

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 312

Topic: Contingency Reserves

Hansard Page: Written

Senator EGGLESTON asked:

1. Could you please explain the line “add Contingency Reserve offsets to policy decisions” in Budget Paper No 1, Page 3-7, Table 3?
2. The Budget Papers have not previously shown funds from the Contingency Reserve offsetting new policy decisions. Why has it occurred in this budget?
3. Page 6-55, Budget Paper No 1 states that previous estimates in the Contingency Reserve for the CPRS have been removed. Does this mean that by removing the CPRS from the budget, that the Government was able to meet its fiscal discipline if offsetting all new spending?
4. Table 3 clearly shows that the Government decisions since the 2009-10 Mid Year Economic Fiscal Outlook impacted the Budget by \$2.3 billion (spending \$30.5 billion and saving \$28.1 billion). Scrapping the CPRS and putting the \$2.8 billion reserved in the Contingency Reserve for the CPRS back into the Budget enabled the Government to meet its commitment to offset all new spending. Was it the Department’s idea to use the CPRS funding in the Contingency Reserve to offset the spending since since MYEFO? If so, explain how it happened; if not, where did the idea come from?

Answer:

1. The policy decisions taken since the 2009-10 MYEFO include funding of \$2.9 billion that has previously been provided for in the contingency reserve. This primarily includes funding for drought assistance and Overseas Development Assistance. As this funding is already included in the forward estimates, these decisions have no net impact on the budget position.
2. The Contingency Reserve offsets line has previously been shown in the 2009-10 Budget (Table 2, Page 3-7) and the 2009-10 MYEFO (Table 3.1, Page 32).
3. The Government’s decision to defer the introduction of the CPRS resulted in cash savings of \$652.5 million. The Government committed to use this funding to establish the Renewable Energy Future Fund (Budget Paper 2, Page 124). The deferral of the CPRS did not assist the Government in offsetting all new spending as the savings were used in full to fund the Renewable Energy Future Fund.

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4. The cash savings from the decision to defer the CPRS are included in the effect of policy decisions line in Table 3 on Page 3-7 in Budget Paper 1 (2010-11 Budget), and not in the \$2.86 billion contingency reserve offsets line. The CR offsets line includes funding for spending measures where amounts have previously been provided for in the contingency reserve, such as drought assistance and Official Development Assistance. The cash savings of \$652.5 million from the deferral of the CPRS was used in full to establish the Renewable Energy Future Fund, with no net impact on the underlying cash balance over the forward estimates.