STATEMENT 9: BUDGET FINANCIAL STATEMENTS

The budget 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) and the total non-financial public sector (NFPS). This statement also contains notes showing disaggregated information for the GGS.

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

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STATEMENT 9: BUDGET FINANCIAL STATEMENTS

Table 1: Australian Government general government sector operating statement

		Estimates			Projections	
		2009-10	2010-11	2011-12	2012-13	2013-14
	Note	$m	$m	$m	$m	$m
Revenue						
Taxation revenue	3	269,529	302,456	336,416	361,911	386,397
Sales of goods and services	4	7,699	8,047	8,249	8,158	8,074
Interest income	5	4,569	5,155	5,248	5,086	5,135
Dividend income	5	7,426	1,326	1,334	1,282	1,993
Other	6	4,993	4,838	5,150	5,483	5,609
Total revenue		**294,215**	**321,822**	**356,397**	**381,920**	**407,208**
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	17,691	18,180	18,193	18,384	18,804
Superannuation	7	3,586	3,741	3,779	3,825	3,942
Depreciation and amortisation	8	5,529	5,495	5,558	5,725	5,854
Supply of goods and services	9	63,119	66,108	67,107	69,981	75,201
Other operating expenses(a)	7	4,353	4,369	4,428	4,588	4,740
Total gross operating expenses		*94,279*	*97,893*	*99,065*	*102,503*	*108,542*
Superannuation interest expense	7	6,695	7,065	7,301	7,552	7,818
Interest expenses	10	7,985	11,385	13,244	13,773	13,754
Current transfers						
Current grants	11	102,152	110,067	116,149	121,571	125,406
Subsidy expenses		8,432	8,808	9,765	10,177	10,426
Personal benefits	12	99,235	104,869	108,795	114,980	122,742
Total current transfers		*209,820*	*223,745*	*234,709*	*246,728*	*258,573*
Capital transfers	11					
Mutually agreed write-downs		2,287	1,888	2,086	2,267	2,413
Other capital grants		22,055	12,668	8,167	8,174	6,881
Total capital transfers		*24,342*	*14,556*	*10,254*	*10,441*	*9,294*
Total expenses		**343,122**	**354,644**	**364,573**	**380,997**	**397,981**
Net operating balance		**-48,907**	**-32,823**	**-8,176**	**923**	**9,227**
Other economic flows						
Gain/loss on equity and on sale of assets(b)		5,790	1,923	3,916	7,888	3,590
Net write-downs of assets (including bad and doubtful debts)		-5,190	-5,215	-5,369	-5,494	-5,785
Assets recognised for the first time		603	626	658	692	727
Actuarial revaluations		1,253	0	0	0	0
Net foreign exchange gains		482	-10	0	0	0
Net swap interest received		41	0	0	0	0
Market valuation of debt		633	-499	-393	-206	-34
Other economic revaluations(c)		37	-335	-555	-394	-88
Total other economic flows		**3,649**	**-3,510**	**-1,743**	**2,486**	**-1,590**
Comprehensive result - Total change in net worth	13	**-45,258**	**-36,333**	**-9,919**	**3,409**	**7,637**
Net operating balance		**-48,907**	**-32,823**	**-8,176**	**923**	**9,227**
Net acquisition of non-financial assets						
Purchases of non-financial assets		10,838	11,600	10,030	9,094	8,728
less Sales of non-financial assets		269	399	1,048	4,705	453
less Depreciation		5,529	5,495	5,558	5,725	5,854
plus Change in inventories		678	725	441	517	497
plus Other movements in non-financial assets		129	344	52	-218	-16
Total net acquisition of non-financial assets		**5,847**	**6,775**	**3,917**	**-1,036**	**2,902**
Fiscal balance (Net lending/borrowing)(d)		**-54,753**	**-39,598**	**-12,093**	**1,960**	**6,325**

(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.

Table 2: Australian Government general government sector balance sheet

		Estimates			Projections	
		2009-10	2010-11	2011-12	2012-13	2013-14
	Note	$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash and deposits	20(a)	2,027	2,066	2,224	2,161	2,334
Advances paid	14	23,422	25,434	26,323	27,222	27,942
Investments, loans and placements	15	99,288	114,722	113,122	109,207	105,126
Other receivables	14	39,024	39,172	40,718	42,290	44,114
Equity investments						
Investments in other public sector entities		26,352	28,146	33,054	39,686	44,411
Equity accounted investments		262	260	259	258	257
Investments - shares		28,821	25,807	22,480	23,136	24,297
Total financial assets		*219,197*	*235,607*	*238,180*	*243,959*	*248,481*
Non-financial assets	16					
Land		8,349	8,326	8,225	8,204	8,111
Buildings		20,667	21,785	22,556	23,253	23,717
Plant, equipment and infrastructure		46,702	49,896	52,786	54,577	56,563
Inventories		6,613	7,015	7,079	7,338	7,533
Intangibles		4,123	5,068	5,323	5,678	5,528
Investment property		182	182	182	182	182
Biological assets		32	33	34	34	34
Heritage and cultural assets		9,091	9,106	9,119	9,130	9,143
Assets held for sale		158	106	88	102	85
Other non-financial assets		2,456	2,639	2,532	2,288	2,241
Total non-financial assets		*98,372*	*104,154*	*107,924*	*110,787*	*113,137*
Total assets		**317,569**	**339,761**	**346,104**	**354,746**	**361,618**
Liabilities						
Interest bearing liabilities						
Deposits held		230	230	230	230	230
Government securities		154,080	209,436	221,236	221,574	215,631
Loans	17	11,430	10,156	9,887	9,778	9,686
Other borrowing		835	919	819	717	623
Total interest bearing liabilities		*166,575*	*220,742*	*232,172*	*232,299*	*226,169*
Provisions and payables						
Superannuation liability	18	122,874	127,114	131,417	135,753	140,111
Other employee liabilities	18	9,874	10,183	10,461	10,746	11,040
Suppliers payable	19	4,363	4,303	4,349	4,376	4,471
Personal benefits payable	19	12,651	12,492	12,900	13,538	14,035
Subsidies payable	19	1,897	2,273	2,923	3,151	3,385
Grants payable	19	7,062	7,876	7,870	8,053	8,298
Other provisions and payables	19	12,410	11,249	10,400	9,810	9,452
Total provisions and payables		*171,131*	*175,489*	*180,320*	*185,427*	*190,791*
Total liabilities		**337,706**	**396,231**	**412,492**	**417,726**	**416,960**
Net worth(a)		**-20,137**	**-56,470**	**-66,388**	**-62,979**	**-55,342**
Net financial worth(b)		*-118,509*	*-160,624*	*-174,312*	*-173,767*	*-168,480*
Net financial liabilities(c)		*144,861*	*188,770*	*207,366*	*213,452*	*212,890*
Net debt(d)		*41,838*	*78,520*	*90,504*	*93,709*	*90,767*

