

## Statement 6: Expenses and Net Capital Investment

Statement 6 presents estimates of the Australian Government general government sector (GGS) expenses and net capital investment by the functions of government. The functions are based on an international standard classification of functions of government that is incorporated into the Government Finance Statistics (GFS) reporting framework. Unless otherwise specified, tables in Statement 6 are presented in nominal fiscal terms.

Unless otherwise specified, explanatory text in Statement 6 is presented in real terms (that is, excluding the impact of inflation) to focus on trends in estimated function expenses and their underlying drivers. Underlying drivers of growth in expenditure have remained largely consistent with the 2022–23 March Budget. To emphasise underlying drivers, much of Statement 6 explains year-to-year changes across the forward estimates period (from 2022–23 to 2025–26). Some nominal increases in function expenditure across this period may be described as decreases in real terms. This occurs where forecast CPI growth exceeds underlying nominal program growth.

The Australian Government is focused on responsible domestic economic management at a time of uncertainty around the world. Australian Government GGS expenses are expected to grow from \$650.9 billion in 2022–23 to \$731.0 billion in 2025–26.

The main trends in functional expenditure are:

- in real terms, the strongest growth across the budget year and forward estimates is expected to occur in the social security and welfare, other purposes, defence and education functions.
- in real terms, the largest decline across the budget year and forward estimates is expected to occur in the other economic affairs function.
- net capital investment from 2022–23 to 2025–26 largely reflects a significant investment in defence capital projects.



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# Statement 6: Expenses and Net Capital Investment

## Overview

Australian Government general government sector (GGS) accrual expenses are expected to decrease by 2.2 per cent in real terms in 2022–23, which is primarily driven by the reduction in large-scale, economy-wide responses to the COVID-19 pandemic. Real growth in expenses is expected to increase to 2.8 per cent in 2024–25, and remain positive at 1.6 per cent in 2025–26.

As a percentage of GDP, total expenses are expected to be 26.2 per cent in 2022–23, increasing to 27.2 per cent in 2025–26.

**Table 6.1.1: Estimates of general government sector expenses**

	March Budget	Actual	Estimates			
	2021-22	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Total expenses (\$b)</b>	<b>639.6</b>	<b>623.0</b>	<b>650.9</b>	<b>666.5</b>	<b>702.3</b>	<b>731.0</b>
Real growth on						
previous year %(a)	-5.4	-8.5	-2.2	-1.9	2.8	1.6
Per cent of GDP	27.9	27.1	26.2	27.1	27.4	27.2

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

As set out in *Statement 3: Fiscal Strategy and Outlook* of Budget Paper No. 1, the Government also reports spending on an underlying cash basis. In cash terms, Government payments are estimated to decrease by 2.2 per cent in real terms in 2022–23, which is primarily driven by the reduction in large-scale, economy-wide responses to the COVID-19 pandemic. Annual real growth in payments is estimated to gradually increase to 2.4 per cent by 2025–26.

As a percentage of GDP, total payments are expected to be 25.9 per cent in 2022–23, increasing to 27.1 per cent by 2024–25.

**Table 6.1.2: Estimates of general government sector payments**

	March Budget	Actual	Estimates			
	2021-22	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Total payments (\$b)</b>	<b>636.4</b>	<b>616.3</b>	<b>644.1</b>	<b>665.5</b>	<b>694.2</b>	<b>728.6</b>
Real growth on						
previous year %(a)	-6.2	-9.8	-2.2	-1.0	1.8	2.4
Per cent of GDP	27.8	26.8	25.9	27.0	27.1	27.1

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

Table 6.2 provides a reconciliation of expense estimates between the 2022–23 March Budget and the 2022–23 October Budget, showing the effect of policy decisions, economic parameter and other variations.

**Table 6.2: Reconciliation of expense estimates**

	Estimates				Total \$m
	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	
<b>2022-23 March Budget expenses</b>	<b>628,469</b>	<b>643,833</b>	<b>665,369</b>	<b>686,839</b>	<b>2,624,511</b>
<b>Changes from 2022-23 March Budget to 2022-23 October Budget</b>					
Effect of policy decisions(a)	3,252	1,760	9,719	13,065	27,795
Effect of economic parameter variations					
Total economic parameter variations	6,869	14,517	16,392	16,062	53,840
<i>Unemployment benefits</i>	1,417	2,487	3,227	2,658	9,790
<i>Prices and wages</i>	2,209	9,266	11,611	11,355	34,441
<i>Interest and exchange rates</i>	121	168	227	327	843
<i>GST payments to the States</i>	3,122	2,595	1,327	1,722	8,766
Public debt interest	2,604	2,926	4,612	7,346	17,488
Program specific parameter variations	6,597	1,226	4,270	7,524	19,617
Other variations	3,132	2,202	1,891	125	7,350
<b>Total variations</b>	<b>22,453</b>	<b>22,632</b>	<b>36,884</b>	<b>44,121</b>	<b>126,089</b>
<b>2022-23 October Budget expenses</b>	<b>650,922</b>	<b>666,465</b>	<b>702,253</b>	<b>730,960</b>	<b>2,750,600</b>

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

The combined impact of policy decisions and variations to program estimates has increased nominal expenses by \$126.1 billion over the 4 years from 2022–23 to 2025–26 compared to the 2022–23 March Budget.

Since the 2022–23 March Budget, variations related to economic parameters have increased expenses by \$53.8 billion, largely driven by significant and rapid changes in global and domestic economic conditions. The higher than expected inflation outcomes, and changed economic forecasts, results in an increase in prices and wages of \$34.4 billion. The higher unemployment rate projections have also led to an increase in estimated expenses related to unemployment benefits of \$9.8 billion.

## Estimated expenses by function

Table 6.3 sets out the estimates of Australian Government general government sector expenses by function for the period 2021–22 to 2025–26.

