

SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE

Expenses

Table 3.20 shows estimates of Australian Government general government expenses by function and sub-function for 2016-17 and the forward years.

Table 3.20: Estimates of Australian Government general government sector expenses by function and sub-function^(a)

	Estimates						Projections					
	2016-17			2017-18			2018-19			2019-20		
	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	1,334	1,377	3	1,077	1,107	3	1,099	1,126	2	1,331	1,395	5
Financial and fiscal affairs	7,536	6,590	-13	7,502	6,395	-15	7,595	6,340	-17	7,802	6,461	-17
Foreign affairs and economic aid	6,090	6,271	3	5,522	5,641	2	5,823	5,902	1	6,602	6,616	0
General research	2,771	2,752	-1	2,851	2,828	-1	2,968	2,929	-1	3,065	3,014	-2
General services	963	957	-1	924	907	-2	940	910	-3	943	895	-5
Government superannuation benefits	3,965	9,044	128	3,913	3,805	-3	3,921	3,802	-3	3,794	3,699	-3
Defence	27,155	26,816	-1	27,937	28,030	0	29,384	29,436	0	31,525	31,488	0
Public order and safety	4,915	5,117	4	4,766	4,762	0	4,719	4,695	-1	4,675	4,629	-1
Education	33,669	33,339	-1	33,815	33,087	-2	34,494	33,699	-2	35,804	34,973	-2
Health	71,413	72,842	2	73,425	73,724	0	76,239	76,340	0	79,260	78,792	-1
Social security and welfare	158,612	155,792	-2	166,518	162,723	-2	184,260	178,356	-3	191,828	184,941	-4
Housing and community amenities	5,282	5,131	-3	5,051	5,142	2	4,455	4,541	2	4,412	4,226	-4
Recreation and culture	3,401	3,532	4	3,337	3,448	3	3,249	3,351	3	3,301	3,295	0
Fuel and energy	6,687	6,874	3	6,782	7,040	4	7,028	7,224	3	7,301	7,591	4
Agriculture, fisheries and forestry	3,122	2,914	-7	3,084	2,960	-4	2,626	2,765	5	2,269	2,371	4
Mining, manufacturing and construction	3,545	4,052	14	3,792	4,048	7	3,999	4,238	6	4,277	4,500	5
Transport and communication	11,131	10,296	-8	10,606	10,716	1	6,599	7,588	15	5,400	6,335	17
Other economic affairs												
Tourism and area promotion	188	192	2	188	184	-2	177	167	-6	180	166	-8
Labour and employment affairs	3,884	3,716	-4	3,941	3,799	-4	3,963	3,787	-4	3,981	3,769	-5
Immigration	3,659	3,818	4	2,409	2,430	1	2,344	2,270	-3	2,203	2,166	-2
Other economic affairs nec	2,100	2,140	2	2,082	2,083	0	2,115	2,100	-1	2,166	2,137	-1

Table 3.20: Estimates of Australian Government general government sector expenses by function and sub-function^(a)
(continued)

	Estimates						Projections					
	2016-17			2017-18			2018-19			2019-20		
	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	16,644	15,984	-4	17,627	17,221	-2	18,346	18,258	0	18,684	19,146	2
Nominal superannuation interest	9,959	8,446	-15	10,330	10,445	1	10,706	10,809	1	11,085	11,179	1
General purpose inter-government transactions	63,553	62,696	-1	66,910	65,728	-2	70,368	68,969	-2	73,497	72,033	-2
Natural disaster relief	27	32	19	11	3	-73	0	1	100	0	0	0
Contingency reserve	-1,055	-2,077	97	412	2,125	416	1,906	4,028	111	6,217	8,158	31
Total expenses	450,553	448,642	0	464,812	460,382	-1	489,324	483,632	-1	511,604	503,975	-1

(a) The 2016-17 Budget numbers are used in this table as this table was not published in the 2016 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 entities for appropriation closer to the time when the associated events occur.

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 increase in expenses in the contingency reserve sub-function from 2016-17 is largely due to the CBA. Since the 2016-17 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 (2017-18);
- $\frac{3}{4}$ of a percentage point of expenses in the second forward year (2018-19); and
- a $1\frac{1}{2}$ percentage point provision in the third forward year (2019-20).

The drawdown of the allowance reduced expenses by \$1.0 billion in 2017-18, \$1.1 billion in 2018-19 and \$2.2 billion in 2019-20. 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 programs 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;

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- 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.

Election commitment expenses that will be progressed in the 2017-18 Budget have also been included in the Contingency Reserve as a 'decision taken but not yet announced' and allocated to the contingency reserve sub-function in Table 3.20. The commitments are *Regional Student Access to Education – new Rural and Regional Enterprise Scholarships*, *Help Families with Diabetes*, *Visa Risk Assessment Capability*, and *Regional Investment Corporation*, and parts of *A Stronger Agriculture Sector* and *Regional Student Access to Education – Increase Assistance for Isolated Children*. Funding of \$877 million across the forward estimates has also been set aside for future Victorian infrastructure projects.