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 (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. This part 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 the 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 2011-12* have been prepared on a basis consistent with the 2012-13 Budget. This enables comparison of the 2011-12 revised estimates published at the 2012-13 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 the Australian Accounting Standards Board standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this part 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

	Note	2011-12 Estimate at 2012-13 Budget $m	Month of June 2012(e) $m	2011-12 Outcome $m
Revenue				
Taxation revenue	3	316,454	19,286	316,779
Sales of goods and services	4	8,256	566	8,106
Interest income	5	4,703	529	4,617
Dividend income	5	1,669	1,101	2,662
Other	6	5,336	767	5,945
Total revenue		**336,418**	**22,249**	**338,109**
Expenses				
Gross operating expenses				
Wages and salaries(a)	7	18,814	1,526	18,192
Superannuation	7	4,316	419	4,563
Depreciation and amortisation	8	6,003	605	5,845
Supply of goods and services	9	69,984	7,601	72,234
Other operating expenses(a)	7	5,750	1,514	6,516
Total gross operating expenses		*104,867*	*11,665*	*107,350*
Superannuation interest expense	7	7,358	639	7,376
Interest expenses	10	13,009	1,464	13,480
Current transfers				
Current grants	11	110,686	16,708	111,075
Subsidy expenses		10,121	1,210	10,020
Personal benefits	12	112,450	11,676	112,907
Total current transfers		*233,258*	*29,594*	*234,002*
Capital transfers	11			
Mutually agreed write-downs		2,139	204	2,034
Other capital grants		13,040	2,389	13,497
Total capital transfers		*15,179*	*2,593*	*15,531*
Total expenses		**373,671**	**45,954**	**377,739**
Net operating balance		**-37,253**	**-23,705**	**-39,630**
Other economic flows				
Gain/loss on equity and on sale of assets(b)		-308	-2,483	-933
Net write-downs of assets (including bad and doubtful debts)		-4,822	-2,316	-6,638
Assets recognised for the first time		507	169	639
Actuarial revaluations		-6,087	-87,533	-87,533
Net foreign exchange gains		70	2,704	1,000
Net swap interest received		67	-72	-29
Market valuation of debt		-15,396	2,505	-20,494
Other economic revaluations(c)		399	2,581	1,797
Total other economic flows		**-25,571**	**-84,444**	**-112,191**
Comprehensive result - Total change in net worth	13	**-62,823**	**-108,148**	**-151,822**
Net operating balance		**-37,253**	**-23,705**	**-39,630**
Net acquisition of non-financial assets				
Purchases of non-financial assets		10,304	2,583	10,328
less Sales of non-financial assets		589	287	505
less Depreciation		6,003	605	5,845
plus Change in inventories		604	245	900
plus Other movements in non-financial assets		433	-95	-28
Total net acquisition of non-financial assets		**4,749**	**1,840**	**4,850**
Fiscal balance (Net lending/borrowing)(d)		**-42,002**	**-25,545**	**-44,481**

(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	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Assets			
Financial assets			
Cash and deposits	20(a)	2,470	2,523
Advances paid	14	29,711	31,740
Investments, loans and placements	15	99,962	98,492
Other receivables	14	36,031	38,497
Equity investments			
Investments in other public sector entities		20,602	21,085
Equity accounted investments		317	313
Investments - shares		27,190	28,640
Total financial assets		*216,282*	*221,290*
Non-financial assets	16		
Land		8,609	8,648
Buildings		22,947	23,339
Plant, equipment and infrastructure		52,363	52,824
Inventories		7,069	7,343
Intangibles		5,347	5,501
Investment property		314	181
Biological assets		36	37
Heritage and cultural assets		9,567	10,433
Assets held for sale		146	90
Other non-financial assets		3,131	2,726
Total non-financial assets		*109,528*	*111,121*
Total assets		**325,811**	**332,411**
Liabilities			
Interest bearing liabilities			
Deposits held		209	192
Government securities		265,844	269,775
Loans	17	7,764	9,155
Other borrowing		818	967
Total interest bearing liabilities		*274,635*	*280,090*
Provisions and payables			
Superannuation liability	18	138,515	235,385
Other employee liabilities	18	12,623	14,504
Suppliers payable	19	4,607	5,371
Personal benefits provisions and payable	19	12,436	13,126
Subsidies provisions and payable	19	2,318	2,392
Grants provisions and payable	19	10,938	14,818
Other provisions and payables	19	11,508	13,933
Total provisions and payables		*192,944*	*299,530*
Total liabilities		**467,580**	**579,619**
Net worth(a)		**-141,769**	**-247,208**
Net financial worth(b)		*-251,297*	*-358,329*
Net financial liabilities(c)		*271,899*	*379,414*
Net debt(d)		*142,493*	*147,334*

(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)]