**Table 6.3: Estimates of expenses by function**

	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
General public services	31,273	30,280	27,175	28,732	27,895
Defence	38,246	38,303	39,437	41,290	44,133
Public order and safety	6,658	7,148	6,729	6,575	6,007
Education	43,225	46,317	48,278	50,072	51,977
Health	106,185	109,694	104,074	107,667	111,592
Social security and welfare	221,427	228,791	241,937	256,360	271,057
Housing and community amenities	7,033	7,826	7,158	7,444	6,802
Recreation and culture	4,270	4,880	4,519	4,420	4,399
Fuel and energy	9,437	9,134	11,287	15,490	12,079
Agriculture, forestry and fishing	3,185	5,034	4,504	2,950	2,734
Mining, manufacturing and construction	3,816	4,945	4,678	4,069	4,047
Transport and communication	11,503	15,351	17,068	17,177	16,746
Other economic affairs	21,781	13,920	11,649	11,147	10,843
Other purposes	115,011	129,299	137,972	148,858	160,650
<b>Total expenses</b>	<b>623,050</b>	<b>650,922</b>	<b>666,465</b>	<b>702,253</b>	<b>730,960</b>

Major expense trends from 2022–23 over the forward years (in nominal terms) include movements in the following functions:

- **Defence** – the increase in expenses from 2022–23 to 2025–26 reflects the increased investment required to deliver the plans set out in the *2016 Defence White Paper* and the *2020 Force Structure Plan*.
- **Education** – the increase in expenses from 2022–23 to 2025–26 reflects the funding arrangements implemented under the Quality Schools Package.
- **Health** – the decrease in expenses from 2022–23 to 2023–24 reflects the cessation of temporary measures responding to the COVID-19 pandemic, while the overall increase to 2025–26 is primarily driven by expected growth in the **assistance to the states for public hospitals** sub-function, largely reflecting anticipated growth in the volume of services.
- **Social security and welfare** – the increase from 2022–23 to 2025–26 is due largely to the impact of the 2022–23 October Budget measures *Plan for Cheaper Child Care* and *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia’s Families* in the **assistance to families with children** sub-function; as well as higher estimated expenses for participant supports through the National Disability Insurance Scheme under the **assistance to people with disabilities** sub-function.

- **Transport and communication** – the increase in expenses from 2022–23 to 2025–26 is driven by the Government’s investment in road and rail projects, including through the 2022–23 October Budget measure *Building a Better Future through considered Infrastructure Investment*.
- **Other economic affairs** – the decrease in expenses from 2022–23 to 2025–26 is primarily driven by the cessation of temporary COVID-19 support, including the closure of the Boosting Apprenticeship Commencements wage subsidy to new entrants from 30 June 2022.
- **Other purposes** – the increase in expenses from 2022–23 to 2025–26 largely reflects growing general revenue assistance payments (largely GST) to be made to the states and territories, expenses related to public debt interest, and the conservative bias allowance component of the Contingency Reserve.

Together, the social security and welfare, health, defence and education functions account for 65 per cent of all government expenses in 2022–23 (see Box 6.1). Changes to the levels of expenditure within these functions significantly impact total Government spending. Further details of spending trends in all functions, are set out under individual function headings.



**Box 6.1: Where does government spending go in 2022–23?**

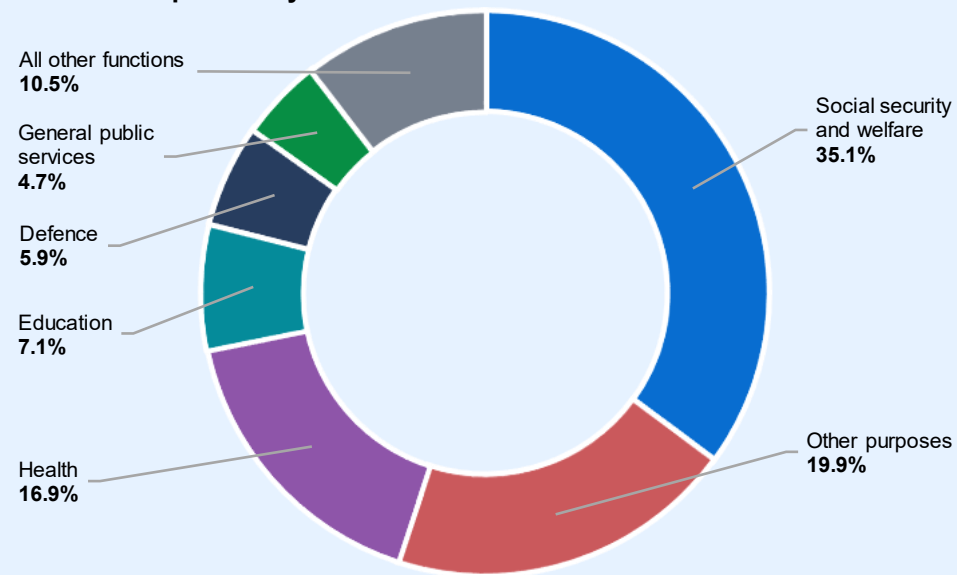
Government spending provides a wide range of services to the community. The most significant component of government spending relates to social security and welfare, with over one third of total expenses providing support to the aged, families with children, people with disabilities, veterans, carers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

Over a sixth of government expenses occur in health, including Medicare Benefits Schedule and Pharmaceutical Benefits Scheme expenditure.

The Government also provides significant investment under the education function, 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 2022–23**



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

## Program expenses

Table 6.3.1 reports the top 20 expense programs in the 2022–23 financial year. These programs represent more than two thirds of total expenses in that year. More than half of the top 20 expense programs provide financial assistance or services to the aged, families, people with disability, students, carers and the unemployed.

**Table 6.3.1: Top 20 programs by expenses in 2022–23**

Program(a)	Function	Actual	Estimates			
		2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Revenue assistance to the States and Territories	Other purposes	77,531	88,451	91,548	94,562	96,427
Support for Seniors	SSW	51,299	55,293	59,780	62,562	65,744
National Disability Insurance Scheme(b)	SSW	29,866	35,497	39,757	45,460	51,784
Medical Benefits	Health	28,988	31,269	32,214	34,011	35,806
Aged Care Services	SSW	23,102	27,084	29,741	32,773	34,728
Assistance to the States for Public Hospitals	Health	24,230	26,575	28,325	30,030	31,982
Commonwealth Debt Management	Other purposes	18,517	22,421	24,165	27,701	31,993
Family Assistance	SSW	18,380	20,550	22,284	23,464	24,503
Financial Support for People with Disability	SSW	18,375	19,392	20,919	21,653	22,372
Pharmaceutical Benefits	Health	15,532	18,077	17,033	17,145	17,220
Non-Government Schools National Support	Education	15,365	16,365	17,259	17,949	18,578
Job Seeker Income Support	SSW	15,866	14,006	14,700	15,560	15,537
Child Care Subsidy	SSW	9,807	10,633	12,768	13,489	14,133
Financial Support for Carers	SSW	9,837	10,568	11,497	12,163	12,787
Government Schools National Support	Education	9,671	10,420	11,025	11,511	12,007
Defence Force Superannuation – Benefits(c)	Other purposes; General public services	10,503	9,571	9,254	9,637	10,075
Public Sector Superannuation – Benefits(c)	Other purposes; General public services	8,541	9,435	9,471	9,499	9,833
National Partnership Payments – Road Transport	Transport and communication	5,496	8,330	10,085	10,327	9,560
Fuel Tax Credits Scheme	Fuel and energy	7,058	7,762	9,852	10,532	11,288
Army Capabilities	Defence	7,368	7,611	8,393	8,499	8,619
<b>Sub-total</b>		<b>405,332</b>	<b>449,311</b>	<b>480,070</b>	<b>508,527</b>	<b>534,978</b>
Other programs		217,717	201,611	186,395	193,726	195,982
<b>Total expenses</b>		<b>623,050</b>	<b>650,922</b>	<b>666,465</b>	<b>702,253</b>	<b>730,960</b>

- 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.

