

Attachment C

SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE

Expenses

Table 3.21 shows estimates of Australian Government general government expenses by function and sub-function for 2011-12 and the forward years.

Table 3.21: Estimates of Australian Government general government sector expenses by function and sub-function

	Estimates						Projections					
	2011-12			2012-13			2013-14			2014-15		
	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
General public services												
Legislative and executive affairs	974	977	0	948	950	0	1,091	1,094	0	949	953	0
Financial and fiscal affairs	7,421	7,686	4	7,566	7,882	4	7,416	7,701	4	7,550	7,812	3
Foreign affairs and economic aid	5,776	5,762	0	6,412	6,452	1	7,325	7,369	1	8,232	8,332	1
General research	2,872	2,873	0	2,780	2,788	0	2,684	2,694	0	2,582	2,589	0
General services	811	823	1	789	796	1	800	805	1	823	830	1
Government superannuation benefits	3,034	3,728	23	2,997	2,950	-2	3,033	2,996	-1	2,992	2,941	-2
Defence	21,277	21,050	-1	20,711	20,594	-1	21,895	21,847	0	22,771	22,584	-1
Public order and safety	3,969	4,012	1	3,953	3,972	0	3,961	3,972	0	4,026	3,982	-1
Education	29,938	30,016	0	30,314	30,271	0	31,414	31,243	-1	32,720	32,660	0
Health	59,858	60,944	2	61,584	60,873	-1	64,711	63,952	-1	67,734	67,213	-1
Social security and welfare	121,907	124,857	2	127,711	129,989	2	133,322	135,221	1	139,194	141,552	2
Housing and community amenities	4,579	5,871	28	4,699	7,231	54	4,579	8,883	94	4,141	9,114	120
Recreation and culture	3,397	3,375	-1	3,449	3,446	0	3,331	3,265	-2	3,250	3,202	-1
Fuel and energy	6,302	7,021	11	6,496	6,536	1	6,594	8,019	22	6,622	8,057	22
Agriculture, fisheries and forestry	3,444	3,569	4	2,526	2,598	3	2,245	2,401	7	2,385	2,502	5
Mining, manufacturing and construction	2,014	2,144	6	2,006	2,073	3	1,965	2,092	6	1,974	2,178	10
Transport and communication	6,919	8,324	20	7,119	5,939	-17	6,748	6,756	0	6,267	6,160	-2
Other economic affairs												
Tourism and area promotion	177	175	-1	179	176	-2	182	178	-2	175	173	-1
Labour and employment affairs	4,552	4,817	6	4,335	4,533	5	4,246	4,443	5	4,198	4,392	5
Immigration	2,332	2,264	-3	1,949	2,017	3	1,653	1,960	19	1,658	1,989	20
Other economic affairs nec	2,324	2,347	1	2,201	2,250	2	2,137	2,219	4	2,121	2,232	5

Table 3.21: Estimates of Australian Government general government sector expenses by function and sub-function (continued)

	Estimates				Projections					
	2011-12		2012-13		2013-14		2014-15			
	Budget \$m	MYEFO \$m	Change on Budget %	MYEFO \$m	Budget \$m	Change on Budget %	MYEFO \$m	Budget \$m	Change on Budget %	MYEFO \$m
Other purposes										
Public debt interest	11,632	11,623	0	12,615	12,318	-2	12,854	12,602	-3	12,257
Nominal superannuation interest	7,575	7,351	-3	7,826	7,886	1	8,083	8,338	1	8,398
General purpose inter-government transactions	51,152	50,479	-1	55,133	54,506	-1	58,179	60,942	-1	60,266
Natural disaster relief	479	512	7	1,650	88	-95	3,955	1,416	-98	36
Contingency reserve	1,103	-853	-177	2,576	824	-68	4,571	8,472	-28	6,461
Total expenses	365,817	371,747	2	380,523	379,935	0	398,974	414,137	0	418,863

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 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.

While the Reserve is designed to ensure that aggregate estimates are as close as possible to expected outcomes, 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 2011-12 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 forward year (2012-13), $\frac{3}{4}$ of a per cent of expenses in the second forward year (2013-14), and $1\frac{1}{2}$ per cent of expenses in the third forward year (2014-15). The drawdown of the allowance reduced expenses by \$813 million in 2012-13, \$800 million in 2013-14 and \$1.6 billion in 2014-15. The drawdown of the conservative bias allowance during the MYEFO estimates update 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 2011-12 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 parameter revisions received late in the process and hence are not able to be allocated to individual agencies or functions; and
- provisions for events and pressures that are reasonably expected to affect the budget estimates — for example, a provision for the continuation of drought relief in 2011-12 and 2012-13.

The Contingency Reserve includes a provision for the costs associated with Australia hosting the G-20 in 2014.

The Contingency Reserve also makes provision for future increases in Australia's Official Development Assistance yet to be allocated to specific aid programs. However, in Table 3.21 in this attachment, these expenses are allocated to the Foreign Affairs and Economic Aid Support sub-function. The provision is currently set at \$254 million in 2012-13, \$768 million in 2013-14, and \$1.4 billion in 2014-15. The provision is increased or decreased in line with the forecasts for the national accounts and when new aid proposals are funded.