

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20 – 21 October 2010

Question: SBT 235

Topic: Contingency Reserve

Senator Bushby/Abetz asked:

Senator BUSHBY—Given that you have clarified that it has to be prepared in accordance with appropriate accounting standards, would those accounting standards limit the matters that are in the contingency reserve to those that are currently listed on page 6-54?

Senator Wong—We would probably have to take that on notice. I do not know if Mr Ray has got that off the top of his head or whether that might even be something Finance—

Mr Ray—I do not have the GFS manual with me, so I am happy to take it on notice.

Senator BUSHBY—Okay.

Mr Ray—Sorry—by definition, yes, those accounting standards will limit what is in the contingency reserve.

Senator BUSHBY—They will limit it just to those matters that are currently incorporated within the contingency reserve for the purposes of this year's budget. Could a government be pinged for—

Mr Ray—I expect the answer to that is no, but I will take it on notice rather than—

Senator Wong—Let me just be clear about the question. You are asking—

Mr Ray—The question is: could something else be in the contingency reserve other than what was in the contingency reserve under these categories in the 2010-11 budget? That is what you are asking?

Senator BUSHBY—Yes.

Mr Ray—We will take that on notice.

Senator Wong—What would the GFS contemplate, if anything, over and above those categories? Is that a reasonable—

Senator BUSHBY—That is reasonable, yes.

Senator ABETZ—Could you draw our attention to the GFS statement, or whatever the relevant page is?

Senator Wong—I do not have those accounting standards here.

Senator ABETZ—No—on notice. Sorry, I presumed it would be on notice.

Answer:

The Contingency Reserve is an allowance, included in aggregate expenses (other purposes n.e.c), principally to reflect anticipated events that cannot be assigned to individual programs in the preparation of the Australian Government budget estimates. The Reserve is used to ensure that the budget estimates are based on the best information available at the time.

The *Charter of Budget Honesty Act 1996* provides a framework for the conduct of Government fiscal policy with the purpose of improving fiscal policy outcomes. Paragraph 12(2) states that the information in the Government's annual reporting is to take account, to the fullest extent possible, all Government decisions and all other circumstances that may have a material effect on the fiscal and economic outlook.

AASB 1049 - *Financial reporting of General Government Sectors by Governments* paragraph 29 requires that the operating statement include all items of income and expense recognised in a period.

Details on the Contingency Reserve can be found on pages 6-42 and 6-54 in the 2010-11 Budget Paper No. 1.