(a) Net worth is calculated as total assets minus total liabilities.
(b) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.
(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 3: Australian Government general government sector cash flow statement[(a)]

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Cash receipts from operating activities					
Taxes received	260,959	294,338	328,366	353,747	378,164
Receipts from sales of goods and services	7,657	7,986	8,200	8,089	8,038
Interest receipts	4,507	4,976	5,033	4,918	5,027
Dividends and income tax equivalents	6,927	2,168	1,427	1,379	2,033
Other receipts	4,882	4,551	4,759	5,177	5,269
Total operating receipts	**284,932**	**314,019**	**347,786**	**373,309**	**398,530**
Cash payments for operating activities					
Payments for employees	-23,024	-24,765	-24,987	-25,458	-26,226
Payments for goods and services	-62,931	-66,403	-67,136	-70,167	-75,418
Grants and subsidies paid	-131,537	-130,466	-133,153	-139,542	-142,328
Interest paid	-6,493	-9,609	-11,129	-11,416	-11,164
Personal benefit payments	-100,620	-105,040	-108,379	-114,345	-122,270
Other payments	-4,047	-4,092	-4,180	-4,329	-4,465
Total operating payments	**-328,652**	**-340,374**	**-348,964**	**-365,258**	**-381,871**
Net cash flows from operating activities	**-43,720**	**-26,355**	**-1,179**	**8,052**	**16,659**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	269	399	1,048	4,705	453
Purchases of non-financial assets	-10,826	-11,715	-10,022	-8,816	-8,658
Net cash flows from investments in non-financial assets	**-10,557**	**-11,317**	**-8,974**	**-4,111**	**-8,205**
Net cash flows from investments in financial assets for policy purposes	**-4,916**	**-10,171**	**-4,468**	**-6,115**	**-4,375**
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	7,740	-6,005	4,541	3,315	3,530
Net cash flows from investments in financial assets for liquidity purposes	**7,740**	**-6,005**	**4,541**	**3,315**	**3,530**
Cash receipts from financing activities					
Borrowing	46,909	54,161	10,684	0	0
Other financing	4,995	0	0	0	0
Total cash receipts from financing activities	**51,904**	**54,161**	**10,684**	**0**	**0**
Cash payments for financing activities					
Borrowing	0	0	0	-556	-6,992
Other financing	-77	-274	-446	-647	-443
Total cash payments for financing activities	**-77**	**-274**	**-446**	**-1,203**	**-7,436**
Net cash flows from financing activities	**51,827**	**53,887**	**10,238**	**-1,203**	**-7,436**
Net increase/(decrease) in cash held	**374**	**39**	**158**	**-63**	**173**

Table 3: Australian Government general government sector cash flow statement (continued)[(a)]

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**-54,277**	**-37,672**	**-10,153**	**3,940**	**8,454**
Finance leases and similar arrangements(b)	-1	-163	0	0	0
GFS cash surplus(+)/deficit(-)	**-54,278**	**-37,836**	**-10,153**	**3,940**	**8,454**
less Future Fund earnings	2,802	2,921	2,892	2,925	3,022
Equals underlying cash balance(c)	**-57,079**	**-40,756**	**-13,045**	**1,016**	**5,432**
plus Net cash flows from investments in financial assets for policy purposes	-4,916	-10,171	-4,468	-6,115	-4,375
plus Future Fund earnings	2,802	2,921	2,892	2,925	3,022
Equals headline cash balance	**-59,194**	**-48,007**	**-14,621**	**-2,174**	**4,079**

(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.

Table 4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2009-10	2010-11
	$m	$m
Revenue		
Current grants and subsidies	16	24
Sales of goods and services	6,971	7,442
Interest income	30	31
Other	17	9
Total revenue	**7,035**	**7,507**
Expenses		
Gross operating expenses		
Wages and salaries(a)	2,812	3,032
Superannuation	170	201
Depreciation and amortisation	392	532
Supply of goods and services	3,030	3,452
Other operating expenses(a)	399	318
Total gross operating expenses	*6,803*	*7,536*
Interest expenses	40	48
Other property expenses	209	128
Current transfers		
Tax expenses	373	128
Total current transfers	*373*	*128*
Total expenses	**7,426**	**7,839**
Net operating balance	**-391**	**-332**
Other economic flows	**797**	**2,061**
Comprehensive result - Total change in net worth	**406**	**1,729**
Net acquisition of non-financial assets		
Purchases of non-financial assets	1,989	3,073
less Sales of non-financial assets	47	56
less Depreciation	393	533
plus Change in inventories	-13	-11
plus Other movements in non-financial assets	8	-2
Total net acquisition of non-financial assets	**1,545**	**2,471**
Fiscal balance (Net lending/borrowing)(b)	**-1,936**	**-2,804**

(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 5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2009-10	2010-11
	$m	$m
Assets		
Financial assets		
Cash and deposits	806	770
Investments, loans and placements	461	508
Other receivables	908	971
Equity investments	318	316
Total financial assets	*2,493*	*2,566*
Non-financial assets		
Land and fixed assets	6,384	8,618
Other non-financial assets(a)	498	497
Total non-financial assets	*6,881*	*9,114*
Total assets	**9,375**	**11,680**
Liabilities		
Interest bearing liabilities		
Borrowing	1,218	1,720
Total interest bearing liabilities	*1,218*	*1,720*
Provisions and payables		
Other employee liabilities	1,209	1,216
Other provisions and payables(a)	1,603	1,670
Total provisions and payables	*2,812*	*2,886*
Total liabilities	**4,029**	**4,605**
Shares and other contributed capital	**5,346**	**7,075**
Net worth(b)	**5,346**	**7,075**
Net financial worth(c)	*-1,536*	*-2,040*
Net debt(d)	*-50*	*441*

(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.
(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.
(d) 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.