	2011-12 Estimate at 2012-13 Budget $m	Month of June 2012(d) $m	2011-12 Outcome $m
Cash receipts from operating activities			
Taxes received	309,653	23,742	309,943
Receipts from sales of goods and services	8,040	461	7,778
Interest receipts	4,343	1,017	4,267
Dividends and income tax equivalents	2,222	40	1,789
Other receipts	5,129	676	5,593
Total operating receipts	**329,386**	**25,936**	**329,370**
Cash payments for operating activities			
Payments for employees	-25,505	-1,674	-24,853
Payments for goods and services	-70,020	-5,379	-71,170
Grants and subsidies paid	-136,299	-17,847	-135,721
Interest paid	-10,846	-1,100	-10,875
Personal benefit payments	-112,588	-10,957	-112,906
Other payments	-5,078	-750	-5,014
Total operating payments	**-360,336**	**-37,707**	**-360,538**
Net cash flows from operating activities	**-30,950**	**-11,771**	**-31,169**
Cash flows from investments in non-financial assets			
Sales of non-financial assets	589	287	505
Purchases of non-financial assets	-10,882	-2,193	-10,478
Net cash flows from investments in non-financial assets	**-10,293**	**-1,906**	**-9,973**
Net cash flows from investments in financial assets for policy purposes	**-7,044**	**-254**	**-5,866**
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	1,035	9,271	1,031
Net cash flows from investments in financial assets for liquidity purposes	**1,035**	**9,271**	**1,031**
Cash receipts from financing activities			
Borrowing	48,141	4,961	47,020
Other financing	29	-27	37
Total cash receipts from financing activities	**48,170**	**4,934**	**47,057**
Cash payments for financing activities			
Borrowing	0	0	0
Other financing	-925	-44	-920
Total cash payments for financing activities	**-925**	**-44**	**-920**
Net cash flows from financing activities	**47,245**	**4,890**	**46,137**
Net increase/(decrease) in cash held	**-7**	**231**	**160**

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

	2011-12 Estimate at 2012-13 Budget $m	Month of June 2012(d) $m	2011-12 Outcome $m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**-41,243**	**-13,676**	**-41,142**
Finance leases and similar arrangements(b)	-119	-3	-16
GFS cash surplus(+)/deficit(-)	**-41,362**	**-13,679**	**-41,157**
less Future Fund earnings	3,040	705	2,583
Equals underlying cash balance(c)	**-44,402**	**-14,384**	**-43,740**
plus Net cash flows from investments in financial assets for policy purposes	-7,044	-254	-5,866
plus Future Fund earnings	3,040	705	2,583
Equals headline cash balance	**-48,406**	**-13,933**	**-47,023**

(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

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Revenue		
Current grants and subsidies	17	54
Sales of goods and services	7,888	7,827
Interest income	91	129
Other	1	36
Total revenue	**7,997**	**8,046**
Expenses		
Gross operating expenses		
Wages and salaries(a)	3,013	2,887
Superannuation	228	236
Depreciation and amortisation	553	514
Supply of goods and services	3,793	3,607
Other operating expenses(a)	414	568
Total gross operating expenses	*8,000*	*7,812*
Interest expenses	95	109
Other property expenses	233	241
Current transfers		
Tax expenses	45	76
Total current transfers	*45*	*76*
Total expenses	**8,374**	**8,238**
Net operating balance	**-377**	**-192**
Other economic flows	**-1,032**	**-1,279**
Comprehensive result - Total change in net worth excluding contribution from owners	**-1,409**	**-1,472**
Net acquisition of non-financial assets		
Purchases of non-financial assets	3,411	2,106
less Sales of non-financial assets	42	26
less Depreciation	553	514
plus Change in inventories	29	10
plus Other movements in non-financial assets	184	390
Total net acquisition of non-financial assets	**3,030**	**1,966**
Fiscal balance (Net lending/borrowing)(b)	**-3,407**	**-2,158**

(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

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Assets		
Financial assets		
Cash and deposits	1,621	1,892
Investments, loans and placements	52	161
Other receivables	1,073	1,164
Equity investments	302	294
Total financial assets	*3,048*	*3,511*
Non-financial assets		
Land and fixed assets	10,478	9,137
Other non-financial assets(a)	906	1,146
Total non-financial assets	*11,383*	*10,283*
Total assets	**14,431**	**13,794**
Liabilities		
Interest bearing liabilities		
Borrowing	2,123	2,142
Total interest bearing liabilities	*2,123*	*2,142*
Provisions and payables		
Other employee liabilities	1,497	1,665
Other provisions and payables(a)	2,102	1,920
Total provisions and payables	*3,598*	*3,585*
Total liabilities	**5,722**	**5,727**
Shares and other contributed capital	**8,710**	**8,067**
Net worth(b)	**8,710**	**8,067**
Net financial worth(c)	*-2,673*	*-2,217*
Net debt(d)	*451*	*89*

(a) Excludes the impact of commercial taxation adjustments.
(b) Under AASB 1049, 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)]