## General government sector expenses

### General public services

The general public services function includes expenses to support the organisation and operation of government such as those related 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. It also includes expenses related to research in areas not otherwise connected with a specific function, 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	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Legislative and executive affairs	1,864	1,580	1,509	1,768	1,445
Financial and fiscal affairs	8,898	8,524	8,522	8,588	8,809
Foreign affairs and economic aid	6,096	8,544	6,758	7,773	6,872
General research	3,291	3,758	4,005	4,143	4,187
General services	903	973	921	910	923
Government superannuation benefits	10,221	6,900	5,459	5,550	5,657
<b>Total general public services</b>	<b>31,273</b>	<b>30,280</b>	<b>27,175</b>	<b>28,732</b>	<b>27,895</b>

Total general public services expenses are estimated to decrease by 15.9 per cent in real terms from 2022–23 to 2025–26, due to decreased expenditure in real terms across multiple sub-functions.

Expenses under the **legislative and executive affairs** sub-function largely reflect the expenditure profile of the Australian Electoral Commission, which includes costs expected to be incurred to support a federal election in 2024–25.

Expenses in the **financial and fiscal affairs** sub-function are expected to decrease by 5.7 per cent in real terms from 2022–23 to 2025–26. This reflects the termination of a number of tax compliance measures.

Total expenses under the **foreign affairs and economic aid** sub-function are expected to decrease by 26.6 per cent in real terms from 2022–23 to 2025–26. The variation in the profile of expenses across the forward estimates largely reflects the impact of financing provided through Export Finance Australia and the payment cycles of Australia’s contributions under funding arrangements for multilateral funds. The decrease in total expenses in real terms is partially offset by increased Official Development Assistance provided to the Pacific and Southeast Asia as part of the 2022–23 October Budget measure *Additional Official Development Assistance*.

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 foreign affairs and economic aid sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Foreign aid(b)	3,755	4,588	4,120	5,171	4,228
Diplomacy(c)	1,209	1,324	1,238	1,235	1,290
Payments to international organisations	332	426	421	417	410
Passport services	229	279	290	293	294
International police assistance	162	190	190	164	167
International agriculture research and development	104	119	116	115	118
Consular services	146	141	140	142	128
Finance and insurance services for Australian exporters and investors	22	1,346	106	111	111
Other	138	131	137	126	127
<b>Total</b>	<b>6,096</b>	<b>8,544</b>	<b>6,758</b>	<b>7,773</b>	<b>6,872</b>

- 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.

The **general research** sub-function incorporates expenses incurred by the Department of Industry, Science and Resources, the Commonwealth Scientific and Industrial Research Organisation, the Australian Nuclear Science and Technology Organisation, the Australian Institute of Marine Science, the Department of Education, and the Australian Research Council (ARC).

Total expenses under this sub-function are expected to increase by 1.7 per cent in real terms from 2022–23 to 2025–26. This increase primarily reflects the revised funding profile of the 2022–23 March Budget measure *Investing in Australia's University Research Commercialisation*. The revised funding profile will enable interim pilot arrangements for Australia's Economic Accelerator, ahead of legislation being introduced to establish the full program, and a 1 July 2023 start for the Department of Education National Industry PhD Program and ARC Industry Fellowship Grants.

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 expenses**

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Research – science services and innovation fund	1,318	1,499	1,553	1,499	1,516
Discovery – research and research training	508	512	553	598	624
Science and technology solutions	418	405	412	421	428
Linkage – cross sector research partnerships	294	321	348	376	403
Supporting science and commercialisation	382	457	382	337	339
Research capacity	264	423	625	784	749
Other	109	140	132	128	128
<b>Total</b>	<b>3,291</b>	<b>3,758</b>	<b>4,005</b>	<b>4,143</b>	<b>4,187</b>

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

The **general services** sub-function incorporates expenses largely incurred by the Department of Finance, Australian Public Service Commission, and Comcare. Total expenses are expected to decrease by 13.4 per cent in real terms from 2022–23 to 2025–26. The variation is in part due to the profile of insurance claims expenditure over the forward estimates.

The decrease in expenses from 2022–23 to 2025–26 in the **government superannuation benefits** sub-function primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2021–22 and 2022–23 were calculated using the long-term government bond rate which best matched each individual scheme’s duration of liabilities at the start of the financial year. These rates were between 1.6 and 2.3 per cent per annum for 2021–22, and 3.7 and 3.9 per cent per annum for 2022–23. 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 forward estimates.

## Defence

The defence function includes expenses incurred by the Department of Defence (Defence) and related agencies. Defence expenses support Australian military operations overseas, the delivery of capabilities across the Land, Maritime, Air, Space, and Information and Cyber domains, and strategic policy advice in the defence of Australia and its national interests.

This function records the majority of expenses incurred by the Defence portfolio but 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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Defence	38,246	38,303	39,437	41,290	44,133
<b>Total defence</b>	<b>38,246</b>	<b>38,303</b>	<b>39,437</b>	<b>41,290</b>	<b>44,133</b>

Total expenses for the **defence** sub-function are estimated to increase by 5.2 per cent in real terms over the period 2022–23 to 2025–26. The real growth reflects funding required by Defence to continue delivery of the *2016 Defence White Paper* and new or adjusted capability investments outlined in the *2020 Force Structure Plan*, as well as increased investment in the capabilities of the Australian Signals Directorate through Project REDSPICE.

### 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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Courts and legal services	1,611	1,706	1,616	1,547	1,053
Other public order and safety	5,047	5,442	5,113	5,028	4,954
<b>Total public order and safety</b>	<b>6,658</b>	<b>7,148</b>	<b>6,729</b>	<b>6,575</b>	<b>6,007</b>

Total expenses for the public order and safety function are estimated to decrease by 23.3 per cent in real terms over the period 2022–23 to 2025–26.

