

Attachment D

SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE

Expenses

Table 3.22 shows estimates of Australian Government general government expenses by function and sub-function for 2014-15 and the forward years.

Table 3.22: Estimates of Australian Government general government sector expenses by function and sub-function

	Estimates						Projections					
	2014-15			2015-16			2016-17			2017-18		
	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	1,191	1,191	0	1,015	1,009	-1	1,222	1,217	0	1,045	1,037	-1
Financial and fiscal affairs	8,513	8,328	-2	8,585	8,427	-2	8,797	8,582	-2	8,799	8,556	-3
Foreign affairs and economic aid	6,299	6,311	0	6,125	5,177	-15	6,704	5,409	-19	6,733	5,442	-19
General research	2,651	2,875	8	2,554	2,730	7	2,343	2,487	6	2,387	2,533	6
General services	821	864	5	757	765	1	773	779	1	797	802	1
Government superannuation benefits	3,709	6,179	67	3,715	3,717	0	3,516	3,522	0	3,290	3,288	0
Defence	24,197	24,994	3	25,249	25,486	1	25,719	26,010	1	27,632	27,489	-1
Public order and safety	4,389	4,539	3	4,098	4,394	7	4,054	4,421	9	4,051	4,394	8
Education	29,553	31,200	6	30,206	31,768	5	31,843	32,974	4	32,788	33,982	4
Health	66,892	67,052	0	68,203	68,797	1	71,797	71,456	0	74,856	74,204	-1
Social security and welfare	145,773	149,913	3	149,269	153,361	3	158,370	160,878	2	169,585	171,635	1
Housing and community amenities	4,835	4,984	3	4,902	4,922	0	5,026	5,016	0	5,105	5,119	0
Recreation and culture	3,512	3,601	3	3,360	3,360	0	3,385	3,346	-1	3,343	3,296	-1
Fuel and energy	7,058	7,125	1	7,172	7,211	1	7,439	7,455	0	7,836	7,875	0
Agriculture, fisheries and forestry	2,752	2,828	3	2,868	2,975	4	2,642	2,828	7	2,565	2,693	5
Mining, manufacturing and construction	2,740	2,781	1	2,580	2,613	1	2,595	2,670	3	2,504	2,597	4
Transport and communication	7,286	7,292	0	9,697	9,715	0	10,949	10,958	0	7,469	7,454	0
Other economic affairs												
Tourism and area promotion	186	184	-1	177	176	-1	171	170	-1	168	167	-1
Labour and employment affairs	3,904	3,968	2	4,224	3,953	-6	4,361	4,150	-5	4,433	4,143	-7
Immigration	4,172	4,192	0	3,663	3,447	-6	2,862	2,987	4	2,621	2,769	6
Other economic affairs nec	2,408	2,200	-9	2,302	2,145	-7	2,253	2,117	-6	2,263	2,137	-6

Table 3.22: Estimates of Australian Government general government sector expenses by function and sub-function (continued)

	Estimates						Projections					
	2014-15			2015-16			2016-17			2017-18		
	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	14,708	14,733	0	16,134	16,016	-1	17,157	16,944	-1	17,876	17,440	-2
Nominal superannuation interest	9,275	8,989	-3	9,630	9,630	0	9,979	9,979	0	10,333	10,333	0
General purpose												
inter-government transactions	57,148	57,157	0	60,452	60,580	0	63,884	63,775	0	67,295	67,059	0
Natural disaster relief	98	83	-15	18	50	178	0	2	2	0	0	0
Contingency reserve	773	-665	-186	4,161	4,057	-2	5,963	5,963	0	9,675	8,867	-8
Total expenses	414,845	422,898	2	431,118	436,484	1	453,806	456,097	1	475,447	475,310	0

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 2014-15 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 (2015-16);
- $\frac{3}{4}$ of a per cent of expenses in the second forward year (2016-17);
- 1 $\frac{1}{2}$ per cent of expenses in the third forward year (2017-18); and
- The drawdown of the allowance reduced expenses by \$921 million in 2015-16, \$965 million in 2016-17 and \$2.0 billion in 2017-18.

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 provisioning for estimates for national partnerships beyond expiry;
- 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;

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- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual agency estimates; and
- provision for other specific events and pressures that are reasonably expected to affect the budget estimates.

The Contingency Reserve and revenue estimates in MYEFO continue to include provisioning for the Paid Parental Leave scheme, the Paid Parental Leave Levy and a company tax rate reduction.