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Cash receipts from operating activities		
Receipts from sales of goods and services	8,989	8,499
Grants and subsidies received	0	1
GST input credit receipts	80	120
Other receipts	116	157
Total operating receipts	**9,185**	**8,777**
Cash payments for operating activities		
Payments to employees	-3,558	-3,628
Payment for goods and services	-4,448	-4,051
Interest paid	-57	-82
GST payments to taxation authority	-490	-322
Other payments	-47	-32
Total operating payments	**-8,601**	**-8,114**
Net cash flows from operating activities	**584**	**662**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	85	68
Purchases of non-financial assets	-3,598	-2,483
Net cash flows from investments in non-financial assets	**-3,513**	**-2,415**
Net cash flows from investments in financial assets for policy purposes	**0**	**0**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-193	-301
Net cash flows from investments in financial assets for liquidity purposes	**-193**	**-301**
Net cash flows from financing activities		
Borrowing (net)	924	689
Other financing (net)	2,516	1,896
Distributions paid (net)	-247	-249
Net cash flows from financing activities	**3,193**	**2,336**
Net increase/(decrease) in cash held	**71**	**282**
Cash at the beginning of the year	**1,551**	**1,551**
Cash at the end of the year	**1,621**	**1,832**
Net cash from operating activities and investments in non-financial assets	**-2,929**	**-1,753**
Distributions paid	-247	-249
Equals surplus(+)/deficit(-)	**-3,176**	**-2,002**
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	**-3,176**	**-2,002**

(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

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Revenue		
Taxation revenue	316,409	316,703
Sales of goods and services	14,951	14,655
Interest income	4,764	4,746
Dividend income	1,436	2,421
Other	5,337	5,982
Total revenue	**342,897**	**344,507**
Expenses		
Gross operating expenses		
Wages and salaries(a)	21,827	21,079
Superannuation	4,544	4,799
Depreciation and amortisation	6,556	6,359
Supply of goods and services	72,583	74,563
Other operating expenses(a)	6,164	7,084
Total gross operating expenses	*111,674*	*113,884*
Superannuation interest expense	7,358	7,376
Interest expenses	13,075	13,589
Current transfers		
Current grants	110,686	111,075
Subsidy expenses	10,104	9,967
Personal benefits	112,450	112,907
Total current transfers	*233,241*	*233,949*
Capital transfers	15,179	15,531
Total expenses	**380,527**	**384,329**
Net operating balance	**-37,630**	**-39,823**
Other economic flows	**-25,789**	**-113,569**
Comprehensive result - Total change in net worth	**-63,418**	**-153,391**
Net acquisition of non-financial assets		
Purchases of non-financial assets	13,715	12,434
less Sales of non-financial assets	631	530
less Depreciation	6,556	6,359
plus Change in inventories	633	910
plus Other movements in non-financial assets	617	362
Total net acquisition of non-financial assets	**7,779**	**6,816**
Fiscal balance (Net lending/borrowing)(b)	**-45,408**	**-46,639**

(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

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Assets		
Financial assets		
Cash and deposits	4,091	4,416
Advances paid	29,711	31,740
Investments, loans and placements	99,710	98,362
Other receivables	36,963	38,707
Equity investments	38,503	40,091
Total financial assets	*208,978*	*213,316*
Non-financial assets		
Land and fixed assets	111,033	111,724
Other non-financial assets	9,879	9,680
Total non-financial assets	*120,912*	*121,404*
Total assets	**329,889**	**334,720**
Liabilities		
Interest bearing liabilities		
Deposits held	209	192
Government securities	265,844	269,775
Loans	7,460	8,864
Other borrowing	2,942	3,109
Total interest bearing liabilities	*276,455*	*281,940*
Provisions and payables		
Superannuation liability	138,515	235,385
Other employee liabilities	14,119	16,169
Other provisions and payables	43,768	50,607
Total provisions and payables	*196,402*	*302,162*
Total liabilities	**472,857**	**584,102**
Shares and other contributed capital	**8,710**	**8,067**
Net worth(a)	**-142,968**	**-249,381**
Net financial worth(b)	*-263,879*	*-370,786*
Net debt(c)	*142,943*	*147,423*

(a) Under AASB 1049, 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 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.

(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)

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Cash receipts from operating activities		
Taxes received	309,608	309,928
Receipts from sales of goods and services	14,911	14,076
Interest receipts	4,405	4,386
Dividends and income tax equivalents	1,999	1,554
Other receipts	5,129	5,605
Total operating receipts	**336,051**	**335,549**
Cash payments for operating activities		
Payments to employees	-29,063	-28,480
Payments for goods and services	-72,760	-73,226
Grants and subsidies paid	-136,299	-135,720
Interest paid	-10,873	-10,957
Personal benefit payments	-112,588	-112,906
Other payments	-5,080	-5,015
Total operating payments	**-366,664**	**-366,305**
Net cash flows from operating activities	**-30,613**	**-30,756**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	675	573
Purchases of non-financial assets	-14,481	-12,961
Net cash flows from investments in non-financial assets	**-13,806**	**-12,388**
Net cash flows from investments in financial assets for policy purposes	**-7,044**	**-3,987**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	3,301	729
Net cash flows from investments in financial assets for liquidity purposes	**3,301**	**729**
Net cash flows from financing activities		
Borrowing (net)	49,065	47,708
Other financing (net)	-840	-866
Net cash flows from financing activities	**48,226**	**46,843**
Net increase/(decrease) in cash held	**63**	**442**
Cash at the beginning of the year	**4,028**	**3,914**
Cash at the end of the year	**4,091**	**4,356**
Net cash from operating activities and investments in non-financial assets	**-44,419**	**-43,144**
Distributions paid	0	0
Equals surplus(+)/deficit(-)	**-44,419**	**-43,144**
Finance leases and similar arrangements(b)	-119	-16
GFS cash surplus(+)/deficit(-)	**-44,538**	**-43,159**