Expenses within the **courts and legal services** sub-function are estimated to decrease by 43.7 per cent in real terms from 2022–23 to 2025–26, reflecting the expiration of the National Legal Assistance Partnership on 30 June 2025, as well as the planned reporting and conclusion dates of the Royal Commission into the Robodebt Scheme, the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability and the Royal Commission into Defence and Veteran Suicide.

Total expenses within the **other public order and safety** sub-function are expected to decrease by 16.9 per cent in real terms from 2022–23 to 2025–26, partially reflecting the provision of supplementary funding on an annual basis to the Australian Border Force, annual funding for the Office of the Special Investigator, and terminating measures.

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 other public order and safety sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Policing and law enforcement	3,632	3,979	3,736	3,637	3,549
Border protection	1,415	1,463	1,377	1,391	1,405
<b>Total</b>	<b>5,047</b>	<b>5,442</b>	<b>5,113</b>	<b>5,028</b>	<b>4,954</b>

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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Higher education	10,656	10,609	10,863	11,381	11,777
Vocational and other education	2,077	2,270	2,126	2,338	2,518
Schools	25,036	26,785	28,284	29,460	30,585
<i>Non-government schools</i>	15,365	16,365	17,259	17,949	18,578
<i>Government schools</i>	9,671	10,420	11,025	11,511	12,007
School education – specific funding	721	1,177	1,080	746	801
Student assistance	4,401	5,168	5,609	5,836	5,990
General administration	333	307	316	312	307
<b>Total education</b>	<b>43,225</b>	<b>46,317</b>	<b>48,278</b>	<b>50,072</b>	<b>51,977</b>

Total education function expenses are expected to increase by 2.4 per cent in real terms from 2022–23 to 2025–26.

Expenses under the **higher education** sub-function are expected to increase by 1.3 per cent in real terms from 2022–23 to 2025–26. Drivers of the increase include the provision of 20,000 additional Commonwealth supported places commencing in 2023 and 2024 under the 2022–23 October Budget measure *Strengthening Australia's Higher Education Sector*.

Expenses under the **vocational and other education** sub-function are expected to increase by 1.2 per cent in real terms between 2022–23 and 2025–26. The increase in expenses is primarily driven by the continued provision of funding in the Contingency Reserve for a new long-term national skills and training funding agreement with the states and territories, which is expected to commence from 1 January 2024.

Aggregate schools funding expenses are expected to increase by 4.2 per cent in real terms from 2022–23 to 2025–26. Expenses under the **schools – non-government schools** sub-function are expected to increase by 3.6 per cent in real terms from 2022–23 to 2025–26. Expenses under the **schools – government schools** sub-function are expected to increase by

5.2 per cent in real terms from 2022–23 to 2025–26. The increase in expenses for schools funding over the forward years primarily reflects the funding arrangements implemented under the Quality Schools Package.

Expenses under the **school education – specific funding** sub-function are expected to decrease by 37.9 per cent in real terms from 2022–23 to 2025–26. This is primarily driven by the 2022–23 October Budget measures *Student Wellbeing Boost* and *Schools Upgrade Fund*, which terminate in 2023–24.

Expenses under the **student assistance** sub-function are expected to increase by 5.8 per cent in real terms from 2022–23 to 2025–26. This is largely due to an increase in the value of Higher Education Loan Program (HELP) loans issued under the *Job-ready Graduates* higher education reform package announced in the 2020 July Economic and Fiscal Update. Expenses under HELP mainly reflect the estimated cost to the Government of providing concessional loans, which will vary with enrolment numbers, and the number and value of HELP loans.

## Health

The health function includes expenses relating to medical services that are 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	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Medical services and benefits	37,306	39,893	40,819	42,812	44,835
Pharmaceutical benefits and services	16,273	18,934	17,854	17,968	18,044
Assistance to the states for public hospitals	24,230	26,575	28,325	30,030	31,982
Hospital services(a)	1,049	1,065	1,082	1,115	1,153
Health services	21,691	17,949	11,202	11,060	10,999
General administration	4,648	4,157	3,569	3,392	3,333
Aboriginal and Torres Strait Islander health	989	1,122	1,223	1,290	1,246
<b>Total health</b>	<b>106,185</b>	<b>109,694</b>	<b>104,074</b>	<b>107,667</b>	<b>111,592</b>

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

Expenses for the health function are estimated to decrease by 7.2 per cent in real terms over the period 2022–23 to 2025–26, largely due to the profile of expenditure for measures responding to the COVID-19 pandemic, which are primarily in 2021–22 and 2022–23. This includes the 2022–23 October Budget measures *COVID-19 Package – Medicare and medicines*, *COVID-19 Package – aged care*, *COVID-19 Package – vaccines and treatments*, and *COVID-19 Package – hospitals and emergency response*, and the 2022–23 March Budget measures *COVID-19 Response Package – vaccines and treatments* and *COVID-19 Response Package – supporting hospitals and emergency response extension*.



The **medical services and benefits** sub-function, which primarily consists of Medicare and Private Health Insurance Rebate expenses, comprises 36.4 per cent of total estimated health expenses for 2022–23. Expenses under this sub-function are estimated to increase by 2.6 per cent in real terms over the period 2022–23 to 2025–26.

Expenses for medical benefits are expected to increase by 4.5 per cent in real terms over the period 2022–23 to 2025–26, largely as a result of population growth, ongoing growth in the use of medical services, and the use of high value items on the Medicare Benefits Schedule. Expenses for the private health insurance component are expected to decrease by 1.6 per cent in real terms over the period 2022–23 to 2025–26.

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 medical services and benefits sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Medical benefits	28,988	31,269	32,214	34,011	35,806
Private health insurance	6,756	6,901	7,013	7,207	7,443
General medical consultations and services	659	710	705	699	683
Dental services(b)	281	344	348	352	352
Other	622	669	539	544	551
<b>Total</b>	<b>37,306</b>	<b>39,893</b>	<b>40,819</b>	<b>42,812</b>	<b>44,835</b>

- 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.

Expenses for the **pharmaceutical benefits and services** sub-function are expected to decrease by 13.0 per cent in real terms over the period 2022–23 to 2025–26, primarily due to the impacts of existing pricing policies under the Pharmaceutical Benefits Scheme.

