

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 77

Topic: Expenses Reconciliation for 2010-11

Hansard Page: Written

Senator Bushby asked:

Table 2 on p. 6-4 of BP #1, which provides a reconciliation of expense estimates, disaggregates the impact of parameter variations on the 2010-11 budget position. It shows that over the six months since the 2010-11 MYEFO the total effect of parameter variations on the expenses side has been to improve the bottom line by \$5½ billion. Of this, however, \$4.981 billion of the reduction in expenses is simply classified under “other variations”. (Note that the figures for “other variations” for 2011-12, 2012-13 and 2013-14 are much smaller, being all well below \$1 billion.)

The other categories of parameter variations are (for 2010-11):

- “total economic parameter variations” – reduction in expenses of \$1,418m
- Public debt interest – additional expense of \$154m
- “program specific parameter variations” – additional expense of \$823m
- “slippage in 2010-11 Budget decisions – reduction in expenses of \$94m

Given that there are all these categories separately identified, the “other variations” category usually consists of sums taken out of the Contingency Reserve (CR), typically because a policy decision for which money had been set aside in the CR is finalised so that its cost is then transferred to the relevant portfolio and the allowance in the CR is removed.

Can you advise us what these “other variations” consist of?

Answer:

Details on the movements in expense estimates since the 2010-11 MYEFO can be found in the 2011-12 Budget Paper No. 1, *Statement 3: Fiscal strategy and outlook*, pages 3-18 to 3-21. Other variations that reduced expense estimates in 2010-11 include the reprofiling of water programs and estimates adjustments for Defence.

The level of Contingency Reserve offsets to policy decisions taken in the 2011-12 Budget is disclosed on page 3-14 of the 2011-12 Budget Paper No. 1.

Further details on the Contingency Reserve can be found on pages 6-55 and 6-56 of the 2011-12 Budget Paper No. 1.