Table 6: Australian Government public non-financial corporations sector cash flow statement[(a)]

	Estimates	
	2009-10	2010-11
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	7,667	8,064
GST input credit receipts	206	232
Other receipts	91	75
Total operating receipts	**7,964**	**8,371**
Cash payments for operating activities		
Payments to employees	-3,144	-3,367
Payment for goods and services	-3,405	-3,917
Interest paid	-64	-89
GST payments to taxation authority	-504	-526
Other payments	-308	-172
Total operating payments	**-7,424**	**-8,071**
Net cash flows from operating activities	**540**	**300**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	71	56
Purchases of non-financial assets	-1,997	-3,070
Net cash flows from investments in non-financial assets	**-1,926**	**-3,014**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	1,006	585
Net cash flows from investments in financial assets for liquidity purposes	**1,006**	**585**
Net cash flows from financing activities		
Borrowing (net)	-1	39
Other financing (net)	478	2,211
Distributions paid (net)	-224	-157
Net cash flows from financing activities	**253**	**2,093**
Net increase/(decrease) in cash held	**-127**	**-36**
Cash at the beginning of the year	**933**	**806**
Cash at the end of the year	**806**	**770**
Net cash from operating activities and investments in non-financial assets	**-1,386**	**-2,714**
Distributions paid	-224	-157
Equals surplus(+)/deficit(-)	**-1,610**	**-2,871**
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	**-1,610**	**-2,871**

(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 7: Australian Government total non-financial public sector operating statement

	Estimates	
	2009-10	2010-11
	$m	$m
Revenue		
Taxation revenue	269,156	302,328
Sales of goods and services	13,696	13,964
Interest income	4,599	5,186
Dividend income	7,217	1,198
Other	5,010	4,847
Total revenue	**299,677**	**327,523**
Expenses		
Gross operating expenses		
Wages and salaries(a)	20,504	21,212
Superannuation	3,756	3,942
Depreciation and amortisation	5,921	6,027
Supply of goods and services	65,175	68,035
Other operating expenses(a)	4,752	4,687
Total gross operating expenses	*100,108*	*103,903*
Superannuation interest expense	6,695	7,065
Interest expenses	8,026	11,433
Current transfers		
Current grants	102,152	110,067
Subsidy expenses	8,416	8,784
Personal benefits	99,235	104,869
Total current transfers	*209,803*	*223,721*
Capital transfers	24,342	14,556
Total expenses	**348,975**	**360,678**
Net operating balance	**-49,297**	**-33,155**
Other economic flows	**9,440**	**-3,178**
Comprehensive result - Total change in net worth	**-39,858**	**-36,333**
Net acquisition of non-financial assets		
Purchases of non-financial assets	12,827	14,672
less Sales of non-financial assets	315	454
less Depreciation	5,922	6,028
plus Change in inventories	665	714
plus Other movements in non-financial assets	137	342
Total net acquisition of non-financial assets	**7,392**	**9,246**
Fiscal balance (Net lending/borrowing)(b)	**-56,689**	**-42,401**

(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 8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2009-10	2010-11
	$m	$m
Assets		
Financial assets		
Cash and deposits	2,834	2,836
Advances paid	23,422	25,434
Investments, loans and placements	99,749	115,230
Other receivables	39,833	40,028
Equity investments	50,407	47,455
Total financial assets	*216,245*	*230,984*
Non-financial assets		
Land and fixed assets	97,804	104,745
Other non-financial assets	7,449	8,524
Total non-financial assets	*105,253*	*113,268*
Total assets	**321,498**	**344,252**
Liabilities		
Interest bearing liabilities		
Deposits held	230	230
Government securities	154,080	209,436
Loans	11,430	10,156
Other borrowing	2,052	2,638
Total interest bearing liabilities	*167,792*	*222,461*
Provisions and payables		
Superannuation liability	122,874	127,114
Other employee liabilities	11,083	11,399
Other provisions and payables	39,886	39,748
Total provisions and payables	*173,843*	*178,261*
Total liabilities	**341,635**	**400,722**
Shares and other contributed capital	**5,346**	**7,075**
Net worth(a)	**-20,137**	**-56,470**
Net financial worth(b)	*-125,390*	*-169,738*
Net debt(c)	*41,788*	*78,961*

(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.

(b) Under AASB1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities, minus shares and other contributed capital.

(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 9: Australian Government total non-financial public sector cash flow statement(a)

	Estimates	
	2009-10	2010-11
	$m	$m
Cash receipts from operating activities		
Taxes received	260,711	294,203
Receipts from sales of goods and services	13,715	13,932
Interest receipts	4,539	5,005
Dividends and income tax equivalents	6,717	2,026
Other receipts	4,926	4,583
Total operating receipts	**290,609**	**319,748**
Cash payments for operating activities		
Payments to employees	-26,168	-28,132
Payments for goods and services	-65,024	-68,495
Grants and subsidies paid	-131,537	-130,466
Interest paid	-6,557	-9,699
Personal benefit payments	-100,620	-105,040
Other payments	-4,107	-4,129
Total operating payments	**-334,013**	**-345,960**
Net cash flows from operating activities	**-43,404**	**-26,212**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	340	454
Purchases of non-financial assets	-12,823	-14,786
Net cash flows from investments in non-financial assets	**-12,483**	**-14,331**
Net cash flows from investments in financial assets for policy purposes	**-4,916**	**-10,171**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	8,745	-5,420
Net cash flows from investments in financial assets for liquidity purposes	**8,745**	**-5,420**
Net cash flows from financing activities		
Borrowing (net)	46,908	54,199
Other financing (net)	5,395	1,937
Net cash flows from financing activities	**52,303**	**56,137**
Net increase/(decrease) in cash held	**246**	**3**
Cash at the beginning of the year	**2,587**	**2,834**
Cash at the end of the year	**2,834**	**2,836**
Net cash from operating activities and investments in non-financial assets	**-55,887**	**-40,543**
Distributions paid	0	0
Equals surplus(+)/deficit(-)	**-55,887**	**-40,543**
Finance leases and similar arrangements(b)	-1	-163
GFS cash surplus(+)/deficit(-)	**-55,888**	**-40,707**

(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 decrease the deficit.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

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

The major external standards used for budget 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 GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Table A2 in Appendix 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) sector, are disclosed in Table A1 in Appendix A.

