

Appendix B: Supplementary Expenses Table and the Contingency Reserve

Expenses

Table B.1 shows estimates of Australian Government general government expenses by function and sub-function for 2024–25 and the forward years.

Table B.1: Estimates of Australian Government general government expenses by function and sub-function

	Estimates											
	2024-25			2025-26			2026-27			2027-28		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
General public services												
Legislative and executive affairs	2,216	2,340	6	1,676	1,771	6	1,633	1,729	6	1,840	2,015	10
Financial and fiscal affairs	10,227	10,391	2	10,070	10,227	2	10,081	10,203	1	9,814	9,755	-1
Foreign affairs and economic aid	8,730	8,774	1	7,667	7,830	2	8,105	8,300	2	8,632	8,902	3
General research	4,485	4,740	6	4,378	4,381	0	4,232	4,257	1	4,276	4,320	1
General services	1,253	1,258	0	1,221	1,245	2	1,235	1,247	1	1,268	1,291	2
Government superannuation benefits	5,485	5,794	6	5,584	5,471	-2	5,782	5,695	-2	6,008	6,028	0
Defence	47,986	48,270	1	50,046	49,858	0	51,339	51,546	0	55,102	55,460	1
Public order and safety	8,421	8,776	4	6,993	8,258	18	6,832	7,891	16	6,756	7,711	14
Education	53,046	63,805	20	53,220	54,197	2	55,093	56,267	2	56,925	58,269	2
Health	112,693	116,887	4	115,913	120,306	4	118,512	122,420	3	122,801	126,688	3
Social security and welfare	266,693	274,667	3	282,057	291,233	3	290,665	299,647	3	304,093	309,645	2
Housing and community amenities	9,999	16,208	62	8,831	8,880	1	7,072	7,240	2	5,629	5,707	1
Recreation and culture	5,372	5,676	6	5,472	5,713	4	5,423	5,505	2	5,604	5,756	3
Fuel and energy	20,121	16,321	-19	13,908	18,670	34	13,794	15,420	12	13,825	15,965	15
Agriculture, forestry and fishing	4,317	4,568	6	4,079	4,286	5	3,949	4,072	3	3,294	3,436	4
Mining, manufacturing and construction	5,511	5,544	1	5,563	5,528	-1	5,776	5,639	-2	6,172	6,044	-2

Table B.1: Estimates of Australian Government general government expenses by function and sub-function (continued)

	Estimates											
	2024-25			2025-26			2026-27			2027-28		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
Transport and communication	16,769	15,974	-5	16,717	16,339	-2	16,375	16,693	2	14,656	16,086	10
Other economic affairs												
Tourism and area promotion	192	205	7	191	193	1	191	190	-1	191	190	-1
Labour and employment affairs	5,881	6,125	4	5,575	5,697	2	5,198	5,291	2	5,081	5,136	1
Immigration	3,699	4,008	8	3,147	3,467	10	3,156	3,499	11	3,088	3,400	10
Other economic affairs nec	3,614	3,701	2	3,300	3,360	2	3,187	3,256	2	3,151	3,222	2
Other purposes												
Public debt interest	24,107	24,380	1	28,269	28,963	2	32,432	33,897	5	35,744	38,338	7
Nominal superannuation interest	14,620	14,241	-3	15,126	15,037	-1	15,610	15,518	-1	16,054	15,962	-1
General purpose inter-government transactions	97,995	97,760	0	102,937	105,037	2	108,329	110,091	2	112,941	114,594	1
Natural disaster relief	921	810	-12	676	814	20	408	569	39	314	332	6
Contingency reserve	167	-2,575	-1,642	14,674	7,856	-46	19,357	12,898	-33	26,496	20,394	-23
Total expenses	734,518	758,648	3	767,290	784,618	2	793,765	808,980	2	829,755	844,646	2

Contingency Reserve

The Contingency Reserve (other purposes function) is an allowance, included in aggregate expenses, principally to reflect anticipated events that cannot be assigned to individual programs in the preparation of the Australian Government budget estimates. The Contingency Reserve is used to ensure that the estimates are based on the best information available at the time of the Mid-Year Economic and Fiscal Outlook (MYEFO). It is not a general policy reserve.

While the Contingency Reserve is designed to ensure that aggregate estimates are as close as possible to expected outcomes, it is not appropriated. Allowances that are included in the Contingency Reserve can only be drawn upon once they have been appropriated by Parliament. These allowances are allocated to specific entities for appropriation closer to the time when the associated events occur.

The Contingency Reserve contains an allowance for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years, known as the conservative bias allowance (CBA). Since the 2024–25 Budget, the allowance has been drawn down to:

- $\frac{1}{4}$ of a percentage point of total general government sector expenses (excluding GST payments to the states) in the first forward year 2025–26 (\$1.7 billion)
- $\frac{3}{4}$ of a percentage point of expenses in the second forward year 2026–27 (\$5.3 billion)
- $1\frac{1}{2}$ of a percentage point of expenses in the third forward year 2027–28 (\$10.9 billion).

The drawdown of the CBA reduced expenses by \$1.6 billion in 2025–26, \$1.5 billion in 2026–27, and \$3.2 billion in 2027–28. This is consistent with long standing practice and does not represent a saving.

In general, the Contingency Reserve can also include:

- a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some entities or functions not to be met
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programs that are yet to be renegotiated with state and territory governments
- 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 policy changes that may impact the budget estimates.