

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 2012-13 and the forward years.

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

	Estimates						Projections					
	2012-13			2013-14			2014-15			2015-16		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
General public services												
Legislative and executive affairs	974	990	2	1,206	1,228	2	1,176	1,203	2	991	1,018	3
Financial and fiscal affairs	7,770	7,880	1	7,683	7,874	2	7,917	8,076	2	8,148	8,299	2
Foreign affairs and economic aid	6,254	6,247	0	6,918	6,946	0	7,571	7,557	0	8,537	8,389	-2
General research	2,720	2,721	0	2,598	2,603	0	2,550	2,556	0	2,501	2,508	0
General services	858	858	0	859	879	2	863	886	3	892	918	3
Government superannuation benefits	3,479	5,659	63	3,525	3,528	0	3,564	3,567	0	3,616	3,617	0
Defence	21,559	21,606	0	22,212	22,229	0	23,129	23,224	0	24,453	24,577	1
Public order and safety	3,957	3,976	0	3,935	4,013	2	3,934	4,011	2	3,992	4,046	1
Education	29,572	28,654	-3	29,929	29,342	-2	31,683	30,632	-3	33,846	32,529	-4
Health	61,003	61,024	0	64,088	63,198	-1	67,175	66,680	-1	71,137	70,835	0
Social security and welfare	131,656	131,827	0	138,241	138,378	0	143,085	143,129	0	150,354	150,610	0
Housing and community amenities	7,276	7,262	0	8,972	9,008	0	9,269	9,286	0	9,571	9,639	1
Recreation and culture	3,605	3,608	0	3,432	3,438	0	3,297	3,309	0	3,328	3,326	0
Fuel and energy	6,523	6,531	0	7,832	7,841	0	7,993	7,972	0	8,190	8,108	-1
Agriculture, fisheries and forestry	2,609	2,588	-1	2,576	2,550	-1	2,662	2,635	-1	3,114	3,085	-1
Mining, manufacturing and construction	2,084	2,093	0	2,128	2,166	2	2,224	2,285	3	2,398	2,398	0
Transport and communication	5,048	4,961	-2	6,702	6,794	1	6,973	6,446	-8	5,600	6,125	9
Other economic affairs												
Tourism and area promotion	177	185	5	184	194	5	182	191	5	172	179	4
Labour and employment affairs	4,515	4,420	-2	4,601	4,407	-4	4,573	4,359	-5	4,568	4,384	-4
Immigration	2,383	2,921	23	2,262	2,257	0	2,205	1,876	-15	2,277	1,874	-18
Other economic affairs nec	2,256	2,258	0	2,244	2,376	6	2,274	2,333	3	2,224	2,246	1

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

	Estimates						Projections					
	2012-13			2013-14			2014-15			2015-16		
	Budget \$m	MYEFO \$m	Change on Budget	Budget \$m	MYEFO \$m	Change on Budget	Budget \$m	MYEFO \$m	Change on Budget	Budget \$m	MYEFO \$m	Change on Budget
			%			%			%			%
Other purposes												
Public debt interest	12,017	12,017	0	12,013	11,700	-3	11,635	11,258	-3	11,416	10,889	-5
Nominal superannuation interest	8,015	6,913	-14	8,295	8,295	0	8,587	8,587	0	8,908	8,908	0
General purpose inter-government transactions	50,519	50,569	0	54,381	54,481	0	57,049	57,249	0	59,726	60,051	1
Natural disaster relief	113	98	-13	105	92	-12	40	50	25	0	0	0
Contingency reserve	-670	-2,818	321	1,583	2,036	29	4,838	4,347	-10	9,083	7,252	-20
Total expenses	376,273	375,049	0	398,503	397,854	0	416,449	413,704	-1	439,044	435,811	-1

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 2012-13 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 (2013-14) and $\frac{3}{4}$ of a per cent of expenses in the second forward year (2014-15), and $1\frac{1}{2}$ per cent of expenses in the third forward year (2015-16). The drawdown of the allowance reduced expenses by \$862 million in 2013-14, \$902 million in 2014-15 and \$1.898 billion in 2015-16. 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 2012-13 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 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 costs associated with Australia hosting the 2015 Cricket World Cup.

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 \$201 million in 2014-15 and \$568 million in 2015-16. The provision is increased or decreased in line with the forecasts for the national accounts and when new aid proposals are funded.