	-333
Other excisable products	4,180	4,097	-83
Of which: Other excisable beverages(a)	900	900	0
Total excise duty revenue	26,060	25,803	-257
Customs duty			
Textiles, clothing and footwear	610	643	33
Passenger motor vehicles	780	774	-6
Excise-like goods	3,530	3,364	-166
Other imports	1,240	1,288	48
less: Refunds and drawbacks	120	241	121
Total customs duty revenue	6,040	5,828	-212
Other indirect taxation			
Agricultural levies	404	445	42
Other taxes	2,355	2,669	315
Total other indirect taxation revenue	2,758	3,115	356
Indirect taxation revenue	84,258	84,074	-184
Taxation revenue	290,298	289,005	-1,293
Sales of goods and services	8,058	7,680	-377
Interest	5,277	5,169	-107
Dividends	1,839	2,562	723
Other non-taxation revenue	5,307	5,473	166
Non-taxation revenue(b)	20,480	20,885	405
Total revenue(b)	310,779	309,890	-888
<i>Memorandum:</i>			
<i>Medicare levy revenue</i>	8,330	8,269	-61

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(b) Includes Future Fund earnings.

EXPENSES AND NET CAPITAL INVESTMENT

Total expenses were \$356.1 billion in 2010-11, \$5.3 billion higher than estimated at the 2011-12 Budget. Total net capital investment was \$5.3 billion in 2010-11, \$416 million lower than estimated at the 2011-12 Budget.

The difference between the higher than estimated net outcome for expenses and net capital investment of \$4.9 billion and the lower than estimated cash payments of \$3.6 billion is largely a result of the recognition of expenses which did not have a corresponding cash payment impact in 2010-11, including for:

- the Natural Disaster Relief and Recovery Arrangements program, owing to a change in accounting treatment determined by the Australian National Audit Office to record the expense in the year in which the disaster occurs rather than when the State or Territory lodges a claim for reimbursement following completion of the work (\$5.1 billion in 2010-11); and
- the provision of GST to the States and Territories, reflecting higher than estimated GST collections (\$437 million). This amount will be paid in 2011-12 following a determination by the Treasurer.

Table 5: Australian Government general government sector expenses by function

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
General public services		
Legislative and executive affairs	1,083	1,039
Financial and fiscal affairs	6,947	7,834
Foreign affairs and economic aid	5,749	5,564
General research	2,804	2,687
General services	1,033	1,208
Government superannuation benefits	3,623	4,150
Defence	20,136	20,408
Public order and safety	3,943	3,823
Education	32,555	32,106
Health	57,240	56,070
Social security and welfare	116,739	117,093
Housing and community amenities	5,741	5,543
Recreation and culture	3,342	3,252
Fuel and energy	6,269	5,914
Agriculture, forestry and fishing	3,067	2,546
Mining, manufacturing and construction	2,039	1,456
Transport and communication	4,748	4,664
Other economic affairs		
Tourism and area promotion	160	158
Total labour and employment affairs	4,637	4,669
Immigration	2,041	2,206
Other economic affairs nec	2,216	2,013
Other purposes		
Public debt interest	9,286	9,273
Nominal superannuation interest	6,958	6,997
General purpose inter-governmental transactions	48,919	49,298
Natural disaster relief(a)	997	6,129
Contingency reserve	-1,468	0
Total expenses	350,803	356,100

(a) The 2010-11 outcome reflects a change in the accounting treatment applying to natural disasters, as determined by the Australian National Audit Office.

Table 6: Australian Government general government sector net capital investment by function

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
General public services	498	457
Defence	3,506	3,509
Public order and safety	181	135
Education	-6	-9
Health	127	56
Social security and welfare	70	64
Housing and community amenities	277	180
Recreation and culture	105	50
Fuel and energy	5	0
Agriculture, forestry and fishing	461	428
Mining, manufacturing and construction	18	-2
Transport and communication	195	176
Other economic affairs	297	255
Other purposes	-21	0
Total net capital investment	5,713	5,297

NET DEBT, NET FINANCIAL WORTH AND NET WORTH

At the end of 2010-11, the level of Australian Government net debt was \$84.6 billion (6.1 per cent of GDP) which was \$2.2 billion higher than estimated at the time of the 2011-12 Budget.

Despite a lower than expected debt issuance in 2010-11, the change in net debt since Budget was driven largely as a result of the market value of Commonwealth Government Securities (CGS) being higher than expected because of lower interest rates. The change in net debt also reflected a reclassification of some assets by the Future Fund to equity investments which are not included in net debt calculations.

The change in the market value of CGS described above also impacts on net financial worth and net worth.

- Net financial worth was -\$200.8 billion at the end of 2010-11 compared with -\$176.6 billion estimated at the time of the 2011-12 Budget.
- Net worth was -\$95.4 billion at the end of 2010-11 compared with -\$68.3 billion estimated at the time of the 2011-12 Budget.

In addition, changes to net financial worth and net worth since the 2011-12 Budget also reflect a \$15.6 billion increase in the Government's superannuation liability, owing to the lower than estimated discount rate at 30 June 2011. Also impacting on net financial

worth and net worth is the change in the accounting treatment for disaster recovery payments made to the States and Territories through the Natural Disaster Relief and Recovery Arrangements program.

Table 7: Australian Government general government sector net financial worth, net worth, net debt and net interest payments

	2010-11 Estimate at 2011-12 Budget \$b	2010-11 Outcome \$b
Financial assets	214.6	214.9
Non-financial assets	108.4	105.4
Total assets	323.0	320.4
Total liabilities	391.3	415.8
Net worth	-68.3	-95.4
Net financial worth(a)	-176.6	-200.8
Per cent of GDP	-12.7	-14.4
Net debt(b)	82.4	84.6
Per cent of GDP	5.9	6.1
Net interest payments	4.6	4.6
Per cent of GDP	0.3	0.3

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

PART 2: AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

The financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non financial corporations sector (PNFC), the total non financial public sector (NFPS) and the public financial corporations sector (PFC). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires the final budget outcome be based on external reporting standards and for departures from these standards to be disclosed.

The Government has produced a single set of financial statements that comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Final Budget Outcome 2010-11* have been prepared on a basis consistent with the 2011-12 Budget. This enables comparison of the 2010-11 revised estimates published at the 2011-12 Budget and the outcome. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework – the Accrual Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). The financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table 8: Australian Government general government sector operating statement

		2010-11 Estimate at 2011-12 Budget	Month of June 2010(e)	2010-11 Outcome
	Note	\$m	\$m	\$m
Revenue				
Taxation revenue	3	290,298	23,611	289,005
Sales of goods and services	4	8,058	492	7,680
Interest income	5	5,277	2,227	5,169
Dividend income	5	1,839	621	2,562
Other	6	5,307	812	5,473
Total revenue		310,779	27,762	309,890
Expenses				
Gross operating expenses				
Wages and salaries(a)	7	18,705	2,044	17,940
Superannuation	7	4,016	730	4,512
Depreciation and amortisation	8	5,621	612	5,876
Supply of goods and services	9	66,116	7,104	66,203
Other operating expenses(a)	7	4,682	563	5,054
<i>Total gross operating expenses</i>		<i>99,141</i>	<i>11,054</i>	<i>99,585</i>
Superannuation interest expense	7	6,958	552	6,997
Interest expenses	10	10,845	1,153	10,953
Current transfers				
Current grants	11	103,893	15,892	108,879
Subsidy expenses		8,876	529	8,690
Personal benefits	12	105,371	7,865	105,559
<i>Total current transfers</i>		<i>218,140</i>	<i>24,285</i>	<i>223,129</i>
Capital transfers				
Mutually agreed write-downs		2,043	413	2,442
Other capital grants		13,676	542	12,994
<i>Total capital transfers</i>		<i>15,719</i>	<i>955</i>	<i>15,436</i>
Total expenses		350,803	37,999	356,100
Net operating balance		-40,024	-10,237	-46,209
Other economic flows				
Gain/loss on equity and on sale of assets(b)		4,439	-7,034	-7,236
Net write-downs of assets (including bad and doubtful debts)		-6,928	-1,191	-6,987
Assets recognised for the first time		555	165	509
Actuarial revaluations		0	741	741
Net foreign exchange gains		-28	-909	8,250
Market valuation of debt		2,280	-173	336
Other economic revaluations(c)		93	-923	59
Total other economic flows		411	-9,324	-4,329
Comprehensive result - Total change in net worth	13	-39,613	-19,562	-50,538
Net operating balance		-40,024	-10,237	-46,209
less Net acquisition of non-financial assets				
Purchases of non-financial assets		10,555	2,755	10,710
<i>less</i> Sales of non-financial assets		<i>383</i>	<i>36</i>	<i>402</i>
<i>less</i> Depreciation		<i>5,621</i>	<i>612</i>	<i>5,876</i>
<i>plus</i> Change in inventories		<i>850</i>	<i>214</i>	<i>764</i>
<i>plus</i> Other movements in non-financial assets		<i>311</i>	<i>-53</i>	<i>101</i>
Total net acquisition of non-financial assets		5,713	2,267	5,297
Fiscal balance (Net lending/borrowing)(d)		-45,737	-12,505	-51,506

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

(b) Reflects changes in the market valuation of investments and any revaluations at the point of disposal or sale.

(c) Largely reflects other revaluation of assets and liabilities.

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

(e) 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.

Table 9: Australian Government general government sector balance sheet

	Note	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Assets			
Financial assets			
Cash and deposits	20(a)	1,998	2,477
Advances paid	14	27,184	26,811
Investments, loans and placements	15	99,661	98,675
Other receivables	14	34,404	36,628
Equity investments			
Investments in other public sector entities		23,551	18,914
Equity accounted investments		278	317
Investments - shares		27,573	31,125
Total financial assets		214,649	214,946
Non-financial assets			
Land	16	8,471	8,687
Buildings		22,182	22,448
Plant, equipment and infrastructure		50,730	50,556
Inventories		6,900	6,873
Intangibles		4,630	4,384
Investment property		507	472
Biological assets		120	104
Heritage and cultural assets		9,423	9,474
Assets held for sale		97	154
Other non-financial assets		5,319	2,273
Total non-financial assets		108,378	105,423
Total assets		323,027	320,370
Liabilities			
Interest bearing liabilities			
Deposits held		232	209
Government securities		200,569	201,755
Loans	17	9,633	9,759
Other borrowing		791	791
Total interest bearing liabilities		211,224	212,514
Provisions and payables			
Superannuation liability	18	129,491	145,113
Other employee liabilities	18	10,959	11,562
Suppliers payable	19	4,229	6,030
Personal benefits provisions and payable	19	12,317	12,730
Subsidies provisions and payable	19	2,307	1,823
Grants provisions and payable	19	8,218	13,536
Other provisions and payables	19	12,551	12,448
Total provisions and payables		180,072	203,242
Total liabilities		391,297	415,756
Net worth(a)		-68,270	-95,386
<i>Net financial worth(b)</i>		<i>-176,648</i>	<i>-200,810</i>
<i>Net financial liabilities(c)</i>		<i>200,199</i>	<i>219,724</i>
<i>Net debt(d)</i>		<i>82,381</i>	<i>84,551</i>

(a) Net worth is calculated as total assets minus total liabilities.

(b) Net financial worth equals total financial assets minus total liabilities.

(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(d) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 10: Australian Government general government sector cash flow statement^(a)

	2010-11 Estimate at 2011-12 Budget \$m	Month of June 2010(d) \$m	2010-11 Outcome \$m
Cash receipts from operating activities			
Taxes received	282,515	23,714	280,839
Receipts from sales of goods and services	7,901	865	7,522
Interest receipts	4,954	2,786	4,943
Dividends and income tax equivalents	2,984	639	3,248
Other receipts	4,952	573	5,070
Total operating receipts	303,307	28,576	301,622
Cash payments for operating activities			
Payments for employees	-24,944	-1,770	-24,381
Payments for goods and services	-66,702	-7,077	-66,377
Grants and subsidies paid	-127,616	-12,318	-125,510
Interest paid	-9,522	-475	-9,551
Personal benefit payments	-106,005	-8,120	-105,959
Other payments	-4,109	156	-4,369
Total operating payments	-338,898	-29,604	-336,146
Net cash flows from operating activities	-35,590	-1,028	-34,524
Cash flows from investments in non-financial assets			
Sales of non-financial assets	383	36	402
Purchases of non-financial assets	-10,785	-1,819	-9,897
Net cash flows from investments in non-financial assets	-10,403	-1,782	-9,495
Net cash flows from investments in financial assets for policy purposes	-8,096	-5,447	-7,028
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	9,410	10,504	7,195
Net cash flows from investments in financial assets for liquidity purposes	9,410	10,504	7,195
Cash receipts from financing activities			
Borrowing	45,621	-431	44,799
Other financing	0	407	409
Total cash receipts from financing activities	45,621	-24	45,208
Cash payments for financing activities			
Other financing	-808	-1,286	-745
Total cash payments for financing activities	-808	-1,286	-745
Net cash flows from financing activities	44,812	-1,310	44,463
Net increase/(decrease) in cash held	133	937	612

Table 10: Australian Government general government sector cash flow statement (continued)^(a)

	2010-11 Estimate at 2011-12 Budget \$m	Month of June 2010(d) \$m	2010-11 Outcome \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-45,993	-2,810	-44,019
Finance leases and similar arrangements(b)	-2	-25	-59
GFS cash surplus(+)/deficit(-)	-45,995	-2,835	-44,078
<i>less</i> Future Fund earnings	3,374	1,928	3,668
Equals underlying cash balance(c)	-49,369	-4,763	-47,746
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-8,096	-5,447	-7,028
<i>plus</i> Future Fund earnings	3,374	1,928	3,668
Equals headline cash balance	-54,092	-8,282	-51,106

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

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

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

(d) 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.

