

STATEMENT 4 - OUTLAYS

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PART I. OVERVIEW OF BUDGET OUTLAYS

INTRODUCTION

Statement 4 presents the 1997-98 Budget and forward estimates of outlays of the Commonwealth Budget Sector. It provides detailed information on the allocation of Commonwealth funds to the various functions of government as well as analysis by economic type and portfolio. The Australian Bureau of Statistics (ABS) Government Purpose Classification (GPC) is used to classify transactions.

The overview discusses trends in outlays, running costs budgets and staffing levels. The Statistical Appendix tables show outlays over the last decade and the budget and forward years by function, subfunction and economic type. Also shown are outlays on capital works, running costs budgets and staffing levels.

Refer to *Budget Paper No. 2* for details of policy decisions affecting outlays in this Budget. *Statement 7* provides information on total public sector outlays and fulfils requirements on the Commonwealth, arising from the revised uniform presentation framework agreed at the March 1997 Loan Council meeting, to report financial statistics using ABS concepts and reporting structures.

OVERVIEW OF BUDGET OUTLAYS

The budget outlays are based on a system of rolling forward estimates, compiled by the Department of Finance in consultation with other departments and agencies. They record the cost of on-going Government policy but do not include any provision for new programmes, expansion of existing programmes that has not been agreed by the Government or programmes that are not expected to continue.

Table 1 provides an overview of underlying outlays by portfolio. Detailed data by function and economic type are contained in the Statistical Appendix to this *Statement*.

TRENDS IN OUTLAYS

Underlying outlays provide a more reliable guide to overall trends in Commonwealth finances than headline outlays. In recent years, underlying outlays mainly reflect the removal from headline outlays of major equity asset sales and repayments of State loans.

Between 1990-91 and 1995-96, underlying outlays grew by around 4.5 per cent a year in real terms. Underlying outlays growth is projected to be much lower in 1996-97 at around 1.1 per cent. For 1997-98 underlying outlays are estimated to fall in real terms by 1.4 per cent, reflecting tight control of Government spending. The last period in which negative real underlying outlays growth was recorded was in 1987-88 and 1988-89. Real growth rates for underlying outlays over 20 years are shown in Chart 1. There is a large divergence between growth rates for underlying and headline outlays in the forward estimates primarily due to the effects of several large equity asset sales and a lower repayment of advances by the States expected in 1998-99.

The ratio of budget outlays to GDP shown in Chart 2 is an indicator of the share of national resources devoted to Commonwealth budget programmes. The ratio largely tracks the economic cycle, partly reflecting the operation of the Commonwealth's automatic stabilisers (during periods of recession Commonwealth outlays on labour market programmes and in the social security and welfare area rise substantially and the reverse occurs in times of economic and employment growth). Outlays are also significantly affected by discretionary policy decisions, which alter the structural

budgetary position. Outlays as a proportion of GDP are expected to decline through the forward years, following policy decisions in this and the 1996-97 Budget which have repaired the structural balance after deterioration in the first half of the 1990s.

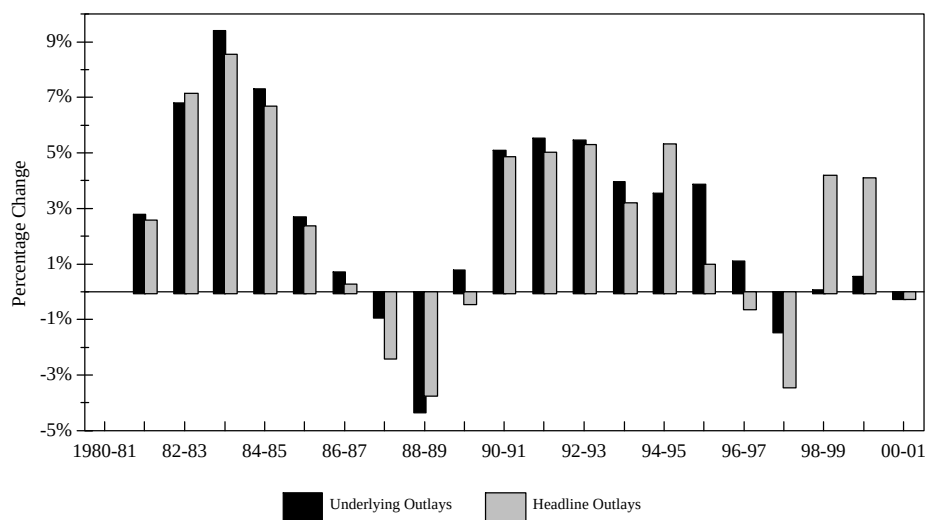
Table 1. Underlying Outlays by Portfolio

