

Statement 6: Expenses and Net Capital Investment

This Statement presents estimates of Australian Government general government sector expenses and net capital investment, disaggregated into various functions of government, on an accrual accounting basis. The Government also reports spending on an underlying cash basis (including details about payments) in *Statement 3: Fiscal Strategy and Outlook*.

The Government is focused on responsible economic management, responding to the challenges of today and investing in a better future. In this Budget, the Government is investing to deal with unavoidable spending, easing cost-of-living pressures, building more homes for Australians, investing in a Future Made in Australia, strengthening Medicare and the care economy, and broadening opportunity and advancing equality.

General government sector expenses are expected to remain broadly stable as a proportion of GDP over the period 2024–25 to 2027–28, reflecting the Government’s commitment to provide support to ease cost-of-living pressures on businesses and households and build a stronger foundation for sustainable economic growth. Total expenses are expected to be 26.6 per cent of GDP in 2024–25 and to remain around that level over the period 2024–25 to 2027–28.

Significant areas of expenditure in 2024–25 will be in the **social security and welfare** (36.3 per cent of total expenses), **health** (15.3 per cent of total expenses), **education** (7.2 per cent of total expenses) and **defence** (6.5 per cent of total expenses) functions. Together, these functions account for approximately 65 per cent of all government expenses in 2024–25.

Real growth in expenses over the period 2024–25 to 2027–28 is expected to average 2.0 per cent per year. The strongest real growth across the period 2024–25 to 2027–28 is expected to occur in the **defence** (6.3 per cent) and **social security and welfare** (5.6 per cent) functions.

Major expense trends over the period 2024–25 to 2027–28 include movements in the following functions.

Social security and welfare: the increase in expenses is largely due to the Government’s ongoing investment in assistance to people with disability, both through the National Disability Insurance Scheme and the Disability Support pension, and through funding under the Aged Care Services program. Expenses for services and payments, including JobSeeker Payment and income support and compensation payments to veterans are expected to increase over the period 2024–25 to 2027–28, as more recipients can more easily access government services.

Defence: the increase in expenses reflects that under the *2024 National Defence Strategy* and the *Integrated Investment Program*, the Government will invest to accelerate the delivery of defence capabilities to support an integrated, focused force that is better positioned to safeguard Australia's security and prosperity.

Education: the increase in expenses reflects the Government's continued investment in improving education outcomes and supporting schools, higher education, and vocational education programs. Expenditure is driven by more funding to states and student enrolment growth, including higher enrolment rates for 'students with disability', which will drive expenses for schools. Increased funding for universities and vocational education under the *Australian Universities Accord* and *National Skills Agreement* and the changes to indexation arrangements for outstanding debt for student loans are also estimated to increase expenses.

Mining, manufacturing and construction: the increase in expenses reflects the Government's continued investment in Australia's mining, manufacturing and construction industries. Expenses for the Research and Development Tax Incentive continue to increase to support the research and development that is key to boosting the competitiveness and productivity of industry.

Fuel and energy: the increase in expenses in 2024–25 for renewable energy investments reflects the Government's commitment to growing Australia's renewable energy capabilities through concessional loans made by the Clean Energy Finance Corporation under *Powering Australia – Rewiring the Nation*. In the 2024–25 Budget, the Government is also investing in the *Future Made in Australia* agenda which includes further Government investments into renewable energy and technology, which will develop new clean energy industries and supply chains and contribute to Australia's efforts towards achieving a global net zero economy. The Government is also extending and expanding the *Energy Bill Relief Fund* to deliver cost-of-living relief to all Australian households and eligible businesses.

Housing and community amenities: the Government is providing targeted upfront investments into building more homes and liveable communities, and ensuring Australians have safe, secure, and affordable homes. In the 2024–25 Budget, the Government is providing further support through the new *National Agreement on Social Housing and Homelessness*, enabling infrastructure through the Housing Support Program, and the investments through the Housing Australia Future Fund.

Figures in the tables and text, and the analysis of trends, are presented in nominal terms, except in circumstances where real values are explicitly stated.

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Statement 6: Expenses and Net Capital Investment

Overview

Australian Government general government sector expenses are expected to increase from \$691.1 billion in 2023–24 to \$829.8 billion in 2027–28, with expenses as a percentage of GDP marginally decreasing over the period 2024–25 to 2027–28.

Spending in this Budget is focused on easing cost-of-living pressures for Australians, investing in a Future Made in Australia, driving the energy transition, strengthening Medicare and the care economy, and supporting Australians to meet their housing needs. The Budget also addresses significant unavoidable spending pressures to ensure Australians do not see a cut to the programs and services they rely on.

Table 6.1.1: Estimates of general government sector expenses

	MYEFO	Revised	Estimates			
	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28
Total expenses (\$b)	689.3	691.1	734.5	767.3	793.8	829.8
Real growth on						
previous year (%) ^(a)	3.6	4.2	3.4	1.4	1.1	2.0
Per cent of GDP	25.8	25.7	26.6	26.7	26.3	26.1

a) Real growth is calculated using the Consumer Price Index.

Average annual real growth in expenses over the period 2024–25 to 2027–28 is expected to be 2.0 per cent, which shows the Government’s commitment to responsible and sustainable economic and fiscal management.

As a percentage of GDP, total expenses are expected to be 26.6 per cent in 2024–25 and are projected to marginally decrease over the period 2024–25 to 2027–28.

More detail about general government sector expenses can be seen at a program level for the top 20 programs by expense in Table 6.3.1.

Table 6.1.2: Estimates of general government sector payments

	MYEFO	Revised	Estimates			
	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28
Total payments (\$b)	686.4	683.0	726.7	762.2	786.7	826.2
Real growth on						
previous year (%) ^(a)	4.7	4.5	3.6	1.8	0.8	2.4
Per cent of GDP	25.7	25.4	26.4	26.6	26.0	26.0

b) Real growth is calculated using the Consumer Price Index.

Payment estimates are the cash equivalent of the accrual-based expense estimates. Changes in payments are generally driven by the same factors as expenses.

Government payments are expected to increase in both nominal and real terms over the period 2024–25 to 2027–28, with average annual real growth estimated to be 2.2 per cent.

As a percentage of GDP, total payments are expected to be 26.4 per cent in 2024–25 and are projected to marginally decrease over the period 2024–25 to 2027–28.

More detail about general government sector payments can be seen at a program level for the top 20 programs by payment in Table 6.3.2 and in *Statement 3: Fiscal Strategy and Outlook*.

Table 6.2 provides a reconciliation of expense estimates between the 2023–24 Budget and the 2024–25 Budget.

Table 6.2: Reconciliation of expense estimates

	Estimates				Total \$m
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	
2023-24 Budget expenses	684,085	715,382	743,324	771,779	2,914,570
Changes from 2023-24 Budget to 2023-24 MYEFO					
Effect of policy decisions(a)	1,262	2,597	781	1,242	5,881
Effect of parameter and other variations	3,959	-1,989	7,839	10,517	20,326
Total variations	5,220	608	8,620	11,759	26,207
2023-24 MYEFO expenses	689,306	715,990	751,944	783,537	2,940,777
Changes from 2023-24 MYEFO to 2024-25 Budget					
Effect of policy decisions(a)	292	12,049	7,893	4,523	24,757
Effect of economic parameter variations					
Total economic parameter variations	1,747	-1,930	-3,999	-3,847	-8,030
<i>Unemployment benefits</i>	437	354	-237	45	599
<i>Prices and wages</i>	-364	-1,446	-1,763	-1,388	-4,961
<i>Interest and exchange rates</i>	-19	89	91	87	248
<i>GST payments to the States</i>	1,694	-928	-2,090	-2,591	-3,915
Public debt interest	143	-579	-96	-649	-1,181
Program specific parameter variations	6,777	7,454	10,919	10,560	35,710
Other variations	-7,195	1,535	630	-359	-5,388
Total variations	1,765	18,529	15,346	10,228	45,867
2024-25 Budget expenses	691,070	734,518	767,290	793,765	2,986,644

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

In the 2024–25 Budget, policy decisions are estimated to increase expenses by \$24.8 billion over the four years from 2023–24 to 2026–27 compared with the 2023–24 MYEFO. The majority of net policy decisions relate to unavoidable spending pressures, with the Budget also investing in a wide range of programs, particularly measures to ease cost-of-living pressures, build more homes for Australians, create a Future Made in Australia, strengthen Medicare and the care economy, and broaden opportunity and advance equality.

Economic parameters are estimated to decrease expenses by \$8.0 billion over the four years from 2023–24 to 2026–27 compared with the 2023–24 MYEFO, reflecting lower projections for prices and wages, and lower projections for GST payments to the states on account of lower projections for consumption.

Program specific parameter variations are projected to increase expenses by \$35.7 billion over the four years from 2023–24 to 2026–27 compared with the 2023–24 MYEFO. This includes major variations in the following programs:

- Expenses related to the National Disability Insurance Scheme (NDIS) are estimated to increase by \$11.1 billion over four years from 2023–24 to 2026–27 (and \$4.5 billion in 2027–28), based on revised projections from the NDIS Actuary and adjustments related to in-kind supports. The NDIS legislative reforms being undertaken by the Government as part of the 2024–25 Budget measure *National Disability Insurance Scheme – Getting the NDIS back on track* are expected to offset the increase projected by the NDIS Actuary, moderate this additional growth in NDIS expenses from 2024–25, to keep NDIS expenditure on track to achieve the NDIS Sustainability Framework from 1 July 2026.
- Expenses related to the Military Rehabilitation Compensation Act – Income Support and Compensation are expected to increase by \$5.7 billion over the four years from 2023–24 to 2026–27, largely due to more claims being processed because of increased staffing levels that the Government has agreed to in order to deliver on its commitment to clear the claims backlog.
- Expenses related to the Child Care Subsidy are expected to increase by \$2.6 billion over the four years from 2023–24 to 2026–27, largely reflecting additional support flowing to families due to the higher costs of providing care.
- Expenses related to JobSeeker Income Support are expected to increase by \$1.4 billion over the four years from 2023–24 to 2026–27, largely due to upward revisions to the expected number of recipients and average payment rates, driven by changes to the composition of payment recipients.

Since the 2023–24 MYEFO, other variations (-\$5.4 billion), variations associated with Public Debt Interest (-\$1.2 billion) and program specific parameter variations (\$35.7 billion) have increased expenses by \$29.1 billion over the four years to 2026–27.