Table 11: Australian Government public non-financial corporations sector operating statement

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Revenue		
Current grants and subsidies	27	76
Sales of goods and services	7,421	7,353
Interest income	66	100
Other	1	34
Total revenue	7,516	7,563
Expenses		
Gross operating expenses		
Wages and salaries(a)	2,765	2,780
Superannuation	228	227
Depreciation and amortisation	489	430
Supply of goods and services	3,403	3,393
Other operating expenses(a)	386	350
<i>Total gross operating expenses</i>	<i>7,271</i>	<i>7,180</i>
Interest expenses	49	60
Other property expenses	138	340
Current transfers		
Tax expenses	81	208
<i>Total current transfers</i>	<i>81</i>	<i>208</i>
Total expenses	7,539	7,787
Net operating balance	-23	-224
Other economic flows	-597	620
Comprehensive result - Total change in net worth	-621	395
less Net acquisition of non-financial assets		
Purchases of non-financial assets	2,930	1,556
<i>less</i> Sales of non-financial assets	94	110
<i>less</i> Depreciation	489	430
<i>plus</i> Change in inventories	8	8
<i>plus</i> Other movements in non-financial assets	58	198
Total net acquisition of non-financial assets	2,414	1,221
Fiscal balance (Net lending/borrowing)(b)	-2,437	-1,446

(a) Consistent with ABS GFS classification, other employee related expenses are reported 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 12: Australian Government public non-financial corporations sector balance sheet

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Assets		
Financial assets		
Cash and deposits	873	1,551
Investments, loans and placements	286	372
Other receivables	962	1,068
Equity investments	320	301
<i>Total financial assets</i>	2,441	3,292
Non-financial assets		
Land and fixed assets	8,541	7,883
Other non-financial assets(a)	591	780
<i>Total non-financial assets</i>	9,132	8,663
Total assets	11,573	11,955
Liabilities		
Interest bearing liabilities		
Borrowing	1,482	1,388
<i>Total interest bearing liabilities</i>	1,482	1,388
Provisions and payables		
Other employee liabilities	1,261	1,262
Other provisions and payables(a)	1,837	1,646
<i>Total provisions and payables</i>	3,098	2,908
Total liabilities	4,580	4,296
Shares and other contributed capital	6,993	7,659
Net worth(b)	6,993	7,659
<i>Net financial worth(c)</i>	-2,139	-1,004
<i>Net debt(d)</i>	322	-535

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

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

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

Table 13: Australian Government public non-financial corporations sector cash flow statement^(a)

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	8,064	8,096
GST input credit receipts	307	78
Other receipts	89	317
Total operating receipts	8,460	8,491
Cash payments for operating activities		
Payments to employees	-3,459	-3,398
Payment for goods and services	-3,568	-4,010
Interest paid	-57	-60
GST payments to taxation authority	-603	-270
Other payments	-133	-107
Total operating payments	-7,820	-7,845
Net cash flows from operating activities	640	646
Cash flows from investments in non-financial assets		
Sales of non-financial assets	95	67
Purchases of non-financial assets	-2,995	-1,747
Net cash flows from investments in non-financial assets	-2,901	-1,680
Net cash flows from investments in financial assets for policy purposes	0	1
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	19	-66
Net cash flows from investments in financial assets for liquidity purposes	19	-66
Net cash flows from financing activities		
Borrowing (net)	155	160
Other financing (net)	2,072	1,607
Distributions paid (net)	-135	-141
Net cash flows from financing activities	2,093	1,628
Net increase/(decrease) in cash held	-148	529
Cash at the beginning of the year	1,022	1,022
Cash at the end of the year	873	1,551
Net cash from operating activities and investments in non-financial assets	-2,260	-1,034
Distributions paid	-135	-141
Equals surplus(+)/deficit(-)	-2,395	-1,175
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	-2,395	-1,175

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 14: Australian Government total non-financial public sector operating statement

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Revenue		
Taxation revenue	290,218	288,798
Sales of goods and services	14,440	13,891
Interest income	5,343	5,269
Dividend income	1,700	2,223
Other	5,308	5,507
Total revenue	317,010	315,688
Expenses		
Gross operating expenses		
Wages and salaries(a)	21,470	20,720
Superannuation	4,243	4,739
Depreciation and amortisation	6,110	6,306
Supply of goods and services	68,481	68,452
Other operating expenses(a)	5,069	5,404
<i>Total gross operating expenses</i>	<i>105,373</i>	<i>105,622</i>
Superannuation interest expense	6,958	6,997
Interest expenses	10,894	11,014
Current transfers		
Current grants	103,893	108,879
Subsidy expenses	8,849	8,614
Personal benefits	105,371	105,559
<i>Total current transfers</i>	<i>218,113</i>	<i>223,053</i>
Capital transfers	15,719	15,436
Total expenses	357,057	362,122
Net operating balance	-40,047	-46,434
Other economic flows	261	-4,349
Comprehensive result - Total change in net worth	-39,786	-50,783
Net acquisition of non-financial assets		
Purchases of non-financial assets	13,486	12,265
<i>less</i> Sales of non-financial assets	<i>477</i>	<i>512</i>
<i>less</i> Depreciation	<i>6,110</i>	<i>6,306</i>
<i>plus</i> Change in inventories	<i>859</i>	<i>772</i>
<i>plus</i> Other movements in non-financial assets	<i>369</i>	<i>299</i>
Total net acquisition of non-financial assets	8,127	6,518
Fiscal balance (Net lending/borrowing)(b)	-48,174	-52,952

(a) Consistent with ABS GFS classification, other employee related expenses are reported 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 15: Australian Government total non-financial public sector balance sheet

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Assets		
Financial assets		
Cash and deposits	2,872	4,028
Advances paid	27,184	26,811
Investments, loans and placements	99,649	98,749
Other receivables	35,259	37,587
Equity investments	44,195	42,394
<i>Total financial assets</i>	<i>209,159</i>	<i>209,569</i>
Non-financial assets		
Land and fixed assets	106,247	105,920
Other non-financial assets	11,263	8,166
<i>Total non-financial assets</i>	<i>117,510</i>	<i>114,087</i>
Total assets	326,670	323,656
Liabilities		
Interest bearing liabilities		
Deposits held	232	209
Government securities	200,569	201,755
Loans	9,335	9,462
Other borrowing	2,273	2,179
<i>Total interest bearing liabilities</i>	<i>212,408</i>	<i>213,604</i>
Provisions and payables		
Superannuation liability	129,491	145,113
Other employee liabilities	12,220	12,824
Other provisions and payables	41,353	48,104
<i>Total provisions and payables</i>	<i>183,063</i>	<i>206,042</i>
Total liabilities	395,471	419,646
Shares and other contributed capital	6,993	7,659
Net worth(a)	-68,802	-95,990
<i>Net financial worth(b)</i>	<i>-186,312</i>	<i>-210,077</i>
<i>Net debt(c)</i>	<i>82,704</i>	<i>84,017</i>

(a) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(b) Under AASB1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities, minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 16: Australian Government total non-financial public sector cash flow statement^(a)

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Cash receipts from operating activities		
Taxes received	282,397	280,771
Receipts from sales of goods and services	14,759	13,581
Interest receipts	5,018	5,042
Dividends and income tax equivalents	2,863	3,126
Other receipts	4,965	5,270
Total operating receipts	310,001	307,789
Cash payments for operating activities		
Payments to employees	-28,403	-27,780
Payments for goods and services	-69,360	-68,554
Grants and subsidies paid	-127,616	-125,510
Interest paid	-9,578	-9,610
Personal benefit payments	-106,005	-105,959
Other payments	-4,124	-4,396
Total operating payments	-345,086	-341,808
Net cash flows from operating activities	-35,085	-34,019
Cash flows from investments in non-financial assets		
Sales of non-financial assets	477	469
Purchases of non-financial assets	-13,781	-11,644
Net cash flows from investments in non-financial assets	-13,303	-11,175
Net cash flows from investments in financial assets for policy purposes	-8,096	-7,027
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	11,388	8,738
Net cash flows from investments in financial assets for liquidity purposes	11,388	8,738
Net cash flows from financing activities		
Borrowing (net)	45,776	44,960
Other financing (net)	-694	-337
Net cash flows from financing activities	45,082	44,623
Net increase/(decrease) in cash held	-15	1,140
Cash at the beginning of the year	2,887	2,887
Cash at the end of the year	2,872	4,028
Net cash from operating activities and investments in non-financial assets	-48,388	-45,194
Distributions paid	0	0
Equals surplus(+)/deficit(-)	-48,388	-45,194
Finance leases and similar arrangements(b)	-2	-59
GFS cash surplus(+)/deficit(-)	-48,390	-45,252

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 17: Australian Government public financial corporations sector operating statement

	2010-11 Outcome \$m
Revenue	
Current grants and subsidies	119
Sales of goods and services	5,237
Interest income	2,173
Other	99
Total revenue	7,629
Expenses	
Gross operating expenses	
Wages and salaries(a)	693
Superannuation	71
Depreciation and amortisation	68
Other operating expenses(a)	4,550
<i>Total gross operating expenses</i>	<i>5,381</i>
Interest expenses	878
Other property expenses	464
Current transfers	
Tax expenses	195
<i>Total current transfers</i>	<i>195</i>
Total expenses	6,918
Net operating balance	711
Other economic flows	-5,888
Comprehensive result - Total change in net worth	-5,177
Net acquisition of non-financial assets	
Purchases of non-financial assets	85
<i>less</i> Sales of non-financial assets	<i>1</i>
<i>less</i> Depreciation	<i>68</i>
<i>plus</i> Change in inventories	<i>-7</i>
<i>plus</i> Other movements in non-financial assets	<i>-2</i>
Total net acquisition of non-financial assets	7
Fiscal balance (Net lending/borrowing)(b)	703

(a) Consistent with ABS GFS classification, other employee related expenses are reported 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 18: Australian Government public financial corporations sector balance sheet

	2010-11 Outcome \$m
Assets	
Financial assets	
Cash and deposits	1,893
Investments, loans and placements	78,503
Other receivables	716
Equity investments	625
<i>Total financial assets</i>	<i>81,737</i>
Non-financial assets	
Land and other fixed assets	954
Other non-financial assets(a)	111
<i>Total non-financial assets</i>	<i>1,065</i>
Total assets	82,802
Liabilities	
Interest bearing liabilities	
Deposits held	67,563
Borrowing	4,811
<i>Total interest bearing liabilities</i>	<i>72,375</i>
Provisions and payables	
Other employee liabilities	1,066
Other provisions and payables(a)	1,438
<i>Total provisions and payables</i>	<i>2,504</i>
Total liabilities	74,879
Shares and other contributed capital	7,924
Net worth(b)	7,924
<i>Net financial worth(c)</i>	<i>6,858</i>
<i>Net debt(d)</i>	<i>-8,022</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Under AASB1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(d) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 19: Australian Government public financial corporations sector cash flow statement^(a)

	2010-11 Outcome \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	5,173
Grants and subsidies received	0
GST input credit receipts	0
Interest receipts	2,276
Other receipts	220
Total operating receipts	7,669
Cash payments for operating activities	
Payments to employees	-609
Payment for goods and services	-4,454
Interest paid	-843
GST payments to taxation authority	0
Other payments	-102
Total operating payments	-6,009
Net cash flows from operating activities	1,660
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1
Purchases of non-financial assets	-84
Net cash flows from investments in non-financial assets	-83
Net cash flows from investments in financial assets for policy purposes	-140
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	927
Net cash flows from investments in financial assets for liquidity purposes	927
Net cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	363
Deposits received (net)	-3,378
Other financing (net)	1,433
Distributions paid (net)	-1,214
Net cash flows from financing activities	-2,795
Net increase/(decrease) in cash held	-432
Cash at the beginning of the year	2,325
Cash at the end of the year	1,893
Net cash from operating activities and investments in non-financial assets	1,577
Distributions paid	-1,214
Equals surplus(+)/deficit(-)	363
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	363

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 20: Australian Government general government sector purchase of non-financial assets by function

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
General public services	897	978
Defence	6,688	6,924
Public order and safety	473	389
Education	15	26
Health	167	125
Social security and welfare	337	408
Housing and community amenities	203	227
Recreation and culture	376	311
Fuel and energy	7	6
Agriculture, forestry and fishing	485	449
Mining, manufacturing and construction	26	6
Transport and communication	249	220
Other economic affairs	653	641
Other purposes	-21	0
Total Government purchases of non-financial assets	10,555	10,710

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 be based on external reporting standards and that departures from applicable external reporting standards be identified.

The major external standards used for final budget outcome 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*, (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

As required by the Charter, the financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS except for departures disclosed at Note 2.

A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Table 22 in Attachment A explains the key differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

Budget reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated. A list of entities within the GGS, as well as entities within and a description of the public non-financial corporations (PNFC) sector and public financial corporations (PFC) sectors, are disclosed in Table 21 in Attachment A. The statements for the GGS are derived from audit-cleared financial statements for the material agencies.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net

lending/borrowing (fiscal balance), and net worth. In addition to the ABS GFS aggregates, the Accrual Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The financial statements depart from the external reporting standards as follows.

General government sector

Departures from ABS GFS

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The financial statements currently adopt the AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the financial statements or in any reconciliation notes. Instead, the financial statements adopt the AAS treatment for circulating coins. Under this treatment seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

Under ABS GFS, prepayments are classified as financial assets. In accordance with AAS, prepayments have been classified as non-financial assets in the financial statements. This is a classification difference that impacts on net financial worth.

ABS GFS records defence weapons platforms (DWP) as a non-financial asset on a market value basis (fair value), rather than expensing at time of acquisition. The value used by ABS is consistent with the National Accounts statistical methodology, and represents an early adoption of changes to the *System of National Accounts 2008*. The ABS GFS treatment of DWP is consistent with AAS, as non-financial assets can be valued at fair value as long as they can be reliably measured, otherwise cost is permissible. DWP are valued at cost in the financial statements, as they have in previous budgets, while the Australian Government ascertains if a relevant and reliable fair value can be sourced.

Under ABS GFS, concessional loans are recognised at their nominal value, that is, they are not discounted to fair (market) value as there is not considered to be a secondary market. ABS GFS treatment has not been adopted for the financial statements. Consistent with AAS, loans issued at below market interest rates or long repayment periods are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense. Over the life of the loan the interest earned is recognised at market rates.

ABS GFS requires investments in unlisted public sector entities to be valued based on their net assets. Under AAS investments in public sector entities can be valued at fair value as long as a fair value can be reliably measured, otherwise net assets is permissible. The AAS treatment has been adopted in the financial statements.

Movements in the provision for restoration, decommissioning and make-good of assets have been included in the calculation of the fiscal balance capital adjustment because in many cases they involve legal obligations to expend resources. ABS GFS does not recognise adjustments for such provisions because they are considered a constructive obligation that may not materialise for many years.

Departures from AASB 1049

AAS requires the advances paid to the International Development Association and Asian Development Fund to be recognised at fair value. Under ABS GFS these advances are recorded at nominal value. The ABS GFS treatment is adopted in the financial statements.

AASB 1049 requires the disclosure of the operating result and its derivation on the face of the operating statement. However, as this aggregate is not used by the Australian Government (and is not required by the UPF), it has been disclosed in Note 13 rather than on the face of the operating statement.

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

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of items, where different, in notes to the financial statements. Reconciliation notes have not been included as they effectively create two measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variances for the 2010-11 year from the 2010-11 Budget to the Mid-Year Economic and Fiscal Outlook (MYEFO) are disclosed in Part 3 of the *Mid-Year Economic and Fiscal Outlook 2010-11*. Explanations of variances for the 2010-11 year from MYEFO to the 2011-12 Budget are disclosed in Statement 3 of 2011-12 Budget Paper No. 1, *Budget Strategy and Outlook*. Explanations of variances from the 2011-12 Budget to the *Final Budget Outcome 2010-11* are disclosed in Part 1.

All decisions taken between the original budget and MYEFO are disclosed in Appendix A of the *Mid-Year Economic and Fiscal Outlook 2010-11*. Decisions taken from MYEFO to the 2011-12 Budget are disclosed in 2011-12 Budget Paper No. 2, *Budget*

Measures. In addition, 2011-12 Budget Paper No. 1, *Budget Strategy and Outlook* contains detailed discussion on the estimates of revenue (Statement 5), expenses (Statement 6) and assets and liabilities (Statement 7).

AASB 1049 also requires the Final Budget Outcome (FBO) and consolidated financial statements (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 November each year.

In addition to above adjustments, there are specific adjustments made to the corporations sectors as outlined below.

