

STATEMENT 4 — OUTLAYS

CONTENTS

PART I. OVERVIEW OF BUDGET OUTLAYS

Introduction.....	4-3
Overview of Budget Underlying Outlays.....	4-3
Trends in Underlying Outlays.....	4-3
Running Costs Budgets.....	4-6

PART II. FUNCTION OUTLAYS

1. General Public Services —	
A. Legislative and Executive Affairs	4-8
B. Financial and Fiscal Affairs.....	4-10
C. Foreign Economic Aid	4-14
D. General Research.....	4-18
E. General Services.....	4-22
F. Government Superannuation Benefits	4-25
2. Defence.....	4-27
3. Public Order and Safety	4-32
4. Education	4-36
5. Health	4-42
6. Social Security and Welfare.....	4-52
7. Housing and Community Amenities.....	4-69
8. Recreation and Culture	4-74
9. Fuel and Energy	4-79
10. Agriculture, Forestry and Fishing	4-81
11. Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction	4-86
12. Transport and Communication	4-92
13. Other Economic Affairs —	
A. Tourism and Area Promotion	4-98
B. Labour and Employment Affairs.....	4-100
C. Other Economic Affairs, nec	4-105
14. Other Purposes —	
A. Public Debt Interest.....	4-108
B. General Purpose Inter-Government Transactions.....	4-111
C. Natural Disaster Relief	4-117
D. Contingency Reserve.....	4-119
E. Asset Sales.....	4-121
Statistical Appendix	4-123
Summary of Outlays Measures	4-143

PART I. OVERVIEW OF BUDGET OUTLAYS

INTRODUCTION

Statement 4 presents the 1998-99 budget year 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. Outlays on running costs and staffing levels are also shown.

Refer to *Budget Paper No. 2* for details of policy decisions affecting outlays in the Budget. Refer to *Statement 2* for a discussion of outlays estimates in relation to the budget balance. *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 and Administration 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, the expansion of existing programmes that have 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

For the first time this year, the *Statement 4* presentation is in terms of underlying outlays. Underlying outlays comprise total headline outlays less net advances. Headline outlays data can be found in Table XI of the statistical appendix to this statement.

Underlying outlays provide a more reliable guide to overall trends in Commonwealth finances than headline outlays as they exclude transactions which simply involve the transfer or exchange of financial assets. In recent years, differences between headline and underlying outlays mainly reflect the removal of major equity sales and repayments of State loans from headline outlays.

Between 1990-91 and 1995-96, underlying outlays grew by around 4.5 per cent a year in real terms. Underlying outlays growth slowed in 1996-97 and fell by around 1 per cent in 1997-98. Over the budget and forward estimates real growth in underlying outlays is forecasted to be relatively steady.

Real growth rates for underlying outlays over the 14 years between 1988-89 and 2001-02 are shown in Chart 1.

The ratio of underlying 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 automatic stabilisers (for example, during periods of recession Commonwealth outlays on labour market programmes and social security and welfare rise substantially). Underlying outlays are also significantly affected by discretionary policy decisions, which alter the structural budgetary position. Following policy decisions in this and the previous two Budgets, outlays as a proportion of GDP are expected to decline through the budget and forward years.

Underlying outlays are also affected by allowances made in the Contingency Reserve. Such allowances include provision for the established tendency for spending on existing government policy to be higher than is estimated, an allowance for economic parameter variations received too late to be incorporated in programme estimates and commercial-in-confidence items which cannot be disclosed separately.

Table 1. Underlying Outlays by Portfolio

	1997-98 Estimate \$m	1998-99 Budget \$m	Change %	1999-00 Estimate \$m	2000-01 Estimate \$m	2001-02 Estimate \$m
Parliament	156.4	161.9	3.5	156.3	156.7	157.9
Attorney-General's	1038.1	1009.9	-2.7	886.6	903.4	900.4
Communications and the Arts	1197.8	1233.8	3.0	1221.4	1239.9	1248.0
Defence	11467.8	12142.7	5.9	12064.0	12279.0	12508.4
Veterans' Affairs	6739.4	7250.6	7.6	7529.1	7698.3	7861.2
Employment, Education, Training and Youth Affairs	13199.8	11544.3	-12.5	11413.1	11437.6	11639.1
Environment	570.4	685.2	20.1	690.3	691.6	320.6
Finance and Administration	493.6	929.3	88.3	980.8	1307.2	1320.0
Foreign Affairs and Trade	2083.0	2118.8	1.7	2132.3	2150.9	2213.8
Health and Family Services	21866.9	23169.9	6.0	24281.2	25612.2	26933.9
Immigration and Multicultural Affairs	515.3	546.1	6.0	503.4	513.1	515.9
Industry, Science and Tourism	3374.2	3534.6	4.8	3484.3	3474.6	3595.4
Primary Industries and Energy	1796.1	1644.8	-8.4	1482.3	1165.0	1110.9
Prime Minister and Cabinet	1126.9	1294.9	14.9	1421.0	1544.6	1668.3
Social Security	41528.7	44847.8	8.0	46380.0	48071.2	50119.2
Transport and Regional Development	2547.9	2538.9	-0.4	2512.8	2570.9	2562.7
Treasury	26794.1	26820.2	0.1	26780.7	26417.8	25911.0
Workplace Relations and Small Business	462.2	482.9	4.5	474.3	476.6	478.7
Contingency Reserve	-355.1	-386.5	8.9	2172.3	3875.7	5442.2
TOTAL	136603.4	141570.3	3.6	146565.9	151586.4	156507.8