Estimated expenses by function

Estimates of general government sector expenses by function for the period 2023–24 to 2027–28 are set out in Table 6.3. The social security and welfare, health, education and defence functions account for approximately 65 per cent of all government expenses in 2024–25 (see Box 6.1). Changes to the levels of expenditure within these functions significantly affect total government spending. Further details of spending trends in all functions are set out under individual function headings.

Table 6.3: Estimates of expenses by function^(a)

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
General public services	31,442	32,395	30,595	31,068	31,838
Defence	45,128	47,986	50,046	51,339	55,102
Public order and safety	7,960	8,421	6,993	6,832	6,756
Education	49,099	53,046	53,220	55,093	56,925
Health	107,416	112,693	115,913	118,512	122,801
Social security and welfare	252,342	266,693	282,057	290,665	304,093
Housing and community amenities	7,955	9,999	8,831	7,072	5,629
Recreation and culture	5,050	5,372	5,472	5,423	5,604
Fuel and energy	13,273	20,121	13,908	13,794	13,825
Agriculture, forestry and fishing	4,068	4,317	4,079	3,949	3,294
Mining, manufacturing and construction	5,968	5,511	5,563	5,776	6,172
Transport and communication	14,928	16,769	16,717	16,375	14,656
Other economic affairs	14,011	13,386	12,214	11,733	11,512
Other purposes	132,430	137,810	161,683	176,135	191,549
Total expenses	691,070	734,518	767,290	793,765	829,755

a) The functions are based on an international standard classification of functions of government that is incorporated into the Government Finance Statistics (GFS) reporting framework.

Box 6.1: Where does government spending go in 2024–25?

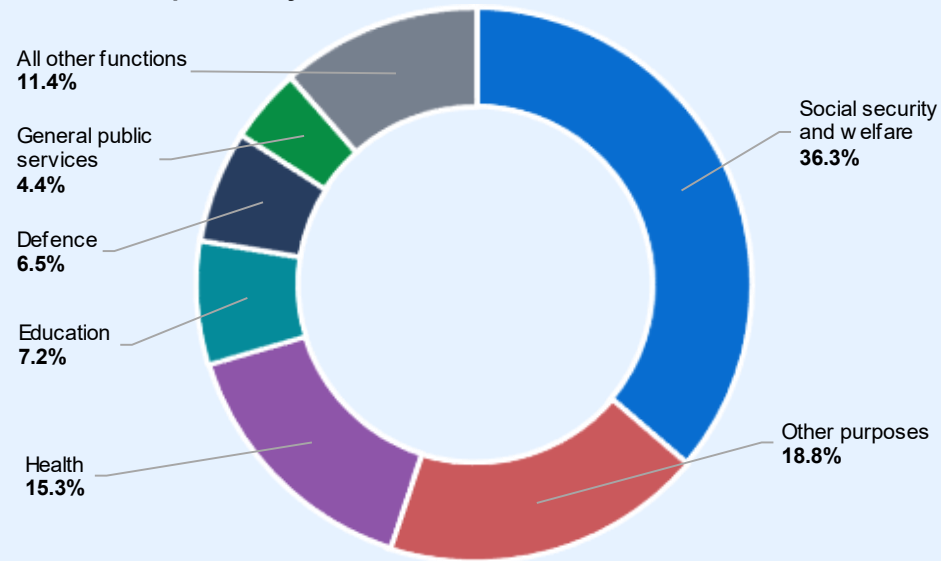
Government spending provides a wide range of services to the community. The most significant component of government spending relates to social security and welfare, with over one third of total expenses providing support to the aged, families with children, people with disabilities, veterans, carers and unemployed people.

Around a seventh of government expenses occur in health, including spending on the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme.

The Government also provides significant investment in education, supporting government and non-government schools, as well as higher education and vocational education and training.

Defence is another significant component of government expenditure, providing capability to the Australian Defence Force to protect Australia’s security and defend our national interests.

Chart 6.1: Expenses by function in 2024–25



The estimates presented in the chart above are explained in greater detail under each function in the following pages.

Program expenses

The top 20 expense programs in the 2024–25 financial year are presented in Table 6.3.1. These programs represent more than two thirds of total expenses in 2024–25.

Table 6.3.1: Top 20 programs by expense

Program(a)	Function	Estimates				
		2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Revenue assistance to the States and Territories	Other purposes	92,107	94,412	99,241	104,771	109,243
Support for Seniors	SSW	59,160	61,672	64,459	67,163	70,025
National Disability Insurance Scheme(b)	SSW	44,322	48,752	52,318	56,458	60,746
Aged Care Services	SSW	32,321	36,150	37,863	40,061	43,558
Medical Benefits	Health	29,763	31,983	33,915	35,497	37,344
Assistance to the States for Healthcare Services	Health	27,853	30,149	32,187	34,229	36,454
Commonwealth Debt Management	Other purposes	22,547	24,107	28,269	32,432	35,744
Financial Support for People with Disability	SSW	21,165	22,003	22,855	23,657	24,765
Pharmaceutical Benefits	Health	19,009	19,543	19,760	19,545	19,717
Non-Government Schools National Support	Education	18,116	18,726	19,497	20,275	21,051
Support for Families	SSW	16,626	17,261	17,655	18,031	18,304
Job Seeker Income Support	SSW	14,737	16,100	16,562	16,760	16,298
Child Care Subsidy	SSW	13,914	14,531	15,113	15,996	16,899
Financial Support for Carers	SSW	11,141	11,670	12,177	12,639	13,251
Government Schools National Support	Education	11,099	11,474	11,889	12,322	12,782
Fuel Tax Credits Scheme	Fuel and energy	9,857	10,184	10,561	11,309	12,115
Public Sector Superannuation - Benefits(c)	Other purposes; General public services	9,809	10,095	10,264	10,440	10,582
Defence Force Superannuation - Benefits(c)	Other purposes; General public services	9,807	9,830	10,274	10,782	11,309
Army Capabilities	Defence	9,014	9,207	9,863	10,382	10,688
National Partnership Payments - Road Transport	Transport and communication	8,175	8,984	9,551	8,815	8,082
Sub-total		480,541	506,833	534,273	561,563	588,955
Other programs		210,530	227,685	233,017	232,202	240,800
Total expenses		691,070	734,518	767,290	793,765	829,755

- a) The entry for each program includes eliminations for inter-agency transactions within that program.
 b) This program is a combination of agency costs, support for participants and administered expenses.
 c) This program is a combination of superannuation nominal interest and accrual expenses.

Program payments

The top 20 payment programs in the 2024–25 financial year are presented in Table 6.3.2. Although broadly similar to the top 20 expense programs, there are some differences in the timing of reporting between payments and expenses, and the reported payment figures include expenditure capital investment but exclude depreciation.

Table 6.3.2: Top 20 programs by payment

Program(a)	Function	Estimates				
		2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Revenue assistance to the States and Territories	Other purposes	91,604	94,544	99,251	104,780	109,239
Support for Seniors	SSW	58,901	61,737	64,570	67,372	70,252
National Disability Insurance Scheme(b)	SSW	42,902	47,985	51,767	55,861	60,111
Aged Care Services	SSW	32,305	36,134	37,848	40,046	43,542
Medical Benefits	Health	29,692	31,951	33,910	35,474	37,319
Assistance to the States for Healthcare Services	Health	27,853	30,149	32,187	34,229	36,454
Commonwealth Debt Management	Other purposes	20,967	22,364	26,052	28,339	34,057
Financial Support for People with Disability	SSW	21,098	22,070	22,937	23,755	24,820
Pharmaceutical Benefits	Health	18,989	19,527	19,759	19,550	19,712
Non-Government Schools National Support	Education	18,116	18,726	19,497	20,275	21,051
Support for Families	SSW	16,869	17,599	17,956	18,361	18,549
Job Seeker Income Support	SSW	14,845	16,286	16,777	16,965	16,535
Child Care Subsidy	SSW	13,738	14,444	15,262	15,988	16,818
Financial Support for Carers	SSW	11,093	11,688	12,207	12,679	13,224
Government Schools National Support	Education	11,113	11,476	11,891	12,324	12,783
Army Capabilities	Defence	11,380	11,147	12,553	13,200	14,085
Navy Capabilities	Defence	10,466	10,414	11,310	12,470	12,551
Fuel Tax Credits Scheme	Fuel and energy	9,704	10,133	10,484	11,196	11,994
Public Sector Superannuation - Benefits	General public services	9,427	10,000	10,353	10,753	11,175
Air Force Capabilities	Defence	9,750	9,032	9,651	10,352	10,939
Sub-total		480,810	507,406	536,220	563,969	595,209
Other programs		202,151	219,326	225,971	222,754	230,948
Total payments		682,961	726,732	762,192	786,722	826,157

a) The entry for each program includes eliminations for inter-agency transactions within that program.

b) This program is a combination of agency costs, support for participants and administered expenses.

General government sector expenses

General public services

The general public services function includes expenses to support the organisation and operation of government. These expenses include those relating to the Parliament, the Governor-General, the conduct of elections, the collection of taxes and management of public funds and debt, assistance to developing countries to reduce poverty and achieve sustainable development (particularly countries in the Pacific region), contributions to international organisations, and foreign affairs.

The general public services function also includes expenses related to research in areas not otherwise connected with a specific function (including research undertaken by the Commonwealth Scientific and Industrial Research Organisation, the Australian Nuclear Science and Technology Organisation, the Australian Institute of Marine Science, and the Australian Research Council), those associated with overall economic and statistical services, as well as government superannuation benefits (excluding nominal interest expenses on unfunded liabilities, which are included under the nominal superannuation interest sub-function in the other purposes function).

Table 6.4: Summary of expenses – general public services

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Legislative and executive affairs	2,052	2,216	1,676	1,633	1,840
Financial and fiscal affairs	10,378	10,227	10,070	10,081	9,814
Foreign affairs and economic aid(a)	7,282	8,730	7,667	8,105	8,632
General research(b)	4,063	4,485	4,378	4,232	4,276
General services	1,260	1,253	1,221	1,235	1,268
Government superannuation benefits	6,407	5,485	5,584	5,782	6,008
Total general public services	31,442	32,395	30,595	31,068	31,838

a) A further breakdown of the foreign affairs and economic aid sub function is provided in Table 6.4.1.

b) A further breakdown of the general research sub function is provided in Table 6.4.2.

Total general public services expenses are estimated to decrease by 1.7 per cent over the period from 2024–25 to 2027–28.

The largest movement in expenses for the general public services function is an expected increase for **government superannuation benefits**, with other significant movements in spending on **legislative and executive affairs**, **general research** and **foreign affairs and economic aid**. The remaining sub-functions are expected to remain broadly stable over the period 2024–25 to 2027–28.