Public non-financial corporations (PNFC), public financial corporations (PFC) and total non-financial public sectors (NFPS)

Departures from ABS GFS

AASB 1049 defines net worth for the PNFC, PFC and NFPS sectors as total assets less total liabilities; however ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC and PFC sectors). Similarly, AASB1049 defines net financial worth for these sectors as financial assets less total liabilities, whereas under ABS GFS it is equal to financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC, PFC and NFPS sector financial statements.

Departures from AASB 1049

The financial statements for the PNFC, PFC and NFPS sectors comply with the UPF but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PFC and PNFC sectors will be disclosed in the consolidated financial statements.

AAS requires dividends paid to be classified as a distribution of equity. Under ABS GFS, dividends paid are classified as an expense. ABS GFS treatment has been adopted for use in the financial statements.

Australian government public corporations use commercial tax effect accounting to determine their net tax liability while the ATO determines their tax liability on a due and payable basis. To ensure symmetry in treatment between Australian governments sectors the ABS remove tax effect adjustments. The GFS treatment has been adopted in the financial statements.

Note 3: Taxation revenue by type

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Income taxation		
Individuals and other withholding taxes		
Gross income tax withholding	131,320	130,790
Gross other individuals	29,860	30,642
less Refunds	24,850	24,660
Total individuals and other withholding taxation	136,330	136,772
Fringe benefits tax	3,670	3,348
Company tax	57,880	57,312
Superannuation funds	7,220	6,693
Petroleum resource rent tax	940	806
Total income taxation revenue	206,040	204,931
<i>Indirect taxation</i>		
Sales taxes		
Goods and services tax	48,180	48,093
Wine equalisation tax	720	747
Luxury car tax	500	489
Total sales taxes	49,400	49,329
Excise duty		
Petrol	5,910	5,907
Diesel	7,300	7,454
Beer	1,950	1,957
Tobacco	6,720	6,387
Other excisable products	4,180	4,097
Of which: Other excisable beverages(a)	900	900
Total excise duty revenue	26,060	25,803
Customs duty		
Textiles, clothing and footwear	610	643
Passenger motor vehicles	780	774
Excise-like goods	3,530	3,364
Other imports	1,240	1,288
less Refunds and drawbacks	120	241
Total customs duty revenue	6,040	5,828
Other indirect taxation		
Agricultural levies	404	445
Other taxes	2,355	2,669
Total other indirect taxation revenue	2,758	3,115
Mirror taxes	424	433
less Transfers to States in relation to mirror tax revenue	424	433
Mirror tax revenue	0	0
Total indirect taxation revenue	84,258	84,074
Total taxation revenue	290,298	289,005
<i>Memorandum:</i>		
Medicare levy revenue	8,330	8,269

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

Note 3(a): Taxation revenue by source

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	140,020	140,130
Income and capital gains levied on enterprises	66,020	64,802
Total taxes on income, profits and capital gains	206,040	204,931
Taxes on employers' payroll and labour force	473	505
Taxes on the provision of goods and services		
Sales/goods and services tax	49,400	49,329
Excises and levies	26,626	26,409
Taxes on international trade	6,040	5,828
Total taxes on the provision of goods and services	82,066	81,566
Other sale of goods and services	1,719	2,004
Total taxation revenue	290,298	289,005
<i>Memorandum:</i>		
<i>Medicare levy revenue</i>	8,330	8,269

Note 4: Sales of goods and services revenue

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Sales of goods	1,236	1,125
Rendering of services	4,561	4,234
Operating lease rental	38	51
Fees from regulatory services	2,223	2,271
Total sales of goods and services revenue	8,058	7,680

Note 5: Interest and dividend revenue

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Interest from other governments		
State and Territory debt	15	12
Local Government	0	1
Housing agreements	170	149
Total interest from other governments	185	163
Interest from other sources		
Advances	38	38
Deposits	96	136
Bank deposits	183	251
Indexation of HELP receivable and other student loans	362	216
Other	4,415	4,365
Total interest from other sources	5,092	5,007
Total interest	5,277	5,169
Dividends		
Dividends from other public sector entities	627	608
Other dividends	1,212	1,954
Total dividends	1,839	2,562
Total interest and dividend revenue	7,116	7,732

Note 6: Other sources of non-taxation revenue

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Industry contributions	47	63
Royalties	1,694	1,626
Seigniorage	122	118
Other	3,444	3,665
Total other sources of non-taxation revenue	5,307	5,473

Note 7: Employee and superannuation expense

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Wages and salaries expenses	18,705	17,940
Other operating expenses		
Leave and other entitlements	2,208	2,560
Separations and redundancies	96	169
Workers compensation premiums and claims	759	1,024
Other	1,619	1,301
Total other operating expenses	4,682	5,054
Superannuation expenses		
Superannuation	4,016	4,512
Superannuation interest cost	6,958	6,997
Total superannuation expenses	10,974	11,509
Total employee and superannuation expense	34,362	34,504

Note 8: Depreciation and amortisation expense

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Depreciation		
Specialist military equipment	2,516	2,710
Buildings	1,148	1,181
Other infrastructure, plant and equipment	1,214	1,212
Heritage and cultural assets	40	50
Total depreciation	4,918	5,153
Total amortisation	703	723
Total depreciation and amortisation expense	5,621	5,876

Note 9: Payment for supply of goods and services

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Supply of goods and services	19,639	20,100
Operating lease rental expenses	2,564	2,746
Personal benefits - indirect	36,943	36,315
Health care payments	5,171	5,077
Other	1,799	1,963
Total payment for supply of goods and services	66,116	66,203

Note 10: Interest expense

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Interest on debt		
Government securities	9,286	9,261
Loans	9	4
Other	75	61
Total interest on debt	9,370	9,326
Other financing costs	1,474	1,627
Total interest expense	10,845	10,953

Note 11: Current and capital grants expense

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Current grants expense		
State and Territory governments	81,026	86,094
Local governments	19	15
Private sector(a)	1,331	1,887
Overseas	3,951	3,973
Non-profit organisations(b)	2,135	2,816
Multi-jurisdictional sector	8,380	8,250
Other(a)(b)	7,051	5,845
Total current grants expense	103,893	108,879
Capital grants expense		
Mutually agreed write-downs	2,043	2,442
Other capital grants		
State and Territory governments	12,118	11,756
Local governments	717	654
Private sector	466	257
Multi-jurisdictional sector	85	83
Other	291	244
Total capital grants expense	15,719	15,436
Total grants expense	119,612	124,315

(a) Includes reclassification of some programs between grants to private sector and grants to other since 2011-12 Budget.

(b) Includes reclassification of some programs between grants to non-profit organisations and grants to other since 2011-12 Budget.

Note 12: Personal benefits expense

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Social welfare - assistance to the aged	32,661	32,980
Assistance to veterans and dependants	6,358	5,963
Assistance to people with disabilities	18,525	18,592
Assistance to families with children	29,995	30,536
Assistance to the unemployed	6,995	6,965
Student assistance	4,117	3,959
Other welfare programs	1,710	1,454
Financial and fiscal affairs	258	7
Vocational and industry training	270	189
Other	4,482	4,916
Total personal benefit expense	105,371	105,559

Note 13: Operating result and comprehensive result (total change in net worth)

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Opening net worth	-44,848	-44,848
Opening net worth adjustments(a)	16,192	0
Adjusted opening net worth	-28,657	-44,848
Net operating balance	-40,024	-46,209
Other economic flows – Included in operating result		
Foreign exchange gains	0	8,258
Gains from sale of assets	244	31
Other gains	9,781	3,874
Net write-down and impairment of assets and fair value losses	-6,928	-6,987
Foreign exchange losses	-29	-9
Losses from sale of assets	34	-2,738
Total other economic flows	3,104	2,431
Operating result(b)	-36,920	-43,779
Other economic flows - other movements in equity(a)(c)	-2,693	-6,759
Comprehensive result	-39,613	-50,538

(a) Reflects a decrease in the superannuation liability mainly due to a difference in the estimated and actual discount rate. Refer to Note 18 for further details.

(b) Operating result under AEIFRS accounting standards.

(c) Other economic flows not included in the AEIFRS accounting standards operating result.

Note 14: Advances paid and receivables

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Advances paid		
Loans to State and Territory governments	3,025	2,963
Higher Education Loan Program	15,271	15,551
Student Financial Supplement Scheme	707	711
Other	8,496	7,623
<i>less</i> Provision for doubtful debts	316	37
Total advances paid	27,184	26,811
Other receivables		
Goods and services receivable	927	925
Recoveries of benefit payments	3,058	3,024
Taxes receivable	16,249	17,229
Other	17,501	18,714
<i>less</i> Provision for doubtful debts	3,330	3,264
Total other receivables	34,404	36,628

Note 15: Investments, loans and placements

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Investments - deposits	27,260	28,002
IMF quota	5,099	4,813
Other	67,302	65,859
Total investments, loans and placements	99,661	98,675

Note 16: Total non-financial assets

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Land and buildings		
Land	8,471	8,687
Buildings	22,182	22,448
Total land and buildings	30,652	31,135
Plant, equipment and infrastructure		
Specialist military equipment	38,897	38,638
Other	11,833	11,918
Total plant, equipment and infrastructure	50,730	50,556
Inventories		
Inventories held for sale	983	885
Inventories not held for sale	5,917	5,987
Total inventories	6,900	6,873
Intangibles		
Computer software	2,882	2,844
Other	1,747	1,540
Total intangibles	4,630	4,384
Total investment properties	507	472
Total biological assets	120	104
Total heritage and cultural assets	9,423	9,474
Total assets held for sale	97	154
Other non-financial assets		
Prepayments	4,859	2,023
Other	460	249
Total other non-financial assets	5,319	2,273
Total non-financial assets	108,378	105,423

Note 17: Loans

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Promissory notes	3,755	3,851
Special drawing rights	4,976	4,585
Other	902	1,323
Total loans	9,633	9,759

Note 18: Employee and superannuation liabilities

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Total superannuation liability(a)	129,491	145,113
Other employee liabilities		
Leave and other entitlements	6,474	6,482
Accrued salaries and wages	267	455
Workers compensation claims	1,851	1,889
Separations and redundancies	60	64
Other	2,307	2,672
Total other employee liabilities	10,959	11,562
Total employee and superannuation liabilities	140,449	156,675

(a) For budget reporting purposes, a discount rate applied by actuaries in preparing Long Term Cost Reports is used to value the superannuation liability. This reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with Australian Accounting Standards, the long-term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actuals reporting.

Note 19: Provisions and payables

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Suppliers payable		
Trade creditors	3,596	3,501
Operating lease rental payable	176	191
Other creditors	458	2,338
Total suppliers payable	4,229	6,030
Total personal benefits provisions and payable	12,317	12,730
Total subsidies provisions and payable	2,307	1,823
Grants provisions and payable		
State and Territory governments	150	961
Non-profit organisations	139	106
Private sector	317	510
Overseas	1,431	1,303
Local governments	5	18
Other	6,175	10,638
Total grants provisions and payable	8,218	13,536
Other provisions and payables		
Provisions for tax refunds	2,752	2,236
Other	9,800	10,212
Total other provisions and payables	12,551	12,448

Note 20: Reconciliation of cash

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Operating balance (revenues less expenses)	-40,024	-46,209
<i>less</i> Revenues not providing cash		
Other	893	789
Total revenues not providing cash	893	789
<i>plus</i> Expenses not requiring cash		
Increase/(decrease) in employee entitlements	5,198	5,762
Depreciation/amortisation expense	5,621	5,876
Mutually agreed write-downs	2,043	2,442
Other	511	473
Total expenses not requiring cash	13,373	14,552
<i>plus</i> Cash provided / (used) by working capital items		
Decrease / (increase) in inventories	-718	-781
Decrease / (increase) in receivables	-4,657	-4,799
Decrease / (increase) in other financial assets	-55	109
Decrease / (increase) in other non-financial assets	-2,222	267
Increase / (decrease) in benefits, subsidies and grants payable	408	4,091
Increase / (decrease) in suppliers' liabilities	201	453
Increase / (decrease) in other provisions and payables	-1,004	-1,416
Net cash provided / (used) by working capital	-8,046	-2,078
<i>equals</i> (Net cash from/(to) operating activities)	-35,590	-34,524
<i>plus</i> (Net cash from/(to) investing activities)	-9,089	-9,328
Net cash from operating activities and investment	-44,679	-43,852
<i>plus</i> (Net cash from/(to) financing activities)	44,812	44,463
equals Net increase/(decrease) in cash	133	612
Cash at the beginning of the year	1,865	1,865
Net increase/(decrease) in cash	133	612
Cash at the end of the year	1,998	2,477

Note 20(a): Consolidated Revenue Fund

	2010-11 Estimate at 2011-12 Budget \$m	2010-11 Outcome \$m
Total general government sector cash	1,998	2,477
<i>less</i> CAC Agency cash balances	1,335	1,965
<i>plus</i> Special public monies	271	382
Balance of Consolidated Revenue Fund at 30 June	934	894

The cash balances reflected in the balance sheet for the Australian Government GGS (Table 9) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997* and the reported cash balances controlled and administered by entities, subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government GGS cash, less cash controlled and administered by CAC Act entities, plus special public monies represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown above.

Attachment A

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the final budget outcome (FBO) to be based on external reporting standards.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Final Budget Outcome 2010-11* have been prepared on a basis consistent with the 2011-12 Budget. This enables comparison of the 2010-11 revised estimates published at the 2011-12 Budget and the outcome. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

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

General Government Sector Financial Reporting (AASB 1049)

The FBO primarily focuses on the financial performance and position of the general government sector GGS. The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 history and conceptual framework

The Australian Accounting Standards Board (AASB) released AASB 1049 for application from the 2008-09 financial year. AASB 1049 attempts to 'harmonise' ABS GFS and AAS.

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

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
 - to allow the presentation of a single set of financial statements in accordance with AASB 1049 the ABS GFS statement of other economic flows has been incorporated into the operating statement;
- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

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

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.¹

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, 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).

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

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) measures the change in the Australian Government's stock of non-financial assets owing to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Net acquisition of non-financial assets 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.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.²

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.

2 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Net worth

The net worth of the GGS, PNFC and PFC sectors are 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 less other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

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

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowings) less the sum of selected financial assets³ (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

3 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

Cash flow statement

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

Underlying cash balance

The underlying cash balance plus Future Fund earnings (ABS GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This measure is conceptually equivalent under the current accrual framework and the previous cash framework. 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>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁴
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future superannuation payments and are therefore not available for current spending. However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 10 of this statement and the historic tables in Appendix B.