(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

	2011-12 Outcome $m
Revenue	
Current grants and subsidies	147
Sales of goods and services	5,606
Interest income	2,107
Other	99
Total revenue	**7,959**
Expenses	
Gross operating expenses	
Wages and salaries(a)	726
Superannuation	74
Depreciation and amortisation	77
Other operating expenses(a)	4,960
Total gross operating expenses	*5,836*
Interest expenses	983
Other property expenses	1,021
Current transfers	
Tax expenses	68
Total current transfers	*68*
Total expenses	**7,909**
Net operating balance	**51**
Other economic flows	**794**
Comprehensive result - Total change in net worth excluding contribution from owners	**845**
Net acquisition of non-financial assets	
Purchases of non-financial assets	84
less Sales of non-financial assets	1
less Depreciation	77
plus Change in inventories	3
plus Other movements in non-financial assets	-2
Total net acquisition of non-financial assets	**7**
Fiscal balance (Net lending/borrowing)(b)	**43**

(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

	2011-12 Outcome $m
Assets	
Financial assets	
Cash and deposits	903
Investments, loans and placements	85,693
Other receivables	861
Equity investments	708
Total financial assets	*88,165*
Non-financial assets	
Land and other fixed assets	964
Other non-financial assets(a)	125
Total non-financial assets	*1,089*
Total assets	**89,255**
Liabilities	
Interest bearing liabilities	
Deposits held	71,595
Borrowing	5,167
Total interest bearing liabilities	*76,761*
Provisions and payables	
Other employee liabilities	1,160
Other provisions and payables(a)	2,565
Total provisions and payables	*3,725*
Total liabilities	**80,487**
Shares and other contributed capital	**8,768**
Net worth(b)	**8,768**
Net financial worth(c)	*7,679*
Net debt(d)	*-9,835*

(a) Excludes the impact of commercial taxation adjustments.
(b) Under AASB 1049, 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 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)

	2011-12 Outcome $m
Cash receipts from operating activities	
Receipts from sales of goods and services	5,763
Grants and subsidies received	147
GST input credit receipts	21
Interest receipts	2,272
Other receipts	91
Total operating receipts	**8,294**
Cash payments for operating activities	
Payments to employees	-630
Payment for goods and services	-4,928
Interest paid	-1,101
GST payments to taxation authority	-8
Other payments	-395
Total operating payments	**-7,063**
Net cash flows from operating activities	**1,231**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1
Purchases of non-financial assets	-80
Net cash flows from investments in non-financial assets	**-80**
Net cash flows from investments in financial assets for policy purposes	**0**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-6,217
Net cash flows from investments in financial assets for liquidity purposes	**-6,217**
Net cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	627
Deposits received (net)	0
Other financing (net)	3,539
Distributions paid (net)	-91
Net cash flows from financing activities	**4,075**
Net increase/(decrease) in cash held	**-990**
Cash at the beginning of the year	**1,893**
Cash at the end of the year	**903**
Net cash from operating activities and investments in non-financial assets	**1,151**
Distributions paid	-91
Equals surplus(+)/deficit(-)	**1,060**
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	**1,060**

(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 purchases of non-financial assets by function

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
General public services	949	1,098
Defence	5,988	5,827
Public order and safety	538	539
Education	34	37
Health	332	207
Social security and welfare	374	570
Housing and community amenities	250	177
Recreation and culture	358	371
Fuel and energy	16	12
Agriculture, forestry and fishing	620	699
Mining, manufacturing and construction	27	7
Transport and communication	101	83
Other economic affairs	516	700
Other purposes	203	0
Total Government puchases of non-financial assets	**10,304**	**10,328**

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 the public financial corporations (PFC) sector, are disclosed in Table 21 of Attachment A.

The statements for the GGS are derived from audit-cleared financial statements for the material agencies, with the exception of the Department of Defence and the Department of Veterans Affairs.

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.

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 (seigniorage). 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 the 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 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 which is written back over the life of the loan.

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 AAS (including 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 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 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 2011-12 year from the 2011-12 Budget to the 2011-12 Mid-Year Economic and Fiscal Outlook (MYEFO) are disclosed in Part 3 of the *Mid-Year Economic and Fiscal Outlook 2011-12.* Explanations of variances for the 2011-12 year from MYEFO to the 2012-13 Budget are disclosed in Statement 3 of 2012-13 Budget Paper No. 1, *Budget*

Strategy and Outlook. Explanations of variances from the 2012-13 Budget to the *Final Budget Outcome 2011-12* 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 2011-12*. Decisions taken from MYEFO to the 2012-13 Budget are disclosed in 2012-13 Budget Paper No. 2, *Budget Measures*. In addition, 2012-13 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) sector, public financial corporations (PFC) sector and total non-financial public sector (NFPS)

Departures from ABS GFS

AASB 1049 defines net worth for the PNFC sector, PFC 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 and PFC sectors). Similarly, AASB 1049 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 sector, PFC sector and NFPS financial statements.