Legislative and executive affairs expenses largely reflect the maintenance of parliamentary functions and personnel, and the expenditure profile of the Australian Electoral Commission. The decrease in expenses from 2024–25 reflects the reduction in estimated Australian Electoral Commission expenses following the federal election in 2024–25.

Financial and fiscal affairs expenses are expected to decrease, reflecting the termination of a number of Australian Taxation Office programs. In the 2024–25 Budget, the Government is extending several terminating ATO compliance programs, to ensure multinationals, businesses and individuals are paying the right amount of tax in Australia.

Foreign affairs and economic aid expenses are expected to fluctuate over the period from 2024–25 to 2027–28. This largely reflects the payment cycles of Australia’s contributions under funding arrangements for multilateral funds, with a significant increase in expenses for Official Development Assistance in 2024–25, in line with previously agreed arrangements. Government decisions in the 2024–25 Budget to continue and expand programs supporting Southeast Asia, build on relationships in the Pacific, and strengthening the capability of the Department of Foreign Affairs and Trade, are also expected to contribute to growth in expenses across the period 2025–26 to 2027–28.

Table 6.4.1 sets out the major components of the **foreign affairs and economic aid** sub-function.

Table 6.4.1: Trends in the major components of the foreign affairs and economic aid sub-function expense

Component(a)	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Foreign aid(b)	4,080	5,222	4,229	4,531	5,080
Diplomacy(c)	1,494	1,645	1,689	1,725	1,733
Payments to international organisations	459	460	460	460	460
Passport services	390	394	307	351	350
International police assistance	259	280	281	300	322
International agriculture research and development	127	129	126	129	132
Consular services	146	160	145	151	151
Finance and insurance services for Australian exporters and investors	171	258	245	293	257
Other	156	183	184	164	146
Total	7,282	8,730	7,667	8,105	8,632

- a) The entry for each component includes eliminations for inter-agency transactions within that component.
- b) The foreign aid figures reflect aid spending by the Department of Foreign Affairs and Trade in accrual terms. This differs from the international measure of aid reporting, Official Development Assistance (ODA), which is in cash terms. Aid spending by other entities is usually reflected in other sub-functions.
- c) Diplomacy includes departmental expenditure for the Department of Foreign Affairs and Trade’s operations, security and IT, overseas property and international climate change engagement.

General research expenses are expected to decrease over the period 2024–25 to 2027–28, attributable to fluctuations in funding allocated to research infrastructure programs, and the reprioritisation of funding to realign investment with Government priorities in the Industry portfolio.

Table 6.4.2 sets out the major components of the **general research** sub-function.

Table 6.4.2: Trends in the major components of general research sub-function expense

Component(a)	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Research – science services and innovation fund	1,620	1,537	1,563	1,575	1,575
Discovery – research and research training	525	630	630	648	666
Science and technology solutions	473	495	525	527	541
Linkage – cross sector research partnerships	329	398	407	435	447
Supporting science and commercialisation	361	480	325	290	304
Research capacity	581	781	755	584	565
Other	174	164	173	173	179
Total	4,063	4,485	4,378	4,232	4,276

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for **general services** are largely incurred by the Department of Finance, Australian Public Service Commission, and Comcare. **General services** expenses are estimated to remain broadly stable over the period 2024–25 to 2027–28. The variation in the expenses profile over the period 2024–25 to 2027–28 largely reflects the impact of insurance claims expenditure and terminating departmental funding measures.

The higher estimated expenses in 2023–24 for **government superannuation benefits** primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2023–24 are calculated using the long-term government bond rate that best matched each individual scheme’s duration of liabilities at the start of the financial year. These rates are between 4.0 and 4.4 per cent per year. In preparing the latest Long Term Cost Reports, the scheme actuaries have determined that a discount rate of 5.0 per cent should be applied to the 2024–25 Budget year and forward estimates as per usual practice.

Defence

The defence function includes expenses incurred by the Department of Defence (Defence) and other agencies that support National Defence. Defence expenses support:

- Australian military operations; and
- National Defence, through strategic policy advice and the delivery of capabilities to achieve an integrated and focused force, harnessing effects across the maritime, land, air, space, and cyber domains.

The defence function does not include expenses incurred by the Department of Veterans' Affairs, superannuation payments to retired military personnel, related nominal superannuation interest, and housing assistance provided through Defence Housing Australia. These expenses are reported in the social security and welfare, general public services, other purposes, and housing and community amenities functions, respectively.

Table 6.5: Summary of expenses – defence

Sub-function	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Defence	45,128	47,986	50,046	51,339	55,102
Total defence	45,128	47,986	50,046	51,339	55,102

Total expenses for the **defence** sub-function are estimated to increase by 14.8 per cent over the period 2024–25 to 2027–28. This change reflects the funding required to deliver Defence capabilities to support an integrated, focused force that is positioned to safeguard Australia's security and prosperity.

Underpinned by the *2024 National Defence Strategy* and *Integrated Investment Program*, the Government will adopt a whole-of-government and whole-of-nation approach to protecting our economic connection to the world, upholding the global rules-based order, maintaining a favourable regional strategic balance, and contributing to the collective security of the Indo-Pacific.

In the 2024–25 Budget, the Government is delivering increased funding of \$50.3 billion over ten years from 2024–25, and \$7.7 billion per year ongoing, to support a shift in Defence's force structure and posture, and the capability investments prioritised in the *2024 National Defence Strategy* and *Integrated Investment Program*.

The Government has also committed to further spending to support the strategic objectives of the *2024 National Defence Strategy*, including: \$232.3 million over three years to provide *Defence Assistance – regional and global support*; and \$166.2 million over five years from 2023–24 to strengthen Australia's defence industrial base through the *2024 Defence Industry Development Strategy*.

Public order and safety

The public order and safety function includes expenses to support the administration of the federal legal system and the provision of legal services, including legal aid, to the community. Public order and safety expenses also include law enforcement, border protection and intelligence activities, and the protection of Australian Government property.

Table 6.6: Summary of expenses – public order and safety

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Courts and legal services	1,827	1,894	1,268	1,212	1,278
Other public order and safety(a)	6,133	6,528	5,725	5,619	5,477
Total public order and safety	7,960	8,421	6,993	6,832	6,756

a) A further breakdown of the other public order and safety sub-function is provided in Table 6.6.1.

Total expenses for public order and safety are estimated to decrease by 19.8 per cent over the period 2024–25 to 2027–28, largely driven by expenses for **other public order and safety**.

Courts and legal services expenses are expected to decrease over the period 2024–25 to 2027–28, reflecting the expiration of the National Legal Assistance Partnership on 30 June 2025, noting negotiations on the next agreement will begin shortly.

The profile of **other public order and safety** expenses is due in large part to two factors. First, from 2025–26 onwards, funding terminates for some National Partnership Payments for public order and safety. This funding will be considered by the Government in future economic updates. Second, consistent with past practice, supplementary funding is provided to the Australian Border Force on an annual basis for border protection activities, based on operational requirements. In the 2024–25 Budget, the supplementary increase to border protection funding is \$266.7 million, bringing the total funding for 2024–25 to \$2.0 billion.

Table 6.6.1 sets out the major components of the **other public order and safety** sub-function.

Table 6.6.1: Trends in the major components of the other public order and safety sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Policing and law enforcement	4,370	4,571	4,213	4,091	3,997
Border Protection	1,762	1,957	1,512	1,529	1,480
Total	6,133	6,528	5,725	5,619	5,477

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Education

The education function includes expenses to support the delivery of education services through higher education institutions, vocational education and training providers (including technical and further education institutions), and government (state and territory) and non-government primary and secondary schools.

Table 6.7: Summary of expenses – education

Sub-function	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Higher education	10,918	11,540	12,113	12,529	12,969
Vocational and other education	2,351	2,540	2,654	2,657	2,542
Schools	29,215	30,201	31,385	32,597	33,833
<i>Non-government schools</i>	18,116	18,726	19,497	20,275	21,051
<i>Government schools</i>	11,099	11,474	11,889	12,322	12,782
School education - specific funding	1,182	940	895	861	808
Student assistance	5,132	7,482	5,863	6,156	6,478
General administration	301	343	309	294	294
Total education	49,099	53,046	53,220	55,093	56,925

Total education expenses are estimated to increase by 7.3 per cent over the period 2024–25 to 2027–28, reflecting the Government’s ongoing investment in schools, higher education, and vocational education and training programs.

The main movements in expenses for the education function are attributable to **schools** (comprising **non-government schools** and **government schools**), along with **higher education and student assistance**. The remaining sub-functions are expected to remain broadly stable over the period 2024–25 to 2027–28.

Higher education expenses are estimated to increase over the period 2024–25 to 2027–28, primarily driven by growth in funding for Commonwealth supported study places at universities. The Government is also increasing the number of Commonwealth supported places for fee-free university preparation courses through the 2024–25 Budget measure *Australian Universities Accord – tertiary education system reforms*.

Vocational and other education expenses are estimated to remain broadly stable across the period 2024–25 to 2027–28. This reflects the profile of Government investment in vocational education and training under the 5-year *National Skills Agreement*, which commenced from 1 January 2024.

Non-government schools expenses are estimated to increase over the period 2024–25 to 2027–28. This is primarily driven by growth in student enrolments, largely due to a one-off change to enrolment projection methodology.

Government schools expenses are estimated to increase over the period 2024–25 to 2027–28 primarily reflecting an increase in the number of students that are eligible to attract a ‘student with disability’ loading.

Fluctuations in **student assistance** expenses reflect the Government’s decision to change indexation arrangements for outstanding debt for student loans from 1 June 2023 through the 2024–25 Budget measure *Australian Universities Accord – tertiary education system reforms*. This measure results in a large, one-off increase in expenses in 2024–25 when students will receive an indexation credit to their outstanding debt for prior year indexation adjustments. Excluding this one-off expense, **student assistance** expenses are estimated to increase over the period 2024–25 to 2027–28 primarily driven by growth in student numbers over the period 2024–25 to 2027–28.

Health

The health function includes expenses relating to medical services funded through Medicare, payments to the states and territories to deliver essential health services (including public hospitals), the Pharmaceutical Benefits and Repatriation Pharmaceutical Benefits Schemes, the Private Health Insurance Rebate, Aboriginal and Torres Strait Islander health programs, mental health services, and health workforce initiatives.