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 these ABS GFS aggregates the Accrual Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the *Mid-Year Economic and Fiscal Outlook 2009-10* (MYEFO) are disclosed in Statement 3.

Details of the Australian Government's GGS contingent liabilities are disclosed in Statement 8.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The budget 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 budget financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The budget 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 budget financial statements or in any reconciliation notes. Instead, the budget 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 budget financial statements. This is a classification difference that impacts on net financial worth.

ABS GFS currently requires Special Drawing Rights (SDRs) liabilities to be recorded as a contingent liability. The treatment of SDRs as a contingent liability has not been adopted in the budget financial statements or any reconciliation notes. The budget financial statements currently record SDRs as a liability. This is consistent with AAS, and also represents an early adoption of the ABS' proposed revisions to GFS in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009* and ABS cat. no. 5310.0.55.002 *Information Paper: Implementation of new international statistical standards*). The ABS will be updating its ABS GFS Manual following the update of the IMF GFS Manual 2001.

From the September quarter 2009, 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 will be valued at cost in the budget 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. This treatment has not been adopted for the financial statements. Consistent with AAS, loans issued at below market interest rates or with 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.

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 by function is disclosed in Statement 6. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in Statement 6.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of items, where different, in notes to the financial statements. Reconciliation notes have not been included as they would 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 major variances for the 2009-10 year from the 2009-10 Budget to the 2009-10 MYEFO are discussed in Part 3 of MYEFO. All policy decisions taken between the 2009-10 Budget and the

2009-10 MYEFO are disclosed in Appendix A of MYEFO. Explanations of variations since the 2009-10 MYEFO are disclosed in Statement 3 of this document, with all decisions taken since MYEFO disclosed in Budget Paper No. 2.

Public non-financial corporations (PNFC) sector and total non-financial public sector (NFPS)

AASB 1049 defines net worth for the PNFC sector and NFPS 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 sector). 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 and NFPS sector financial statements.

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

Note 3: Taxation revenue by type

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Income taxation					
Individuals and other withholding taxes					
Gross income tax withholding	119,970	130,620	143,580	155,660	167,800
Gross other individuals	28,500	31,530	35,760	39,220	42,250
less Refunds	25,120	25,080	27,480	30,080	32,930
Total individuals and other withholding taxation	123,350	137,070	151,860	164,800	177,120
Fringe benefits tax	3,670	4,010	4,190	4,480	4,730
Company tax	53,650	66,520	78,020	79,880	77,940
Superannuation funds	5,990	7,170	8,870	10,460	11,000
Resource rent taxes(a)	1,480	1,860	2,160	7,380	15,920
Memo: Net impact of RSPT	-	-	-	*3,000*	*9,000*
Total income taxation revenue	**188,140**	**216,630**	**245,100**	**267,000**	**286,710**
Indirect taxation					
Sales taxes					
Goods and services tax	46,830	50,000	53,410	56,670	59,870
Wine equalisation tax	730	780	840	890	940
Luxury car tax	490	540	580	610	650
Total sales taxes	48,050	51,320	54,830	58,170	61,460
Excise duty					
Petrol	6,390	6,230	6,280	6,240	6,400
Diesel	6,840	6,980	7,260	7,510	7,900
Beer	2,030	2,110	2,180	2,250	2,320
Tobacco	5,920	5,810	5,970	6,080	6,340
Other excisable products	3,710	4,100	5,040	4,460	4,520
Of which: Other excisable beverages	860	960	1,030	1,130	1,230
Total excise duty revenue	24,890	25,230	26,730	26,540	27,480
Customs duty					
Textiles, clothing and footwear	830	740	800	840	900
Passenger motor vehicles	1,150	810	820	820	880
Excise-like goods	2,960	4,300	4,590	4,775	4,970
Other imports	1,130	1,160	1,300	1,410	1,510
less Refunds and drawbacks	240	240	240	240	240
Total customs duty revenue	5,830	6,770	7,270	7,605	8,020
Other indirect taxation					
Agricultural levies	371	349	355	365	369
Other taxes	2,248	2,157	2,131	2,231	2,358
Total other indirect taxation revenue	2,619	2,506	2,486	2,596	2,727
Mirror taxes	402	425	447	473	498
less Transfers to States in relation to mirror tax revenue	402	425	447	473	498
Mirror tax revenue	0	0	0	0	0
Total indirect taxation revenue	**81,389**	**85,826**	**91,316**	**94,911**	**99,687**
Total taxation revenue	**269,529**	**302,456**	**336,416**	**361,911**	**386,397**
Memorandum:					
Capital gains tax	*7,940*	*10,390*	*13,090*	*16,010*	*18,400*
Medicare levy revenue	*8,200*	*8,470*	*9,130*	*9,830*	*10,530*

(a) Resource rent taxes include PRRT and gross receipts from the RSPT. The $3 billion in 2012-13 and $9 billion in 2013-14 represents the net impact on receipts across several different revenue heads. This includes the offsetting reductions in company tax (through deductibility), crude oil excise and interactions with other taxes.

Note 3(a): Taxation revenue by source

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	127,040	141,100	156,070	169,310	181,880
Income and capital gains levied on enterprises	61,100	75,530	89,030	97,690	104,830
Total taxes on income, profits and capital gains	**188,140**	**216,630**	**245,100**	**267,000**	**286,710**
Taxes on employers' payroll and labour force	450	471	494	516	538
Taxes on the provision of goods and services					
Sales/goods and services tax	48,050	51,320	54,830	58,170	61,460
Excises and levies	25,423	25,742	27,248	27,068	28,011
Taxes on international trade	5,830	6,770	7,270	7,605	8,020
Total taxes on the provision of goods and services	**79,303**	**83,832**	**89,348**	**92,843**	**97,491**
Other sale of goods and services(a)	1,635	1,524	1,474	1,552	1,658
Total taxation revenue	**269,529**	**302,456**	**336,416**	**361,911**	**386,397**
Memorandum:					
Medicare levy revenue	*8,200*	*8,470*	*9,130*	*9,830*	*10,530*

(a) Change in description from 'Taxes on use of goods and performance of activities' to better reflect the nature of the transactions.

