

**Attachment C**

**SUPPLEMENTARY EXPENSE TABLE AND THE CONTINGENCY RESERVE**

**Expenses**

Table 3.20 shows estimates of Australian Government general government expenses by function and sub-function for 2010-11 and the forward years.

Table 3.20: Estimates of Australian Government general government expenses by function and sub-function

|                                            | Estimates |         |        |           |         |        | Projections |         |        |           |         |        |
|--------------------------------------------|-----------|---------|--------|-----------|---------|--------|-------------|---------|--------|-----------|---------|--------|
|                                            | 2010-11   |         |        | 2011-12   |         |        | 2012-13     |         |        | 2013-14   |         |        |
|                                            | Change on |         | Budget | Change on |         | Budget | Change on   |         | Budget | Change on |         | Budget |
|                                            | Budget    | MYEFO   |        | Budget    | MYEFO   |        | Budget      | MYEFO   |        | Budget    | MYEFO   |        |
|                                            | \$m       | \$m     | %      | \$m       | \$m     | %      | \$m         | \$m     | %      | \$m       | \$m     | %      |
| <b>General public services</b>             |           |         |        |           |         |        |             |         |        |           |         |        |
| Legislative and executive affairs          | 1,057     | 1,079   | 2      | 927       | 953     | 3      | 913         | 938     | 3      | 1,061     | 1,089   | 3      |
| Financial and fiscal affairs               | 6,521     | 7,053   | 8      | 7,130     | 7,371   | 3      | 7,293       | 7,497   | 3      | 7,134     | 7,329   | 3      |
| Foreign affairs and economic aid           | 5,575     | 5,544   | -1     | 6,006     | 5,934   | -1     | 6,696       | 6,550   | -2     | 7,682     | 7,479   | -3     |
| General research                           | 2,791     | 2,881   | 3      | 2,659     | 2,785   | 5      | 2,606       | 2,694   | 3      | 2,495     | 2,536   | 2      |
| General services                           | 707       | 724     | 2      | 701       | 697     | -1     | 694         | 683     | -2     | 695       | 689     | -1     |
| Government superannuation benefits         | 3,485     | 3,913   | 12     | 3,498     | 3,384   | -3     | 3,537       | 3,448   | -3     | 3,647     | 3,579   | -2     |
| <b>Defence</b>                             | 21,000    | 21,086  | 0      | 20,540    | 19,921  | -3     | 21,323      | 20,654  | -3     | 22,883    | 22,064  | -4     |
| <b>Public order and safety</b>             | 3,878     | 3,924   | 1      | 3,860     | 3,878   | 0      | 3,944       | 3,949   | 0      | 3,972     | 3,975   | 0      |
| <b>Education</b>                           | 32,996    | 32,977  | 0      | 29,577    | 29,446  | 0      | 30,275      | 30,111  | -1     | 31,262    | 30,976  | -1     |
| <b>Health</b>                              | 56,880    | 57,435  | 1      | 71,958    | 72,139  | 0      | 75,761      | 75,957  | 0      | 80,085    | 80,332  | 0      |
| <b>Social security and welfare</b>         | 114,961   | 115,699 | 1      | 119,792   | 120,491 | 1      | 125,187     | 126,203 | 1      | 130,547   | 131,063 | 0      |
| Housing and community amenities            | 5,432     | 5,830   | 7      | 4,212     | 4,512   | 7      | 4,173       | 4,378   | 5      | 4,174     | 4,246   | 2      |
| Recreation and culture                     | 3,246     | 3,312   | 2      | 3,159     | 3,216   | 2      | 3,139       | 3,175   | 1      | 3,150     | 3,208   | 2      |
| Fuel and energy                            | 7,607     | 7,214   | -5     | 7,287     | 7,437   | 2      | 7,072       | 7,088   | 0      | 6,800     | 6,796   | 0      |
| <b>Agriculture, fisheries and forestry</b> | 3,587     | 3,685   | 3      | 3,038     | 3,038   | 0      | 2,624       | 2,408   | -8     | 2,342     | 2,094   | -11    |
| Mining, manufacturing and construction     | 1,990     | 2,041   | 3      | 2,476     | 2,008   | -19    | 2,513       | 1,987   | -21    | 2,573     | 1,953   | -24    |
| <b>Transport and communication</b>         | 4,932     | 5,080   | 3      | 6,664     | 6,711   | 1      | 8,247       | 7,258   | -12    | 7,006     | 6,206   | -11    |
| <b>Other economic affairs</b>              |           |         |        |           |         |        |             |         |        |           |         |        |
| Tourism and area promotion                 | 152       | 152     | 0      | 164       | 175     | 7      | 167         | 179     | 7      | 170       | 182     | 7      |
| Labour and employment affairs              | 5,003     | 4,740   | -5     | 4,649     | 4,418   | -5     | 4,615       | 4,293   | -7     | 4,555     | 4,316   | -5     |
| Immigration                                | 1,762     | 1,762   | 0      | 1,525     | 1,526   | 0      | 1,506       | 1,504   | 0      | 1,543     | 1,537   | 0      |
| Other economic affairs nec                 | 2,232     | 2,273   | 2      | 2,274     | 2,286   | 1      | 2,261       | 2,268   | 0      | 2,220     | 2,222   | 0      |