4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

Headline cash balance

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

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

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

5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Figure 1: Institutional structure of the public sector

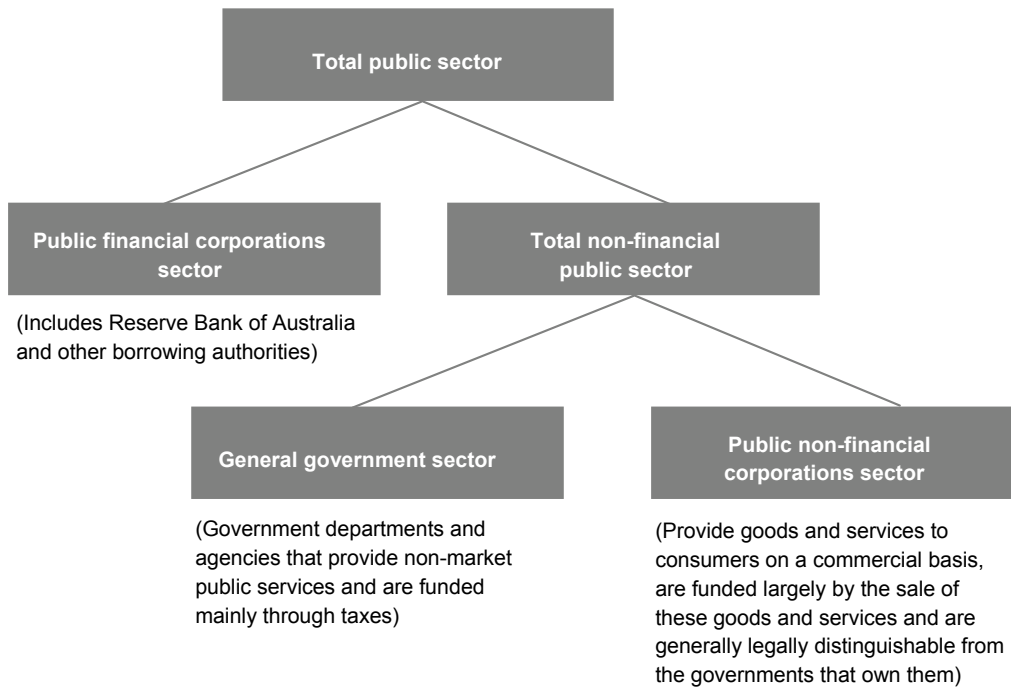


Table 21: Entities within the sectoral classifications

General government sector entities
<p>Agriculture, Fisheries and Forestry Portfolio</p> <p>Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Cotton Research and Development Corporation, Department of Agriculture, Fisheries and Forestry, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation, Wheat Exports Australia, Wine Australia Corporation</p>
<p>Attorney-General's Portfolio</p> <p>Administrative Appeals Tribunal, Attorney-General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs and Border Protection Service, Australian Federal Police, Australian Human Rights Commission, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre (AUSTRAC), CrimTrac Agency, Family Court of Australia, Federal Court of Australia, Federal Magistrates Court of Australia, High Court of Australia, Insolvency and Trustee Service Australia, National Native Title Tribunal, Office of Parliamentary Counsel, Office of the Director of Public Prosecutions</p>
<p>Broadband, Communications and the Digital Economy Portfolio</p> <p>Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and the Digital Economy, Special Broadcasting Service Corporation</p>
<p>Climate Change and Energy Efficiency Portfolio</p> <p>Department of Climate Change and Energy Efficiency, Low Carbon Australia Limited, Office of the Renewable Energy Regulator</p>
<p>Defence Portfolio</p> <p>AAF Company, Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Limited, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans' Affairs, RAAF Welfare Recreational Company, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund</p>

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
<p>Education, Employment and Workplace Relations Portfolio</p> <p>Australian Curriculum, Assessment and Reporting Authority, Australian Institute for Teaching and School Leadership Limited, Australian Learning and Teaching Council Limited, Comcare, Department of Education, Employment and Workplace Relations, Fair Work Australia, National Vocational Education and Training Regulator, Office of the Australian Building and Construction Commissioner, Office of Fair Work Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)</p>
<p>Family, Housing, Community Services and Indigenous Affairs Portfolio</p> <p>Aboriginal Hostels Limited, Anindilyakwa Land Council, Central Land Council, Department of Families, Housing, Community Services and Indigenous Affairs, Equal Opportunity for Women in the Workplace Agency, Indigenous Business Australia, Indigenous Land Corporation, Northern Land Council, Outback Stores Pty Ltd, Tiwi Land Council, Torres Strait Regional Authority, Wreck Bay Aboriginal Community Council</p>
<p>Finance and Deregulation Portfolio</p> <p>Australian Electoral Commission, Australian Reward Investment Alliance, ComSuper, Department of Finance and Deregulation, Future Fund Management Agency</p>
<p>Foreign Affairs and Trade Portfolio</p> <p>AusAID, Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account</p>
<p>Health and Ageing Portfolio</p> <p>Aged Care Standards and Accreditation Agency Ltd, Australian Commission on Safety and Quality in Health Care, Australian Institute of Health and Welfare, Australian National Preventative Health Agency, Australian Organ and Tissue Donation and Transplantation Authority, Australian Radiation Protection and Nuclear Safety Agency, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Limited, Health Workforce Australia, National Blood Authority, National Breast and Ovarian Cancer Centre, National Health and Medical Research Council, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review Scheme</p>

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
<p>Human Services Portfolio</p> <p>Centrelink (Commonwealth Service Delivery Agency), Department of Human Services, Medicare Australia</p>
<p>Immigration and Citizenship Portfolio</p> <p>Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal</p>
<p>Infrastructure and Transport Portfolio</p> <p>Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure and Transport, National Transport Commission</p>
<p>Innovation, Industry, Science and Research Portfolio</p> <p>Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australian Nuclear Science and Technology Organisation, Australian Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Innovation, Industry, Science and Research, IIF Foundation Pty Limited, IIF Investments Pty Limited, IP Australia</p>
<p>Prime Minister and Cabinet Portfolio</p> <p>Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian Institute of Family Studies, Australian National Audit Office, Australian National Maritime Museum, Australian Public Service Commission, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Bundanon Trust, Department of the Prime Minister and Cabinet, Department of Regional Australia, Regional Development and Local Government, National Archives of Australia, National Australia Day Council Limited, National Capital Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, Office of the Australian Information Commissioner, Office of the Commonwealth Ombudsman, Office of National Assessments, Office of the Inspector-General of Intelligence and Security, Office of the Official Secretary to the Governor-General, Old Parliament House, Screen Australia</p>
<p>Resources, Energy and Tourism Portfolio</p> <p>Australian Solar Institute Limited, Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia</p>

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
<p>Sustainability, Environment, Water, Population and Communities Portfolio</p> <p>Bureau of Meteorology, Department of Sustainability, Environment, Water, Population and Communities, Director of National Parks, Great Barrier Reef Marine Park Authority, Murray-Darling Basin Authority, National Water Commission, Sydney Harbour Federation Trust</p>
<p>Treasury Portfolio</p> <p>Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, Inspector-General of Taxation, National Competition Council, Office of the Auditing and Assurance Standards Board, Office of the Australian Accounting Standards Board, Productivity Commission, Royal Australian Mint</p>
<p>Parliamentary Departments</p> <p>Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate</p>
Public financial corporations
<p>Education, Employment and Workplace Relations Portfolio</p> <p>Coal Mining Industry (Long Service Leave Funding) Corporation</p>
<p>Finance and Deregulation Portfolio</p> <p>Australian Industry Development Corporation, Medibank Private Ltd</p>
<p>Foreign Affairs and Trade Portfolio</p> <p>Export Finance and Insurance Corporation</p>
<p>Treasury Portfolio</p> <p>Australia Reinsurance Pool Corporation, Reserve Bank of Australia, OzCar</p>

Table 21: Entities within the sectoral classifications (continued)

Public non-financial corporations
Attorney General's Portfolio
Australian Government Solicitor
Broadband, Communications and the Digital Economy Portfolio
Australian Postal Corporation, NBN Co Ltd
Family, Housing, Community Services and Indigenous Affairs Portfolio
Voyages Indigenous Tourism Australia Pty Ltd
Finance and Deregulation Portfolio
Albury-Wodonga Development Corporation, Australian River Co. Ltd, ASC Pty Ltd
Human Services Portfolio
Australian Hearing Services
Infrastructure and Transport Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd

Differences between ABS GFS and AAS framework (AASB 1049)

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues, 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, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transaction or 'other economic flow' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.⁶

Some of the major differences between AASB 1049 and the ABS GFS treatments of transactions are outlined in Table 22. 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, 2005* (cat. no. 5514.0).

6 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table 22: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	Treated as capital expenditure. DWP appear as a non-financial asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement. AASB 1049 requires cost to be used where fair value of assets cannot be reliably measured.	ABS has updated its treatment in its GFS reports to record DWP as a non-financial asset on a market value basis. This represents an early adoption of changes to the System of National accounts.	AAS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coin (seigniorage) is treated as revenue.	Circulating coin (seigniorage) is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Creating provisions is not considered an economic event and therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to the International Development Association and Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	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	Included in the Fiscal Balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Deferred tax 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

Table 22: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	AAS

Attachment B

AUSTRALIAN LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Commonwealth and each State and Territory government nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balances of the general government and public non-financial corporations sectors and total non-financial public sector acquisitions under finance leases and similar arrangements);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table 23, the Commonwealth's 2010-11 LCA final budget outcome is a \$52,903 million deficit. This compares with the Australian Government's 2010-11 LCA Budget estimate of a \$50,004 million deficit.

A tolerance limit of 2 per cent of non-financial public sector receipts applies between the LCA Budget estimate and the outcome. Tolerance limits recognise that LCAs are nominated at an early stage of the Budget process and may change as a result of policy and parameter changes. The Australian Government's 2010-11 LCA final budget outcome does not exceed the 2 per cent tolerance limit.

Table 23: Australian Government Loan Council Allocation

	2010-11 Budget Estimate	2010-11 Outcome
	\$m	\$m
GG sector cash surplus(-)/deficit(+)	37,672	44,019
PNFC sector cash surplus(-)/deficit(+)	2,871	1,175
NFPS cash surplus(-)/deficit(+)(a)	40,543	45,194
Acquisitions under finance leases and similar arrangements	163	59
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	40,707	45,252
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(b)	-10,171	-7,027
<i>plus</i> Memorandum items(c)	-874	623
Loan Council Allocation	50,004	52,903

- (a) May not directly equate to the sum of the GG sector and the PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.
- (b) Net cash flow from investments in financial assets for policy purposes are displayed with the same sign as they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.
- (c) For the Commonwealth's Loan Council Allocation outcome, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), the over funding of superannuation and the net financing requirement of the Australian National University.

PART 3: AUSTRALIA'S FEDERAL RELATIONS

This part provides information on payments for specific purposes and general revenue assistance, including GST payments, provided to the States and Territories (the States).

The current framework for federal financial relations under the Intergovernmental Agreement on Federal Financial Relations (the Intergovernmental Agreement) was introduced on 1 January 2009.

The Commonwealth is working in partnership with the States in a number of key reform areas benefitting all Australians. Significant progress has been made in implementing the reform agenda through the federal financial relations framework. The framework has proven to be flexible and dynamic, facilitating reform activity, including health reform, and responding to the global recession and, more recently, natural disasters.

More detailed information on Australia's Federal Relations is provided in Budget Paper No. 3, *Australia's Federal Relations 2011-12* and on the Federal Financial Relations website at www.federalfinancialrelations.gov.au.

OVERVIEW OF PAYMENTS TO THE STATES

The States receive substantial financial support from the Commonwealth. In 2010-11, the Commonwealth provided the States with payments totalling \$98.5 billion, comprising specific purpose payments of \$51.6 billion and general revenue assistance, including GST payments, of \$47.0 billion, as shown in Table 24. This represents a 1.3 per cent increase in total financial assistance compared to 2009-10. Total payments to the States as a proportion total Commonwealth expenditure was 27.7 per cent in 2010-11.

Table 24: Commonwealth payments to the States, 2010-11

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payments for specific purposes	14,727	10,502	14,279	5,012	3,610	1,453	707	1,276	51,565
General revenue assistance	14,177	10,745	8,494	4,234	4,337	1,688	889	2,389	46,953
Total payments to the States	28,903	21,247	22,773	9,246	7,947	3,141	1,596	3,665	98,517

PAYMENTS FOR SPECIFIC PURPOSES

The Commonwealth provides payments to the States for specific purposes in order to pursue policy objectives in areas that may be administered by the States. Payments to the States for specific purposes constituted 14.5 per cent of total Commonwealth expenditure in 2010-11.

The Commonwealth provides the following types of Specific Purpose Payments (SPPs) to the States:

- National Specific Purpose Payments (National SPPs) in respect of key service delivery sectors;
- National Health Reform funding (from 1 July 2012); and
- National Partnership payments – project payments, facilitation payments and reward payments.

These payments cover most functional areas of state and local government activity – including health, education, community services, housing, infrastructure and the environment.

National SPPs

The Commonwealth supports the States' efforts in delivering services in the major service delivery sectors through five National SPPs. These National SPPs are the primary way that the Commonwealth supports the States' efforts in delivering services in the major sectors of health, schools, skills and workforce development, disability services and affordable housing. The States are required to spend each National SPP in the relevant sector.

Payments made through the year for National SPPs are made in advance based on Commonwealth estimates of the growth factors. A balancing adjustment is made after the end of the financial year following a Determination by the Treasurer.

The National SPPs are distributed among the States on the basis of payment shares specified in the Intergovernmental Agreement and population shares based on the Australian Statistician's determination of States' population shares as at 31 December of that year (that is, an equal per capita basis). In recognition that an immediate shift to equal per capita shares may have implications for State allocations, an equal per capita distribution is being phased in over five years from 2009-10.

An equal per capita distribution of National SPPs ensures that all Australians, regardless of the jurisdiction in which they live, are provided with the same share of Commonwealth funding support for State service delivery.

In the case of the government schools component of the National Schools SPP, the relevant population is each State's share of full-time equivalent student enrolments in government schools.

From 1 July 2012, the National Healthcare SPP will be replaced by National Health Reform funding which will comprise base funding equivalent to the National Healthcare SPP and, from 1 July 2014, efficient growth funding. These arrangements are part of the National Health Reform Agreement signed by all jurisdictions in August 2011.

National Partnership payments

The Commonwealth recognises the need to support the States, over and above that provided through the National SPPs, to undertake priority national reforms or collaborative projects.

Under the Intergovernmental Agreement, National Partnership payments to the States are the key vehicle to support the delivery of specified projects, facilitate reforms, or reward those jurisdictions that deliver on nationally significant reforms.

National Partnership agreements set out clear, mutually agreed and ambitious performance benchmarks that encourage the achievement of reforms or continuous improvement in service delivery.

There are three types of National Partnership payments: project; facilitation; and reward.

National Partnership project payments are a financial contribution to the States to deliver specific projects, including to improve the quality or quantity of service delivery, or projects which support national objectives. These payments are generally made on the achievement of milestones.

When an area emerges as a national priority, National Partnership facilitation payments may be paid in advance of the States implementing reforms, in recognition of the administrative and other costs associated with undertaking reform.

National Partnership reward payments can be used to reward those States that deliver on nationally significant reform or continuous improvement in service delivery. For reward payments, the COAG Reform Council assesses and publicly reports on the achievement of agreed performance benchmarks. The Commonwealth considers the COAG Reform Council assessments when determining reward payments to the States.

Some payments for specific purposes under the previous federal financial arrangements have become National Partnership project payments.

Total payments for specific purposes

In 2010-11, the States received \$51.6 billion in payments for specific purposes, a decrease of 1.8 per cent compared with the \$52.5 billion the States received in 2009-10. This reflects the withdrawal of the stimulus measures put in place in response to the global financial crisis.

Total payments for specific purposes, including National SPPs and National Partnership payments are shown in Table 25.