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 pharmaceutical benefits and services sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Pharmaceutical benefits, services and supply	15,532	18,077	17,033	17,145	17,220
Immunisation	427	477	479	480	481
Veterans' pharmaceutical benefits	314	379	341	343	343
<b>Total</b>	<b>16,273</b>	<b>18,934</b>	<b>17,854</b>	<b>17,968</b>	<b>18,044</b>

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

The Australian Government's contribution to public hospital funding 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 by 9.8 per cent in real terms over the period 2022–23 to 2025–26, reflecting the Government's agreement with states and territories for the Commonwealth to fund 45.0 per cent of the efficient growth in activity-based services for public hospitals from 2020–21 to 2024–25.

The **hospital services** sub-function consists mainly of payments to the states and territories to deliver veterans' hospital services. Expenditure for this sub-function is expected to decrease by 1.1 per cent in real terms over the period 2022–23 to 2025–26. The decrease in expenses reflects the expected reduction in the number of older veterans in the population who are the primary users of these services.

Expenses in the **health services** sub-function 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. Health services expenditure is expected to decrease by 44.1 per cent in real terms over the period from 2022–23 to 2025–26, largely driven by the impact of measures responding to the COVID-19 pandemic, with expenditure primarily in 2021–22 and 2022–23. This includes the 2022–23 October Budget measure *COVID-19 Package – vaccines and treatments* and the 2022–23 March Budget measure *COVID-19 Response Package – vaccines and treatments*.

The **general administration** sub-function includes the Government's general administrative costs, 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 by 26.8 per cent in real terms over the period 2022–23 to 2025–26, largely driven by a reduction in primary health care spending between 2022–23 and 2023–24 arising from terminating measures to respond to the COVID-19 pandemic, including the 2022–23 October Budget measure *COVID-19 Package – hospitals and emergency response*.

Expenses in the **Aboriginal and Torres Strait Islander health** sub-function are expected to increase by 1.4 per cent in real terms over the period 2022–23 to 2025–26. The increase reflects the Government's commitment to close the gap for First Nations peoples' health and wellbeing through the 2022–23 October Budget measure *Strengthening First Nations Health*.

## 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	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Assistance to the aged	76,283	85,888	91,540	97,277	102,454
Assistance to veterans and dependants	7,480	8,232	7,075	7,010	7,024
Assistance to people with disabilities	61,040	69,257	75,133	81,096	88,781
Assistance to families with children	37,375	40,656	44,825	46,955	48,901
Assistance to the unemployed and the sick	15,866	14,006	14,700	15,560	15,537
Other welfare programs	16,175	2,623	1,508	1,424	1,373
Assistance for Indigenous Australians nec	2,492	2,958	2,820	2,859	2,939
General administration	4,716	5,170	4,336	4,180	4,047
<b>Total social security and welfare</b>	<b>221,427</b>	<b>228,791</b>	<b>241,937</b>	<b>256,360</b>	<b>271,057</b>

Expenses in the social security and welfare function are estimated to increase by 8.1 per cent in real terms from 2022–23 to 2025–26, primarily driven by increases in expenditure on the **assistance to the aged** and **assistance to people with disabilities** sub-functions.

The **assistance to the aged** sub-function is estimated to increase by 8.9 per cent in real terms from 2022–23 to 2025–26. The Aged Care Services program is a key driver of this growth, with expenses estimated to increase by 17.0 per cent in real terms from 2022–23 to 2025–26. This primarily reflects growth in the residential aged care population and funding for increased care minutes and requiring registered nurses on site 24 hours per day, 7 days a week as part of the 2022–23 October Budget measure *Fixing the Aged Care Crisis*.

The other significant driver to the overall growth in expenditure for the **assistance to the aged** sub-function is the Support for Seniors program, which is estimated to increase by 8.5 per cent in real terms from 2022–23 to 2025–26. Real growth in expenditure over the forward estimates reflects the expected increase in the number of Age Pension recipients as the Australian population ages.

Expenses in the Aged Care Quality program are estimated to decrease by 87.8 per cent in real terms from 2022–23 to 2025–26 reflecting terminating funding provided in the 2021–22 Budget measures *Aged Care – Government response to the Royal Commission into Aged Care Quality and Safety – residential aged care quality and safety* and *Aged Care – Government response to the Royal Commission into Aged Care Quality and Safety – home care*, in response to immediate safety concerns raised by the Royal Commission into Aged Care Quality and Safety, as well as terminating COVID-19 support measures. This reduction is partially offset by the 2022–23 October Budget measure *COVID-19 Package – aged care*.

Expenses for veterans’ community care and support are estimated to decrease by 8.4 per cent in real terms from 2022–23 to 2025–26, reflecting an expected decline in the number of veterans and dependents.

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 assistance to the aged sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Support for Seniors	51,299	55,293	59,780	62,562	65,744
Aged Care Services	23,102	27,084	29,741	32,773	34,728
Veterans’ Community Care and Support	856	908	798	871	911
Aged Care Quality	534	1,687	338	228	225
Access and information	311	659	651	648	653
National Partnership Payments – Assistance to the Aged	15	34	30	0	0
Other	167	223	202	195	192
<b>Total</b>	<b>76,283</b>	<b>85,888</b>	<b>91,540</b>	<b>97,277</b>	<b>102,454</b>

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

Expenses for **assistance to veterans and dependants** are expected to decrease by 22.1 per cent in real terms from 2022–23 to 2025–26. The decrease is mainly attributable to the declining veteran population.

Expenses for the **assistance to people with disabilities** sub-function are expected to increase by 17.0 per cent in real terms from 2022–23 to 2025–26. This increase largely reflects an increase in the number of people with disability participating in the National Disability Insurance Scheme (NDIS) over the forward estimates period, and increases in individual support costs, which contribute to 33.1 per cent growth in expenses in real terms from 2022–23 to 2025–26 for the NDIS.

Expenses for the Financial Support for People with Disability program, which primarily consists of the Disability Support Pension, are estimated to increase by 5.3 per cent in real terms from 2022–23 to 2025–26, predominantly reflecting growth in estimated recipient numbers.

Expenses for the Financial Support for Carers component are estimated to increase by 6.8 per cent in real terms from 2022–23 to 2025–26, mainly reflecting growth in estimated recipient numbers.

