EXECUTIVE SUMMARY

- The Commonwealth is leading an ambitious reform agenda that involves collaboration with the States. As part of the reform agenda, the Commonwealth is working with the States in areas such as health reform, skills and education, and infrastructure development. The Commonwealth is also supporting the rebuilding of communities affected by recent natural disasters.

- In the short-term, Commonwealth and State budgets will be affected by recent natural disasters and the lingering effects of the global recession. However, Australia's economic fundamentals remain strong and the Commonwealth is committed to returning the Budget to surplus by 2012-13.

- A number of new measures have been announced as part of this Budget that involve collaboration with the States, including in relation to health, skills and education, and funding for infrastructure.

- On 13 February 2011, the Council of Australian Governments reached a *Heads of Agreement on National Health Reform* which will form the basis of negotiations for a new *National Health Reform Agreement* to be signed by July 2011. The reforms will deliver better health and hospital services for all Australians and provide a secure funding base for health and hospitals in the future.

- The Commonwealth has announced that it is taking a new approach to Vocational Education and Training to drive higher quality and responsiveness in the sector. A focus on students with disability is also an important part of this Budget.

- Recent natural disasters have had a profound affect on the Australian community. This Budget reflects the substantial commitment the Commonwealth has made to support affected communities to deal with the tremendous impact of these disasters.

- A number of reviews have been completed or are being implemented to bolster the reform agenda and strengthen federal financial relations, including a review of the distribution of the Goods and Services Tax to the States.

- In 2011-12, the Commonwealth will provide the States with $95.0 billion in payments for specific purposes and general revenue assistance. This represents a 1.2 per cent increase in total financial assistance from 2010-11.