Table 25: Total payments for specific purposes by category, 2010-11

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Specific Purpose Payments	8,494	6,400	5,229	2,656	2,087	604	417	354	26,240
National Partnership Payments	6,233	4,101	9,050	2,356	1,524	849	290	922	25,325
Total payments for specific purposes	14,727	10,502	14,279	5,012	3,610	1,453	707	1,276	51,565

Total payments for specific purposes by sector, including National SPPs and National Partnership payments are shown in Table 26.

Table 26: Total payments for specific purposes by sector, 2010-11

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Health	4,374	3,263	2,678	1,535	1,047	594	202	204	13,896
Education	5,423	4,009	3,313	1,814	1,397	425	300	311	16,990
Skills and Workforce Development	596	354	361	182	135	38	32	19	1,718
Community Services	847	642	576	256	242	77	34	82	2,754
Affordable Housing	961	595	660	424	220	73	59	528	3,519
Infrastructure	1,374	732	725	335	330	142	29	68	3,735
Environment	56	39	57	44	52	20	3	7	277
Contingent	373	324	5,455	149	26	4	..	17	6,347
Other	67	53	43	27	20	13	5	11	239
Financial assistance grants to local government	656	492	412	246	142	67	44	30	2,089
Total payments for specific purposes	14,727	10,502	14,279	5,012	3,610	1,453	707	1,276	51,565

Financial assistance grants to local governments

The Commonwealth provided \$2.1 billion in financial assistance grants to local governments in 2010-11. Table 27 provides details of these grants, which are provided to the States to be distributed to local governments in each State. An analogous payment is made to the Australian Capital Territory.

Financial assistance grants are adjusted annually, based on an escalation factor that the Treasurer determines with reference to population growth and the consumer price

index. In June 2010, the Treasurer determined an adjusted final escalation factor for 2010-11 of 1.0494.

Since 2008-09, the Commonwealth has bought forward the first quarter payment from the next financial year to assist in cash management.

Table 27: Financial assistance grants to local government, 2010-11

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
General purpose assistance	469	359	292	148	107	33	23	15	1,447
Untied local road funding	186	132	120	98	35	34	21	15	642
Total	656	492	412	246	142	67	44	30	2,089

GENERAL REVENUE ASSISTANCE

General revenue assistance is a broad category of payments, including GST payments, which are provided to the States without conditions, to spend according to their own budget priorities.

In 2010-11, the States received \$47.0 billion in general revenue assistance from the Commonwealth, as shown in Table 28, comprising \$45.9 billion in GST payments and \$1.1 billion of other general revenue assistance. This represents a 5.1 per cent increase in general revenue assistance, compared with the \$44.7 billion the States received in 2009-10. In 2010-11, total general revenue assistance to the States represented 13.2 per cent of total Commonwealth expenditure.

Table 28: General revenue assistance, 2010-11

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
GST payments	14,158	10,736	8,494	3,236	4,337	1,688	853	2,385	45,887
Other general revenue assistance									
ACT municipal services	-	-	-	-	-	-	35	-	35
Royalties	-	-	-	934	-	-	-	4	938
Reduced royalties	-	-	-	64	-	-	-	-	64
Snow y Hydro Ltd tax compensation	19	9	-	-	-	-	-	-	28
Total other general revenue assistance	19	9	-	998	-	-	35	4	1,066
Total general revenue assistance	14,177	10,745	8,494	4,234	4,337	1,688	889	2,389	46,953

GST payments

Reconciling GST revenue and GST payments to the States

The Commonwealth makes GST payments to the States based on the revenue received from the GST. In 2010-11, GST revenue was \$48.1 billion. However, GST revenue for a financial year varies from the amount of GST payments to the States for that year for several reasons including:

- GST revenues which are recognised on a Commonwealth whole of government basis, but are not recognised because the revenues will not be remitted to the Australian Taxation Office until the following financial year;
- penalties, other than general interest charge penalties, which are not included in the definition of GST to be paid to the States contained in the Intergovernmental Agreement; and
- the GST component of sales by Commonwealth agencies which has been collected by those agencies but which, as at 30 June in each year, will not have been remitted to the Australian Taxation Office, because it is not due to be paid until the next Business Activity Statement is lodged.

A reconciliation of GST revenue and GST payable to the States is provided in Table 29.

Table 29: GST revenue and GST payable to the States, 2010-11

\$million	Total
GST revenue	48,093
<i>less change in GST receivables(a)</i>	2,010
GST receipts	46,083
<i>less non-GIC penalties collected(b)</i>	115
<i>less GST collected by Commonwealth agencies but not yet remitted to the ATO(c)</i>	81
GST payable to the States	45,887

- (a) GST which is recognised on a Commonwealth whole-of-government basis, but not recognised as at 30 June of each financial year, because the revenue will not be remitted to the Australian Tax Office until the following year.
- (b) General interest charge (GIC) penalties are defined in the Intergovernmental Agreement as being a part of the Commonwealth's GST revenue that is paid to the States. However, while other GST related penalties are also recognised in the Commonwealth's GST revenue, non-GIC penalties are not defined in the Intergovernmental Agreement as being a part of the GST revenue that is paid to the States.
- (c) This is the GST component of sales by Commonwealth agencies which has been collected by those agencies but which, as at 30 June in each year, will not have been remitted to the Australian Taxation Office, because it is not due to be paid until the next Business Activity Statement is lodged (typically on 21 July in the following financial year).

Advances of GST payments were provided to the States throughout the 2010-11 financial year based on the Commonwealth's estimate of GST receipts at the 2011-12 Budget. GST payments to the States are expected to be \$437 million higher than the advances paid during 2010-11. A balancing adjustment to compensate the States for the underpayment will be made in the 2011-12 financial year following a Determination by the Treasurer. Table 30 provides a reconciliation of GST entitlement and GST payments to the States.

Table 30: GST payable and GST payments to the States, 2010-11

\$million	Total
GST payable to the States	45,887
<i>less</i> advances of GST revenues made throughout 2010-11	45,450
<i>equals</i> follow ing year balancing adjustment	437

Distribution of GST payments among the States

As agreed by COAG in the Intergovernmental Agreement, the Commonwealth distributes GST payments amongst the States in accordance with the principle of horizontal fiscal equalisation and having regard to the recommendations of the Commonwealth Grants Commission.

GST relativities

The Commonwealth Grants Commission recommends GST relativities to be used in calculating each State's share of GST payments. The relativities determine how much GST revenue each State receives compared with an equal per capita share and are determined such that, if each State made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each State would have the capacity to provide services at the same standard.

The Treasurer made a determination on the GST Revenue sharing relativities for 2010-11 in June 2010. The relativities for 2010-11 are shown in Table 31.

Table 31: GST relativities, 2010-11

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2010-11	0.95205	0.93995	0.91322	0.68298	1.28497	1.62091	1.15295	5.07383

Applying the GST relativities to the GST pool

The GST relativities were applied to estimated State populations in order to determine an adjusted population for each State. The entitlements are allocated using the population as at 31 December 2010 as determined by the Australian Statistician. Each State received its adjusted population share of the GST pool as shown in Table 31.

Table 32: Distribution of the 2010-11 GST entitlement

	Population as at 31 December 2010	State revenue sharing relativities	Adjusted population (1) x (2)	Share of adjusted population per cent	Share of GST pool \$million
	(1)	(2)	(3)	(4)	(5)
NSW	7,272,158	0.95205	6,923,458	30.9	14,157.7
VIC	5,585,566	0.93995	5,250,153	23.4	10,736.0
QLD	4,548,661	0.91322	4,153,928	18.5	8,494.3
WA	2,317,064	0.68298	1,582,508	7.1	3,236.1
SA	1,650,377	1.28497	2,120,685	9.5	4,336.6
TAS	509,292	1.62091	825,516	3.7	1,688.1
ACT	361,914	1.15295	417,269	1.9	853.3
NT	229,874	5.07383	1,166,342	5.2	2,385.0
Total	22,474,906	N/A	22,439,859	100.0	45,887.0

Table 33 provides a summary of advances made in 2010-11 against their estimated final entitlement shown in Table 32 above. The variance between advances paid in 2010-11 and the States' determined entitlement will be provided in the 2011-12 financial year.

Table 33: Summary of advances made in 2010-11 and distribution of following year adjustment across States

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
GST entitlement	14,157.7	10,736.0	8,494.3	3,236.1	4,336.6	1,688.1	853.3	2,385.0	45,887.0
2010-11 advance	14,023.4	10,629.5	8,413.6	3,202.1	4,296.1	1,671.7	841.8	2,372.0	45,450.0
Following year adjustment	134.3	106.5	80.7	34.0	40.5	16.4	11.5	13.1	437.0

GST administration costs

The Commissioner of Taxation administers the GST law and the States compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office in administering the GST as shown in Table 34.

Table 34: GST administration, 2010-11

\$million	Actual	
	2009-10	2010-11
Australian Taxation Office budget	590.1	666.6
less prior year adjustment	27.3	-8.2
<i>equals</i> State government administration payments	562.8	674.8
less Australian Taxation Office outcome(a)	598.3	659.4
<i>equals</i> Commonwealth budget impact	-35.5	15.4
plus prior year adjustment	27.3	-8.2
<i>equals</i> following year adjustment	-8.2	7.2

(a) Estimated outcome for 2010-11 pending confirmation by the Australian National Audit Office.

On 7 April 2011, the Ministerial Council for Federal Financial Relations agreed to a GST administration budget of \$666.6 million.

The estimated outcome for the 2010-11 GST administration expenses of \$659.4 million differs from the amount paid by the States and the prior year adjustment by \$7.2 million. Once the outcome for GST administration costs in 2010-11 is audited, any adjustment required will be incorporated into the States' administration costs for 2011-12.

Attachment A

PAYMENTS TO THE STATES

This attachment provides information on Commonwealth payments to the States and local governments on an accruals basis. This includes Commonwealth advances (loans) to the States, including repayments of advances and interest on advances. Most of these advances were funded from borrowings made on behalf of the States under previous Australian Loan Council arrangements.

The following tables detail payments to the States for 2010-11:

Table 35 – health;

Table 36 – education;

Table 37 – skills;

Table 38 – community services;

Table 39 – affordable housing;

Table 40 – infrastructure;

Table 41 – environment;

Table 42 – contingent liabilities;

Table 43 – other purposes;

Table 44 – general revenue assistance;

Table 45 – advances, repayment of advances and interest payments; and

Table 46 – payments presented on the Australian Bureau of Statistics Government Finance Statistics (GFS) functional basis.

Table 35: Payments for specific purposes to support state health services, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Healthcare SPP	3,935,654	2,910,696	2,382,259	1,224,586	958,359	263,562	165,966	149,440	11,990,522
National Partnership payments									
National Health Reform									
Improving Public Hospital Services									
Flexible funding for emergency departments, elective surgery and subacute care	24,658	19,568	16,533	16,293	7,264	3,756	3,303	2,915	94,290
Four hour national access target for emergency departments									
- capital funding	28,965	22,856	19,214	16,170	-	3,882	1,669	2,873	95,629
- facilitation and reward funding	48,458	43,487	30,477	14,140	8,100	3,992	1,013	1,549	151,216
Improving access to elective surgery									
- capital funding	23,515	18,849	16,066	13,748	3,244	4,354	1,688	3,584	85,048
- facilitation and reward funding	96,916	68,125	60,955	36,498	-	8,104	4,789	3,098	278,486
New subacute beds guarantee funding	47,175	43,650	35,175	18,075	12,750	4,275	658	1,575	163,333
Closing the Gap - Northern Territory									
Indigenous health and related services	-	-	-	-	-	-	-	5,674	5,674
Health Infrastructure									
Health and Hospitals Fund									
Hospital infrastructure and other projects of national significance	2,000	8,500	-	132,100	-	9,000	-	3,200	154,800
National cancer system	10,560	10,426	25,611	8,790	12,170	2,584	13,237	-	83,378
Regional priority round	-	-	-	-	-	170,000	-	-	170,000

Table 35: Payments for specific purposes to support state health services, 2010-11 (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Health infrastructure (continued)									
Other Health infrastructure payments	-	-	2,000	-	-	-	-	-	2,000
Cairns integrated cancer centre	-	-	-	-	8,000	-	-	-	8,000
Children's cancer centre, Adelaide	-	-	-	-	-	-	-	-	-
Contribution towards the new Women's and Children's Hospital in Hobart	-	-	-	-	-	100,000	-	-	100,000
Funding for Grafton Hospital	1,000	-	-	-	-	-	-	-	1,000
PET scanner for the Westmead Hospital, Sydney	1,300	-	-	-	-	-	-	-	1,300
Tasmanian health package	-	-	-	-	-	-	-	-	-
Patient transport and accommodation services	-	-	-	-	-	2,300	-	-	2,300
Radiation oncology services in North/North West Tasmania	-	-	-	-	-	2,664	-	-	2,664
Upgrading patient accommodation for Launceston	-	-	-	-	-	500	-	-	500
Health services									
Early intervention pilot program	500	-	-	-	-	-	-	-	500
Extension of the COAG Long Stay Older Patients Initiative	12,990	9,520	3,400	-	3,330	495	300	-	30,035
Healthy kids health checks	-	358	370	-	143	94	68	93	1,126
National antimicrobial utilisation surveillance program	-	-	-	-	300	-	-	-	300
National bowel cancer screening	-	444	357	183	143	106	89	76	1,398
National Perinatal Depression Initiative	-	-	-	-	445	-	-	-	445

Table 35: Payments for specific purposes to support state health services, 2010-11 (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Health services (continued)									
Northern Territory medical school — funding contribution	-	-	-	-	-	-	-	532	532
Pneumococcal disease surveillance	-	-	-	-	6	-2	-	-	4
OzFoodNet	322	237	237	184	184	171	129	134	1,598
Satellite renal dialysis facilities in remote Northern Territory communities	-	-	-	-	-	-	-	272	272
Sexual assault counselling in remote Northern Territory areas	-	-	-	-	-	-	-	1,386	1,386
Torres Strait health protection strategy	-	-	714	-	-	-	-	-	714
Reducing acute rheumatic heart fever among Indigenous children	-	-	792	795	-	-	-	795	2,382
Royal Darw in Hospital — equipped, prepared and ready	-	-	-	-	-	-	-	14,212	14,212
Vaccine-preventable diseases surveillance	-	-	-	-	115	-	-	-	115
Victorian cytology service	-	7,334	-	-	-	-	-	-	7,334
Preventive health									
Enabling infrastructure	1,632	1,240	1,000	504	376	116	80	52	5,000
Healthy communities	1,651	1,513	1,513	1,100	825	413	275	550	7,840
Social marketing	1,959	1,487	1,199	606	451	140	97	62	6,001
Other									
East Kimberley development package — health-related projects	-	-	-	6,260	-	-	-	-	6,260
Elective surgery waiting list reduction plan	37,614	29,037	23,144	12,606	10,563	4,622	3,582	2,833	124,000

Table 35: Payments for specific purposes to support state health services, 2010-11 (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Other (continued)									
Essential vaccines	91,765	64,939	50,406	29,291	18,843	8,259	4,968	4,254	272,725
Indigenous early childhood development — antenatal and reproductive health	5,340	1,107	6,126	2,800	935	525	200	4,390	21,423
Indigenous mobile dental program	-	-	728	-	-	-	-	-	728
Total	4,373,974	3,263,373	2,678,276	1,534,729	1,046,546	593,912	202,111	203,549	13,896,470
<i>Memorandum item - payments direct to local governments included in payments above</i>									
Healthy communities	1,651	1,513	1,513	1,100	825	413	275	550	7,840
Total	1,651	1,513	1,513	1,100	825	413	275	550	7,840