Chart 1. Real Growth in Underlying Outlays

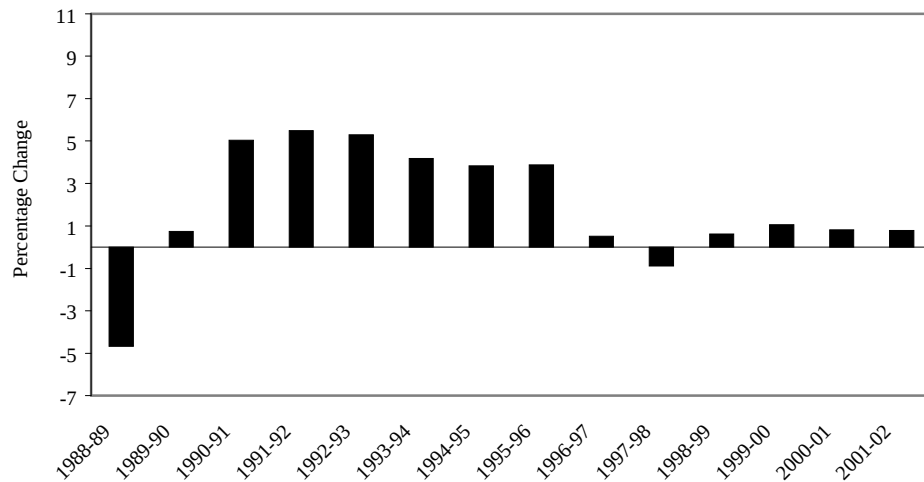
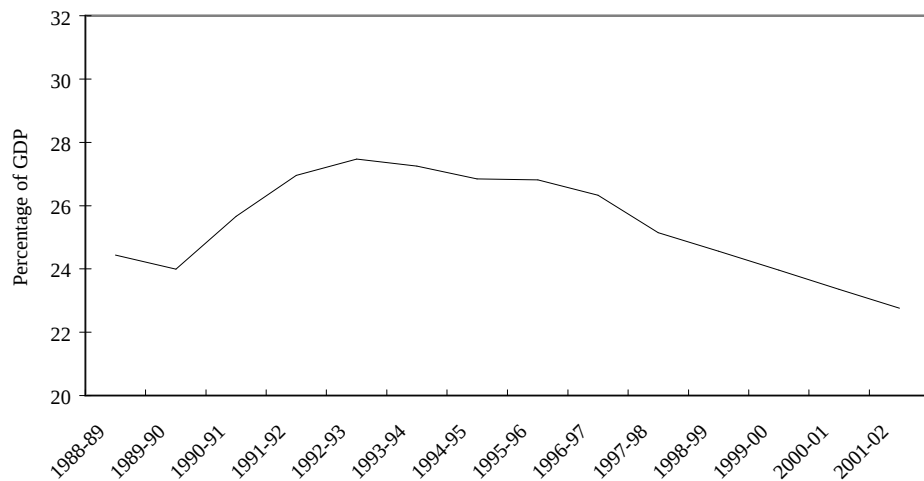


Chart 2. Underlying Outlays as a Proportion of GDP



The ratio of underlying outlays to GDP increased in the early 1990s partly because of the operation of the automatic stabilisers during the recession and also due to spending packages provided to stimulate growth. Between 1992-93 and 1996-97 the ratio of underlying outlays fell slowly from its peak level of 27.5 per cent to around 26.3 per cent. This ratio is forecast to fall sharply in 1997-98 with a similar trend expected to continue in 1998-99 and the forward years. Underlying outlays as a percentage of GDP is expected to fall to around 22.8 per cent of GDP by 2001-02. The projected reduction in the ratio of underlying outlays to GDP over the next four years is consistent with the reduction over the past four years.

RUNNING COSTS BUDGETS

Running Costs are the recurrent and minor capital costs incurred by a department or agency within the budget sector 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 1998-99 Budget and forward estimates of running costs for all portfolios. Running costs are expected to decrease by 17.5 per cent from 1997-98 to 1998-99. This decrease is largely due to establishment of the Commonwealth Services Delivery Agency which will be mostly funded using s31 receipts (s31 receipts are not included in the budget and forward estimates running costs figuring).

