

Attachment D

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 2013-14 and the forward years.

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

	Estimates						Projections					
	2013-14			2014-15			2015-16			2016-17		
	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	1,335	1,287	-4	1,222	1,189	-3	1,033	1,006	-3	1,264	1,224	-3
Financial and fiscal affairs	8,112	17,102	111	8,194	8,349	2	8,335	8,507	2	8,741	8,767	0
Foreign affairs and economic aid	6,752	6,816	1	7,010	6,936	-1	7,650	7,354	-4	8,860	7,976	-10
General research	2,663	2,719	2	2,648	2,682	1	2,511	2,519	0	2,414	2,404	0
General services	695	714	3	704	713	1	728	740	2	748	763	2
Government superannuation benefits	3,466	4,725	36	3,460	3,540	2	3,499	3,642	4	3,510	3,527	0
Defence	22,045	22,646	3	23,345	23,722	2	25,094	25,099	0	25,834	25,423	-2
Public order and safety	4,272	4,415	3	4,132	4,222	2	4,087	4,058	-1	4,048	3,988	-1
Education	29,742	30,174	1	30,386	30,784	1	31,790	31,954	1	34,007	34,044	0
Health	64,636	64,685	0	68,081	67,592	-1	71,597	70,870	-1	75,493	74,574	-1
Social security and welfare	138,145	138,667	0	144,021	144,313	0	149,911	148,386	-1	158,479	156,785	-1
Housing and community amenities	8,775	8,622	-2	8,930	4,780	-46	6,508	4,598	-29	7,594	4,636	-39
Recreation and culture	3,696	3,835	4	3,551	3,645	3	3,433	3,481	1	3,468	3,481	0
Fuel and energy	7,586	7,256	-4	7,557	7,049	-7	7,701	7,056	-8	7,574	7,170	-5
Agriculture, fisheries and forestry	2,654	2,632	-1	2,709	2,717	0	3,047	2,929	-4	2,702	2,645	-2
Mining, manufacturing and construction	2,431	2,870	18	2,734	2,710	-1	2,592	2,633	2	2,328	2,548	9
Transport and communication	6,453	7,398	15	6,555	8,553	30	6,005	7,166	19	5,401	4,567	-15
Other economic affairs												
Tourism and area promotion	189	185	-2	187	183	-2	169	169	0	174	169	-3
Labour and employment affairs	4,358	4,315	-1	4,319	4,341	1	4,381	4,445	1	4,327	4,381	1
Immigration	4,376	4,947	13	3,617	4,552	26	3,461	3,716	7	3,065	2,993	-2
Other economic affairs nec	2,359	2,347	-1	2,362	2,171	-8	2,342	2,180	-7	2,333	2,195	-6

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

	Estimates						Projections					
	2013-14			2014-15			2015-16			2016-17		
	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	12,456	13,467	8	12,733	14,954	17	12,902	16,741	30	12,891	18,028	40
Nominal superannuation interest	8,462	8,197	-3	8,773	8,838	1	9,093	9,160	1	9,423	9,495	1
General purpose inter-government transactions	52,397	52,379	0	56,171	56,233	0	59,248	59,408	0	62,222	62,669	1
Natural disaster relief	147	157	7	97	92	-5	22	19	-14	0	0	0
Contingency reserve	98	-497	-607	2,166	2,896	34	3,873	8,184	111	7,850	12,658	61
Total expenses	398,301	412,060	3	415,663	417,758	1	431,015	436,019	1	454,747	457,110	1

(a) The Budget numbers are used in this table as this table was not published in the 2013 PEFO.

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 Contingency 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 Contingency 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 Contingency Reserve can only be drawn upon once they have been appropriated by Parliament. These allowances are allocated to specific agencies for appropriation closer to the time when the associated events eventuate.

The Contingency Reserve contains a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some agencies or functions not to be met, and 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 2013-14 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 (2014-15), $\frac{3}{4}$ of a per cent of expenses in the second forward year (2015-16), and 1 $\frac{1}{2}$ per cent of expenses in the third forward year (2016-17). The drawdown of the allowance reduced expenses by \$889 million in 2014-15, \$914 million in 2015-16 and \$1.9 billion in 2016-17. 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.

In general, the Contingency Reserve can include:

- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately, and programmes that are yet to be negotiated with State and Territory governments, for instance, Commonwealth provisioning for unfunded superannuation liabilities for New South Wales universities;
- the effect on the budget and forward estimates of economic parameter revisions received late in the process which were unable to be allocated to individual agencies or functions, in particular the impacts of the September quarter national accounts;
- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual agency estimates; and

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- provision for other specific events and pressures that are reasonably expected to affect the budget estimates, for instance, provisioning for unfunded public service redundancies and critical funding shortfalls for the operations and capital requirements of some agencies. These will be reviewed and outcomes will be outlined in the 2014-15 Budget.

A provision for election commitment expenses that will be progressed in the 2014-15 Budget has also been included in the Contingency Reserve as an estimates variation and allocated to the contingency reserve sub-function in Table 3.21. This is consistent with the treatment of outstanding election commitments in the MYEFO following the 2004 and the 2010 Federal elections. Key commitments that have been included in this provision include the Paid Parental Leave scheme, the Emissions Reduction Fund and the commitment to grow official development assistance in line with forecast growth in inflation. The Election commitment provision does not include the \$5.2 billion saving associated with a 12,000 reduction in the Australian Public Service headcount, though it remains the intention of the Government that the size of the public sector be assessed as part of the National Commission of Audit.