Departures from AAS (including AASB 1049)

The financial statements for the PNFC sector, PFC 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 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 Government sectors, the ABS removes tax effect adjustments. The ABS GFS treatment has been adopted in the financial statements.

Note 3: Taxation revenue by type

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Income taxation		
Individuals' and other withholding taxes		
Gross income tax withholding	143,220	143,978
Gross other individuals	33,610	32,992
less Refunds	25,600	25,537
Total individuals' and other withholding taxation	151,230	151,433
Fringe benefits tax	3,540	3,964
Company tax	67,950	66,726
Superannuation funds	7,390	7,852
Petroleum resource rent tax	1,840	1,293
Total income taxation revenue	**231,950**	**231,268**
Indirect taxation		
Sales taxes		
Goods and services tax	47,790	48,849
Wine equalisation tax	730	716
Luxury car tax	440	440
Total sales taxes	48,960	50,004
Excise duty		
Petrol	6,080	6,016
Diesel	8,200	8,203
Beer	1,960	1,932
Tobacco	5,790	5,449
Other excisable products	3,830	3,881
Of which: Other excisable beverages(a)	930	906
Total excise duty revenue	25,860	25,480
Customs duty		
Textiles, clothing and footwear	650	655
Passenger motor vehicles	850	903
Excise-like goods	4,210	4,307
Other imports	1,410	1,441
less Refunds and drawbacks	180	202
Total customs duty revenue	6,940	7,105
Other indirect taxation		
Agricultural levies	437	421
Other taxes	2,307	2,501
Total other indirect taxation revenue	2,744	2,922
Mirror taxes	461	467
less Transfers to States in relation to mirror tax revenue	461	467
Mirror tax revenue	0	0
Total indirect taxation revenue	**84,504**	**85,511**
Total taxation revenue	**316,454**	**316,779**
Memorandum:		
Medicare levy revenue	*9,090*	*9,119*

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

Note 3(a): Taxation revenue by source

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	154,790	155,411
Income and capital gains levied on enterprises	77,160	75,856
Total taxes on income, profits and capital gains	**231,950**	**231,268**
Taxes on employers' payroll and labour force	461	528
Taxes on the provision of goods and services		
Sales/goods and services tax	48,960	50,004
Excises and levies	26,459	26,062
Taxes on international trade	6,940	7,105
Total taxes on the provision of goods and services	**82,359**	**83,171**
Other sale of goods and services	1,684	1,812
Total taxation revenue	**316,454**	**316,779**
Memorandum:		
Medicare levy revenue	*9,090*	*9,119*

Note 4: Sales of goods and services revenue

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Sales of goods	1,281	1,231
Rendering of services	4,113	4,064
Operating lease rental	44	76
Fees from regulatory services	2,818	2,735
Total sales of goods and services revenue	**8,256**	**8,106**

Note 5: Interest and dividend revenue

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Interest from other governments		
State and Territory debt	10	11
Local Government	0	1
Housing agreements	165	144
Total interest from other governments	**176**	**156**
Interest from other sources		
Advances	41	40
Deposits	101	140
Bills receivable	0	3
Bank deposits	221	255
Indexation of HELP receivable and other student loans	410	388
Other	3,754	3,635
Total interest from other sources	**4,527**	**4,461**
Total interest	**4,703**	**4,617**
Dividends		
Dividends from other public sector entities	374	1,267
Other dividends	1,295	1,395
Total dividends	**1,669**	**2,662**
Total interest and dividend revenue	**6,372**	**7,278**

Note 6: Other sources of non-taxation revenue

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Industry contributions	36	64
Royalties	1,654	1,645
Seigniorage	124	108
Other	3,521	4,128
Total other sources of non-taxation revenue	**5,336**	**5,945**

Note 7: Employee and superannuation expense

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Wages and salaries expenses	**18,814**	**18,192**
Other operating expenses		
Leave and other entitlements	2,508	3,194
Separations and redundancies	110	234
Workers compensation premiums and claims	712	1,100
Other	2,420	1,988
Total other operating expenses	**5,750**	**6,516**
Superannuation expenses		
Superannuation	4,316	4,563
Superannuation interest cost	7,358	7,376
Total superannuation expenses	**11,674**	**11,939**
Total employee and superannuation expense	**36,238**	**36,647**

Note 8: Depreciation and amortisation expense

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Depreciation		
Specialist military equipment	2,704	2,551
Buildings	1,230	1,227
Other infrastructure, plant and equipment	1,245	1,262
Heritage and cultural assets	38	51
Total depreciation	**5,217**	**5,091**
Total amortisation	**786**	**755**
Total depreciation and amortisation expense	**6,003**	**5,845**

Note 9: Payment for supply of goods and services

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Supply of goods and services	21,193	22,501
Operating lease rental expenses	2,711	2,574
Personal benefits - indirect	39,424	39,400
Health care payments	5,291	5,707
Other	1,364	2,051
Total payment for supply of goods and services	**69,984**	**72,234**