	1996-97 Revised \$m	1997-98 Budget \$m	Change %	1998-99 Estimate \$m	1999-00 Estimate \$m	2000-01 Estimate \$m
Parliament	154.1	164.2	6.6	160.1	161.2	162.2
Attorney-General's	1235.2	1118.1	-9.5	866.7	863.5	878.5
Communications and the Arts	1210.5	1189.1	-1.8	1175.1	1166.8	1180.5
Defence	11025.7	11479.8	4.1	11724.6	11966.0	12170.2
Veterans' Affairs	6458.4	6391.1	-1.0	6421.3	6511.2	6586.9
Employment, Education, Training and Youth Affairs	13315.8	12907.4	-3.1	12716.7	12794.2	12922.5
Environment, Sport and Territories	1827.8	1980.7	8.4	2128.6	2148.5	2100.4
Finance (a)	467.3	1079.3	131.0	517.3	608.5	564.6
Administrative Services (b)	400.1	52.6	-86.9	252.4	388.2	445.4
Foreign Affairs and Trade	1989.8	2081.9	4.6	1947.6	1982.6	2021.4
Health and Family Services	20671.5	22209.4	7.4	22920.0	24024.8	25237.3
Immigration and Multicultural Affairs	474.2	519.6	9.6	477.8	473.8	485.7
Industrial Relations	258.5	268.7	3.9	271.6	274.9	279.5
Industry, Science and Tourism	3084.8	3238.6	5.0	3219.6	3164.5	3073.4
Primary Industries and Energy	1786.0	1584.5	-11.3	1427.6	1375.6	1194.3
Prime Minister and Cabinet	1045.4	1131.6	8.2	1274.5	1398.3	1521.9
Social Security	41327.0	42229.6	2.2	42712.1	43993.3	45018.3
Transport and Regional Development	1727.4	1386.1	-19.8	1298.6	1268.0	1233.9
Treasury	28172.0	27414.2	-2.7	28183.7	28512.1	28405.4
Contingency Reserve	-150.0	-1222.2	na	1090.1	1871.1	2736.9
TOTAL	136481.3	137204.0	0.5	140786.0	144946.9	148219.1

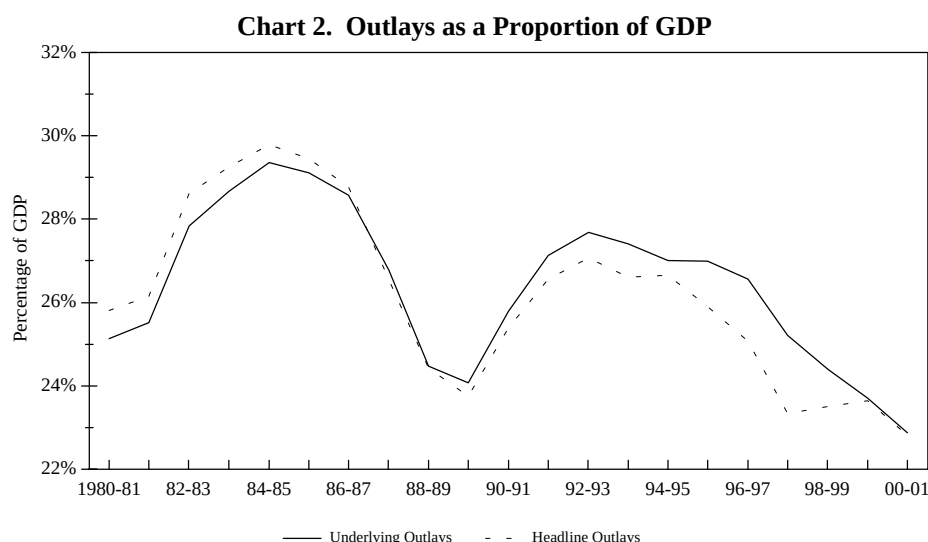
(a) Increase in Finance outlays in 1997-98 primarily reflects cost of the Telstra sale in 1997-98 and proceeds from the sale of DASFLEET reducing outlays in 1996-97.

(b) Decrease in Administrative Services outlays in 1997-98 primarily reflects divestment of real property.

Chart 1. Real Growth in Outlays



In the late 1980s, policy decisions and strong economic growth combined to reduce the ratio of outlays to GDP. With the onset of recession in 1990, this pattern was reversed, partly due to the operation of the automatic stabilisers and partly due to spending packages provided to stimulate growth. Between 1992-93 and 1995-96 the ratio of underlying outlays fell slowly from its peak level of 27.7 per cent to around 27.0 per cent of GDP. In 1996-97 and 1997-98, sharper falls are expected, with the ratio reaching 22.9 per cent of GDP by the end of the forward estimates in 2000-01. This will be the lowest level of outlays since 1973-74, when underlying outlays were 20.5 per cent of GDP.



RUNNING COSTS BUDGETS

Running costs are the recurrent and minor capital costs incurred by a budget department or agency in providing the government services for which it is responsible. They include salary costs, administrative expenses, employer superannuation costs and property operating expenses.