Approximately \$400 million is being carried forward from 1997-98 running costs budgets into 1998-99. Based on this and previous historical trends, a further \$450 million has been included in the Contingency Reserve for carryover of running costs from 1998-99 to 1999-00.

The decision by the AIRC on 29 April 1998 to grant access to a wage increase under the safety net arrangements results in increased outlays where there is a wage cost component associated with expenditure. The AIRC decision is a multi-tiered adjustment depending on the level of award wages. The budget figuring incorporates a safety net allowance of \$10 per week or 1.4 per cent of average weekly ordinary time earnings.

Staffing Levels

Commonwealth departments and agencies are continuing to undergo substantial restructuring to achieve more efficient operations. No staffing targets have been set by the Government. Portfolios are expected to address staffing levels in accordance with resources made available under running costs.

Consistent with practice in previous years, Table 2 in this section and Table XII in the Statistical Appendix include estimates provided by each portfolio on Average Staffing Levels (ASL). The total ASL is forecast to decline by 8,984 in 1998-99 compared with 1997-98. ASL is expected to decline in most agencies, with the most significant reductions occurring in DEETYA (with the establishment of the Employment Services Market and the closure of the CES network) and Defence (with the implementation of the Defence reform programme).

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 employment in particular financial years, rather than reflecting the actual number of staff being employed at the end of the successive financial years or at specific points in time. ASL numbers are the most significant for funding purposes but do not reflect the total change in 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 vary due to the difference in the coverage of the two series (particularly in the Defence portfolio where all staff are covered in ASL figures but only civilian staff are covered in point-in-time figures). Comparisons between the two series are also made difficult because of the partial ASL effect of staffing changes during the financial year (for example with the

establishment of Employment National on 1 May 1998), the amalgamations of agencies and variations in contracted employment.

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 around 9000 between 30 June 1998 and 30 June 1999. This compares to a reduction of 12,200 now expected by Public Service Act agencies to occur between 30 June 1997 and 30 June 1998; in last year's Budget papers, portfolios predicted a reduction of 16,500 over the same period.

Table 2. Total Running Costs Budgets by Portfolio (a)

	1997-98 Estimate \$m	1998-99 Budget \$m	Change %	1999-00 Estimate \$m	2000-01 Estimate \$m	2001-02 Estimate \$m
Parliament	127.1	129.4	1.8	123.7	124.0	124.9
Attorney-General's	687.7	660.8	-3.9	607.3	613.7	600.4
Communication and the Arts	119.5	128.1	7.1	120.4	124.0	113.9
Defence	5569.8	5536.4	-0.6	5403.2	5321.7	5526.6
Veteran's Affairs	221.4	219.5	-0.9	203.7	204.2	205.1
Employment, Education, Training, Youth Affairs (b)	718.6	465.1	-35.3	312.1	312.4	313.5
Environment	284.9	287.5	0.9	254.5	251.6	253.5
Finance and Administration	387.7	320.8	-17.3	263.0	260.3	262.8
Foreign Affairs and Trade	631.1	564.0	-10.6	565.1	560.2	563.5
Health and Family Services	320.1	278.2	-13.1	250.2	250.8	249.3
Immigration and Multicultural Affairs	368.1	394.0	7.0	363.9	370.6	375.9
Industry Science and Tourism	518.1	602.0	16.2	539.8	546.4	550.1
Primary Industries and Energy	203.5	163.9	-19.5	154.3	151.5	147.5
Prime Minister and Cabinet	88.5	87.7	-1.0	78.1	78.4	79.0
Social Security (b)	1713.5	124.1	-92.8	85.0	89.0	87.8
Transport and Regional Development	97.9	94.8	-3.2	91.1	92.2	92.4
Treasury	1690.9	1641.2	-2.9	1561.2	1604.7	1693.3
Workplace Relations and Small Business	127.1	117.6	-7.5	113.3	113.1	111.3
Contingency Reserve (Allowance for Net carryover/borrowings)	-100.0	-450.0	na	0.0	0.0	0.0
TOTAL	13775.7	11364.9	-17.5	11090.0	11069.0	11350.9
TOTAL (excluding Contingency Reserve)	13875.7	11814.9	-14.9	11090.0	11069.0	11350.9
Portfolio ASL (c)	163296.5	154312.9	-5.5	na	na	na

- (a) Section 31 deemed appropriations are not included in the Budget and forward estimates of running costs. For 1998-99 these add some \$1.9 billion of which the Commonwealth Services Delivery Agency accounts for approximately \$1.5 billion.
- (b) The significant reductions in these portfolios are largely due to the establishment of Employment National Ltd and the Commonwealth Services Delivery Agency.
- (c) ASL figures are as provided by portfolios.