Note 4: Sales of goods and services revenue

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Sales of goods	1,232	1,333	1,490	1,488	1,497
Rendering of services	4,306	4,464	4,340	4,095	3,881
Operating lease rental	54	52	50	48	49
Fees from regulatory services	2,106	2,198	2,370	2,528	2,646
Total sales of goods and services revenue	**7,699**	**8,047**	**8,249**	**8,158**	**8,074**

Note 5: Interest and dividend income

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Interest from other governments					
State and Territory debt	15	23	23	23	23
Housing agreements	175	170	165	160	155
Total interest from other governments	**190**	**194**	**189**	**184**	**179**
Interest from other sources					
Advances	27	32	34	35	37
Deposits	81	89	91	93	95
Bills receivable	6	6	6	6	6
Bank deposits	158	128	129	128	128
Indexation of HELP receivable and other student loans	307	329	358	383	405
Other	3,799	4,378	4,442	4,257	4,285
Total interest from other sources	**4,379**	**4,961**	**5,059**	**4,903**	**4,956**
Total interest	**4,569**	**5,155**	**5,248**	**5,086**	**5,135**
Dividends					
Dividends from other public sector entities	6,270	248	335	355	1,131
Other dividends	1,156	1,078	999	927	862
Total dividends	**7,426**	**1,326**	**1,334**	**1,282**	**1,993**
Total interest and dividend income	**11,995**	**6,481**	**6,582**	**6,368**	**7,127**

Note 6: Other sources of non-taxation revenue

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Industry contributions	93	104	46	40	40
Royalties	1,311	1,129	1,055	1,128	1,036
Seigniorage	155	207	229	215	229
Other	3,434	3,398	3,821	4,101	4,305
Total other sources of non-taxation revenue	**4,993**	**4,838**	**5,150**	**5,483**	**5,609**

Note 7: Employee and superannuation expense

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Wages and salaries expenses	**17,691**	**18,180**	**18,193**	**18,384**	**18,804**
Other operating expenses					
Leave and other entitlements	2,134	2,100	2,102	2,132	2,163
Separations and redundancies	64	61	48	45	47
Workers compensation premiums and claims	556	530	562	592	610
Other	1,599	1,678	1,715	1,818	1,921
Total other operating expenses	**4,353**	**4,369**	**4,428**	**4,588**	**4,740**
Superannuation expenses					
Superannuation	3,586	3,741	3,779	3,825	3,942
Superannuation interest cost	6,695	7,065	7,301	7,552	7,818
Total superannuation expenses	**10,281**	**10,806**	**11,080**	**11,377**	**11,760**
Total employee and superannuation expense	**32,325**	**33,355**	**33,701**	**34,349**	**35,304**

Note 8: Depreciation and amortisation expense

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	2,589	2,417	2,313	2,421	2,533
Buildings	1,099	1,172	1,213	1,249	1,276
Other infrastructure, plant and equipment	1,142	1,159	1,222	1,246	1,284
Heritage and cultural assets	35	36	36	36	36
Total depreciation	**4,866**	**4,785**	**4,784**	**4,952**	**5,128**
Total amortisation	**664**	**710**	**774**	**773**	**726**
Total depreciation and amortisation expense	**5,529**	**5,495**	**5,558**	**5,725**	**5,854**

Note 9: Supply of goods and services expense

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Supply of goods and services	20,305	20,494	19,505	19,437	20,307
Operating lease rental expenses	2,243	2,371	2,414	2,613	2,912
Personal benefits – indirect	33,820	36,175	37,763	40,008	42,872
Health care payments	4,986	5,082	5,142	5,193	5,288
Other	1,765	1,986	2,283	2,731	3,823
Total supply of goods and services expense	**63,119**	**66,108**	**67,107**	**69,981**	**75,201**

Note 10: Interest expense

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Interest on debt					
Government securities	6,514	9,606	11,463	12,010	11,978
Loans	4	7	7	6	6
Other	73	70	65	60	55
Total interest on debt	**6,591**	**9,683**	**11,535**	**12,077**	**12,039**
Other financing costs	**1,394**	**1,702**	**1,709**	**1,697**	**1,715**
Total interest expense	**7,985**	**11,385**	**13,244**	**13,773**	**13,754**

Note 11: Current and capital grants expense

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Current grants expense					
State and Territory governments	76,938	81,921	86,509	92,189	96,167
Local governments	21	21	37	26	0
Private sector	2,003	2,124	2,484	2,389	2,171
Overseas	3,267	4,007	4,200	4,602	4,631
Non-profit organisations	2,576	2,740	3,158	1,480	1,454
Multi-jurisdictional sector	8,024	8,633	8,866	9,203	9,737
Other	9,323	10,622	10,896	11,682	11,246
Total current grants expense	**102,152**	**110,067**	**116,149**	**121,571**	**125,406**
Capital grants expense					
Mutually agreed write-downs	2,287	1,888	2,086	2,267	2,413
Other capital grants					
State and Territory governments	20,714	11,470	7,234	7,264	5,985
Local governments	874	671	393	332	332
Multi-jurisdictional sector	81	87	90	93	98
Other	386	440	451	484	466
Total capital grants expense	**24,342**	**14,556**	**10,254**	**10,441**	**9,294**
Total grants expense	**126,495**	**124,624**	**126,403**	**132,012**	**134,700**