Table 6.8: Summary of expenses – health

Sub-function	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Medical services and benefits(a)	38,777	41,233	43,341	45,141	47,206
Pharmaceutical benefits and services(b)	20,131	20,574	20,740	20,516	20,640
Assistance to the states for public hospitals	27,853	30,149	32,187	34,229	36,454
Hospital services(c)	1,100	1,130	1,189	1,215	1,249
Health services	13,860	13,363	12,715	12,423	12,515
General administration	4,460	4,900	4,434	3,701	3,476
Aboriginal and Torres Strait Islander health	1,235	1,344	1,308	1,286	1,260
Total health	107,416	112,693	115,913	118,512	122,801

- a) A further breakdown of the medical services and benefits sub-function is provided in Table 6.8.1.
b) A further breakdown of the pharmaceutical benefits and services sub-function is provided in Table 6.8.2.
c) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans’ hospital services.

Expenses for the health function are expected to increase by 9.0 per cent over the period 2024–25 to 2027–28. The largest movement in expenses for the health function is estimated to occur in **assistance to the states for public hospitals**, with other significant movements in **medical services and benefits** and **health services**. Expenses for the remaining sub-functions are expected to largely remain stable over the period 2024–25 to 2027–28.

Medical services and benefits expenses, which primarily consists of Medical Benefits and Private Health Insurance expenses, comprises 36.6 per cent of total estimated health expenses for 2024–25. Expenses are expected to increase over the period 2024–25 to 2027–28, primarily driven by growth in the Medical Benefits component. The increase is a result of ongoing growth in the use of medical services, particularly primary care and diagnostic imaging services, mostly driven by population growth.

Table 6.8.1 sets out the major components of the **medical services and benefits** sub-function.

Table 6.8.1: Trends in the major components of the medical services and benefits sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Medical benefits	29,763	31,983	33,915	35,497	37,344
Private health insurance	7,325	7,533	7,750	7,929	8,095
General medical consultations and services	710	715	700	709	739
Dental services(b)	340	328	326	325	324
Other	640	674	650	681	703
Total	38,777	41,233	43,341	45,141	47,206

a) The entry for each component includes eliminations for inter-agency transactions within that component.

b) Payments under the funding agreements on Public Dental Services for Adults from 2020–21 are provided for under the health services sub-function in Table 6.8.

Pharmaceutical benefits and services expenses, which primarily consists of Pharmaceutical Benefits Scheme expenses, comprises 18.3 per cent of total estimated health expenses for 2024–25. The Government is investing \$3.9 billion over five years from 2023–24 through a range of 2024–25 Budget measures to ensure ongoing affordable access to medicines. This includes new and amended listings on the Pharmaceutical Benefits Scheme and investment in the community pharmacy sector through the 2024–25 Budget measure *Securing Cheaper Medicines*. In real terms, expenditure is expected to decrease over the period 2024–25 to 2027–28, primarily driven by the impact of existing pricing policies under the Pharmaceutical Benefits Scheme component, which results in decreases to the price of subsidised medicines.

Table 6.8.2 sets out the major components of the **pharmaceutical benefits and services** sub-function.

Table 6.8.2: Trends in the major components of the pharmaceutical benefits and services sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Pharmaceutical benefits, services and supply	19,009	19,543	19,760	19,545	19,717
Immunisation	768	662	612	607	555
Veterans' pharmaceutical benefits	354	369	367	364	369
Total	20,131	20,574	20,740	20,516	20,640

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The Government’s contribution to public hospitals is reported through the **assistance to the states for public hospitals** sub-function. Hospital services covered by this sub-function include all admitted services, programs that deliver hospital services in the home, and emergency department services. Expenditure for this sub-function is expected to increase reflecting the Government’s current agreement under the 2020–2025 National Health Reform Agreement Addendum with states and territories.

Health services include expenses associated with the delivery of population health, medical research, mental health, blood and blood products, other allied health services, health infrastructure and disbursements from the Medical Research Future Fund. Expenses are expected to decrease as a result of a number of terminating measures for preventive health and chronic disease. Funding for terminating measures will be considered in future economic updates. The decrease in expenses is partly offset by increases in estimated expenses for blood products and mental health.

Expenses for **general administration** include the Government’s general administrative costs associated with health and aged care, funding for primary health care and coordination, investment in health workforce measures, and support for rural health initiatives. Expenditure for this sub-function is expected to decrease for the period 2024–25 to 2027–28, largely reflecting the gradual scaling down of the Government’s COVID-19 pandemic response, and the completion of ICT projects to deliver essential enhancements to critical aged care digital systems.

Expenditure for **Aboriginal and Torres Strait Islander health** is expected to increase from 2023–24 to 2024–25, reflecting the Government’s commitment to closing the gap for First Nations people’s health and wellbeing. Expenses are expected to marginally decrease over the period 2024–25 to 2027–28, reflecting a number of terminating measures. Funding for terminating measures will be considered in future economic updates.

Social security and welfare

The social security and welfare function includes expenses for pensions and services to the aged, assistance to the unemployed and the sick, people with disabilities and families with children, and income support and compensation for veterans and their dependants. It also includes assistance provided to Indigenous Australians that has not been included under other functions.

Table 6.9: Summary of expenses – social security and welfare

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Assistance to the aged(a)	95,306	100,653	104,825	109,575	115,972
Assistance to veterans and dependants	7,666	7,982	12,291	9,565	9,576
Assistance to people with disabilities(b)	80,401	84,342	89,140	94,510	100,547
Assistance to families with children(c)	44,381	46,931	49,115	51,190	52,597
Assistance to the unemployed and the sick	14,737	16,100	16,562	16,760	16,298
Other welfare programs	1,621	1,897	1,844	1,699	1,589
Assistance for Indigenous Australians nec	3,279	3,399	3,191	3,054	3,178
General administration	4,951	5,388	5,089	4,312	4,338
Total social security and welfare	252,342	266,693	282,057	290,665	304,093

- a) A further breakdown of the assistance to the aged sub function is provided in Table 6.9.1.
 b) A further breakdown of the assistance to people with disabilities sub function is provided in Table 6.9.2.
 c) A further breakdown of the assistance to families with children sub function is provided in Table 6.9.3.

Expenses in social security and welfare are estimated to increase by 14.0 per cent over the period 2024–25 to 2027–28. The largest movements in expenses for social security and welfare are expected to occur in relation to **assistance to the aged** and **assistance to people with disabilities**. Significant movements are also expected to occur in **assistance to veterans and dependants** and **assistance to families with children**. The remaining sub-functions are estimated to remain broadly stable over the period 2024–25 to 2027–28.

The expected increase in expenses for social security and welfare is primarily driven by expenses for participant supports through the National Disability Insurance Scheme (NDIS), more payments made to veterans and their families as outstanding claims for rehabilitation and compensation are processed, and an expected increase in support for seniors and aged care services expenses.

Assistance to the aged expenses are estimated to increase over the period 2024–25 to 2027–28, primarily driven by increases in expenditure in the Aged Care Services component and the Support for Seniors component.

The Support for Seniors component is estimated to increase over the period 2024–25 to 2027–28 reflecting the expected increase in the number of Age Pension recipients as the Australian population ages.

The significant drivers of growth in the Aged Care Services component are the expanding ageing population and rising demand for aged care services. In the 2024–25 Budget, the Government is providing \$0.5 billion to release 24,100 additional Home Care Packages in 2024–25 to reduce wait times and meet the growing demand for care at home.

Table 6.9.1 sets out the major components of the **assistance to the aged** sub-function.

Table 6.9.1: Trends in the major components of the assistance to the aged sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Support for Seniors	59,160	61,672	64,459	67,163	70,025
Aged Care Services	32,321	36,150	37,863	40,061	43,558
Veterans' Community Care and Support	1,092	999	1,036	1,034	1,119
Aged Care Quality	1,691	541	303	290	236
Access and information	714	739	728	664	685
National Partnership Payments –					
Assistance to the Aged	20	216	190	148	139
Other	309	336	245	214	211
Total	95,306	100,653	104,825	109,575	115,972

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Assistance to veterans and dependants expenses are estimated to increase over the period from 2024–25 to 2027–28, which largely reflects increasing expenses for income support and compensation payments to veterans under the *Military Rehabilitation Compensation Act 2004* as more claims are processed. In the 2024–25 Budget, the Government is providing additional resources for frontline support to prioritise processing of outstanding claims for veterans and their families now that the Department of Veterans' Affairs has cleared the claims backlog. Expenses are projected to peak in 2025–26 and then return to a steady state in 2026–27 once the outstanding permanent impairment claims have been processed.

Assistance to people with disabilities expenses are expected to increase over the period 2024–25 to 2027–28, largely reflecting an increase in the number of people with disability participating in the NDIS and increases in individual support costs.

On 27 March 2024, the Government introduced the National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No. 1) Bill 2024. NDIS legislative reforms are expected to moderate the additional growth in NDIS expenditure from 2024–25 projected by the NDIS Actuary to that projected at the 2023–24 MYEFO, to keep NDIS expenditure on track to achieve the NDIS Sustainability Framework from 1 July 2026.

Table 6.9.2 sets out the major components of the **assistance to people with disabilities** sub-function.

Table 6.9.2: Trends in the major components of the assistance to people with disabilities sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
National Disability Insurance Scheme(b)	44,322	48,752	52,318	56,458	60,746
National Disability Insurance Scheme – Quality and Safeguards	141	161	112	110	109
Financial Support for People with Disability	21,165	22,003	22,855	23,657	24,765
Financial Support for Carers	12,752	13,419	13,855	14,285	14,927
National Partnership Payments – Assistance to People with Disabilities	2,022	7	0	0	0
Total	80,401	84,342	89,140	94,510	100,547

- a) The entry for each component includes eliminations for inter-agency transactions within that component.
- b) Includes both Commonwealth and State contributions to the cost of the National Disability Insurance Scheme delivered through the National Disability Insurance Agency, which is a Commonwealth agency in the general government sector, and the cost of the NDIS program administered by the Department of Social Services.

Assistance to families with children expenses are expected to increase over the period 2024–25 to 2027–28.

The expected increase in **assistance to families with children** expenses reflect increases in Parental Leave Pay expenses, including an increase in both the number of recipients and the average payment rates. In the 2024–25 Budget, the Government will provide additional support to recipients of Paid Parental leave through the 2024–25 Budget measure *Commonwealth Government-Funded Paid Parental Leave – enhancement*, which will provide a superannuation guarantee equivalent payment to recipients' superannuation fund, for births and adoptions on or after 1 July 2025.

Assistance to families with children expenses are expected to further increase as a result of the Child Care Subsidy, primarily reflecting the 2022–23 October Budget measure *Plan for Cheaper Child Care*.