Note 10: Interest expense

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Interest on debt		
Government securities	11,510	11,414
Loans	15	16
Other	44	44
Total interest on debt	**11,569**	**11,474**
Other financing costs	**1,440**	**2,006**
Total interest expense	**13,009**	**13,480**

Note 11: Current and capital grants expense

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Current grants expense		
State and Territory governments	83,810	84,064
Local governments	37	35
Private sector	2,584	2,807
Overseas	4,075	4,059
Non-profit organisations(a)(b)	2,058	3,080
Multi-jurisdictional sector(a)	9,208	8,617
Other(b)	8,914	8,413
Total current grants expense	**110,686**	**111,075**
Capital grants expense		
Mutually agreed write-downs	2,139	2,034
Other capital grants		
State and Territory governments	11,723	12,387
Local governments	587	525
Private sector	268	150
Multi-jurisdictional sector	93	87
Other	369	348
Total capital grants expense	**15,179**	**15,531**
Total grants expense	**125,865**	**126,606**

(a) Includes reallocation of some programs between grants to non-profit organisations and grants to multi-jurisdictional sector since the 2012-13 Budget.
(b) Includes reallocation of some programs between grants to non-profit organisations and grants to other since the 2012-13 Budget.

Note 12: Personal benefits expense

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Social welfare - assistance to the aged	35,647	35,402
Assistance to veterans and dependants	6,380	6,251
Assistance to people with disabilities	20,353	20,422
Assistance to families with children	33,604	33,895
Assistance to the unemployed	7,449	7,448
Student assistance	3,408	3,530
Other welfare programs	783	751
Financial and fiscal affairs	303	339
Vocational and industry training	243	246
Other	4,282	4,622
Total personal benefit expense	**112,450**	**112,907**

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

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Opening net worth	**-95,386**	**-95,386**
Opening net worth adjustments(a)	16,441	0
Adjusted opening net worth	**-78,945**	**-95,386**
Net operating balance	**-37,253**	**-39,630**
Other economic flows – Included in operating result		
Foreign exchange gains	70	1,015
Gains from sale of assets	146	12
Other gains	-14,875	-19,327
Swap interest revenue	404	462
Net write-down and impairment of assets and fair value losses	-4,822	-6,638
Foreign exchange losses	0	-14
Losses from sale of assets	14	-2,860
Swap interest expense	-338	-491
Total other economic flows	**-19,400**	**-27,842**
Operating result(b)	**-56,653**	**-67,472**
Other economic flows - other movements in equity(a)(c)	-6,170	-84,350
Comprehensive result	**-62,823**	**-151,822**

(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

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Advances paid		
Loans to State and Territory governments	2,899	2,872
Higher Education Loan Program	17,567	19,400
Student Financial Supplement Scheme	656	653
Other	8,626	8,839
less Provision for doubtful debts	38	25
Total advances paid	**29,711**	**31,740**
Other receivables		
Goods and services receivable	942	1,008
Recoveries of benefit payments	2,880	3,033
Taxes receivable	18,391	18,655
Other	17,175	19,098
less Provision for doubtful debts	3,357	3,297
Total other receivables	**36,031**	**38,497**

Note 15: Investments, loans and placements

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Investments - deposits	28,572	28,654
IMF quota	4,050	4,798
Other	67,341	65,040
Total investments, loans and placements	**99,962**	**98,492**

Note 16: Total non-financial assets

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Land and buildings		
Land	8,609	8,648
Buildings	22,947	23,339
Total land and buildings	**31,556**	**31,987**
Plant, equipment and infrastructure		
Specialist military equipment	39,955	40,287
Other	12,408	12,537
Total plant, equipment and infrastructure	**52,363**	**52,824**
Inventories		
Inventories held for sale	1,095	1,094
Inventories not held for sale	5,973	6,249
Total inventories	**7,069**	**7,343**
Intangibles		
Computer software	3,242	3,421
Other	2,104	2,080
Total intangibles	**5,347**	**5,501**
Total investment properties	**314**	**181**
Total biological assets	**36**	**37**
Total heritage and cultural assets	**9,567**	**10,433**
Total assets held for sale	**146**	**90**
Other non-financial assets		
Prepayments	2,448	2,495
Other	683	231
Total other non-financial assets	**3,131**	**2,726**
Total non-financial assets	**109,528**	**111,121**

Note 17: Loans

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Promissory notes	3,229	3,260
Special drawing rights	3,739	4,570
Other	796	1,325
Total loans	**7,764**	**9,155**

Note 18: Employee and superannuation liabilities

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Total superannuation liability(a)	**138,515**	**235,385**
Other employee liabilities		
Leave and other entitlements	6,926	7,328
Accrued salaries and wages	423	633
Workers compensation claims	2,394	2,542
Separations and redundancies	40	97
Other	2,841	3,904
Total other employee liabilities	**12,623**	**14,504**
Total employee and superannuation liabilities	**151,137**	**249,889**

(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 AAS, 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