Table 36: Payments for specific purposes to support state education services, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Schools SPP	3,377,934	2,634,104	2,143,148	1,075,651	831,760	244,131	187,321	142,278	10,636,327
National Partnership payments									
Closing the Gap in the Northern Territory	-	-	-	-	-	-	-	16,290	16,290
Quality teaching, accelerated literacy	-	-	-	-	-	-	-	29,200	29,200
Supporting remote schools — additional teachers	-	-	-	-	-	-	-	4,196	4,196
Teacher housing	31,720	23,924	21,248	9,324	7,541	2,059	1,902	2,228	99,946
Digital Education Revolution									
Early Childhood Education — universal access to early education	26,869	19,303	29,488	9,700	6,596	1,940	1,164	1,940	97,000
East Kimberley development package — education-related projects	-	-	-	10,660	-	-	-	-	10,660
Education Investment Fund	10,698	-	-	11,000	-	-	-	-	21,698
Fort Street High School noise insulation	3,000	-	-	-	-	-	-	-	3,000
Indigenous early childhood development — children and family centres	16,071	6,076	-	4,270	-	-	4,272	11,163	41,852
Nation Building and Jobs plan — Building the Education Revolution — Primary schools for the 21st century	1,704,113	1,252,302	983,476	628,516	467,457	148,416	89,475	85,611	5,359,366
National quality agenda for early childhood education and care	2,887	1,343	1,016	1,217	732	105	30	417	7,747
National Solar Schools Program	-	50	-	-	-	-	-	-	50
Pre-apprenticeship training	4,317	900	3,038	3,480	3,493	4,360	275	20	19,883
School Pathways Program	-	-	-	384	559	-	-	-	943

Table 36: Payments for specific purposes to support state education services, 2010-11 (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Secure Schools Program	2,836	2,369	706	647	60	-	281	-	6,899
Smarter Schools									
Improving teacher quality	10,886	8,646	6,710	3,444	2,485	807	608	415	34,001
Literacy and numeracy	46,814	9,391	48,522	11,172	14,136	3,096	1,921	3,410	138,462
Low SES school communities	81,078	37,618	29,931	13,223	21,833	9,584	410	9,584	203,261
Trade training centres in schools	103,744	12,744	45,280	31,351	39,914	10,055	11,899	3,987	258,974
Total	5,422,967	4,008,770	3,312,563	1,814,039	1,396,566	424,553	299,558	310,739	16,989,755
<i>Memorandum item - payments for non-government schools included in payments above(a)</i>									
National Schools SPP(b)	2,193,195	1,810,052	1,438,773	718,692	562,697	148,317	134,238	79,644	7,085,608
Digital Education Revolution	11,598	9,143	7,662	3,013	2,859	362	807	1,556	37,000
Nation Building and Jobs plan — Building the Education Revolution — Primary schools for the 21st century	530,497	409,843	299,922	191,147	126,316	35,311	31,054	21,037	1,645,127
Secure Schools Program	2,836	2,369	706	647	60	-	281	-	6,899
Trade training centres in schools	30,926	2,800	9,308	7,471	2,993	1,495	11,875	1,500	68,368
Total	2,769,052	2,234,207	1,756,371	920,970	694,925	185,485	178,255	103,737	8,843,002

(a) Non-government schools payments are inclusive of GST.

(b) This payment includes payments paid under the Schools Assistance Act 2008.

Table 37: Payments for specific purposes to support skills services, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Skills & Workforce Development SPP	443,273	331,870	261,541	134,705	100,271	31,155	22,658	13,885	1,339,358
National Partnership payments									
Better TAFE facilities	-	-8	-	-	-	-1	-	-	-9
National Disaster Queensland — Community Work Placements	-	-	4,750	-	-	-	-	-	4,750
Productivity Places Program	139,037	-	85,881	43,692	32,481	6,339	7,331	4,663	319,424
TAFE fee waivers for childcare qualifications	4,971	5,587	2,814	797	580	396	1,291	128	16,564
Youth attainment and transitions — Maximising engagement, attainment and successful transitions	8,493	17,040	5,595	2,811	1,937	606	662	358	37,502
Total	595,774	354,489	360,581	182,005	135,269	38,495	31,942	19,034	1,717,589

Table 38: Payments for specific purposes to support community services, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Disability SPP	349,294	246,983	201,543	94,300	101,231	31,449	15,652	11,492	1,051,944
National Partnership payments									
Transitioning responsibilities for aged care and disability services									
Basic community care maintenance and support services	375,459	305,089	311,171	130,905	109,427	34,720	15,217	8,906	1,290,894
Aged care assessment	24,646	15,754	12,791	7,345	5,096	1,913	706	857	69,108
Certain concessions for pensioners and seniors card holders									
Certain concessions for pensioners	85,038	60,795	42,452	21,375	24,186	7,767	1,725	1,181	244,519
National reciprocal transport concessions	6,255	1,732	4,001	429	387	119	179	77	13,179
Closing the Gap in the Northern Territory									
Community safety — family support	-	-	-	-	-	-	-	4,726	4,726
Field operations	-	-	-	-	-	-	-	2,907	2,907
Food security	-	-	-	-	-	-	-	370	370
Remote policing	-	-	-	-	-	-	-	44,796	44,796
Substance abuse	-	-	-	-	-	-	-	6,968	6,968
Home and Community Care — services for veterans	6,254	4,251	3,682	1,428	1,455	568	273	47	17,958
Victorian bushfire reconstruction and recovery plan	-	6,930	-	-	-	-	-	-	6,930
Total	846,946	641,534	575,640	255,782	241,782	76,536	33,752	82,327	2,754,299

Table 39: Payments for specific purposes to support affordable housing services, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Affordable Housing SPP	387,938	276,746	240,048	126,752	95,070	33,545	25,180	36,552	1,221,831
National Partnership payments									
East Kimberley development package — social and transitional housing projects	-	-	-	20,640	-	-	-	-	20,640
First Home Owners Boost	32,018	86,722	15,117	19,394	11,288	3,171	9,114	518	177,342
Homelessness	35,176	24,938	32,090	15,919	9,613	4,455	2,336	5,974	130,501
Nation Building and Jobs Plan — social housing									
Second stage construction	482,561	203,154	302,568	155,479	84,855	29,744	22,459	13,180	1,294,000
Repairs and maintenance	-	-1	-	-	-	-	-	-	-1
Remote Indigenous housing	22,885	3,156	70,176	85,855	19,381	2,137	-	471,399	674,989
Total	960,578	594,715	659,999	424,039	220,207	73,052	59,089	527,623	3,519,302

Table 40: Payments for specific purposes to support state infrastructure services, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Partnership payments									
East Kimberley development package — other infrastructure projects	-	-	-	11,299	-	-	-	-	11,299
Interstate road transport	35,216	20,491	7,256	3,032	9,234	382	382	382	76,375
Local Government and Regional Development Infrastructure employment projects	-	250	8,400	3,500	2,633	3,691	-	-	18,474
Local community sporting infrastructure	2,150	-	-	-	-	-	-	-	2,150
Nation Building Program Investment	-	19,399	-	-	-	12,580	-	-	31,979
Rail	703,363	269,467	490,488	157,462	84,479	76,501	448	40,209	1,822,417
Road	11,177	12,227	12,078	5,502	5,621	1,224	966	1,589	50,384
Black spot projects	-	3,000	-	30,000	-	1,864	-	-	34,864
Off-network projects	22,905	14,511	68,544	14,016	-	10,641	16,467	10,723	157,807
Rail	4,408	-	4,389	90	1,100	90	-	-	10,077
Supplementary	-	-	16,135	-	7,944	17,640	-	-	41,719
Improving the national network	3,176	8,686	565	3,133	3,524	998	467	720	21,269
Heavy vehicle safety and productivity	91,188	68,716	76,540	51,177	34,922	10,964	8,120	8,319	349,946
Roads to Recovery	-	-	-	-	-	-	-	-	-
Nation Building Plan for the Future	-	-	-	30,200	-	-	-	-	30,200
Major Cities	-	-	-	-	-	-	-	-	-
Rail	-	247,000	-	-	147,100	-	-	-	394,100
Building Australia Fund	432,000	-	-	-	-	-	-	-	432,000
Rail	1,810	-	-	-	-	-	-	-	1,810
Road	-	-	-	-	-	-	-	-	-
North Penrith Thornton Park Car Park	65,487	68,335	28,648	25,376	17,610	5,564	1,815	6,109	218,944
Regional and Local Community Infrastructure Program	-	-	-	-	-	-	-	-	-
Regional Infrastructure Fund	-	-	-	-	-	-	-	-	-
Stream 1 - Committed infrastructure projects	1,400	-	10,000	-	-	-	-	-	11,400

Table 40: Payments for specific purposes to support state infrastructure services, 2010-11 (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Seamless National Economy									
National Heavy Vehicles Transport Regulator	-	-	1,679	-	-	-	-	-	1,679
National Rail Transport Safety Regulator	-	-	-	-	565	-	-	-	565
Supplementary road funding to South Australia for local roads	-	-	-	-	15,566	-	-	-	15,566
Total	1,374,280	732,082	724,722	334,787	330,298	142,139	28,665	68,051	3,735,024
<i>Memorandum item - payments direct to local governments included in payments above</i>									
East Kimberley development package — other infrastructure projects	-	-	-	5,499	-	-	-	-	5,499
Local Government and Regional Development Infrastructure employment projects	-	250	4,400	-	2,633	1,191	-	-	8,474
Local community sporting infrastructure Nation Building Program	2,150	-	-	-	-	-	-	-	2,150
Off-network projects									
Rail	-	3,000	-	-	-	-	-	-	3,000
Road	2,279	-	59,060	6,970	-	2,000	-	-	70,309
Supplementary	4,408	-	4,389	90	-	90	-	-	8,977
Roads to Recovery	91,188	68,711	76,540	51,177	31,842	10,964	-	4,028	334,450
North Penrith Thornton Park Car Park	1,810	-	-	-	-	-	-	-	1,810
Regional and Local Community Infrastructure Program	65,487	68,335	28,648	25,376	17,610	5,564	1,815	6,109	218,944
Total	167,322	140,296	173,037	89,112	52,085	19,809	1,815	10,137	653,613

Table 41: Payments for specific purposes to support state environmental services, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Partnership payments									
Bioremediation and revegetation	-	-	-	-	4,702	-	-	-	4,702
Caring for our Country	35,251	27,520	23,020	24,103	17,346	11,114	1,359	3,687	143,400
Environmental management of the former Rum Jungle mine site	-	-	-	-	-	-	-	1,200	1,200
Exotic Disease Preparedness Program	266	27	108	6	6	-	15	-	428
Great Artesian Basin Sustainability Initiative	955	-	-	-	367	-	-	-	1,322
Natural disaster recovery and rebuilding relief appeals — Commonwealth contributions	-	1,000	11,000	1,000	-	-	-	-	13,000
Natural disaster resilience	6,904	4,037	6,055	3,149	2,885	1,495	1,460	381	26,366
Plant disease and eradication	-	-	2,595	517	1,264	-	-	-	4,376
Renewable remote power generation	-	-36	-	12,567	202	350	-	1,594	14,677
Water for the Future	-	-	-	-	-	-	-	-	-
National Urban Water and Desalination Plan	-	5,000	-	-	350	-	-	-	5,350
National Water Security Plan for Cities and Towns	1,566	-	692	1,644	1,250	3,896	-	-	9,048
Sustainable Rural Water Use and Infrastructure	11,330	1,338	13,049	990	23,366	3,056	267	112	53,508
Total	56,272	38,886	56,519	43,976	51,738	19,911	3,101	6,974	277,377
Memorandum item - payments direct to local governments included in payments above									
Water for the Future	1,566	-	-	-	1,350	3,896	-	-	6,812
Total	1,566	-	-	-	1,350	3,896	-	-	6,812

Table 42: Contingent payments to the States, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Partnership payments									
Exceptional Circumstances Assistance	143,306	52,271	12,038	-	22,891	-9	-	-	230,497
Hepatitis C settlement fund	315	-	-	-	-	-	40	-	355
Natural disaster recovery and rebuilding(a)	229,784	271,266	5,442,857	148,638	3,095	3,530	-	16,608	6,115,777
Total	373,405	323,537	5,454,895	148,638	25,986	3,521	40	16,608	6,346,629

(a) Actual cash paid in 2010-11 under the Natural Disaster Relief and Recovery Arrangements (NDRRA) was \$2,758.4 million. The figures in the table above include a provision for amounts expected to be paid under the NDRRA in future periods.

Table 43: Payments to support other state services, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Partnership payments									
Digital Regions Initiative	4,924	2,472	-	1,082	2,099	899	-	5,600	17,076
Improving policing in very remote areas	-	-	-	1,000	-	-	-	-	1,000
Legal assistance services	60,279	42,415	40,058	19,212	14,946	5,736	4,291	3,860	190,797
Local Government and Regional Development									
Local Government Reform Fund	813	1,505	1,876	1,352	1,735	356	142	338	8,117
Native title	-	6,000	-	-	-	-	-	-	6,000
Pilot of drought reform measures in Western Australia	-	-	-	1,060	-	-	-	-	1,060
Remote Indigenous public internet access	155	-	440	757	116	-	-	758	2,226
Sinking fund on State debt	21	3	-	-	2	-	-	-	26
Standard Business Reporting Program	788	487	712	780	876	768	540	540	5,491
Tasmanian forest contractors financial support program	-	-	-	-	-	5,616	-	-	5,616
World Sailing Championships	-	-	-	2,000	-	-	-	-	2,000
Total	66,980	52,882	43,086	27,243	19,774	13,375	4,973	11,096	239,409

Table 44: General revenue assistance payments to the States and Territories, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
National Partnership payments									
GST Payments	14,157,697	10,735,975	8,494,318	3,236,052	4,336,563	1,688,089	853,268	2,385,038	45,887,000
ACT Municipal Services	-	-	-	-	-	-	35,438	-	35,438
Reduced royalties	-	-	-	64,152	-	-	-	-	64,152
Royalties	-	-	-	933,645	-	-	-	4,000	937,645
Snow y Hydro Ltd tax compensation	18,922	9,461	-	-	-	-	-	-	28,383
Total	14,176,619	10,745,436	8,494,318	4,233,849	4,336,563	1,688,089	888,706	2,389,038	46,952,618

Table 45: Other financial flows — estimated advances, repayment of advances and interest payments, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Repayments									
Contingent liabilities									
Housing									
Commonwealth-State Housing									
Agreement loans	-35,293	-	-9,459	-8,933	-12,955	-4,739	-	-664	-72,043
Housing for service personnel	-1,185	-	-721	-208	-35	-	-	-	-2,149
Other housing	-	-	-	-	-	-	-7,368	-2,354	-9,722
Payments to debt sinking funds	-106	-1,264	-	-	-119	-	-	-	-1,489
Infrastructure									
Railway projects	-61	-61	-	-389	-	-	-	-	-511
Sewerage	-5,095	-	-1,314	-	-838	-	-	-	-7,247
War service land settlement scheme	-292	-328	-	-	-	-	-	-	-620
Other purposes									
Australian Capital Territory debt repayments	-	-	-	-	-	-	-1,813	-	-1,813
Loan Council — housing nominations	-7,195	-	-2,647	-4,590	-4,309	-1,929	-	-2,395	-23,065

