

ATTACHMENT A – REFERENCES TO CONTINGENCY RESERVE

References to Contingency Reserve

Budget Paper No.1 2005-06

Statement 2

Variations in net capital investment estimates

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1 The forward estimates include an allowance for the established tendency of existing government policy (particularly demand driven programmes) to be higher than estimated in the forward years. To offset this the contingency reserve includes an allowance based on past experience to preserve the overall integrity of forward estimates. This allowance, known as the conservative bias allowance, is progressively reduced so that the budget year conservative bias allowance is zero by budget night.

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Health

Table 8: Summary of expenses

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(a) The financial impact of premium growth on the forward estimates for the Private Health Insurance Rebate has been allocated to the contingency reserve.

Other Purposes

Table 17: Summary of Expenses

Page 6-21

(a) Asset sale related expenses are treated as a component of the contingency reserve.

The function also includes items classified to natural disaster relief, the contingency reserve, and costs of asset sales.

The increased expenses in the contingency reserve from 2005-06 over the forward years is largely due to the conservative bias allowance – an allowance that compensates for the trend in expenses on existing Australian Government programmes to be underestimated by agencies in the forward years. The nature of the contingency reserve is discussed in more detail at Appendix b.

Appendix A:

Table A1: Estimates of expenses by function and sub-function (continued)

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(b) Asset sale related expenses are now treated as a component of the contingency reserve.

Appendix B: The Contingency Reserve

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The general government sector fiscal balance and net worth include an allowance, through the contingency reserve, for the anticipated impact of Australian Equivalents to International Financial Reporting Standards. The Australian Government general government sector fiscal balance increases by \$57 million in 2005-06 due to lower expenses with minor impacts in the forward years. Australian Government general government sector net worth reduces by around \$1.3 billion in 2005-06 and the forward years.

ATTACHMENT A – REFERENCES TO CONTINGENCY RESERVE

Budget Paper No.2 2005-06

Australian Broadcasting Corporation – improving ABC local radio coverage of Dubbo, Geelong and Wagga Wagga and their surrounding areas

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The Government will provide funding to the Australian Broadcasting Corporation (ABC) to improve local radio transmission services at Dubbo, Geelong and Wagga Wagga. Funding for this purpose has been placed in the contingency reserve, pending the outcome of the tender process.

Australian Film, Television and Radio School – relocation

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The Government will provide funding to relocate the Australian Film, Television and Radio School from its existing facility in North Ryde, Sydney, to a more central Sydney location. The new location will be closer to screen production and broadcasting industries and enable the school to more effectively deliver high quality training to the film, television and radio industries. The North Ryde facility is expected to be sold in 2007-08.

This measure will also impact on revenues from 2007-08. While disruptions associated with the move itself are expected to initially lower revenues, beyond this, the school's new location should enable it to attract more students, and lead to higher revenues.

Estimates of the impact of the measure are unable to be disclosed, as this would be likely to affect negotiations. Funding for this measure has been placed in the contingency reserve.

Regional Assistance Mission to Solomon Islands

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The Government will provide \$840.5 million over four years (including \$43.6 million in capital funding) to continue its programme of assisting the Solomon Islands Government to restore law and order, provide for the ongoing rebuilding of the legal and justice system (including reform of the Royal Solomon Islands Police Force), and pursue economic, governance and public sector reforms.

The associated capital funding will provide for building refurbishment and the replacement of vehicles, communications and computer equipment used by the Australian Federal Police. A provision of \$834.4 million over four years was included in the contingency reserve in the Mid-Year Fiscal Economic Outlook 2004-05 for the expected impact of the continuation of this programme from 2005-06 onwards.

Maritime Emergency Towing Services

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The Government will provide funding in 2004-05 and 2005-06 to ensure the maintenance of current maritime emergency towing capability and services around the Australian coastline. As the funding will be made available on the basis of a competitive tender, provision for it has been made in the Contingency Reserve.

Financial Reporting Council – improved accounting and auditing standards-setting arrangements

Page 253-4

The government will provide additional funding of \$192 million over four years to support the Financial Reporting Council in its expanded role of overseeing auditor independence and audit standards-setting arrangements, and for the continuation of the Financial Reporting Panel. The expanded functions of the Financial Reporting Council and the newly established role of the Panel form part of the *Corporate Law Economic Reform Package (Audit Reform and Corporate Disclosure) Act 2004* (CLERP9). This measure involves funding of \$4.8 million in each year from 2005-06 to 2008-09. Provision for this funding has already been included in the Contingency Reserve.