**Table 3.20: Australian Government expenses by function and sub-function (continued)**

|                                               | Estimates      |                |                             |                |                |                             | Projections    |                |                             |                |                |                             |
|-----------------------------------------------|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|
|                                               | 2010-11        |                |                             | 2011-12        |                |                             | 2012-13        |                |                             | 2013-14        |                |                             |
|                                               | Budget<br>\$m  | MYEFO<br>\$m   | Change<br>on<br>Budget<br>% | Budget<br>\$m  | MYEFO<br>\$m   | Change<br>on<br>Budget<br>% | Budget<br>\$m  | MYEFO<br>\$m   | Change<br>on<br>Budget<br>% | Budget<br>\$m  | MYEFO<br>\$m   | Change<br>on<br>Budget<br>% |
| <b>Other purposes</b>                         |                |                |                             |                |                |                             |                |                |                             |                |                |                             |
| Public debt interest                          | 9,606          | 9,132          | -5                          | 11,463         | 10,280         | -10                         | 12,010         | 10,657         | -11                         | 11,978         | 10,734         | -10                         |
| Nominal superannuation interest               | 7,065          | 6,989          | -1                          | 7,301          | 7,315          | 0                           | 7,552          | 7,565          | 0                           | 7,818          | 7,832          | 0                           |
| General purpose inter-government transactions | 50,403         | 50,000         | -1                          | 40,303         | 39,579         | -2                          | 42,352         | 42,158         | 0                           | 44,216         | 44,140         | 0                           |
| Natural disaster relief                       | 577            | 577            | 0                           | 80             | 80             | 0                           | 80             | 80             | 0                           | 80             | 80             | 0                           |
| Contingency reserve(a)                        | 1,195          | -752           | -163                        | 3,329          | 2,424          | -27                         | 4,457          | 3,109          | -30                         | 7,890          | 5,857          | -26                         |
| <b>Total expenses</b>                         | <b>354,644</b> | <b>354,348</b> | <b>0</b>                    | <b>364,573</b> | <b>362,002</b> | <b>-1</b>                   | <b>380,997</b> | <b>376,789</b> | <b>-1</b>                   | <b>397,981</b> | <b>392,512</b> | <b>-1</b>                   |

(a) Asset sale related expenses are treated as a component of the Contingency Reserve sub-function.

## **Contingency Reserve**

The Contingency Reserve (other purposes function) is an allowance, included in aggregate expenses, principally to reflect anticipated events that cannot be assigned to individual programs in the preparation of the Australian Government budget estimates. The Reserve is used to ensure that the budget estimates are based on the best information available at the time of the Mid-Year Economic and Fiscal Outlook (MYEFO). It is not a general policy reserve.

The Reserve ensures that aggregate estimates are as close as possible to expected outcomes, but it is not appropriated. Allowances that are included in the Reserve can only be drawn upon once they have been appropriated by Parliament. These allowances are removed from the Reserve and allocated to specific agencies for appropriation and for outcome reporting closer to the time when the associated events eventuate.

The Contingency Reserve contains an allowance for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years, known as the conservative bias allowance. Since the 2010-11 Budget, the allowance has been drawn down to  $\frac{1}{4}$  of a per cent of total general government sector expenses (excluding GST payments to the States) in the first year of the forward estimates (2011-12),  $\frac{3}{4}$  of a per cent of expenses in the second forward year (2012-13), and  $1\frac{1}{2}$  per cent of expenses in the third forward year (2013-14). This involves a reduction in expenses of \$771 million in 2011-12, \$833 million in 2012-13 and \$1.8 billion in 2013-14. The drawdown of the conservative bias allowance in the MYEFO is consistent with long-standing practice and does not represent a saving or offset to Government spending measures.

The Contingency Reserve also makes allowance in 2010-11 and the forward years for anticipated events, including the following:

- a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some agencies or functions not to be met;
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programs that are yet to be negotiated with State and Territory governments;
- decisions made too late for inclusion against individual agency estimates;
- the effect on the budget and forward estimates of economic parameters revisions received late in the process and hence not able to be allocated to individual agencies or functions; and
- provisions for events that are reasonably expected to affect the budget estimates, for example, a provision for the continuation of drought relief in 2010-11 and 2011-12.

*Part 3: Fiscal strategy and outlook*

The Contingency Reserve includes a provision for future increases in Australia's official development assistance yet to be allocated to specific aid programs. However, in Table 3.20 in this attachment, these expenses are allocated to the Foreign Affairs and Economic Aid Support sub-function. This provision is currently set at \$78 million in 2010-11, \$227 million in 2011-12, \$543 million in 2012-13 and \$1.5 billion in 2013-14.

The Contingency Reserve also includes provisions for future equity investments in the National Broadband Network (NBN). The exact timing and quantum of funding for the NBN will be determined in the Government's response to the Implementation Study and following settlement of the Definitive Agreements between NBN Co and Telstra.

A provision for remaining election commitments which will be progressed in the 2011-12 Budget (spending of \$314 million in 2011-12 and savings of \$211 million in 2012-13 and \$244 million in 2013-14) has also been included in the Contingency Reserve.