

SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE

Expenses

Table 3.24 shows estimates of Australian Government general government expenses by function and sub-function for 2015-16 and the forward years.

Table 3.24: Estimates of Australian Government general government sector expenses by function and sub-function

	Estimates						Projections					
	2015-16			2016-17			2017-18			2018-19		
	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	1,058	1,061	0	1,234	1,243	1	1,054	1,063	1	1,069	1,077	1
Financial and fiscal affairs	7,934	7,028	-11	8,532	7,493	-12	8,430	7,313	-13	8,533	7,401	-13
Foreign affairs and economic aid	5,422	5,430	0	5,663	5,636	0	5,573	5,427	-3	5,740	5,760	0
General research	2,716	2,785	3	2,674	2,741	3	2,534	2,804	11	2,627	2,899	10
General services	913	961	5	877	926	6	888	929	5	906	950	5
Government superannuation benefits	4,119	5,372	30	3,956	3,967	0	3,745	3,818	2	3,667	3,770	3
Defence	26,348	26,559	1	26,106	26,312	1	27,631	27,640	0	28,783	28,627	-1
Public order and safety	4,885	4,958	1	4,851	4,844	0	4,735	4,718	0	4,806	4,738	-1
Education	31,854	32,478	2	33,133	33,166	0	34,055	33,813	-1	35,115	34,921	-1
Health	69,381	68,686	-1	71,634	70,375	-2	74,076	72,318	-2	76,987	75,195	-2
Social security and welfare	154,000	152,782	-1	159,654	158,721	-1	170,719	168,251	-1	186,869	182,548	-2
Housing and community amenities	5,329	5,434	2	5,242	5,233	0	5,041	5,091	1	4,553	4,641	2
Recreation and culture	3,530	3,440	-3	3,350	3,257	-3	3,294	3,210	-3	3,287	3,173	-3
Fuel and energy	6,706	6,773	1	6,705	6,707	0	6,895	6,932	1	7,237	7,192	-1
Agriculture, fisheries and forestry	3,063	3,119	2	2,930	3,018	3	2,780	2,828	2	2,408	2,484	3
Mining, manufacturing and construction	3,142	3,619	15	3,129	3,683	18	3,082	3,777	23	3,092	3,923	27
Transport and communication	8,575	8,882	4	11,198	11,917	6	9,304	9,102	-2	6,315	6,558	4
Other economic affairs												
Tourism and area promotion	177	180	2	176	182	3	175	182	4	166	173	4
Labour and employment affairs	3,963	3,868	-2	4,296	4,200	-2	4,326	4,158	-4	4,358	4,194	-4
Immigration	3,622	4,020	11	2,451	3,441	40	2,356	2,537	8	2,416	2,473	2
Other economic affairs nec	2,030	2,063	2	1,994	2,020	1	1,992	2,019	1	2,010	2,056	2

Table 3.24: Estimates of Australian Government general government sector expenses by function and sub-function (continued)

	Estimates						Projections					
	2015-16			2016-17			2017-18			2018-19		
	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	15,561	15,680	1	16,455	17,075	4	16,846	17,720	5	17,364	18,719	8
Nominal superannuation interest	9,869	9,231	-6	10,259	10,261	0	10,648	10,650	0	11,034	11,036	0
General purpose inter-government transactions	60,038	59,239	-1	63,949	63,777	0	67,534	66,776	-1	71,232	69,744	-2
Natural disaster relief	33	40	21	5	8	60	-1	3	400	-1	0	100
Contingency reserve	201	-1,456	-824	2,201	1,002	-54	4,104	2,811	-32	8,854	7,117	-20
Total expenses	434,469	432,234	-1	452,654	451,206	0	471,816	465,892	-1	499,428	491,370	-2

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 programmes 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 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 entities for appropriation 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 (CBA). The rising profile of expenses in the contingency reserve sub-function over the forward estimates is largely due to the CBA. Since the 2015-16 Budget, the allowance has been drawn down to:

- $\frac{1}{4}$ of a percentage point of total general government sector expenses (excluding GST payments to the States) in the first forward year (2016-17);
- $\frac{3}{4}$ of a percentage point of expenses in the second forward year (2017-18); and
- a $1\frac{1}{2}$ percentage point provision in the third forward year (2018-19).

The drawdown of the allowance reduced expenses by \$973 million in 2016-17, \$1.0 billion in 2017-18 and \$2.2 billion in 2018-19. The drawdown of the allowance is consistent with long standing practice and does not represent a saving or offset to Government spending measures.

In general, the Contingency Reserve can also include:

- a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some entities or functions not to be met;
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programmes that are yet to be renegotiated with State and Territory governments;
- 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 entities or functions;
- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual entity estimates; and
- provisions for other specific events and pressures that are reasonably expected to affect the budget estimates.