Note 12: Personal benefits expense

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Social welfare - assistance to the aged	30,305	32,750	34,717	37,217	39,205
Assistance to veterans and dependants	6,305	6,358	6,204	6,066	5,952
Assistance to people with disabilities	16,062	18,125	19,182	20,374	21,561
Assistance to families with children	29,386	29,769	30,656	31,503	32,372
Assistance to the unemployed	7,016	7,029	7,245	7,569	8,125
Student assistance	3,462	4,277	4,045	4,045	4,176
Other welfare programmes	1,461	1,011	912	906	887
Financial and fiscal affairs	266	278	292	305	318
Vocational and industry training	198	241	245	250	201
Other	4,774	5,032	5,295	6,745	9,944
Total personal benefits expense	**99,235**	**104,869**	**108,795**	**114,980**	**122,742**

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

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Opening net worth	**19,721**	**-20,137**	**-56,470**	**-66,388**	**-62,979**
Opening net worth adjustments(a)	5,400	0	0	0	0
Adjusted opening net worth	**25,121**	**-20,137**	**-56,470**	**-66,388**	**-62,979**
Net operating balance	-48,907	-32,823	-8,176	923	9,227
Other economic flows – included in operating result					
Foreign exchange gains	482	0	0	0	0
Gains from sale of assets	113	46	789	4,557	193
Other gains	9,470	2,953	4,120	4,500	4,404
Swap interest revenue	86	0	0	0	0
Net write-down and impairment of assets and fair value losses	-5,190	-5,215	-5,369	-5,494	-5,785
Foreign exchange losses	0	-10	0	0	0
Swap interest expense	-45	0	0	0	0
Total other economic flows	**4,915**	**-2,226**	**-461**	**3,563**	**-1,187**
Operating result(b)	**-43,992**	**-35,049**	**-8,636**	**4,487**	**8,040**
Other economic flows – other movements in equity(c)	-1,266	-1,284	-1,282	-1,078	-403
Comprehensive result	**-45,258**	**-36,333**	**-9,919**	**3,409**	**7,637**

(a) Reflects a decrease in the superannuation liability mainly due to a difference in the estimated and actual discount rate at 30 June 2009.
(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 other receivables

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Advances paid					
Loans to State and Territory governments	3,044	3,118	3,035	2,946	2,853
Higher Education Loan Program	12,411	13,606	14,693	15,600	16,253
Student Financial Supplement Scheme	759	703	644	582	516
Other	7,549	8,342	8,274	8,405	8,619
less Provision for doubtful debts	340	335	323	311	298
Total advances paid	**23,422**	**25,434**	**26,323**	**27,222**	**27,942**
Other receivables					
Goods and services receivable	930	930	916	954	956
Recoveries of benefit payments	2,812	2,802	2,782	2,775	2,771
Taxes receivable	19,493	21,887	23,955	25,867	27,782
Other	18,660	16,514	16,120	15,894	15,941
less Provision for doubtful debts	2,871	2,962	3,055	3,199	3,336
Total other receivables	**39,024**	**39,172**	**40,718**	**42,290**	**44,114**

Note 15: Investments, loans and placements

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Investments - deposits	30,704	42,627	35,101	29,165	21,356
IMF quota	5,659	5,418	5,418	5,418	5,418
Other	62,925	66,677	72,602	74,623	78,351
Total investments, loans and placements	**99,288**	**114,722**	**113,122**	**109,207**	**105,126**

Note 16: Total non-financial assets

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Land and buildings					
Land	8,349	8,326	8,225	8,204	8,111
Buildings	20,667	21,785	22,556	23,253	23,717
Total land and buildings	**29,016**	**30,111**	**30,781**	**31,457**	**31,828**
Plant, equipment and infrastructure					
Specialist military equipment	35,968	38,565	41,207	43,067	45,222
Other	10,734	11,331	11,579	11,510	11,341
Total plant, equipment and infrastructure	**46,702**	**49,896**	**52,786**	**54,577**	**56,563**
Inventories					
Inventories held for sale	721	873	819	870	892
Inventories not held for sale	5,892	6,142	6,260	6,468	6,641
Total inventories	**6,613**	**7,015**	**7,079**	**7,338**	**7,533**
Intangibles					
Computer software	2,723	2,940	2,986	2,987	2,867
Other	1,400	2,128	2,337	2,691	2,661
Total intangibles	**4,123**	**5,068**	**5,323**	**5,678**	**5,528**
Total investment properties	**182**	**182**	**182**	**182**	**182**
Total biological assets	**32**	**33**	**34**	**34**	**34**
Total heritage and cultural assets	**9,091**	**9,106**	**9,119**	**9,130**	**9,143**
Total assets held for sale	**158**	**106**	**88**	**102**	**85**
Other non-financial assets					
Prepayments	2,226	2,065	1,906	1,881	1,849
Other	230	574	626	407	392
Total other non-financial assets	**2,456**	**2,639**	**2,532**	**2,288**	**2,241**
Total non-financial assets	**98,372**	**104,154**	**107,924**	**110,787**	**113,137**

Note 17: Loans

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Promissory notes	4,848	3,924	3,799	3,825	3,851
Special drawing rights	5,391	5,161	5,162	5,162	5,162
Other	1,191	1,071	926	791	673
Total loans	**11,430**	**10,156**	**9,887**	**9,778**	**9,686**

Note 18: Employee and superannuation liabilities

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Total superannuation liability(a)	**122,874**	**127,114**	**131,417**	**135,753**	**140,111**
Other employee liabilities					
Leave and other entitlements	5,936	6,133	6,276	6,429	6,576
Accrued salaries and wages	253	270	287	285	294
Workers compensation claims	1,633	1,615	1,609	1,612	1,621
Separations and redundancies	53	52	54	55	55
Other	1,999	2,113	2,235	2,364	2,494
Total other employee liabilities	**9,874**	**10,183**	**10,461**	**10,746**	**11,040**
Total employee and superannuation liabilities	**132,748**	**137,297**	**141,878**	**146,499**	**151,151**

(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 is used to calculate the superannuation liability for the purpose of actuals reporting.