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 assistance to people with disabilities sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
National Disability Insurance Scheme(b)	29,866	35,497	39,757	45,460	51,784
National Disability Insurance Scheme – Quality and Safeguards	81	89	74	73	73
Financial Support for People with Disability	18,375	19,392	20,919	21,653	22,372
Financial Support for Carers	11,477	12,434	13,239	13,910	14,552
National Partnership Payments – Assistance to People with Disabilities	1,240	1,845	1,143	0	0
<b>Total</b>	<b>61,040</b>	<b>69,257</b>	<b>75,133</b>	<b>81,096</b>	<b>88,781</b>

- 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.

Expenses for the **assistance to families with children** sub-function are expected to increase by 9.8 per cent in real terms from 2022–23 to 2025–26. The major programs impacting this trend include Family Assistance, Parents Income Support, and the Child Care Subsidy.

Family Assistance expenses are expected to increase by 8.8 per cent in real terms from 2022–23 to 2025–26, primarily driven by the 2022–23 October Budget measure *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families*, which expands the Paid Parental Leave Scheme by an additional two weeks a year, until it reaches a full 26 weeks from 1 July 2026.

The **assistance to families with children** sub-function profile also includes an increase of 21.3 per cent in real terms from 2022–23 to 2025–26 for the child care subsidy component. The increase primarily reflects the 2022–23 October Budget measure *Plan for Cheaper Child Care*, which will increase the maximum Child Care Subsidy (CCS) rate from 85 per cent to 90 per cent for families for the first child in care; increase the CCS rate for all families earning less than \$530,000 in household income; and maintain the current CCS rates for families with multiple children aged 5 years or under in care.

Expenses for the support for the child care system component are expected to decrease by 30.9 per cent in real terms from 2022–23 to 2025–26. The decrease primarily reflects the cessation of additional funding for the Inclusion Support Program provided through the 2021–22 MYEFO measure *COVID-19 Response Package – transitional support for the child care sector*.

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 assistance to families with children sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Family Assistance	18,387	20,550	22,284	23,464	24,503
Child Care Subsidy	9,801	10,633	12,768	13,489	14,133
Parents income support	5,923	6,113	6,465	6,686	6,923
Child Support	2,125	1,943	1,975	1,996	2,019
Support for the child care system	279	406	314	312	307
Families and Children	617	741	738	725	730
Family relationship services	229	252	265	265	269
Other	14	20	17	18	17
<b>Total</b>	<b>37,375</b>	<b>40,656</b>	<b>44,825</b>	<b>46,955</b>	<b>48,901</b>

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

Expenses for the **assistance to the unemployed and the sick** sub-function are estimated to increase by 1.2 per cent in real terms from 2022–23 to 2025–26. The increase in expenditure largely reflects the weaker outlook for the unemployment rate over 2023–24 and 2024–25, and higher than anticipated levels of recipients in the near term. Expenses for the **other welfare programs** sub-function are expected to decrease by 52.2 per cent in real terms from 2022–23 to 2025–26 as a result of the cessation of the Pandemic Leave Disaster Payment on 14 October 2022 and the temporary nature of the High Risk Settings Pandemic Payment introduced in the 2022–23 October Budget measure *Pandemic Support Payment Extensions*.

Expenses for the **assistance for Indigenous Australians not elsewhere classified (nec)** sub-function are estimated to decrease by 9.3 per cent in real terms from 2022–23 to 2025–26. This decrease over the forward estimates is largely due to the cessation of payments from the Commonwealth to the Northern Territory under the National Partnership on Northern Territory Remote Aboriginal Investment, which terminates 30 June 2024, and cessation of initiatives under the Culture and Capability component of the Indigenous Advancement Strategy.

Expenses for the **general administration** sub-function are estimated to decrease by 28.6 per cent in real terms from 2022–23 to 2025–26, due to the provision of funding for services for 2022–23 through the 2022–23 October Budget measure *Administration of COVID-19 and Emergency Payments*.

### Housing and community amenities

The housing and community amenities function includes expenses for the Australian 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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Housing	4,154	3,508	3,251	3,395	3,284
Urban and regional development	1,337	2,214	1,845	1,937	1,642
Environment protection	1,542	2,103	2,062	2,112	1,876
<b>Total housing and community amenities</b>	<b>7,033</b>	<b>7,826</b>	<b>7,158</b>	<b>7,444</b>	<b>6,802</b>

Total expenses under the housing and community amenities function are estimated to decrease by 20.7 per cent in real terms from 2022–23 to 2025–26.

The **housing** sub-function includes the Australian Government’s contribution to the National Housing and Homelessness Agreement, the provision of housing for the general public and people with special needs, and DHA expenses. Expenses for this sub-function are estimated to decrease by 14.6 per cent in real terms from 2022–23 to 2025–26. This is largely driven by the cessation of the temporary HomeBuilder program in 2022–23 and decreasing payments under the National Rental Affordability Scheme which is now closed to new applicants. These impacts are partially offset by expenses related to the Housing Australia Future Fund.

The Australian Government’s support for housing extends to guarantees, loans and other balance sheet investments which go beyond the expenses reported in this Statement. The Housing Australia Future Fund will be established with an investment of \$10 billion through the 2022–23 October Budget measure *Safer and More Affordable Housing*, which will provide up to \$500 million each year to support investment in social and affordable housing. Support through the National Housing Finance and Investment Corporation includes several guarantee programs to support individuals to enter the housing market sooner, including the Regional First Home Buyer Guarantee established in the 2022–23 October Budget measure *Safer and More Affordable Housing*. The Australian Government is also establishing the Help to Buy scheme to assist homebuyers to purchase a new or existing home with an equity contribution from the Government.

The **urban and regional development** sub-function comprises City and Regional Deals, services to territories, and regional development programs. Expenses are estimated to decrease by 32.3 per cent in real terms from 2022–23 to 2025–26, largely reflecting the conclusion of a number of City and Regional Deals and components of the 2022–23 March Budget measure *Flood Package*.

The **environment protection** sub-function 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 by 18.6 per cent in real terms from 2022–23 to 2025–26, primarily due to the re-profiling of project funding under the National Water Grid Fund, changes to the funding profile of waste and recycling measures, and higher upfront investment under the 2022–23 October Budget measure *Department of Climate Change, Energy, the Environment and Water – additional resourcing*. These decreases are partially offset by increases to investment



in water infrastructure through the 2022–23 October Budget measure *National Water Grid – delivering commitments*.

## 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	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Broadcasting	1,559	1,669	1,669	1,723	1,746
Arts and cultural heritage	1,579	1,919	1,743	1,671	1,669
Sport and recreation	537	624	489	395	369
National estate and parks	595	668	618	631	614
<b>Total recreation and culture</b>	<b>4,270</b>	<b>4,880</b>	<b>4,519</b>	<b>4,420</b>	<b>4,399</b>

Total expenses under the recreation and culture function are estimated to decrease by 17.7 per cent in real terms over the period 2022–23 to 2025–26.

