

SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE

Expenses

Table 3.23 shows estimates of Australian Government general government expenses by function and sub-function for 2018-19 and the forward years.

Table 3.23: Estimates of Australian Government general government sector expenses by function and sub-function

	Estimates						Projections					
	2018-19			2019-20			2020-21			2021-22		
	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	1,484	1,508	2	1,142	1,127	-1	1,166	1,155	-1	1,492	1,507	1
Financial and fiscal affairs	7,101	7,016	-1	7,203	7,214	0	6,860	6,899	1	7,197	7,172	0
Foreign affairs and economic aid	5,798	5,827	1	6,747	6,773	0	5,664	5,782	2	5,601	5,649	1
General research	2,995	3,017	1	3,057	3,142	3	3,143	3,206	2	3,207	3,317	3
General services	681	709	4	684	709	4	621	645	4	642	676	5
Government superannuation benefits	5,007	8,116	62	4,787	4,776	0	4,800	4,712	-2	4,783	4,676	-2
Defence	31,215	30,594	-2	30,866	30,972	0	33,061	33,002	0	35,164	34,982	-1
Public order and safety	5,324	5,544	4	5,263	5,480	4	4,851	5,041	4	4,829	4,997	3
Education	34,736	35,170	1	36,185	36,530	1	37,730	38,317	2	39,336	39,894	1
Health	78,825	80,183	2	80,416	81,258	1	82,049	82,262	0	85,041	85,202	0
Social security and welfare	175,971	174,684	-1	182,568	182,794	0	187,535	187,247	0	194,335	194,163	0
Housing and community amenities	5,382	5,647	5	5,119	5,366	5	4,454	4,818	8	4,225	4,446	5
Recreation and culture	3,638	3,949	9	3,517	3,687	5	3,470	3,618	4	3,539	3,678	4
Fuel and energy	7,541	7,716	2	7,814	8,022	3	8,138	8,288	2	8,492	8,630	2
Agriculture, forestry and fishing	3,070	3,196	4	2,628	2,746	4	2,549	2,912	14	2,678	2,941	10
Mining, manufacturing and construction	3,260	2,915	-11	3,552	3,511	-1	3,681	3,869	5	3,484	3,726	7
Transport and communication	9,062	8,455	-7	8,187	8,264	1	7,523	7,727	3	6,976	7,604	9

Table 3.23: Estimates of Australian Government general government sector expenses by function and sub-function (continued)

	Estimates						Projections					
	2018-19			2019-20			2020-21			2021-22		
	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 economic affairs												
Tourism and area promotion	164	169	3	162	165	2	173	175	1	177	180	2
Labour and employment affairs	3,782	3,844	2	3,647	3,650	0	3,608	3,623	0	3,637	3,639	0
Immigration	3,048	3,512	15	2,504	2,553	2	2,393	2,443	2	2,378	2,417	2
Other economic affairs nec	2,476	2,514	2	2,327	2,458	6	2,225	2,340	5	2,154	2,267	5
Other purposes												
Public debt interest	17,811	17,235	-3	18,355	17,504	-5	18,047	17,257	-4	17,806	17,042	-4
Nominal superannuation interest	10,648	9,446	-11	11,049	11,049	0	11,387	11,387	0	11,715	11,715	0
General purpose inter-government transactions	69,446	68,953	-1	73,096	73,358	0	76,847	76,687	0	80,665	80,936	0
Natural disaster relief	17	153	800	10	13	30	0	3	na	0	0	0
Contingency reserve	101	-1,706	-1,789	3,287	1,271	-61	6,271	4,371	-30	11,274	7,097	-37
Total expenses	488,584	488,363	0	504,171	504,392	0	518,247	517,785	0	540,830	538,552	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 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 2018-19 is largely due to the CBA. Since the 2018-19 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 2019-20 (\$1.1 billion);
- $\frac{3}{4}$ of a percentage point of expenses in the second forward year 2020-21 (\$3.3 billion); and
- a $1\frac{1}{2}$ percentage point provision in the third forward year 2021-22 (\$6.8 billion).

The drawdown of the CBA reduced expenses by \$1.1 billion in 2019-20, \$1.1 billion in 2020-21 and \$2.4 billion in 2021-22. This is consistent with long standing practice and does not represent a saving.

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.