Table 6.9.3 sets out the major components of the **assistance to families with children** sub-function.

Table 6.9.3: Trends in the major components of the assistance to families with children sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Family Assistance	19,787	20,742	22,107	23,021	23,381
Child Care Subsidy	13,914	14,531	15,113	15,996	16,899
Parents income support	7,223	7,911	8,209	8,535	8,716
Child Support	1,893	1,923	1,963	1,996	2,031
Support for the child care system	412	460	333	326	326
Families and Children	861	1,065	1,087	1,015	936
Family relationship services	267	275	281	281	287
Other	24	23	21	21	22
Total	44,381	46,931	49,115	51,190	52,597

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for **assistance to the unemployed and the sick** are estimated to increase over the period 2024–25 to 2027–28, primarily driven by growth in the expected number of benefits recipients, as a result of the unemployment rate expecting to modestly rise from its close to historic low, and an increase in the share of recipients receiving full payment.

Other welfare programs expenses are expected to decrease over the period 2024–25 to 2027–28 as a result of terminating measures. Funding for terminating measures will be considered in future economic updates. This decrease is partially offset by an increase in funding through the 2024–25 Budget measure *The Leaving Violence Program – financial support for victim-survivors of intimate partner violence*, which will provide \$925.2 million over five years from 2023–24.

In the 2024–25 Budget, the Government is investing in measures which will drive progress under the *National Agreement on Closing the Gap* and deliver better outcomes for First Nations people. Expenses for **assistance to Indigenous Australians not elsewhere classified (nec)** includes investments in a range of measures to deliver outcomes across portfolios addressing the Priority Reforms and Socioeconomic Targets under the *National Agreement on Closing the Gap*. Major investments through the *Northern Territory Homelands and Housing and Remote Jobs* and *Economic Development Program* deliver the Government’s commitment to improve outcomes for First Nations people in remote Northern Territory and remote Australia.

Housing and community amenities

The housing and community amenities function includes expenses for the Government’s contribution to the *National Housing and Homelessness Agreement*, other Australian Government housing programs, the expenses of Defence Housing Australia (DHA), urban and regional development programs and environmental protection initiatives.

Table 6.10: Summary of expenses – housing and community amenities

Sub-function	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Housing	4,305	4,372	4,206	4,541	3,696
Urban and regional development	1,620	2,906	2,258	854	520
Environment protection	2,029	2,721	2,367	1,676	1,413
Total housing and community amenities	7,955	9,999	8,831	7,072	5,629

Expenses for housing and community amenities are expected to decrease by 43.7 per cent over the period 2024–25 to 2027–28, primarily driven by a decrease in expenses for **urban and regional development** and **environment protection**.

Housing expenses include the Government’s contribution to the new *National Agreement on Social Housing and Homelessness*, the provision of housing for the general public and people with special needs, and DHA expenses. **Housing** expenses are estimated to increase from 2024–25 to 2026–27, before decreasing from 2026–27 to 2027–28, primarily driven by terminating National Partnership Payments. The National Partnership Payments include short-term support for enabling infrastructure through the Housing Support Program, the finalisation of Homebuilder and the initial distribution of \$100 million in 2024–25 from the Housing Australia Future Fund (HAFF). This distribution is made towards the Government’s commitment to provide \$200 million over five years to support repairs to, maintenance of, and improvements to infrastructure in remote First Nations communities.

In the 2024–25 Budget, the Government is investing \$9.3 billion over five years from 2024–25 through the new *National Agreement on Social Housing and Homelessness*, which will support states and territories to provide social housing and homelessness services. Subject to states and territories agreement to the new *National Agreement on Social Housing and Homelessness*, the Government is also providing an additional \$1 billion in 2023–24 to states and territories to support enabling infrastructure for new housing through the Housing Support Program – Priority Works Stream.

The Government is providing \$1.5 billion over five years from 2023–24 in grants and availability payments to support the supply of social and affordable housing funded through: distributions from HAFF; changes to the National Housing Infrastructure Facility to support crisis and transitional accommodation for women and children fleeing domestic violence and youth; and commitments under the National Housing Accord.

In addition, the Government will support up to \$4.7 billion in concessional loans and increase access to guaranteed financing through the Australian Housing Bond Aggregator, as part of the 2024–25 Budget measure *Housing Support*. This measure will provide eligible community housing projects with lower than market rate loans to support the delivery of social and affordable housing including those being funded through the HAFF and the National Housing Accord. These payments will flow through Housing Australia.

Expenses for **urban and regional development** comprise urban development, services to territories, and regional development programs. Expenses under this sub-function are estimated to decrease over the period 2024–25 to 2027–28, primarily reflecting the profile of funding for the Priority Community Infrastructure Program and Investing in Our Communities Program and the conclusion of the Community Development Grants program and Building Better Regions Fund.

Environment protection expenses includes expenses for a variety of initiatives, including the protection and conservation of the environment, water and waste management, pollution abatement and environmental research. Expenses are estimated to decrease over the period 2024–25 to 2027–28, primarily due to the deferral of construction for the Paradise Dam project until beyond 2027–28 and planned termination of the *Critical Inputs to Clean Energy Industries program* from 2026–27. The Government’s investment in clean energy is also captured in the fuel and energy function.

In the 2024–25 Budget, the Government is providing \$364.5 million over six years from 2024–25 to continue implementation of environmental reforms, streamline environmental approvals and deliver the Government’s circular economy functions through the measures *Nature Positive Plan – additional funding*, *Future Made in Australia – Strengthening Approvals Processes* and *Commonwealth Leadership for a Safe Circular Economy – continuing delivery*. The Government is also investing in water infrastructure projects under the 2024–25 Budget measure *National Water Grid Fund – responsible investment in water infrastructure for the regions*.

Recreation and culture

The recreation and culture function includes expenses to support public broadcasting and cultural institutions, funding for the arts and the film industry, assistance to sport and recreation activities, as well as the management and protection of national parks and other world heritage areas. This function also includes expenses relating to the protection and preservation of historic sites and buildings, including war graves.

Table 6.11: Summary of expenses – recreation and culture

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Broadcasting(a)	1,688	1,749	1,801	1,800	1,813
Arts and cultural heritage	1,992	2,140	1,919	1,890	1,851
Sport and recreation	594	708	993	1,016	1,223
National estate and parks	776	774	759	717	717
Total recreation and culture	5,050	5,372	5,472	5,423	5,604

a) A further breakdown of the broadcasting sub-function is provided in Table 6.11.1.

Total expenses under the recreation and culture function are estimated to increase by 4.3 per cent over the period 2024–25 to 2027–28. This increase is primarily driven by an expected increase in **sport and recreation** expenses, which is linked to the Government’s investment in venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games provided in the 2023–24 Budget. The increase is partially offset by a decrease in **arts and cultural heritage** expenses. The remaining sub-functions are estimated to remain broadly stable over the period 2024–25 to 2027–28.

Broadcasting expenses reflect the five year funding terms for the Australian Broadcasting Corporation and Special Broadcasting Services Corporation that commenced from 1 July 2023.

Table 6.11.1 sets out the major components of the **broadcasting** sub-function.

Table 6.11.1: Trends in the major components of the broadcasting sub-function expense

Component(a)	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
ABC general operational activities	1,004	1,042	1,060	1,045	1,063
SBS general operational activities	409	421	447	457	446
ABC transmission and distribution services	197	207	213	216	221
SBS transmission and distribution services	77	79	81	82	83
Total	1,688	1,749	1,801	1,800	1,813

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses under **arts and cultural heritage** are estimated to increase from 2023–24 to 2024–25, followed by a decrease over the period 2024–25 to 2027–28. This is due to increased estimated payments under the Australian Screen Production Incentives and Digital Game Production Offset programs in 2023–24 and 2024–25 and a reduction in funding for the Location Incentive Program over the five years from 2023–24 to 2027–28. The decrease is partially offset by additional funding for the national arts training organisations and the Australian Film Television and Radio School through the 2024–25 Budget measure *Revive - National Cultural Policy*. This measure will provide \$216.6 million over four years to support Australia’s arts, entertainment, and cultural sector.

Sport and recreation expenses are estimated to increase over the period 2024–25 to 2027–28, due to the Government’s investment in venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games. The Government is also providing additional funding through the 2024–25 Budget measures *Supporting Sports Participation* and *Sport Integrity Australia - funding support* to continue Commonwealth sport participation and high-performance grants funding programs, provide additional funding to support preparation for and delivery of key international events, safeguard the integrity of Australian sport and invest in the upgrade and restoration of sporting infrastructure.

National estate and parks expenses are estimated to decrease slightly over the period 2024–25 to 2027–28, reflecting the Government’s upfront investment in 2024–25 for Antarctic shipping requirements, the Macquarie Island Research Station and cultural heritage reform through the 2024–25 Budget measures, *Australian Antarctic Program – additional funding* and *Future Made in Australia – Strengthening Approvals Processes*.

Fuel and energy

The fuel and energy function includes expenses for the Fuel Tax Credits and Product Stewardship for Oil schemes administered by the Australian Taxation Office. It also includes expenses related to improving Australia’s energy efficiency, resource related initiatives, and programs to support the production and use of renewable energy.

Table 6.12: Summary of expenses – fuel and energy

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Fuel and energy(a)	13,273	20,121	13,908	13,794	13,825
Total fuel and energy	13,273	20,121	13,908	13,794	13,825

a) A further breakdown of the fuel and energy sub-function is provided in Table 6.12.1.

Total fuel and energy expenses are estimated to increase in 2024–25, before returning to a stable trend. The increase in 2024–25 is driven by the concessional component of the Government’s concessional loan investments to grow Australia’s renewable energy sector through the Rewiring the Nation Fund, administered by the Clean Energy Finance Corporation.

Table 6.12.1 sets out the major components of the **fuel and energy** sub-function.

Table 6.12.1: Trends in the major components of the fuel and energy sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Fuel Tax Credits Scheme	9,857	10,184	10,561	11,309	12,115
Resources and Energy	2,093	4,464	1,346	496	568
Renewable Energy	973	5,053	1,673	1,705	890
Other	350	420	328	284	252
Total	13,273	20,121	13,908	13,794	13,825

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The major program within this function is the **Fuel Tax Credits Scheme**, for which payments are expected to increase over the period 2024–25 to 2027–28, partially offsetting the overall function movement. This largely reflects an expected increase in the use of fuels that are eligible for the Fuel Tax Credit Scheme.