Expenses under the **broadcasting** sub-function are estimated to decrease by 4.5 per cent in real terms from 2022–23 to 2025–26. However, expenditure increases in nominal terms in line with the 3-year funding agreements in place with the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service Corporation (SBS). The Government will introduce 5-year funding terms for the ABC and SBS 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 broadcasting sub-function expense**

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
ABC general operational activities	948	965	984	1,027	1,034
SBS general operational activities	385	439	414	415	422
ABC transmission and distribution services	156	194	198	207	211
SBS transmission and distribution services	70	70	74	75	79
<b>Total</b>	<b>1,559</b>	<b>1,669</b>	<b>1,669</b>	<b>1,723</b>	<b>1,746</b>

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

Expenses under the **arts and cultural heritage** sub-function are estimated to decrease by 20.6 per cent in real terms from 2022–23 to 2025–26. This sub-function includes funding for the arts and cultural institutions. The expected decrease is partly driven by the wind down



of COVID-19 support for the arts sector, and a one-off increase in expenses in 2022–23 for the Australian Screen Production Incentive due to the impact of COVID-19 on eligible activities in 2021–22.

Expenses under the **sport and recreation** sub-function are estimated to decrease by 46.0 per cent in real terms from 2022–23 to 2025–26, largely reflecting the expected completion of grant funding for time-limited, community-led projects to increase participation in sport and physical activity following COVID-19, and the completion of elements of the national sport plan, *Sport 2030*.

Expenses under the **national estate and parks** sub-function are estimated to decrease by 16.1 per cent in real terms from 2022–23 to 2025–26, largely due to the cessation of temporary investment in the management of Commonwealth National Parks in 2022–23 through the 2022–23 March Budget measure *Supporting the Management of Commonwealth National Parks*.

## Fuel and energy

The fuel and energy function includes expenses for the Fuel Tax Credits and Product Stewardship Waste (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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Fuel and energy	9,437	9,134	11,287	15,490	12,079
<b>Total fuel and energy</b>	<b>9,437</b>	<b>9,134</b>	<b>11,287</b>	<b>15,490</b>	<b>12,079</b>

Fuel and energy expenses are estimated to increase by 20.7 per cent in real terms over the period 2022–23 to 2025–26.

The major program within this sub-function is the Fuel Tax Credits Scheme, which is estimated to increase by 32.7 per cent in real terms from 2022–23 to 2025–26. This largely reflects reduced expenses for the Fuel Tax Credits Scheme in the first three months of the 2022–23 financial year as a result of the 2022–23 March Budget measure *Addressing Cost of Living Pressures – temporary reduction in fuel excise*, and an expected increase in the use of fuels that are eligible for the Fuel Tax Credits Scheme in later years.

Expenses under the Resources and Energy component are estimated to decrease by 82.1 per cent in real terms from 2022–23 to 2025–26, reflecting the funding profile associated with programs such as the National Radioactive Waste Management Program and the Critical Minerals Development Program.

Expenses under the Renewable Energy component are expected to decrease by 3.1 per cent in real terms from 2022–23 to 2025–26. Consistent with budget accounting standards, renewable energy related expenses include the concessional component of concessional

loans made by the Clean Energy Finance Corporation, primarily those expected to be made under the 2022–23 October Budget measure *Powering Australia – Rewiring the Nation*. The variation in expenses over the forward estimates reflects the expected timing of loans made under this measure.

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 fuel and energy sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Fuel Tax Credits Scheme	7,058	7,762	9,852	10,532	11,288
Resources and Energy	1,630	201	131	66	39
Renewable Energy	173	471	642	4,438	500
Other	576	700	662	454	251
<b>Total</b>	<b>9,437</b>	<b>9,134</b>	<b>11,287</b>	<b>15,490</b>	<b>12,079</b>

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

## 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; quarantine services; and contributions to research and development.

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

Sub-function	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Wool industry	58	67	72	74	77
Grains industry	199	238	240	240	240
Dairy industry	55	55	55	56	57
Cattle, sheep and pig industry	249	260	266	275	280
Fishing, horticulture and other agriculture	412	567	387	363	342
General assistance not allocated to specific industries	35	40	41	41	41
Rural assistance	334	489	335	369	421
Natural resources development	722	2,140	2,080	572	401
General administration	1,121	1,178	1,030	959	876
<b>Total agriculture, forestry and fishing</b>	<b>3,185</b>	<b>5,034</b>	<b>4,504</b>	<b>2,950</b>	<b>2,734</b>

Total expenses under this function are estimated to decrease by 50.4 per cent in real terms over the period 2022–23 to 2025–26.

The **rural assistance** sub-function is expected to decrease by 21.4 per cent in real terms over the period 2022–23 to 2025–26 due to the timing of concessional loan discount expenses on loans issued by the Regional Investment Corporation.

The **natural resources development** sub-function is expected to decrease by 82.9 per cent in real terms over the period 2022–23 to 2025–26 reflecting the currently scheduled completion of water reform activities under the Murray-Darling Basin Plan in 2023–24.

## 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	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Mining, manufacturing and construction	3,816	4,945	4,678	4,069	4,047
<b>Total mining, manufacturing and construction</b>	<b>3,816</b>	<b>4,945</b>	<b>4,678</b>	<b>4,069</b>	<b>4,047</b>

Total expenses under the mining, manufacturing and construction function are expected to decrease by 25.3 per cent in real terms over the period 2022–23 to 2025–26.

Expenses for the Research and Development Tax Incentive administered by the Australian Taxation Office, are expected to remain constant in real terms from 2022–23 to 2025–26, reflecting the number and size of expected claims from eligible companies with an annual turnover of less than \$20 million.

Expenses under the Growing Business Investment component are expected to decrease by 87.1 per cent in real terms from 2022–23 to 2025–26. The decrease in expenditure reflects the funding profile of the Modern Manufacturing Initiative and other industry support programs, including reductions in funding for the Entrepreneurs' Program and the reprioritisation of funding for the Manufacturing Modernisation Fund to support other measures including the 2022–23 October Budget measures *Supporting Australian Industry* and *Supporting Talent and Leadership in Australian Science and Technology*.

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 decrease by 4.7 per cent in real terms from 2022–23 to 2025–26 due to changes in concessional loan discount expenses associated with the expected commitment of concessional loans across the forward estimates.

