

Attachment C

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 2017-18 and the forward years.

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

	Estimates						Projections					
	2017-18		2018-19		2019-20		2020-21					
	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	1,243	1,231	-1	1,473	1,458	-1	1,164	1,153	-1	1,188	1,179	-1
Financial and fiscal affairs	6,383	7,055	11	6,303	6,478	3	6,397	6,695	5	6,301	6,574	4
Foreign affairs and economic aid	5,669	5,620	-1	5,944	5,857	-1	6,859	6,766	-1	5,858	5,690	-3
General research	2,831	2,886	2	2,926	2,912	0	3,016	2,983	-1	3,053	3,026	-1
General services	828	740	-11	828	727	-12	816	742	-9	820	689	-16
Government superannuation benefits	3,749	6,839	82	3,733	3,862	3	3,635	3,784	4	3,601	3,820	6
Defence	30,051	31,022	3	29,877	30,240	1	31,708	31,439	-1	33,865	33,687	-1
Public order and safety	5,042	5,249	4	4,940	5,183	5	4,927	5,126	4	4,572	4,774	4
Education	33,800	33,793	0	34,997	34,900	0	36,161	36,180	0	37,856	37,922	0
Health	75,277	75,942	1	77,511	78,008	1	80,007	80,231	0	82,590	82,755	0
Social security and welfare	164,059	163,953	0	178,122	176,211	-1	184,975	182,700	-1	191,206	187,128	-2
Housing and community amenities	5,351	5,383	1	4,876	4,799	-2	4,638	4,579	-1	4,088	4,081	0
Recreation and culture	3,632	3,731	3	3,449	3,448	0	3,344	3,329	0	3,469	3,369	-3
Fuel and energy	6,940	7,393	7	7,080	7,454	5	7,426	7,750	4	7,764	7,991	3
Agriculture, forestry and fishing	2,972	3,027	2	2,845	2,960	4	2,493	2,517	1	2,408	2,441	1
Mining, manufacturing and construction	3,825	3,557	-7	4,188	4,090	-2	4,425	4,292	-3	4,583	4,288	-6
Transport and communication	10,420	9,389	-10	8,592	9,191	7	7,470	7,943	6	6,545	6,628	1

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

	Estimates						Projections					
	2017-18		2018-19		2019-20		2020-21		2020-21		2020-21	
	Budget \$m	MYEFO \$m	Budget \$m	MYEFO \$m	Budget \$m	MYEFO \$m	Budget \$m	MYEFO \$m	Budget \$m	MYEFO \$m	Budget \$m	MYEFO \$m
			Change on Budget %			Change on Budget %			Change on Budget %			Change on Budget %
Other economic affairs												
Tourism and area promotion	182	182	0	160	159	-1	161	159	-1	172	157	-9
Labour and employment affairs	3,794	3,891	3	3,799	3,807	0	3,724	3,666	-2	3,705	3,655	-1
Immigration	3,113	3,713	19	2,612	2,646	1	2,512	2,551	2	2,393	2,418	1
Other economic affairs nec	2,322	2,319	0	2,323	2,402	3	2,172	2,189	1	2,156	2,166	0
Other purposes												
Public debt interest	17,154	16,959	-1	18,090	17,801	-2	18,702	18,272	-2	18,761	18,170	-3
Nominal superannuation interest	10,392	9,240	-11	10,761	10,761	0	11,133	11,133	0	11,502	11,502	0
General purpose												
inter-government transactions	64,274	64,347	0	68,736	68,954	0	70,902	71,495	1	74,794	75,260	1
Natural disaster relief	9	12	33	2	17	750	0	9	na	0	0	0
Contingency reserve	951	-538	-157	2,696	1,185	-56	4,431	3,343	-25	9,659	7,950	-18
Total expenses	464,262	466,937	1	486,863	485,512	0	503,198	501,026	0	522,907	517,318	-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 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 2017-18 is largely due to the CBA. Since the 2017-18 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 2018-19 (\$1.1 billion);
- $\frac{3}{4}$ of a percentage point of expenses in the second forward year 2019-20 (\$3.2 billion); and
- a $1\frac{1}{2}$ percentage point provision in the third forward year 2020-21 (\$6.6 billion).

The drawdown of the CBA reduced expenses by \$1.0 billion in 2018-19, \$1.1 billion in 2019-20 and \$2.2 billion in 2020-21. This is consistent with long standing practice and does not represent a saving or offset to 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; 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.