Resources and Energy expenses are expected to fluctuate over the period 2024–25 to 2027–28, reflecting the profile of the 2024–25 Budget measure *Energy Bill Relief Fund – extension and expansion*. This measure is expected to increase expenses from 2023–24 to 2024–25, reflecting the Government’s focus on providing immediate cost-of-living relief, before terminating 2025–26, resulting in a decrease in expenses from 2025–26 to 2027–28.

Expenses for the **Renewable Energy** component are expected to increase for 2024–25, before decreasing for the period 2025–26 to 2027–28, reflecting the profile of expenses for the concessional component of the concessional loan deployment by the Clean Energy Finance Corporation. The forecasted loan deployment is primarily expected to be made under the 2022–23 October Budget measure *Powering Australia – Rewiring the Nation*. In the 2024–25 Budget, the Government is continuing to invest in renewable energy and clean energy technologies, including through an additional round of *Hydrogen Headstart*, the commencement of the *Hydrogen Production Tax Incentive* from 2027–28 and the *Solar Sunshot* program.

Agriculture, forestry and fishing

The agriculture, forestry and fishing function include expenses to support assistance to primary producers, forestry, fishing, land and water resources management, biosecurity services, and contributions to research and development.

Table 6.13: Summary of expenses – agriculture, forestry and fishing

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Wool industry	68	84	95	95	95
Grains industry	272	290	292	295	297
Dairy industry	58	57	55	55	55
Cattle, sheep and pig industry	258	262	268	277	279
Fishing, horticulture and other agriculture	508	503	443	429	388
General assistance not allocated to specific industries	45	47	45	45	45
Rural assistance	406	316	398	379	380
Natural resources development	1,089	1,346	1,177	1,106	485
General administration	1,364	1,411	1,306	1,269	1,271
Total agriculture, forestry and fishing	4,068	4,317	4,079	3,949	3,294

Total expenses for agriculture, forestry and fishing are estimated to decrease by 23.7 per cent over the period 2024–25 to 2027–28. The expected decrease largely reflects the scheduled completion of activities under the *Murray-Darling Basin Plan 2012 (Basin Plan)*, within **natural resources development**.

The overall decrease in the agriculture, forestry and fishing function is partially offset by an increase in expenses for **rural assistance**. This is largely due to an expected increase in Farm Household Allowance payments from 2024–25, due to the start of the new ten year claim period for eligible recipients on 1 July 2024.

Natural resources development expenses are estimated to decrease over the period 2024–25 to 2027–28. The decrease in expenses largely reflects the scheduled completion of water reform activities to deliver the *Basin Plan* by the December 2027 deadline set out in the *Water Amendment (Restoring Our Rivers) Act 2023*. In the 2024–25 Budget, the Government is investing \$256.5 million over four years through the 2024–25 Budget measure *Sustaining Water Functions* to support delivery of the Government’s water commitments.

Mining, manufacturing and construction

The mining, manufacturing and construction function includes expenses for programs designed to promote the efficiency and competitiveness of Australian industries. The major components include the Research and Development Tax Incentive and industry assistance programs.

Table 6.14: Summary of expenses – mining, manufacturing and construction

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Mining, manufacturing and construction(a)	5,968	5,511	5,563	5,776	6,172
Total mining, manufacturing and construction	5,968	5,511	5,563	5,776	6,172

a) A further breakdown of the mining, manufacturing and construction sub-function is provided in Table 6.14.1.

Total expenses for mining, manufacturing and construction are expected to increase by 12.0 per cent over the period 2024–25 to 2027–28, reflecting the Government’s increased support for the Australian mining, manufacturing, and construction industries.

Table 6.14.1 sets out the major components of the **mining, manufacturing and construction** sub-function.

Table 6.14.1: Trends in the major components of the mining, manufacturing and construction sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Research and Development Tax Incentive	4,783	4,475	4,610	4,751	4,895
Growing Business Investment	684	451	241	178	105
Northern Australia Infrastructure Facility	98	145	275	436	408
Other	402	440	438	411	764
Total	5,968	5,511	5,563	5,776	6,172

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for the **Research and Development Tax Incentive** administered by the Australian Taxation Office are expected to increase over the period 2024–25 to 2027–28 due to increases in the number and value of expected claims from eligible companies, particularly companies in the ‘Professional, Scientific and Technical Services’ industry.

The **Northern Australia Infrastructure Facility** offers debt and equity finance to projects that contribute to the establishment or enhancement of economic activity in northern Australia. Expenses are expected to increase over the period 2024–25 to 2027–28, due to changes in concessional loan discount expenses associated with the expected commitment of concessional loans across the period 2024–25 to 2027–28.

Expenses under the **Other** component are expected to increase over the period 2024–25 to 2027–28, driven by the 2024–25 Budget measures *Future Made in Australia – Making Australia a Renewable Energy Superpower* and *Future Made in Australia – Investing in Innovation, Science and Digital Capabilities*. This measure will provide additional resourcing to Geoscience Australia to map all of Australia’s critical minerals, strategic minerals, groundwater, and other resources essential to the transition to net zero. This funding also covers the expenses involved in introducing the Critical Minerals Production Tax Incentive. The expected increase in expenses will be partially offset by the **Growing Business Investment** component which is expected to decrease in expenses over the period 2024–25 to 2027–28, reflecting terminating measures.

Transport and communication

The transport and communication function includes expenses to support the infrastructure and regulatory framework for Australia’s transport and communication sectors. Expenses for the transport and communication function primarily reflect Government investment in road and rail transport through the Infrastructure Investment Program. This function also includes expenditure for communications activities and support for the digital economy through the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and the Australian Communications and Media Authority.

Table 6.15: Summary of expenses – transport and communication

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Communication	1,775	1,927	1,825	1,745	1,645
Rail transport	3,082	3,814	3,212	3,676	2,816
Air transport	434	465	446	355	291
Road transport	8,859	9,707	10,408	9,799	9,111
Sea transport	499	496	496	501	507
Other transport and communication	279	360	331	299	286
Total transport and communication	14,928	16,769	16,717	16,375	14,656

Total expenses under this function are estimated to decrease by 12.6 per cent from 2024–25 to 2027–28. This is largely driven by the realignment of project profiles under the Infrastructure Investment Program to more accurately reflect delivery schedules, as well as the completion of priority infrastructure projects.

Communication expenses are estimated to decrease from 2024–25 to 2027–28, primarily reflecting the funding profile for the Better Connectivity Plan for Regional and Rural Australia, and the conclusion of the Mobile Black Spot Program.

Rail transport expenses are estimated to increase from 2023–24 to 2024–25, before decreasing from 2024–25 to 2027–28. The initial increase and subsequent decrease in expenditure reflects the schedules of major rail infrastructure projects, including projects under the METRONET program and Sydney Metro – Western Sydney Airport.

Air transport expenses primarily relate to activities of the safety regulator Civil Aviation Safety Authority, and aviation related initiatives. Total expenses are estimated to decrease from 2024–25 to 2027–28, due to the conclusion of a number of aviation initiatives, including upgrades at Hobart and Newcastle Airports and the timing of additional rounds of regional aviation connectivity programs provided through the 2024–25 Budget measure *Supporting Transport Priorities*.

Road transport expenses are estimated to increase from 2023–24 to 2025–26, and then decrease from 2025–26 to 2027–28. The increase and subsequent decrease in expenditure, reflects the Government's continued investment in priority road infrastructure projects, and the expected completion of priority infrastructure projects including the Bunbury Outer Ring Road and M12 Motorway. Through the 2024–25 Budget measure *Building a Better Future Through Considered Infrastructure Investment*, the Government is providing \$16.5 billion towards priority road and rail projects and re-profile \$2.1 billion to beyond the forward estimates to better align with construction market conditions and project delivery timeframes.

Total expenses for **other transport and communication** are estimated to decrease from 2024–25 to 2027–28, primarily reflecting the timeline of departmental activities under the 2024–25 Budget measure *New Vehicle Efficiency Standard Implementation*.

Other economic affairs

The other economic affairs function includes expenses on tourism and area promotion, labour market assistance, immigration, industrial relations, and other economic affairs not elsewhere classified (nec).

Table 6.16: Summary of expenses – other economic affairs

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
Tourism and area promotion	198	192	191	191	191
Total labour and employment affairs	6,308	5,881	5,575	5,198	5,081
<i>Vocational and industry training</i>	2,984	2,384	2,130	1,676	1,561
<i>Labour market assistance to job seekers and industry</i>	2,326	2,411	2,400	2,490	2,473
<i>Industrial relations</i>	998	1,086	1,044	1,032	1,047
Immigration(a)	3,836	3,699	3,147	3,156	3,088
Other economic affairs nec(b)	3,669	3,614	3,300	3,187	3,151
Total other economic affairs	14,011	13,386	12,214	11,733	11,512

a) A further breakdown of the immigration sub function is provided in Table 6.16.1.

b) A further breakdown of the other economic affairs nec sub function is provided in Table 6.16.2.

Total expenses for other economic affairs are estimated to decrease by 14.0 per cent over the period 2024–25 to 2027–28, reflecting the cessation of the Boosting Apprenticeship Commencements wage subsidy. The Government is undertaking a Strategic Review of the Australian Apprenticeships Incentive System and, through the 2024–25 Budget measure *Australian Apprenticeships Incentive System – further support*, is providing additional financial support to apprentices and their employers while this review is completed.

The largest movement in the other economic affairs function is estimated to occur in **vocational and industry training**, with other significant movements in expenses in **labour market assistance to job seekers and industry**, **immigration**, and **other economic affairs nec**. The remaining sub-functions are estimated to remain broadly stable over the period 2024–25 to 2027–28.

Vocational and industry training expenses are estimated to decrease over the period 2024–25 to 2027–28, primarily reflecting the cessation of the temporary COVID-19 support Boosting Apprenticeship Commencements wage subsidy, which is closed to new applicants. The Government is providing additional support to apprentices and their employers through the 2024–25 Budget measure *Australian Apprenticeships Incentive System – further support*, while the Government undertakes the Strategic Review of the Australian Apprenticeships Incentive System. This support, targeted towards apprenticeships in priority occupations, will boost apprenticeship commencements in industries where skills needs are greatest.

Labour market assistance to job seekers and industry expenses are estimated to increase over the period 2024–25 to 2027–28, reflecting the Government’s commitment to strengthen Australia’s employment services system and improve outcomes for individuals accessing employment services more broadly. The growth in expenses is primarily driven by implementing a range of improvements to the current employment services system, consistent with the Government’s vision for a dynamic and inclusive labour market and the Employment White Paper.

