

## **Appendix B: Supplementary expenses table and the Contingency Reserve**

### **Expenses**

Table B.1 shows estimates of Australian Government general government expenses by function and sub-function for 2020-21 and the forward years.

**Table B.1: Estimates of Australian Government general government sector expenses by function and sub-function**

	Estimates											
	2020-21			2021-22			2022-23			2023-24		
	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 %
<b>General public services</b>												
Legislative and executive affairs	1,401	1,459	4	1,659	1,642	-1	1,305	1,307	0	1,308	1,312	0
Financial and fiscal affairs	7,901	8,690	10	7,715	7,580	-2	7,371	7,240	-2	6,971	6,831	-2
Foreign affairs and economic aid	6,541	6,647	2	5,868	6,071	3	5,954	6,141	3	6,513	6,669	2
General research	3,452	3,440	0	3,410	3,395	0	3,400	3,374	-1	3,524	3,506	-1
General services	1,190	1,171	-2	705	687	-3	695	680	-2	720	702	-3
Government superannuation benefits	11,279	11,210	-1	5,055	4,994	-1	5,115	5,050	-1	5,290	5,226	-1
<b>Defence</b>	34,415	34,407	0	35,382	35,362	0	37,120	37,061	0	38,996	38,895	0
<b>Public order and safety</b>	6,212	6,253	1	5,802	5,855	1	5,597	5,631	1	5,514	5,591	1
<b>Education</b>	41,742	43,318	4	41,512	41,909	1	42,095	42,429	1	43,349	43,671	1
<b>Health</b>	93,771	95,119	1	90,313	92,178	2	93,819	94,080	0	97,532	97,862	0
<b>Social security and welfare</b>	227,529	230,519	1	201,730	202,406	0	201,562	202,282	0	205,480	206,391	0
<b>Housing and community amenities</b>	7,086	6,871	-3	5,713	5,986	5	5,172	5,313	3	4,794	4,773	0
<b>Recreation and culture</b>	4,364	4,393	1	4,000	4,034	1	3,836	3,861	1	3,900	3,900	0
<b>Fuel and energy</b>	8,771	8,899	1	8,603	8,993	5	9,021	9,141	1	9,511	9,511	0
<b>Agriculture, forestry and fishing</b>	3,913	3,982	2	3,880	3,937	1	3,182	3,222	1	2,871	2,884	0
<b>Mining, manufacturing and construction</b>	3,306	3,609	9	3,696	3,839	4	4,026	4,093	2	4,112	4,029	-2
<b>Transport and communication</b>	13,060	13,337	2	14,453	14,842	3	15,054	15,203	1	15,158	15,189	0

**Table B.1: Estimates of Australian Government general government sector expenses by function and sub-function (continued)**

	Estimates											
	2020-21			2021-22			2022-23			2023-24		
	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 %
<b>Other economic affairs</b>												
Tourism and area promotion	261	261	0	179	177	-1	170	168	-1	171	170	-1
Labour and employment affairs	7,671	7,825	2	5,801	5,979	3	4,705	4,696	0	4,501	4,356	-3
Immigration	3,836	3,839	0	2,719	2,850	5	2,602	2,640	1	2,568	2,621	2
Other economic affairs nec	86,180	75,145	-13	5,582	5,600	0	2,833	2,847	0	2,555	2,561	0
<b>Other purposes</b>												
Public debt interest	16,804	17,051	1	17,365	17,316	0	17,774	17,523	-1	17,812	17,742	0
Nominal superannuation interest	7,004	7,004	0	11,731	11,731	0	12,063	12,063	0	12,393	12,393	0
General purpose inter-government transactions	64,092	67,199	5	71,213	72,225	1	75,468	76,007	1	79,461	79,446	0
Natural disaster relief	482	266	-45	832	110	-87	155	119	-23	0	0	0
Contingency reserve	8,068	5,403	-33	12,570	11,018	-12	14,811	13,645	-8	21,612	19,436	-10
<b>Total expenses</b>	<b>670,330</b>	<b>667,321</b>	<b>0</b>	<b>567,491</b>	<b>570,715</b>	<b>1</b>	<b>574,907</b>	<b>575,816</b>	<b>0</b>	<b>596,619</b>	<b>595,666</b>	<b>0</b>

## **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 2021-22 is largely due to the CBA. Since the 2020-21 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 2021-22 (\$1.3 billion)
- $\frac{3}{4}$  of a percentage point of expenses in the second forward year 2022-23 (\$3.8 billion)
- $1\frac{1}{2}$  of a percentage point of expenses in the third forward year 2023-24 (\$7.8 billion).

The drawdown of the CBA reduced expenses by \$1.1 billion in 2021-22, \$1.1 billion in 2022-23, and \$2.2 billion in 2023-24. 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
- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual entity estimates
- provisions for other specific events and policy changes that may impact the budget estimates.