Table 45: Other financial flows — estimated advances, repayment of advances and interest payments, 2010-11 (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Interest									
Contingent liabilities									
Natural disaster relief	-125	-	-1,961	-	-	-	-	-	-2,086
Environment									
Northern Territory — water and sewerage assistance	-	-	-	-	-	-	-	-368	-368
Housing									
Commonwealth-State Housing									
Agreement loans	-34,654	-12	-9,656	-9,220	-15,090	-4,735	-	-1,318	-74,685
Housing for service personnel	-2,175	-	-1,227	-239	-95	-	-	-	-3,736
Other housing	-	-	-	-	-	-	-8,329	-4,148	-12,477
Infrastructure									
Railway projects	-5	-5	-	-156	-	-	-	-	-166
Sewerage	-3,027	-	-793	-	-649	-	-	-	-4,469
War service land settlement scheme	-22	-22	-	-	-	-	-	-	-44
Other purposes									
Australian Capital Territory debt repayments	-	-	-	-	-	-	-977	-	-977
Loan Council — housing nominations	-19,515	-	-7,019	-12,000	-11,811	-5,177	-	-6,807	-62,329
Net Financial Flow	-108,750	-1,692	-34,797	-35,735	-45,901	-16,580	-18,487	-18,054	-279,996

Table 46: Total payments to the States by GFS function, 2010-11

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
General public services	788	487	712	780	876	768	540	540	5,491
Public order and safety	63,115	44,784	40,764	20,859	15,006	5,736	4,572	55,624	250,460
Education	5,996,947	4,353,421	3,666,672	1,989,910	1,531,043	462,943	326,917	318,193	18,646,046
Health	4,374,289	3,263,373	2,678,276	1,534,729	1,046,546	593,912	202,151	203,549	13,896,825
Social security and welfare	865,904	648,023	576,656	261,269	242,514	76,641	38,054	42,143	2,751,204
Housing and community amenities	1,002,733	633,452	697,474	466,090	247,773	89,352	61,908	532,891	3,731,673
Recreation and culture	2,150	-	-	2,000	-	-	-	-	4,150
Fuel and energy	-	14	-	12,567	202	350	-	1,594	14,727
Agriculture, forestry and fishing	157,423	58,636	28,482	4,217	49,494	12,559	282	112	311,205
Mining, manufacturing and construction	-	-	-	-	-	-	-	-	-
Transport and communication	1,309,912	665,969	688,114	296,451	296,704	133,783	26,850	68,300	3,486,083
Other economic affairs	-	-	4,750	-	-	-	-	-	4,750
Other purposes	15,130,093	11,579,164	14,391,151	4,656,639	4,516,642	1,764,573	934,438	2,442,025	55,414,725
Total payments to the States	28,903,354	21,247,323	22,773,051	9,245,511	7,946,800	3,140,617	1,595,712	3,664,971	98,517,339
less payments 'through' the States	2,834,843	2,345,932	1,818,401	956,213	734,483	192,185	198,181	110,960	9,191,198
less financial assistance grants for local government	655,560	491,619	412,452	246,424	142,070	67,035	43,775	29,932	2,088,867
less payments direct 'to' local government	170,539	141,809	174,550	90,212	54,260	24,118	2,090	10,687	668,265
equa/s total payments 'to' the States for own purpose expenses	25,242,412	18,267,963	20,367,648	7,952,662	7,015,987	2,857,279	1,351,666	3,513,392	86,569,009

(a) Payments for 'Other purposes' includes general revenue assistance to the States.

APPENDIX A: EXPENSES BY FUNCTION AND SUB-FUNCTION

Table A1 sets out Australian Government general government sector expenses by function and sub-function for 2010-11.

Table A1: Australian Government general government sector expenses by function and sub-function

	2009-10 Outcome	2010-11 Estimate at 2011-12 Budget	2010-11 Outcome
	\$m	\$m	\$m
General public services			
Legislative and executive affairs	840	1,083	1,039
Financial and fiscal affairs	6,845	6,947	7,834
Foreign affairs and economic aid	4,869	5,749	5,564
General research	2,358	2,804	2,687
General services	818	1,033	1,208
Government superannuation benefits	3,472	3,623	4,150
Total general public services	19,202	21,239	22,481
Defence	20,150	20,136	20,408
Public order and safety			
Courts and legal services	826	839	803
Other public order and safety	2,767	3,104	3,020
Total public order and safety	3,593	3,943	3,823
Education			
Higher education	7,750	7,851	7,722
Vocational and other education	2,017	1,900	1,887
Schools	19,550	11,218	11,188
<i>Non-government schools</i>	9,575	7,255	7,261
<i>Government schools</i>	9,974	3,963	3,926
Student assistance	3,954	4,737	4,567
General administration	343	348	387
School education - specific funding	1,276	6,501	6,355
Total education	34,889	32,555	32,106
Health			
Medical services and benefits	21,878	23,368	23,247
Hospital services	1,817	3,262	2,627
National health and hospitals network	11,303	11,988	12,063
Pharmaceutical benefits and services	9,653	10,337	10,040
Aboriginal and Torres Strait Islander health	623	678	650
Health services	4,608	5,702	5,627
General administration	1,544	1,904	1,817
Total health	51,426	57,240	56,070
Social security and welfare			
Assistance to the aged	40,776	44,302	44,493
Assistance to veterans and dependants	6,851	6,976	7,022
Assistance to people with disabilities	18,041	20,632	20,734
Assistance to families with children	30,063	30,799	31,286

Table A1: Australian Government general government sector expenses by function and sub-function (continued)

	2009-10 Outcome	2010-11 Estimate at 2011-12 Budget	2010-11 Outcome
	\$m	\$m	\$m
Social security and welfare (continued)			
Assistance to the unemployed and the sick	6,965	6,995	6,965
Other welfare programs	1,950	1,843	2,174
Aboriginal advancement nec	1,317	1,443	1,180
General administration	3,234	3,749	3,241
Total social security and welfare	109,197	116,739	117,093
Housing and community amenities			
Housing	7,944	4,409	4,352
Urban and regional development	263	373	354
Environment protection	822	958	837
Total housing and community amenities	9,029	5,741	5,543
Recreation and culture			
Broadcasting	1,464	1,542	1,489
Arts and cultural heritage	1,037	1,062	1,081
Sport and recreation	351	412	349
National estate and parks	428	326	333
Total recreation and culture	3,280	3,342	3,252
Fuel and energy	8,473	6,269	5,914
Agriculture, forestry and fishing			
Wool industry	46	51	57
Grains industry	132	142	156
Dairy industry	48	52	48
Cattle, sheep and pig industry	171	191	166
Fishing, horticulture and other agriculture	230	246	225
General assistance not allocated to specific industries	19	24	21
Rural assistance	684	549	498
Natural resources development	941	1,159	769
General administration	546	655	606
Total agriculture, forestry and fishing	2,816	3,067	2,546
Mining, manufacturing and construction	1,630	2,039	1,456
Transport and communication			
Communication	478	463	428
Rail transport	587	551	539
Air transport	155	202	196
Road transport	4,939	2,999	2,980
Sea transport	276	301	282
Other transport and communication	207	230	239
Total transport and communication	6,641	4,748	4,664

Table A1: Australian Government general government sector expenses by function and sub-function (continued)

	2009-10 Outcome	2010-11 Estimate at 2011-12 Budget	2010-11 Outcome
	\$m	\$m	\$m
Other economic affairs			
Tourism and area promotion	162	160	158
Total labour and employment affairs	4,694	4,637	4,669
<i>Vocational and industry training</i>	1,854	1,805	1,726
<i>Labour market assistance to job seekers and industry</i>	2,241	2,192	2,320
<i>Industrial relations</i>	600	641	623
Immigration	1,571	2,041	2,206
Other economic affairs nec	2,200	2,216	2,013
Total other economic affairs	8,628	9,055	9,046
Other purposes			
Public debt interest	6,303	9,286	9,273
<i>Interest on Australian Government's behalf</i>	6,303	9,286	9,273
Nominal superannuation interest	6,687	6,958	6,997
General purpose inter-government transactions	47,157	48,919	49,298
<i>General revenue assistance - States and Territories</i>	44,830	46,540	46,964
<i>Local government assistance</i>	2,327	2,379	2,334
Natural disaster relief	136	997	6,129
Contingency reserve	0	-1,468	0
Total other purposes	60,283	64,692	71,696
Total expenses	339,239	350,803	356,100

APPENDIX B: HISTORICAL AUSTRALIAN GOVERNMENT DATA

This appendix reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

DATA SOURCES

Data is sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996-97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999-2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1998-1999 onwards where applicable.
- Cash data prior to 1999-2000 are sourced from ABS data, which have been calculated using methodology consistent with that used for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.
- Net debt data prior to 1999-2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003-04* in 1998-99, ABS cat. no. 5501.0 *Government Financial Estimates 1999-2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* in 1987-88 to 1997-98, and Treasury estimates (see Treasury's *Economic Roundup*, Spring 1996, pages 97-103) prior to 1987-88.

COMPARABILITY OF DATA ACROSS YEARS

The data set contains a number of structural breaks due to accounting classification differences and changes to the structure of the Budget which cannot be eliminated through back-casting due to data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- from 2005-06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Equivalents to International Financial Reporting Standards (AEIFRS). Prior to 2005-06, underlying GFS data are based on data provided by agencies in accordance with Australian Accounting Standards (AAS);

Appendix B: Historical Fiscal Data

- most recent accounting classification changes that require revisions to the historic series have been back-cast (where applicable) to 1998-1999, ensuring that data is consistent across the accrual period from 1998-1999 onwards. However, because of data limitations these changes have not been back-cast to earlier years;
- prior to 1999-2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999-2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments;
- cash data up to and including 1997-98 are calculated under a cash accounting framework, while cash data from 1998-99 onwards are derived from an accrual accounting framework.¹ Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies;
- adjustments in the coverage of agencies included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998-99, and subsequent back-casting to account for this change;
- changes in arrangements for transfer payments, where tax concessions or rebates have been replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts; and
- classification differences in the data relating to the period prior to 1976-77 (which means that earlier data may not be entirely consistent with data for 1976-77 onwards).

REVISIONS TO PREVIOUSLY PUBLISHED DATA

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. 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).

1 Prior to the 2008-09 Budget, cash data calculated under the cash accounting framework was used up to and including 1998-99. In the 2008-09 Budget, cash data prior to 1998-99 was replaced by ABS data derived from the accrual framework.

REVISIONS SINCE THE 2011-12 BUDGET

The 2010-11 Final Budget Outcome (FBO) includes revisions to the historical series to reflect the change in accounting treatment for expenditure incurred under the Natural Disaster Relief and Recovery Arrangements program. The change involved the recognition of total expenses in the year when the disaster occurs rather than at the time when the State or Territory lodges a claim for reimbursement following the completion of reconstruction works. This change is now back-cast in the historical series for all published periods and affects expenses, fiscal balance, net worth and net financial worth for the general government sector.

DEFLATING REAL SPENDING GROWTH BY THE CONSUMER PRICE INDEX

The 2010-11 FBO calculates real spending growth using the Consumer Price Index (CPI) as the deflator. This is also the benchmark against which the Government's fiscal strategy is based. Prior to the 2008-09 Budget the non-farm GDP deflator (NFGDP) was used and has therefore been shown in this statement for comparative purposes.

The use of the CPI, rather than the non-farm GDP deflator, provides a more accurate depiction of real government spending growth, especially in the current economic climate. The non-farm GDP deflator incorporates fluctuations in global commodity prices, which are not relevant for Government expenditures. Therefore, deflating government spending by the non-farm GDP deflator distorts trends in real spending growth.

Appendix B: Historical Fiscal Data

Table B1: Australian Government general government sector receipts, payments and underlying cash balance^(a)

	Receipts(b)		Payments(c)				Future Fund earnings	Underlying cash balance(d)	
	Per cent of GDP	Per cent of GDP	Per cent real growth (CPI)	Per cent real growth (NFGDP deflator)(e)		Per cent of GDP	Per cent of GDP	Per cent of GDP	
				\$m	\$m				\$m
1970-71	8,290	20.3	7,389	na	na	18.1	-	901	2.2
1971-72	9,135	20.3	8,249	4.1	4.6	18.4	-	886	2.0
1972-73	9,735	19.4	9,388	7.7	7.8	18.7	-	348	0.7
1973-74	12,228	20.1	11,078	4.2	3.6	18.2	-	1,150	1.9
1974-75	15,643	21.8	15,463	19.9	14.5	21.5	-	181	0.3
1975-76	18,727	22.3	20,225	15.7	13.6	24.1	-	-1,499	-1.8
1976-77	21,890	22.6	23,157	0.6	2.0	23.9	-	-1,266	-1.3
1977-78	24,019	22.7	26,057	2.7	3.3	24.6	-	-2,037	-1.9
1978-79	26,129	21.8	28,272	0.3	2.8	23.6	-	-2,142	-1.8
1979-80	30,321	22.3	31,642	1.5	2.1	23.3	-	-1,322	-1.0
1980-81	35,993	23.4	36,176	4.6	3.6	23.5	-	-184	-0.1
1981-82	41,499	23.4	41,151	2.9	0.6	23.2	-	348	0.2
1982-83	45,463	23.8	48,810	6.3	6.3	25.6	-	-3,348	-1.8
1983-84	49,981	23.2	56,990	9.4	9.7	26.5	-	-7,008	-3.3
1984-85	58,817	24.8	64,853	9.1	8.3	27.3	-	-6,037	-2.5
1985-86	66,206	25.2	71,328	1.5	3.4	27.2	-	-5,122	-2.0
1986-87	74,724	26.0	77,158	-1.1	0.8	26.8	-	-2,434	-0.8
1987-88	83,491	25.5	82,039	-0.9	-0.3	25.0	-	1,452	0.4
1988-89	90,748	24.4	85,326	-3.1	-4.2	23.0	-	5,421	1.5
1989-90	98,625	24.2	92,684	0.6	1.7	22.7	-	5,942	1.5
1990-91	100,227	23.9	100,665	3.1	3.9	24.0	-	-438	-0.1
1991-92	95,840	22.4	108,472	5.7	6.1	25.4	-	-12,631	-3.0
1992-93	97,633	21.8	115,751	5.6	6.0	25.8	-	-18,118	-4.0
1993-94	103,824	22.0	122,009	3.5	4.3	25.9	-	-18,185	-3.9
1994-95	113,458	22.7	127,619	1.4	2.7	25.5	-	-14,160	-2.8
1995-96	124,429	23.4	135,538	1.9	3.6	25.5	-	-11,109	-2.1
1996-97	133,592	23.9	139,689	1.7	1.5	25.0	-	-6,099	-1.1
1997-98	140,736	23.8	140,587	0.6	-0.2	23.8	-	149	0.0
1998-99	152,063	24.4	148,175	4.1	4.9	23.8	-	3,889	0.6
1999-00	166,199	25.0	153,192	1.0	1.0	23.1	-	13,007	2.0
2000-01	182,996	25.8	177,123	9.1	10.9	25.0	-	5,872	0.8
2001-02	187,588	24.7	188,655	3.5	4.0	24.9	-	-1,067	-0.1
2002-03	204,613	25.4	197,243	1.4	1.8	24.5	-	7,370	0.9
2003-04	217,775	25.2	209,785	3.9	2.6	24.2	-	7,990	0.9
2004-05	235,984	25.5	222,407	3.5	1.7	24.0	-	13,577	1.5
2005-06	255,943	25.6	240,136	4.6	2.8	24.0	51	15,756	1.6
2006-07	272,637	25.0	253,321	2.5	0.2	23.2	2,135	17,182	1.6
2007-08	294,917	24.9	271,843	3.8	2.6	22.9	3,370	19,704	1.7
2008-09	292,600	23.3	316,046	12.7	11.0	25.2	3,633	-27,079	-2.2
2009-10	284,662	22.2	336,900	4.2	6.5	26.2	2,512	-54,750	-4.3
2010-11	302,024	21.7	346,102	-0.4	-3.5	24.9	3,668	-47,746	-3.4

(a) Data has been revised in the 2010-11 Final Budget Outcome to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) Underlying cash balance is equal to receipts less payments, less Future Fund earnings. For the purposes of consistent comparison with years prior to 2005-06 Future Fund earnings should be added back to the underlying cash balance.