Note 19: Provisions and payables

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Suppliers payable					
Trade creditors	3,885	3,790	3,831	3,857	3,956
Operating lease rental payable	152	153	154	155	153
Other creditors	326	360	364	364	362
Total suppliers payable	**4,363**	**4,303**	**4,349**	**4,376**	**4,471**
Total personal benefits payable	**12,651**	**12,492**	**12,900**	**13,538**	**14,035**
Total subsidies payable	**1,897**	**2,273**	**2,923**	**3,151**	**3,385**
Grants payable					
State and Territory governments	559	434	455	458	411
Non-profit organisations	110	111	110	110	110
Private sector	337	336	335	332	332
Overseas	761	1,506	1,293	1,296	1,393
Local governments	13	9	9	9	9
Other	5,282	5,480	5,667	5,848	6,043
Total grants payable	**7,062**	**7,876**	**7,870**	**8,053**	**8,298**
Other provisions and payables					
Provisions for tax refunds	1,833	1,878	1,903	1,933	1,933
Other	10,577	9,371	8,497	7,877	7,519
Total other provisions and payables	**12,410**	**11,249**	**10,400**	**9,810**	**9,452**

Note 20: Reconciliation of cash

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Operating balance (revenues less expenses)	**-48,907**	**-32,822**	**-8,175**	**924**	**9,227**
less **Revenues not providing cash**					
Other	781	860	951	1,032	1,104
Total revenues not providing cash	**781**	**860**	**951**	**1,032**	**1,104**
plus **Expenses not requiring cash**					
Increase/(decrease) in employee entitlements	5,301	4,540	4,577	4,621	4,652
Depreciation/amortisation expense	5,529	5,495	5,558	5,725	5,854
Mutually agreed write-downs	2,287	1,888	2,086	2,267	2,413
Other	1,040	760	1,336	1,101	1,077
Total expenses not requiring cash	**14,157**	**12,683**	**13,557**	**13,714**	**13,997**
plus **Cash provided/(used) by working capital items**					
Decrease/(increase) in inventories	-554	-572	-276	-340	-306
Decrease/(increase) in receivables	-8,791	-4,659	-6,047	-6,477	-6,694
Decrease/(increase) in other financial assets	-549	-355	-155	52	-76
Decrease/(increase) in other non-financial assets	486	126	125	3	10
Increase/(decrease) in benefits, subsidies and grants payable	-1,103	1,125	1,238	1,243	1,156
Increase/(decrease) in suppliers' liabilities	468	-27	-34	5	-41
Increase/(decrease) in other provisions and payables	1,853	-993	-460	-40	490
Net cash provided / (used) by working capital	**-8,190**	**-5,356**	**-5,609**	**-5,554**	**-5,461**
equals (Net cash from/(to) operating activities)	-43,720	-26,355	-1,179	8,052	16,659
plus (Net cash from/(to) investing activities)	-7,734	-27,493	-8,901	-6,911	-9,050
Net cash from operating activities and investment	**-51,453**	**-53,849**	**-10,080**	**1,140**	**7,609**
plus (Net cash from/(to) financing activities)	51,827	53,887	10,238	-1,203	-7,436
equals **Net increase/(decrease) in cash**	**374**	**39**	**158**	**-63**	**173**
Cash at the beginning of the year	**1,654**	**2,027**	**2,066**	**2,224**	**2,161**
Net increase/(decrease) in cash	374	39	158	-63	173
Cash at the end of the year	**2,027**	**2,066**	**2,224**	**2,161**	**2,334**

Note 20(a): Consolidated Revenue Fund

The estimated and projected cash balances reflected in the balance sheet for the Australian Government GGS (Table 2) 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 below.

	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m	$m
Total general government sector cash	2,027	2,066	2,224	2,161	2,334
less CAC Agency cash balances	1,351	1,336	1,357	1,383	1,509
plus Special public monies	231	231	231	231	231
Balance of Consolidated Revenue Fund at 30 June	**907**	**961**	**1,098**	**1,009**	**1,056**

Further information on the Consolidated Revenue Fund is included in Budget Paper No. 4, *Agency Resourcing 2010-11*.

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the budget to be based on external reporting standards. The Government has produced budget financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. 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 the 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 budget 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 seeks 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 focuses on the GGS.

The Government's budget reporting framework

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).

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.

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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.

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

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets less liabilities less shares 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 government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed 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 assets[3] (cash and deposits, advances paid, and investments, loans and placements). 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.

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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
plus
Net cash flows from investments in non-financial assets
less
Net acquisitions of assets acquired under finance leases and similar arrangements[4]
equals
ABS GFS cash surplus/deficit
less
Future Fund earnings
equals
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.

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.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 3 of this statement, Table 4 of Statement 3 and the historical data tables in Statement 10.

Headline cash balance

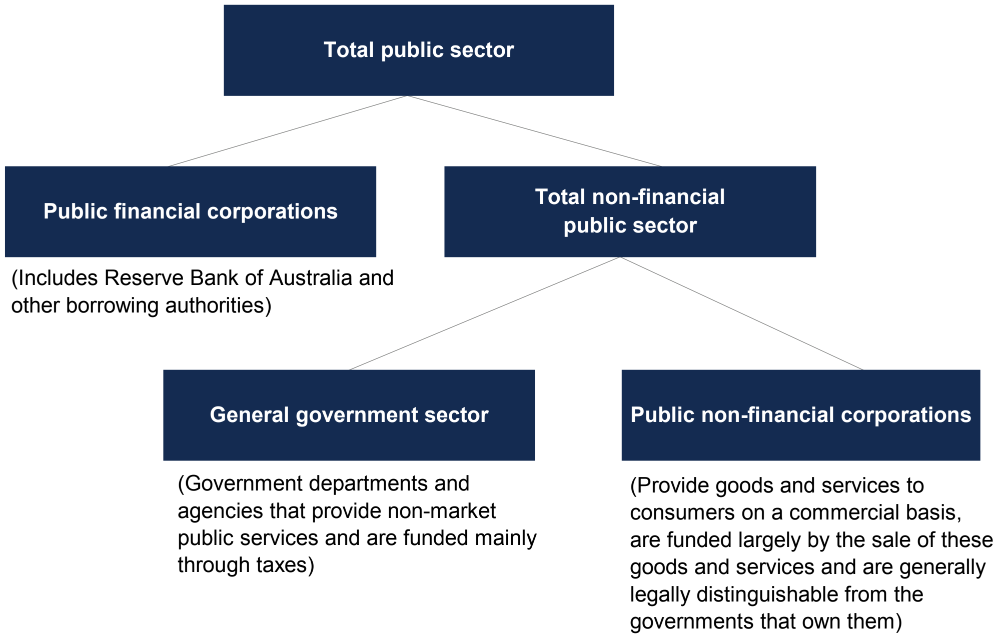
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

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, 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. AASB 1049 has also adopted this sectoral reporting.