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Suppliers payable		
Trade creditors	4,182	4,430
Operating lease rental payable	195	193
Other creditors	230	748
Total suppliers payable	**4,607**	**5,371**
Total personal benefits provisions and payable	**12,436**	**13,126**
Total subsidies provisions and payable	**2,318**	**2,392**
Grants provisions and payable		
State and Territory governments	169	515
Non-profit organisations	101	243
Private sector	318	502
Overseas	1,016	1,189
Local governments	14	7
Other	9,320	12,361
Total grants provisions and payable	**10,938**	**14,818**
Other provisions and payables		
Provisions for tax refunds	2,240	3,376
Other	9,268	10,558
Total other provisions and payables	**11,508**	**13,933**

Note 20: Reconciliation of cash

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Operating balance (revenues less expenses)	**-37,253**	**-39,630**
less **Revenues not providing cash**		
Other	971	837
Total revenues not providing cash	**971**	**837**
plus **Expenses not requiring cash**		
Increase/(decrease) in employee entitlements	5,611	7,850
Depreciation/amortisation expense	6,003	5,845
Mutually agreed write-downs	2,139	2,034
Other	921	1,293
Total expenses not requiring cash	**14,674**	**17,021**
plus **Cash provided / (used) by working capital items**		
Decrease / (increase) in inventories	-460	-749
Decrease / (increase) in receivables	-4,205	-7,803
Decrease / (increase) in other financial assets	73	643
Decrease / (increase) in other non-financial assets	-412	-616
Increase / (decrease) in benefits, subsidies and grants payable	-2,981	-1,175
Increase / (decrease) in suppliers' liabilities	1,138	1,596
Increase / (decrease) in other provisions and payables	-553	382
Net cash provided / (used) by working capital	**-7,400**	**-7,723**
equals (Net cash from/(to) operating activities)	-30,950	-31,169
plus (Net cash from/(to) investing activities)	-16,303	-14,808
Net cash from operating activities and investment	**-47,252**	**-45,977**
plus (Net cash from/(to) financing activities)	47,245	46,137
equals Net increase/(decrease) in cash	**-7**	**160**
Cash at the beginning of the year	**2,477**	**2,363**
Net increase/(decrease) in cash	-7	160
Cash at the end of the year	**2,470**	**2,523**

Note 20(a): Consolidated Revenue Fund

	2011-12 Estimate at 2012-13 Budget $m	2011-12 Outcome $m
Total general government sector cash	2,470	2,523
less CAC Agency cash balances	1,550	1,927
plus Special public monies	382	318
Balance of Consolidated Revenue Fund at 30 June	**1,302**	**914**

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 2011-12* have been prepared on a basis consistent with the 2012-13 Budget. This enables comparison of the 2011-12 revised estimates published at the 2012-13 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 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 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 the 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).

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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.

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.

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.

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.

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 borrowing) less the sum of selected financial assets[3] (cash and deposits, advances paid, and investments, loans and placements).

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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.

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.

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.

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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.

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.

From 2020, the Future Fund becomes available to meet the Government's superannuation liabilities. At this time earnings will be available to meet the Government's recurrent superannuation spending, and so these will be included in the underlying cash balance.

The Government announced in the 2012-13 Budget that it would review the budget treatment of the Future Fund. In August 2012, the Department of Finance and Deregulation and the Department of the Treasury released a consultation paper and consulted with relevant stakeholders on the budget treatment of Future Fund costs. There has been no change to the treatment of Future Fund earnings in the *Final Budget Outcome 2011-12*. The Government will consider changes to the budget treatment of Future Fund costs prior to the *Mid-Year Economic and Fiscal Outlook 2012-13*.

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

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. AASB 1049 has also adopted this sectoral reporting.

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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