(e) Real spending growth using Non-Farm GDP as the deflator has not been used as the relevant measure of real spending growth in the Budget since 2007-08, and is included for comparative purposes only. Real spending growth, using the Consumer Price Index as the deflator, is the benchmark against which the Government's fiscal strategy has been based since it was introduced.

Table B2: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts^(a)

	Taxation receipts		Non-taxation receipts		Total receipts ^(b)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	7,193	17.7	1,097	2.7	8,290	20.3
1971-72	7,895	17.6	1,240	2.8	9,135	20.3
1972-73	8,411	16.7	1,324	2.6	9,735	19.4
1973-74	10,832	17.8	1,396	2.3	12,228	20.1
1974-75	14,141	19.7	1,502	2.1	15,643	21.8
1975-76	16,920	20.1	1,807	2.1	18,727	22.3
1976-77	19,714	20.3	2,176	2.2	21,890	22.6
1977-78	21,428	20.2	2,591	2.4	24,019	22.7
1978-79	23,409	19.6	2,720	2.3	26,129	21.8
1979-80	27,473	20.2	2,848	2.1	30,321	22.3
1980-81	32,641	21.2	3,352	2.2	35,993	23.4
1981-82	37,880	21.4	3,619	2.0	41,499	23.4
1982-83	41,025	21.5	4,438	2.3	45,463	23.8
1983-84	44,849	20.8	5,132	2.4	49,981	23.2
1984-85	52,970	22.3	5,847	2.5	58,817	24.8
1985-86	58,841	22.4	7,365	2.8	66,206	25.2
1986-87	66,467	23.1	8,257	2.9	74,724	26.0
1987-88	75,076	22.9	8,415	2.6	83,491	25.5
1988-89	83,452	22.5	7,296	2.0	90,748	24.4
1989-90	90,773	22.2	7,852	1.9	98,625	24.2
1990-91	92,739	22.1	7,488	1.8	100,227	23.9
1991-92	87,364	20.4	8,476	2.0	95,840	22.4
1992-93	88,760	19.8	8,873	2.0	97,633	21.8
1993-94	93,362	19.8	10,462	2.2	103,824	22.0
1994-95	104,921	21.0	8,537	1.7	113,458	22.7
1995-96	115,700	21.7	8,729	1.6	124,429	23.4
1996-97	124,559	22.3	9,033	1.6	133,592	23.9
1997-98	130,984	22.1	9,752	1.6	140,736	23.8
1998-99	138,420	22.2	13,643	2.2	152,063	24.4
1999-00	151,313	22.8	14,887	2.2	166,199	25.0
2000-01	170,354	24.0	12,641	1.8	182,996	25.8
2001-02	175,108	23.1	12,481	1.6	187,588	24.7
2002-03	192,131	23.9	12,482	1.6	204,613	25.4
2003-04	206,091	23.8	11,683	1.4	217,775	25.2
2004-05	223,314	24.1	12,669	1.4	235,984	25.5
2005-06	241,215	24.1	14,728	1.5	255,943	25.6
2006-07	257,392	23.6	15,245	1.4	272,637	25.0
2007-08	278,376	23.5	16,540	1.4	294,917	24.9
2008-09	272,627	21.7	19,973	1.6	292,600	23.3
2009-10	260,973	20.3	23,689	1.8	284,662	22.2
2010-11	280,839	20.2	21,185	1.5	302,024	21.7

(a) Data has been revised in the 2010-11 Final Budget Outcome to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

Table B3: Australian Government general government sector net debt and net interest payments^(a)

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	344	0.8	-189	-0.5
1971-72	-496	-1.1	-245	-0.5
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.0	-286	-0.5
1974-75	-1,901	-2.6	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	0.9	-62	-0.1
1977-78	2,896	2.7	4	0.0
1978-79	4,983	4.2	254	0.2
1979-80	6,244	4.6	440	0.3
1980-81	6,356	4.1	620	0.4
1981-82	5,919	3.3	680	0.4
1982-83	9,151	4.8	896	0.5
1983-84	16,015	7.4	1,621	0.8
1984-85	21,896	9.2	2,813	1.2
1985-86	26,889	10.3	3,952	1.5
1986-87	29,136	10.1	4,762	1.7
1987-88	27,344	8.3	4,503	1.4
1988-89	21,981	5.9	4,475	1.2
1989-90	16,123	4.0	4,549	1.1
1990-91	16,915	4.0	3,636	0.9
1991-92	31,041	7.3	3,810	0.9
1992-93	55,218	12.3	3,986	0.9
1993-94	70,223	14.9	5,628	1.2
1994-95	83,492	16.7	7,292	1.5
1995-96	95,831	18.0	8,861	1.7
1996-97	96,281	17.2	9,489	1.7
1997-98	82,935	14.0	8,279	1.4
1998-99	72,065	11.6	8,649	1.4
1999-00	53,869	8.1	7,514	1.1
2000-01	42,719	6.0	6,195	0.9
2001-02	38,180	5.0	5,352	0.7
2002-03	29,047	3.6	3,758	0.5
2003-04	22,639	2.6	3,040	0.4
2004-05	10,741	1.2	2,502	0.3
2005-06	-4,531	-0.5	2,303	0.2
2006-07	-29,150	-2.7	228	0.0
2007-08	-44,820	-3.8	-1,015	-0.1
2008-09	-16,148	-1.3	-1,196	-0.1
2009-10	42,283	3.3	2,386	0.2
2010-11	84,551	6.1	4,608	0.3

(a) Data has been revised in the 2010-11 Final Budget Outcome to improve accuracy and comparability through time.

(b) Net debt is equal to the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

(c) Net interest payments are equal to the difference between interest paid and interest receipts.

Table B4: Australian Government general government sector revenue, expenses, net capital investment and fiscal balance^(a)

	Revenue		Expenses		Net capital investment		Fiscal balance(b)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	141,688	25.3	145,821	26.1	90	0.0	-4,223	-0.8
1997-98	146,820	24.8	148,652	25.1	147	0.0	-1,979	-0.3
1998-99	152,106	24.4	146,772	23.6	1,433	0.2	3,901	0.6
1999-00	167,304	25.2	155,558	23.4	-69	0.0	11,815	1.8
2000-01	186,110	26.3	180,094	25.4	8	0.0	6,007	0.8
2001-02	190,488	25.1	193,041	25.4	382	0.1	-2,935	-0.4
2002-03	206,923	25.7	201,259	25.0	287	0.0	5,377	0.7
2003-04	222,168	25.7	215,361	24.9	660	0.1	6,148	0.7
2004-05	242,507	26.2	229,245	24.7	1,034	0.1	12,228	1.3
2005-06	261,238	26.1	242,173	24.2	2,498	0.2	16,568	1.7
2006-07	278,411	25.5	259,156	23.7	2,333	0.2	16,922	1.6
2007-08	303,729	25.6	280,107	23.6	2,593	0.2	21,029	1.8
2008-09	298,933	23.8	324,557	25.9	4,064	0.3	-29,688	-2.4
2009-10	292,767	22.8	340,035	26.4	6,433	0.5	-53,701	-4.2
2010-11	309,890	22.3	356,100	25.6	5,297	0.4	-51,506	-3.7

(a) Data has been revised in the 2010-11 Final Budget Outcome to improve accuracy and comparability through time.

(b) Fiscal balance is equal to revenue less expenses less net capital investment.

Table B5: Australian Government general government sector net worth and net financial worth^(a)

	Net worth(b)		Net financial worth(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	-7,046	-1.1	-68,178	-10.3
2000-01	-6,618	-0.9	-73,097	-10.3
2001-02	-11,655	-1.5	-79,012	-10.4
2002-03	-15,330	-1.9	-84,645	-10.5
2003-04	-1,152	-0.1	-74,159	-8.6
2004-05	14,556	1.6	-60,257	-6.5
2005-06	17,971	1.8	-63,440	-6.3
2006-07	46,351	4.2	-39,976	-3.7
2007-08	70,859	6.0	-18,070	-1.5
2008-09	19,427	1.5	-74,094	-5.9
2009-10	-45,938	-3.6	-147,168	-11.5
2010-11	-95,386	-6.9	-200,810	-14.4

(a) Data has been revised in the 2010-11 Final Budget Outcome to improve accuracy and comparability through time.

(b) Net worth is equal to assets less liabilities.

(c) Net financial worth is equal to financial assets less liabilities.

Table B6: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue^(a)

	Taxation revenue		Non-taxation revenue		Total revenue	
		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP
1999-00	153,408	23.1	13,896	2.1	167,304	25.2
2000-01	175,881	24.8	10,228	1.4	186,110	26.3
2001-02	178,210	23.5	12,278	1.6	190,488	25.1
2002-03	195,203	24.3	11,720	1.5	206,923	25.7
2003-04	209,959	24.3	12,209	1.4	222,168	25.7
2004-05	229,943	24.8	12,564	1.4	242,507	26.2
2005-06	245,716	24.5	15,522	1.5	261,238	26.1
2006-07	262,511	24.0	15,900	1.5	278,411	25.5
2007-08	286,229	24.1	17,500	1.5	303,729	25.6
2008-09	278,653	22.2	20,280	1.6	298,933	23.8
2009-10	268,000	20.9	24,767	1.9	292,767	22.8
2010-11	289,005	20.8	20,885	1.5	309,890	22.3

(a) Data has been revised in the 2010-11 Final Budget Outcome to improve accuracy and comparability through time.

Table B7: Australian Government cash receipts, payments and surplus by institutional sector (\$m)^(a)

	General government				Public non-financial corporations				Non-financial public sector			
	Receipts(b)	Payments(c)	Underlying cash balance(d)		Receipts(b)	Payments(c)	Cash surplus(d)		Receipts(b)	Payments(c)		Underlying cash balance(d)
1988-89	90,748	85,326	5,421		4,177	6,035	257		93,923	90,312		5,678
1989-90	98,625	92,684	5,942		3,926	11,322	-5,261		101,495	102,883		681
1990-91	100,227	100,665	-438		4,804	9,351	-2,139		103,837	108,808		-2,577
1991-92	95,840	108,472	-12,631		3,899	7,713	101		97,937	114,369		-12,530
1992-93	97,633	115,751	-18,118		4,385	7,819	-196		100,512	122,042		-18,314
1993-94	103,824	122,009	-18,185		5,178	6,476	1,482		106,747	126,214		-16,703
1994-95	113,458	127,619	-14,160		5,262	7,318	1,956		116,751	132,965		-12,204
1995-96	124,429	135,538	-11,109		4,927	8,190	-527		126,593	140,963		-11,636
1996-97	133,592	139,689	-6,099		4,782	7,373	473		135,259	143,948		-5,626
1997-98	140,736	140,587	149		6,238	7,923	1,119		144,517	145,985		1,268
1998-99	152,063	148,175	3,889		na	na	-353		na	na		3,536
1999-00	166,199	153,192	13,007		na	na	-2,594		na	na		10,413
2000-01	182,996	177,123	5,872		na	na	391		na	na		6,264
2001-02	187,588	188,655	-1,067		na	na	1,210		na	na		143
2002-03	204,613	197,243	7,370		27,386	26,105	1,280		na	na		8,650
2003-04	217,775	209,785	7,990		27,718	26,142	1,575		238,236	227,099		9,564
2004-05	235,984	222,407	13,577		29,621	28,071	1,550		257,946	241,577		15,128
2005-06	255,943	240,136	15,756		30,875	31,874	-999		278,254	263,445		14,758
2006-07	272,637	253,321	17,182		16,882	18,641	-1,759		285,336	267,778		15,423
2007-08	294,917	271,843	19,704		7,758	8,232	-473		300,503	277,903		19,231
2008-09	292,600	316,046	-27,079		7,987	8,960	-973		297,421	321,841		-28,052
2009-10	284,662	336,900	-54,750		8,419	9,341	-922		290,681	343,841		-55,672
2010-11	302,024	346,102	-47,746		8,558	9,733	-1,175		308,258	353,511		-45,194

(a) Data has been revised in the 2010-11 Final Budget Outcome to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) These items exclude Future Fund earnings from 2005-06 onwards. Future Fund earnings are shown in Table B1.

na Data not available.

Table B8: Australian Government accrual revenue, expenses and fiscal balance by institutional sector (\$m)^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
1996-97	141,688	145,821	-4,223	27,431	26,015	-331	na	na	-4,554
1997-98	146,820	148,652	-1,973	29,618	26,999	2,360	na	na	387
1998-99	152,106	146,772	3,896	27,687	26,088	-816	175,891	168,963	3,080
1999-00	167,304	155,558	11,922	25,485	23,542	1,062	188,841	173,889	12,983
2000-01	186,110	180,094	6,074	25,869	24,762	-826	207,372	200,184	5,248
2001-02	190,488	193,041	-2,854	26,638	25,341	793	212,518	213,693	-2,060
2002-03	206,923	201,259	5,338	24,339	22,916	1,975	226,135	219,129	7,314
2003-04	222,168	215,361	6,131	25,449	23,444	2,143	241,873	233,077	8,275
2004-05	242,507	229,245	12,230	26,965	25,191	1,473	263,587	248,549	13,703
2005-06	261,238	242,173	16,563	28,143	29,531	-2,442	282,597	264,923	14,121
2006-07	278,411	259,156	16,917	15,443	16,360	-1,763	290,067	271,735	15,153
2007-08	303,729	280,107	21,027	6,854	6,686	-584	309,215	285,426	20,443
2008-09	298,933	324,557	-29,700	6,998	7,576	-1,495	303,733	329,948	-31,195
2009-10	292,767	340,035	-52,906	7,288	7,297	-1,079	298,412	344,893	-53,985
2010-11	309,890	356,100	-51,506	7,563	7,787	-224	315,688	362,122	-52,952

(a) Data has been revised in the 2010-11 Final Budget Outcome to improve accuracy and comparability through time.

(b) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.
na Data not available.