Industrial relations expenses are estimated to decrease over the period 2024–25 to 2027–28 largely as a result of terminating funding provided in the 2023–24 MYEFO measures *Prohibition on the Use of Engineered Stone – communication strategy* and *Review of the Safety, Rehabilitation and Compensation Act 1988*. This decrease is expected to be partially offset by a range of supports to progress the Government’s workplace relations agenda, critical to the implementation of changes made by the *Fair Work Legislation Amendment (Closing Loopholes) Act 2023*, and further reforms passed in the *Fair Work Legislation Amendment (Closing Loopholes No.2) Bill 2023*.

The **immigration** sub-function includes the provision of migration and citizenship services, the management of unlawful non-citizens, and refugee and humanitarian assistance. **Immigration** expenses are expected to decrease over the period 2024–25 to 2027–28, primarily reflecting the forecast reduction of the detainee population in onshore detention and in the offshore processing centre.

Table 6.16.1 sets out the major components of the **immigration** sub-function.

Table 6.16.1: Trends in the major components of the immigration sub-function expense

Component(a)	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Management of unlawful non-citizens	1,779	1,732	1,417	1,455	1,472
Citizenship, visas and migration	975	945	818	809	816
Regional co-operation and refugee and humanitarian assistance	1,082	1,022	912	892	800
Total	3,836	3,699	3,147	3,156	3,088

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for **other economic affairs nec** are expected to decrease over the period 2024–25 to 2027–28. This reflects a decrease in departmental expenses for the Department of Industry, Science, and Resources and the Australian Securities and Investments Commission.

The decrease in departmental expenses for the Department of Industry, Science, and Resources over the period 2024–25 to 2027–28, is driven by a range of terminating measures and the provision of terminating departmental funding in elements of the 2024–25 Budget measure *Future Made in Australia – Investing in Innovation, Science and Digital Capabilities* which provides funding to the National Measurement Institute to ensure sophisticated and reliable Australian measurement capability to underpin the Government’s *Future Made in Australia* agenda.

Expenses for **other economic affairs nec** also includes funding for the Australian Competition and Consumer Commission provided through the 2024–25 Budget measure *Competition Reform*. This measure will provide funding to implement a mandatory and suspensory administrative merger control system to prevent harmful mergers, maintain competition, and increase transparency.

Table 6.16.2 sets out the major components of the **other economic affairs nec** sub-function.

Table 6.16.2: Trends in the major components of the other economic affairs nec sub-function expense

Component(a)	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Economic Response to the Coronavirus	228	0	0	0	0
Promotion of Australia's export and other international economic interests	486	456	390	380	372
Operating costs for:					
Department of Industry, Science and Resources	755	775	706	624	603
Australian Securities and Investments Commission	714	849	728	730	709
Bureau of Meteorology	561	522	523	539	542
IP Australia	255	269	278	288	299
Australian Competition and Consumer Commission	266	301	250	212	210
Australian Prudential Regulation Authority	239	269	265	255	256
Other	164	174	160	158	160
Total	3,669	3,614	3,300	3,187	3,151

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Other purposes

The other purposes function includes expenses incurred in the servicing of public debt interest, and assistance to state, territory and local governments. This function also includes items classified as natural disaster relief, the Contingency Reserve, and expenses related to the nominal interest on unfunded liabilities for government superannuation benefits.

Table 6.17: Summary of expenses – other purposes

Sub-function	Estimates				
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Public debt interest	22,547	24,107	28,269	32,432	35,744
<i>Interest on Commonwealth Government's behalf</i>	22,547	24,107	28,269	32,432	35,744
Nominal superannuation interest	13,374	14,620	15,126	15,610	16,054
General purpose inter-government transactions	92,917	97,995	102,937	108,329	112,941
<i>General revenue assistance - states and territories</i>	92,107	94,412	99,241	104,771	109,243
<i>Local government assistance</i>	810	3,583	3,696	3,558	3,697
Natural disaster relief	1,392	921	676	408	314
Contingency reserve	2,200	167	14,674	19,357	26,496
Total other purposes	132,430	137,810	161,683	176,135	191,549

Total expenses for other purposes are estimated to increase by 39.0 per cent over the period 2024–25 to 2027–28.

The main drivers of the increase in other purposes expenses are **public debt interest**, **general purpose inter-government transactions**, and the **contingency reserve**.

Public debt interest expenses are expected to increase from 2023–24, largely reflecting higher debt servicing costs.

The increase in **nominal superannuation interest** expenses between 2023–24 and 2024–25 primarily reflects the use of updated discount rates. In accordance with accounting standards, superannuation expenses for 2023–24 are calculated using the long-term government bond rate that best matched each individual scheme’s duration of liabilities at the start of the financial year. These rates were between 4.0 and 4.4 per cent per year. In preparing the latest Long Term Cost Reports, the scheme actuaries have determined that a discount rate of 5.0 per cent should be applied to the estimates in the budget year and forward estimates as per usual practice.

General purpose inter-government transactions expenses are made up of general revenue assistance paid to state and territory governments and local government assistance. Expenses are expected to increase over the period 2024–25 to 2027–28. Nearly all the expenses relate to general revenue assistance paid to state and territory governments, which is expected to increase over the period 2024–25 to 2027–28, largely comprising payments of GST entitlements provided on an ‘untied’ basis. Payments to state and territory governments tied to specific purposes are reported under the relevant sections in this Statement. Further information on general revenue assistance to the states and territories can be found in Budget Paper No. 3, *Federal Financial Relations*.

Expenses for **natural disaster relief** reflect financial support provided by the Australian Government to affected states and territories under the Natural Disaster Relief and Recovery Arrangements and, since November 2018, the Disaster Recovery Funding Arrangements. Expenses also reflect departmental funding for the National Emergency Management Agency. The majority of funding over the period 2024–25 to 2027–28 reflects expected payments to the states in relation to disaster events that have already occurred. As provisions are not generally made for future disasters, the amount reduces over time. Additional funding is provisioned as needed in response to natural disasters.

The **contingency reserve** in the 2024–25 Budget is estimated to increase expenses by \$166.6 million in 2024–25, \$14.7 billion in 2025–26, \$19.4 billion in 2026–27 and \$26.5 billion in 2027–28. A key component of this is the conservative bias allowance, which makes provision for the tendency for the estimate of expenses for existing Government policy (excluding GST payments to the states) to be revised upwards in the forward years. The 2024–25 Budget includes a provision of:

- nil in the Budget year 2024–25
- ½ of a percentage point of total general government sector expenses in the first forward year 2025–26 (\$3.3 billion)
- 1 per cent of general government sector expenses in the second forward year 2026–27 (\$6.8 billion)
- 2 per cent of general government sector expenses in the third forward year 2027–28 (\$14.1 billion).

The drawdown of the conservative bias allowance decreased expenses by \$1.6 billion in 2024–25, \$1.5 billion in 2025–26, \$3.2 billion in 2026–27 and \$3.1 billion in 2027–28. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

As part of the Government’s responsible approach to economic management, the Contingency Reserve includes a provision for the estimated financial impact of further wage increases resulting from the decision of the Fair Work Commission’s Aged Care Work Value Case – Stage 3, with the operative date and phasing in of wage increases still to be determined. The Government has also made a provision to deliver on its commitment to provide funding towards a wage increase for Early Childhood Education and Care workers, with details to be finalised following Fair Work Commission processes.

The Contingency Reserve also includes a provision to reflect the outcomes of the December 2023 National Cabinet meeting and to meet future anticipated disaster recovery costs.

The Contingency Reserve also includes estimates for policy decisions that have been announced but cannot yet be included in entity estimates, usually due to some uncertainty as to their final cost and/or outcomes, or as they are subject to negotiations.

In general, the Contingency Reserve can include:

- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately
- financial assistance to state and territory governments for future programs and reforms subject to negotiations, including commitments made by National Cabinet
- 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 pressures that are reasonably expected to affect the budget estimates, including the continuation of terminating measures.

General government net capital investment

Net capital investment is broadly defined as the sale and acquisition of non-financial assets, less depreciation expenses. It provides a measure of the overall growth in capital assets (including buildings and infrastructure, specialist military equipment, and computer software) after taking into account depreciation and amortisation as previously acquired assets age.

Government capital spending involves acquisition of physical assets, financial assets and provision of grants and subsidies to others (primarily state and territory governments), which they then use to acquire assets.

Australian Government general government sector net capital investment is expected to be \$6.3 billion in 2024–25, reflecting a decrease from 2023–24. Net capital investment is expected to increase to \$11.9 billion in 2027–28, primarily reflecting capability investments prioritised in the 2024 *National Defence Strategy* and *Integrated Investment Program*.

Details of movements are further explained in the following section.

Table 6.18: Estimates of total net capital investment

	MYEFO	Revised	Estimates			
	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28
Total net capital investment (\$m)	8,895	7,754	6,303	8,055	8,988	11,899
Per cent of GDP	0.3	0.3	0.2	0.3	0.3	0.4

Reconciliation of net capital investment since the 2023–24 Budget

A reconciliation of the net capital investment estimates, showing the effect of policy decisions and parameter and other variations since the 2023–24 Budget, is provided in Table 6.19.

Table 6.19: Reconciliation of net capital investment estimate

	Estimates				Total \$m
	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	
2023-24 Budget net capital investment	10,431	7,229	5,449	9,271	32,380
Changes from 2023-24 Budget to 2023-24 MYEFO					
Effect of policy decisions(a)	225	194	137	38	593
Effect of parameter and other variations	-1,761	1,654	1,488	373	1,754
Total variations	-1,536	1,849	1,625	410	2,348
2023-24 MYEFO net capital investment	8,895	9,078	7,074	9,681	34,728
Changes from 2023-24 MYEFO to 2024-25 Budget					
Effect of policy decisions(a)	12	1,587	1,843	1,028	4,469
Effect of parameter and other variations	-1,153	-4,362	-862	-1,722	-8,099
Total variations	-1,141	-2,775	981	-693	-3,629
2024-25 Budget net capital investment	7,754	6,303	8,055	8,988	31,098

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Estimated net capital investment for 2024–25 is \$0.9 billion lower when compared to the estimate for 2024–25 in the 2023–24 Budget. This is driven by a decrease of \$2.7 billion as a result of parameter and other variations and an increase of \$1.8 billion from policy decisions.

Net capital investment estimates by function

Estimates for Australian Government general government sector net capital investment by function for the period 2023–24 to 2027–28 are provided in Table 6.20.