Table 2 shows the 1997-98 Budget and forward estimates of running costs for all portfolios. In nominal terms running costs are expected to increase by 0.8 per cent from 1996-97 to 1997-98 while in real terms they are expected to decrease by 1.1 per cent.

Approximately \$300 million is being carried forward from 1996-97 running costs budgets into 1997-98. Based on this and previous historical trends, a further \$300 million has been included in the Contingency Reserve for carryover of running costs from 1997-98 to 1998-99.

Staffing Levels

Substantial restructuring is being undertaken by Commonwealth departments and agencies in achieving Government objectives and ensuring efficient operations. No staffing targets have been set by the Government. Relevant portfolios are expected to address staffing levels in the context of resources made available under running costs arrangements.

Consistent with practice in past years, Table 2 in this section and Table XIIa in the Statistical Appendix include estimates provided by each portfolio on average staffing levels. The total average staffing level (ASL) in running costs agencies is forecast to decline by 4,285 in 1997-98 as compared to 1996-97. ASL is projected to decline to some extent in most portfolios. The anticipated increase in ASL in the Social Security portfolio largely reflects and is offset by the transfer of staff from the Department of Employment, Education, Training and Youth Affairs to the new Commonwealth Services Delivery Agency, which commences operation on 1 July 1997.

ASL is the average number of employees receiving salary or wages over the financial year, with adjustments for casual and part-time employees to show the full-time equivalent. This measure of employment allows for comparison between average employment in particular financial years, rather than reflecting the actual number of staff being employed at the end of successive financial years or at other specific points in time. ASL figures are the most relevant for funding purposes, but do not indicate the change in total staff numbers from the end of one financial year to the next in the Australian Public Service. Movements in ASL as compared to point-in-time figures may vary significantly due to differences in the coverage of the two series (especially in the Department of Administrative Services) and from the partial ASL effect of staffing changes occurring during the financial year.

Based on point-in-time figures provided by Public Service Act agencies to the Public Service and Merit Protection Commission, it is expected that the total number of people employed (full-time and part-time permanent and temporary staff) under the Public Service Act will decline by some 16,500 between 30 June 1997 and 30 June 1998. This compares to a reduction of 11,200 now expected by Public Service Act agencies to occur between 30 June 1996 and 30 June 1997; in last year's Budget papers, portfolios predicted a reduction of 10,500 staff over the same period.

The expected reduction of staff numbers in the APS in the year to 30 June 1998 reflects the Government's public sector reforms, such as the sales of businesses in the Department of Administrative Services and the transfer of the employment placement function out of the APS to the Public Employment Placement Enterprise (PEPE) and to private sector providers. PEPE will be a wholly-owned Commonwealth company with staff employed outside the Public Service Act.

Table 2. Total Running Costs Budgets by Portfolio

	1996-97 Estimate \$m	1997-98 Budget \$m	Change %	1998-99 Estimate \$m	1999-00 Estimate \$m	2000-01 Estimate \$m
Parliament	123.3	133.3	8.1	128.4	128.7	129.0
Attorney-General's	692.1	709.4	2.5	672.8	680.5	678.7
Communications and the Arts	110.0	110.1	0.1	104.5	105.0	105.8
Defence	5516.2	5648.3	2.4	5613.5	5578.1	5696.5
Veterans' Affairs	239.9	221.9	-7.5	209.8	204.6	205.2
Employment, Education, Training and Youth Affairs	955.1	757.2	-20.7	360.0	325.6	331.4
Environment, Sport and Territories	272.0	276.5	1.7	264.6	252.3	248.5
Finance	166.4	170.1	2.2	157.7	154.6	151.5
Administrative Services	237.9	246.7	3.7	222.1	216.5	217.8
Foreign Affairs and Trade	516.8	599.8	16.1	496.1	500.1	504.7
Health and Family Services	291.9	305.4	4.6	285.9	263.4	269.9
Immigration and Multicultural Affairs	352.4	374.2	6.2	357.0	354.7	365.6
Industrial Relations	104.9	109.8	4.7	107.2	107.8	108.5
Industry, Science and Tourism	511.7	517.4	1.1	498.1	495.2	494.4
Primary Industries and Energy	213.0	182.9	-14.1	173.3	168.8	168.4
Prime Minister and Cabinet	92.7	92.1	-0.6	82.0	81.8	82.3
Social Security	1443.0	1794.2	24.3	1606.3	1490.1	1487.2
Transport and Regional Development	93.1	79.0	-15.1	76.7	76.0	76.9
Treasury	1713.7	1683.2	-1.8	1573.2	1562.4	1627.6
Contingency Reserve (Allowance for Net carryover/borrowings)	-50.0	-300.0	na	na	na	na
TOTAL	13596.1	13711.5	0.8	12989.3	12746.1	12949.8
TOTAL (excluding Contingency Reserve)	13646.1	14011.5	2.7	12989.3	12746.1	12949.8
Portfolio ASL (a)	176527	172242	-2.4	na	na	na

(a) ASL figures are as provided by portfolios.