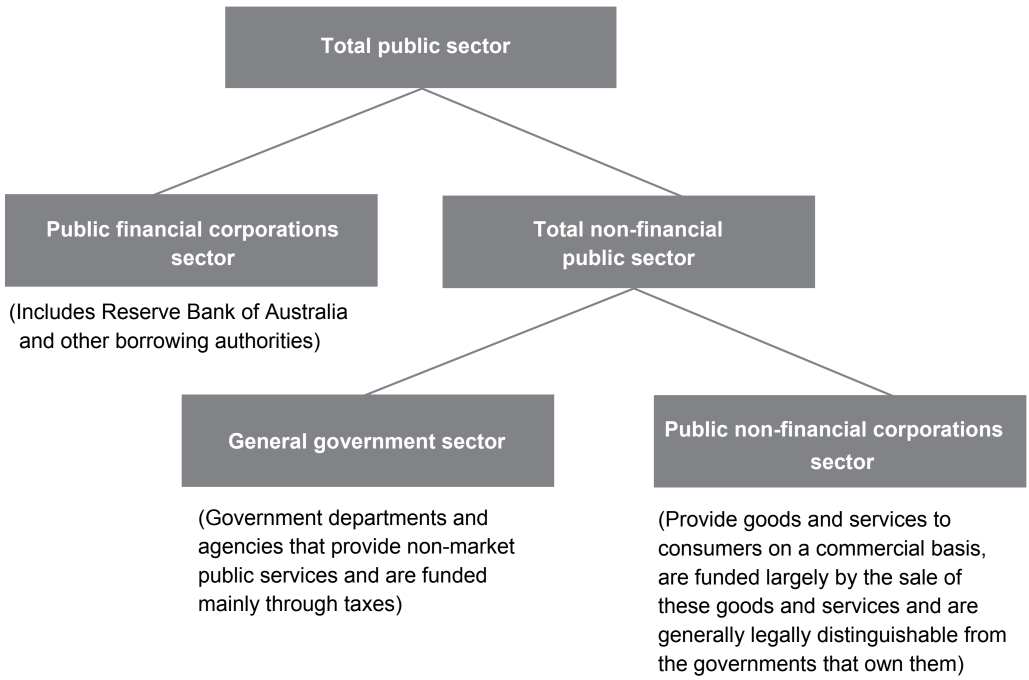

Table 21: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio 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
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, 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 the Australian Information Commissioner, Office of the Director of Public Prosecutions, Office of Parliamentary Counsel
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, Telecommunications Universal Service Management Agency
Climate Change and Energy Efficiency Portfolio Clean Energy Regulator, Climate Change Authority, Department of Climate Change and Energy Efficiency, Low Carbon Australia Limited
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

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Education, Employment and Workplace Relations Portfolio Australian Curriculum, Assessment and Reporting Authority, Australian Institute for Teaching and School Leadership Limited, Comcare, Department of Education, Employment and Workplace Relations, Fair Work Australia, Office of the Australian Building and Construction Commissioner, Office of the Fair Work Building Industry Inspectorate, Office of the Fair Work Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)
Families, Housing, Community Services and Indigenous Affairs Portfolio Aboriginal Hostels Limited, Anindilyakwa Land Council, Australian Institute of Family Studies, 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
Finance and Deregulation Portfolio Australian Electoral Commission, Commonwealth Superannuation Corporation, ComSuper, Department of Finance and Deregulation, Future Fund Management Agency
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 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, Independent Hospital Pricing Authority, National Blood Authority, National Health and Medical Research Council, National Health Performance Authority, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Human Services Portfolio Department of Human Services
Immigration and Citizenship Portfolio Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal
Industry, Innovation, Science, Research and Tertiary Education Portfolio Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australian Learning and Teaching Council Limited, Australian Nuclear Science and Technology Organisation, Australian Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Industry, Innovation, Science Research and Tertiary Education, IIF Investments Pty Limited, IP Australia, Australian Skills Quality Authority (National Vocational Education and Training Regulator), Tertiary Education Quality and Standards Agency
Infrastructure and Transport Portfolio Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure and Transport, National Transport Commission
Prime Minister and Cabinet Portfolio Australian National Audit Office, Australian Public Service Commission, Department of the Prime Minister and Cabinet, National Australia Day Council Limited, National Mental Health Commission, Office of the Commonwealth Ombudsman, Office of the Inspector-General of Intelligence and Security, Office of National Assessments, Office of the Official Secretary to the Governor-General
Regional Australia, Local Government, Arts and Sport Portfolio Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian National Maritime Museum, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Bundanon Trust, Department of Regional Australia, Local Government, Arts and Sport, National Archives of Australia, National Capital Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, Old Parliament House, Screen Australia

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Resources, Energy and Tourism Portfolio Australian Renewable Energy Agency, Australian Solar Institute Limited, Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety and Environmental Management Authority, Tourism Australia
Sustainability, Environment, Water, Population and Communities Portfolio 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
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, Clean Energy Finance Corporation, 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, Parliamentary Budget Office
Public financial corporations
Education, Employment and Workplace Relations Portfolio Coal Mining Industry (Long Service Leave Funding) Corporation
Finance and Deregulation Portfolio Medibank Private Ltd
Foreign Affairs and Trade Portfolio Export Finance and Insurance Corporation
Treasury Portfolio Australia Reinsurance Pool Corporation, Reserve Bank of Australia

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
Families, 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 (including 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 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*.[6]

Some of the major differences between AAS 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).

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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 is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provisions for bad and doubtful debts	Reported in the balance sheet as an offset to assets. Under AASB 1049, it is included in the operating statement as other economic flows.	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, decommission-ing 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
Commercial tax effect accounting 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 2011-12 LCA final budget outcome is a $46,958 million deficit. This compares with the Australian Government's 2011-12 LCA Budget estimate of a $35,714 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 2011-12 LCA final budget outcome exceeds the 2 per cent tolerance limit. This reflects a combination of lower than expected receipts and higher than expected payments since the 2011-12 Budget.

Table 23: Australian Government Loan Council Allocation

		2011-12 Budget Estimate $m	2011-12 Outcome $m
	GGS cash surplus(-)/deficit(+)	19,571	41,142
	PNFC sector cash surplus(-)/deficit(+)	4,516	2,002
equals	NFPS cash surplus(-)/deficit(+)	24,087	43,144
	Acquisitions under finance leases and similar arrangements	117	16
equals	ABS GFS cash surplus(-)/deficit(+)	24,204	43,159
minus	Net cash flows from investments		
	in financial assets for policy purposes(a)	-12,216	-3,987
plus	Memorandum items(b)	-705	-188
	Loan Council Allocation	**35,714**	**46,958**

(a) 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.

(b) 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.