Table 6.20: Estimates of net capital investment by function

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
General public services	346	423	256	791	1,052
Defence	7,409	6,853	7,504	9,018	11,550
Public order and safety	78	28	-23	-143	-87
Education	34	50	33	1	1
Health	-123	133	182	-96	-104
Social security and welfare	13	-76	-400	-410	-439
Housing and community amenities	68	74	88	55	79
Recreation and culture	385	372	130	-14	-44
Fuel and energy	-1	-1	3	-9	-2
Agriculture, forestry and fishing	212	539	297	24	12
Mining, manufacturing and construction	-15	-9	-10	-12	-24
Transport and communication	-625	-2,107	-35	-64	-39
Other economic affairs	-34	-53	-182	-394	-129
Other purposes	8	75	212	240	72
Total net capital investment	7,754	6,303	8,055	8,988	11,899

A significant component of the Government's net capital investment occurs in the defence function and primarily relates to Defence capability investments. Major factors contributing to changes in net capital investment are expected to occur in the following functions:

- **Defence** – the increase in net capital investment from 2024–25 to 2027–28 reflects funding for capability investments prioritised in the *2024 National Defence Strategy and Integrated Investment Program*.
- **General public services** – the increase in net capital investment from 2024–25 to 2027–28 largely reflects the timing of estimated renewal of property leases that are due to expire and the timing of building and equipment purchases.
- **Health** – net capital investment is estimated to increase in 2024–25 and 2025–26, largely reflecting funding for system enhancements to the My Aged Care Gateway system and the Government Provider Management System to support the implementation of the new Aged Care Act, the new aged care regulatory model and the *Support at Home Program* from 1 July 2025. The increase in 2024–25 and 2025–26 is also driven by routine replenishment of the National Medical Stockpile.
- **Social security and welfare** – the decrease in net capital investment from 2024–25 to 2027–28 is largely driven by the depreciation and amortisation of prior Commonwealth investments into Services Australia's assets, including ICT capabilities and infrastructure.

- **Housing and community amenities** – the increase in net capital investment over the period 2024–25 to 2027–28 largely reflects changes in Defence Housing Australia’s property investment strategy to meet the housing needs of Australian Defence Force personnel.
- **Recreation and culture** – the decrease in net capital investment from 2023–24 to 2027–28 reflects the expected completion of capital investments at the Australian War Memorial and projects within various Commonwealth national parks funded under the *Protecting Australia’s Iconic National Parks* measure. The decrease is also driven by anticipated completion of projects under the 2023–24 Budget measure *Sydney Harbour Federation Trust – infrastructure improvements* and completion of the various projects led by the Australian Antarctic Division and the Director of National Parks, delays in the refurbishment of the Great Barrier Reef Marine Park Authority’s Reef HQ Aquarium, and the timing of capital works at the National Collecting Institutions.
- **Transport and communication** – the variable profile of net capital investment reflects the sale of non-financial assets through the 850/900 MHz and the 3.4/3.7 GHz Spectrum Auctions.
- **Other economic affairs** – the decrease in net capital investment from 2023–24 to 2024–25 reflects the anticipated completion of the Bureau of Meteorology’s digital transformation program.

Table 6.21 reports the acquisition of non-financial assets by function before taking into account depreciation or amortisation.

Table 6.21: Australian Government general government sector purchases of non-financial assets by function

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	\$m	\$m	\$m	\$m	\$m
General public services	1,888	2,243	1,872	2,355	2,605
Defence	14,805	14,292	14,540	16,309	19,115
Public order and safety	944	894	837	723	783
Education	51	65	52	20	21
Health	395	550	219	63	56
Social security and welfare	919	803	443	360	312
Housing and community amenities	507	524	507	515	540
Recreation and culture	849	848	618	473	429
Fuel and energy	9	11	16	4	7
Agriculture, forestry and fishing	320	670	418	137	116
Mining, manufacturing and construction	25	33	33	32	23
Transport and communication	221	102	80	48	72
Other economic affairs	823	846	708	502	762
Other purposes	13	79	214	244	75
General government purchases of non-financial assets	21,771	21,960	20,556	21,785	24,917

Appendix A: Expense by function and sub-function

Table 6A.1: Estimates of expenses by function and sub-function

	Actual	Estimates				
	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
General public services						
Legislative and executive affairs	1,685	2,052	2,216	1,676	1,633	1,840
Financial and fiscal affairs	9,187	10,378	10,227	10,070	10,081	9,814
Foreign affairs and economic aid	7,522	7,282	8,730	7,667	8,105	8,632
General research	3,695	4,063	4,485	4,378	4,232	4,276
General services	1,110	1,260	1,253	1,221	1,235	1,268
Government superannuation benefits	6,912	6,407	5,485	5,584	5,782	6,008
Total general public services	30,111	31,442	32,395	30,595	31,068	31,838
Defence	41,436	45,128	47,986	50,046	51,339	55,102
Public order and safety						
Courts and legal services	1,814	1,827	1,894	1,268	1,212	1,278
Other public order and safety	5,698	6,133	6,528	5,725	5,619	5,477
Total public order and safety	7,513	7,960	8,421	6,993	6,832	6,756
Education						
Higher education	10,428	10,918	11,540	12,113	12,529	12,969
Vocational and other education	2,234	2,351	2,540	2,654	2,657	2,542
Schools	26,998	29,215	30,201	31,385	32,597	33,833
<i>Non-government schools</i>	16,705	18,116	18,726	19,497	20,275	21,051
<i>Government schools</i>	10,292	11,099	11,474	11,889	12,322	12,782
School education – specific funding	1,082	1,182	940	895	861	808
Student assistance	3,925	5,132	7,482	5,863	6,156	6,478
General administration	264	301	343	309	294	294
Total education	44,932	49,099	53,046	53,220	55,093	56,925
Health						
Medical services and benefits	36,224	38,777	41,233	43,341	45,141	47,206
Pharmaceutical benefits and services	18,569	20,131	20,574	20,740	20,516	20,640
Assistance to the states for public hospitals	25,821	27,853	30,149	32,187	34,229	36,454
Hospital services(a)	956	1,100	1,130	1,189	1,215	1,249
Health services	15,844	13,860	13,363	12,715	12,423	12,515
General administration	4,147	4,460	4,900	4,434	3,701	3,476
Aboriginal and Torres Strait Islander health	1,119	1,235	1,344	1,308	1,286	1,260
Total health	102,680	107,416	112,693	115,913	118,512	122,801

Table 6A.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Social security and welfare						
Assistance to the aged	82,946	95,306	100,653	104,825	109,575	115,972
Assistance to veterans and dependants	8,105	7,666	7,982	12,291	9,565	9,576
Assistance to people with disabilities	69,126	80,401	84,342	89,140	94,510	100,547
Assistance to families with children	38,399	44,381	46,931	49,115	51,190	52,597
Assistance to the unemployed and the sick	14,006	14,737	16,100	16,562	16,760	16,298
Other welfare programs	2,370	1,621	1,897	1,844	1,699	1,589
Assistance for Indigenous Australians nec	2,735	3,279	3,399	3,191	3,054	3,178
General administration	5,224	4,951	5,388	5,089	4,312	4,338
Total social security and welfare	222,911	252,342	266,693	282,057	290,665	304,093
Housing and community amenities						
Housing	4,994	4,305	4,372	4,206	4,541	3,696
Urban and regional development	1,518	1,620	2,906	2,258	854	520
Environment protection	1,840	2,029	2,721	2,367	1,676	1,413
Total housing and community amenities	8,352	7,955	9,999	8,831	7,072	5,629
Recreation and culture						
Broadcasting	1,690	1,688	1,749	1,801	1,800	1,813
Arts and cultural heritage	1,813	1,992	2,140	1,919	1,890	1,851
Sport and recreation	573	594	708	993	1,016	1,223
National estate and parks	565	776	774	759	717	717
Total recreation and culture	4,641	5,050	5,372	5,472	5,423	5,604
Fuel and energy	9,093	13,273	20,121	13,908	13,794	13,825
Agriculture, forestry and fishing						
Wool industry	55	68	84	95	95	95
Grains industry	200	272	290	292	295	297
Dairy industry	59	58	57	55	55	55
Cattle, sheep and pig industry	239	258	262	268	277	279
Fishing, horticulture and other agriculture	463	508	503	443	429	388
General assistance not allocated to specific industries	41	45	47	45	45	45
Rural assistance	306	406	316	398	379	380
Natural resources development	773	1,089	1,346	1,177	1,106	485
General administration	1,234	1,364	1,411	1,306	1,269	1,271
Total agriculture, forestry and fishing	3,371	4,068	4,317	4,079	3,949	3,294

Table 6A.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m
Mining, manufacturing and construction	5,167	5,968	5,511	5,563	5,776	6,172
Transport and communication						
Communication	1,580	1,775	1,927	1,825	1,745	1,645
Rail transport	2,532	3,082	3,814	3,212	3,676	2,816
Air transport	349	434	465	446	355	291
Road transport	6,969	8,859	9,707	10,408	9,799	9,111
Sea transport	484	499	496	496	501	507
Other transport and communication	253	279	360	331	299	286
Total transport and communication	12,166	14,928	16,769	16,717	16,375	14,656
Other economic affairs						
Tourism and area promotion	204	198	192	191	191	191
Total labour and employment affairs	7,410	6,308	5,881	5,575	5,198	5,081
<i>Vocational and industry training</i>	4,580	2,984	2,384	2,130	1,676	1,561
<i>Labour market assistance to job seekers and industry</i>	2,129	2,326	2,411	2,400	2,490	2,473
<i>Industrial relations</i>	701	998	1,086	1,044	1,032	1,047
Immigration	3,405	3,836	3,699	3,147	3,156	3,088
Other economic affairs nec	3,380	3,669	3,614	3,300	3,187	3,151
Total other economic affairs	14,399	14,011	13,386	12,214	11,733	11,512
Other purposes						
Public debt interest	22,242	22,547	24,107	28,269	32,432	35,744
<i>Interest on Commonwealth Government's behalf</i>	22,242	22,547	24,107	28,269	32,432	35,744
Nominal superannuation interest	12,336	13,374	14,620	15,126	15,610	16,054
General purpose inter-government transactions	92,076	92,917	97,995	102,937	108,329	112,941
<i>General revenue assistance - states and territories</i>	87,618	92,107	94,412	99,241	104,771	109,243
<i>Local government assistance</i>	4,458	810	3,583	3,696	3,558	3,697
Natural disaster relief	3,600	1,392	921	676	408	314
Contingency reserve	0	2,200	167	14,674	19,357	26,496
Total other purposes	130,254	132,430	137,810	161,683	176,135	191,549
Total expenses	637,025	691,070	734,518	767,290	793,765	829,755

a) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.