Figure 1: Institutional structure of the public sector



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

Table A1: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio
Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Australian Wine and Brandy Corporation, 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, Land and Water Australia[6] Rural Industries Research and Development Corporation, Sugar Research and Development Corporation, Wheat Exports Australia
Attorney-General's Portfolio
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), Criminology Research Council, 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 Capital Authority, National Native Title Tribunal, Office of Parliamentary Counsel, Office of the Commonwealth Director of Public Prosecutions
Broadband, Communications and the Digital Economy Portfolio
Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and the Digital Economy, Special Broadcasting Service Corporation
Climate Change and Energy Efficiency
Australian Carbon Trust Limited, Department of Climate Change and Energy Efficiency, Office of the Renewable Energy Regulator

6 This entity will be wound down by June 2010.

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Defence Portfolio 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
Education, Employment and Workplace Relations Portfolio Australian Curriculum, Assessment and Reporting Authority, Australian Industrial Registry[7], Comcare, Department of Education, Employment and Workplace Relations, Fair Work Australia, Office of the Australian Building and Construction Commissioner, Office of Fair Work Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority), Australian Institute for Teaching and School Leadership Limited, Australian Learning and Teaching Council Limited, Workplace Authority[8]
Environment, Water, Heritage and the Arts Portfolio Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian National Maritime Museum, Bundanon Trust, Bureau of Meteorology, Department of Environment, Water, Heritage and the Arts, Director of National Parks, Great Barrier Reef Marine Park Authority, Murray-Darling Basin Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Water Commission, Screen Australia, Sydney Harbour Federation Trust
Families, Housing, Community Services and Indigenous Affairs Portfolio 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

7 This entity will be wound down by June 2010.
8 This entity will be wound down by June 2010.

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Finance and Deregulation Portfolio Australian Electoral Commission, Australian Reward Investment Alliance, Comsuper, Department of Finance and Deregulation, Future Fund Management Agency, Tuggeranong Office Park Pty Limited
Foreign Affairs and Trade Portfolio 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
Health and Ageing Portfolio Aged Care Standards and Accreditation Agency Ltd, Australian Institute of Health and Welfare, Australian Organ and Tissue Donation and Transplantation Authority, Australian Radiation Protection and Nuclear Safety Agency, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, Health Workforce Australia, General Practice Education and Training Limited, 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
Human Services Portfolio Centrelink (Commonwealth Service Delivery Agency), Department of Human Services, Medicare Australia
Immigration and Citizenship Portfolio Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal
Infrastructure, Transport, Regional Development and Local Government Portfolio Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure, Transport, Regional Development and Local Government

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Innovation, Industry, Science and Research Portfolio
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 Bio Ventures Pty Limited, IIF (CM) Investments Pty Limited, IIF Foundation Pty Limited, IIF Investments Pty Limited, IIF Neo Pty Limited, IP Australia
Prime Minister and Cabinet Portfolio
Australian Institute of Family Studies, Australian National Audit Office, Australian Public Service Commission, Department of the Prime Minister and Cabinet, National Archives of Australia, National Australia Day Council Limited, 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, Office of the Privacy Commissioner, Old Parliament House
Resources, Energy and Tourism Portfolio
Australian Solar Institute Limited, Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia
Treasury Portfolio
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
Parliamentary Departments
Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate

Table A1: Entities within the sectoral classifications (continued)

Public financial corporations
Education, Employment and Workplace Relations Portfolio Coal Mining Industry (Long Service Leave Funding) Corporation
Finance and Deregulation Portfolio Australian Industry Development Corporation, Medibank Private Ltd
Foreign Affairs and Trade Portfolio Export Finance and Insurance Corporation
Treasury Portfolio Australian Reinsurance Pool Corporation, Reserve Bank of Australia
Public non-financial corporations
Attorney-General's Portfolio Australian Government Solicitor
Broadband, Communications and the Digital Economy Portfolio Australian Postal Corporation, NBN Co Ltd
Finance and Deregulation Portfolio Albury-Wodonga Development Corporation, Australian River Co. Ltd, ASC Pty Ltd, Australian Technology Group Ltd[9]
Human Services Portfolio Australian Hearing Services
Infrastructure, Transport, Regional Development and Local Government Portfolio Airservices Australia, Australian Rail Track Corporation Ltd

9 This entity will be wound down by June 2010.

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 and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, 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 transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.[10]

Some of the major differences between AASB 1049 and the ABS GFS treatments of transactions are outlined in Table A2. 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).

Table A2: 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 the 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 valuation
Circulating coins — seigniorage	The profit between the cost and sale of circulating coin (seigniorage) is treated as revenue.	Circulating coin is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Special Drawing Rights (SDR)	SDR currency issued by the International Monetary Fund (IMF) is treated as a liability.	SDR currency issued by the IMF is treated as a contingent liability. ABS is expected to update its treatment and will align with AAS.	AAS, early adoption of revised ABS GFS
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

10 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 A2: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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
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

APPENDIX 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 B1, the Commonwealth's 2010-11 Loan Council Allocation budget update is a $50.0 billion deficit. This compares with its Loan Council Allocation nomination of a $51.0 billion deficit endorsed by Loan Council on 26 March 2010.

Table B1: Commonwealth's Loan Council Allocation budget update for 2010-11

		2010-11 Nomination $m	2010-11 Budget estimate $m
	GG sector cash surplus(-)/deficit(+)	43,864	37,672
	PNFC sector cash surplus(-)/deficit(+)	134	2,871
	NFPS cash surplus(-)/deficit(+)(a)	43,998	40,543
	Acquisitions under finance leases and similar arrangements	31	163
equals	ABS GFS cash surplus(-)/deficit(+)	44,029	40,707
minus	Net cash flows from investments in financial assets for policy purposes(b)	-7,637	-10,171
plus	Memorandum items(c)	-711	-874
	Loan Council Allocation	**50,955**	**50,004**

(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, 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.