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 mining, manufacturing and construction sub-function expenses**

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Research and Development Tax Incentive	3,083	3,042	3,047	3,181	3,334
Growing Business Investment	407	1,269	740	260	180
Northern Australia Infrastructure Facility	124	200	491	271	208
Other	202	434	400	357	325
<b>Total</b>	<b>3,816</b>	<b>4,945</b>	<b>4,678</b>	<b>4,069</b>	<b>4,047</b>

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

## Transport and communication

The transport and communication function includes expenses to support the infrastructure and regulatory framework for Australia’s transport and communication sectors.

**Table 6.15: Summary of expenses – transport and communication**

Sub-function	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Communication	1,941	1,750	1,721	1,647	1,605
Rail transport	1,701	3,561	3,646	3,614	3,952
Air transport	1,169	469	377	361	392
Road transport	6,026	8,890	10,619	10,860	10,086
Sea transport	440	459	486	494	494
Other transport and communication	225	222	220	200	216
<b>Total transport and communication</b>	<b>11,503</b>	<b>15,351</b>	<b>17,068</b>	<b>17,177</b>	<b>16,746</b>

Total expenses under this function are estimated to decrease by 0.4 per cent in real terms over the period 2022–23 to 2025–26.

Expenses under the **communication** sub-function relate to 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. Total expenses under this sub-function are estimated to decrease by 16.3 per cent in real terms from 2022–23 to 2025–26. The decrease primarily reflects the conclusion of a number of communications programs including the Mobile Black Spot Program and the Connecting Northern Australia initiative. The Government is investing to improve mobile broadband connectivity and resilience through the 2022–23 October Budget measure *Better Connectivity Plan for Regional and Rural Australia*.

Expenses under the **rail transport** sub-function primarily consist of grants provided under the Infrastructure Investment Program. Expenses are estimated to increase by 1.3 per cent in real terms from 2022–23 to 2025–26, reflecting the Government’s investment in priority rail projects, including the Suburban Rail Loop through the 2022–23 October Budget measure *Building a Better Future through considered Infrastructure Investment*.

Expenses under the **air transport** and **sea transport** sub-functions primarily relate to activities of the safety regulators – the Civil Aviation Safety Authority and the Australian Maritime Safety Authority (AMSA), and aviation related initiatives. Total expenses under the **air transport** sub-function are estimated to decrease by 23.9 per cent in real terms from 2022–23 to 2025–26 associated with the conclusion of a number of aviation initiatives including the Regional Airports Program, Enhanced Regional Security Screening and Remote Aviation Access Program. Total expenses under the **sea transport** sub-function are estimated to decrease by 1.8 per cent in real terms from 2022–23 to 2025–26, reflecting a reduction in levy revenue and costs for AMSA.

Expenses under the **road transport** sub-function primarily consist of grants provided under the Infrastructure Investment Program and are estimated to increase by 3.5 per cent in real terms from 2022–23 to 2025–26. The increase in expenditure reflects the Government’s investment in road projects, including through the 2022–23 October Budget measure *Building a Better Future through considered Infrastructure Investment*.

Total expenses under the **other transport and communication** sub-function are estimated to decrease by 11.0 per cent in real terms from 2022–23 to 2025–26, reflecting the cessation of temporary program support provided through the 2022–23 March Budget measure *Infrastructure Investment – Priority Regional Infrastructure Investments*.

## 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	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Tourism and area promotion	189	214	178	177	176
Total labour and employment affairs	7,592	6,561	5,317	5,115	4,886
<i>Vocational and industry training</i>	4,664	3,577	2,082	1,955	1,711
<i>Labour market assistance to job seekers and industry</i>	2,265	2,266	2,481	2,395	2,391
<i>Industrial relations</i>	662	718	754	765	784
Immigration	3,409	3,582	3,211	3,008	2,952
Other economic affairs nec	10,592	3,564	2,943	2,847	2,829
<b>Total other economic affairs</b>	<b>21,781</b>	<b>13,920</b>	<b>11,649</b>	<b>11,147</b>	<b>10,843</b>

Total expenses for the other economic affairs function are estimated to decrease by 28.9 per cent in real terms over the period 2022–23 to 2025–26.

Expenses under the **tourism and area promotion** sub-function are expected to decrease by 25.1 per cent in real terms from 2022–23 to 2025–26, largely due to the temporary nature of the Government’s additional tourism marketing campaigns as international travel resumes.

Expenses under the **vocational and industry training** sub-function are expected to decrease by 56.3 per cent in real terms from 2022–23 to 2025–26. The decrease in expenses from 2022–23 to 2025–26 largely reflects the cessation of temporary COVID-19 support, including the Boosting Apprenticeship Commencements wage subsidy.

Expenses under the **labour market assistance to job seekers and industry** sub-function are expected to decrease by 3.7 per cent in real terms from 2022–23 to 2025–26, primarily as a result of the estimated profile of the caseload of job seekers in the Workforce Australia employment services system.

Expenses under the **industrial relations** sub-function are expected to decrease by 0.3 per cent in real terms from 2022–23 to 2025–26 as a result of lower than expected payments for employee entitlements under the *Fair Entitlements Guarantee Act 2012*.

The main components of the **immigration** sub-function relate to the management of unlawful non-citizens, the provision of migration and citizenship services, and refugee and humanitarian assistance.

Expenses under this sub-function are expected to decrease by 24.8 per cent in real terms from 2022–23 to 2025–26, primarily reflecting additional expenditure to support a higher detainee population in onshore detention in 2022–23 and 2023–24 and in offshore detention in 2022–23. The detainee population in both onshore and offshore detention is expected to decrease over the period to 2025–26.

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

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

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Management of unlawful non-citizens	1,769	1,892	1,732	1,446	1,421
Citizenship, visas and migration	844	833	705	797	770
Regional co-operation and refugee and humanitarian assistance	797	857	774	765	761
<b>Total</b>	<b>3,409</b>	<b>3,582</b>	<b>3,211</b>	<b>3,008</b>	<b>2,952</b>

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

Expenses under the **other economic affairs nec** sub-function are expected to decrease by 27.6 per cent in real terms from 2022–23 to 2025–26.

The decrease in expenditure for the **other economic affairs nec** sub-function is primarily the result of the temporary nature of the Government’s economic response to the COVID-19 pandemic and the conclusion of the COVID-19 Business Support Payment to the states and territories in 2022–23.

The decrease in expenditure for the promotion of Australia’s export and other international economic interests is primarily driven by the cessation of the temporary support provided

as part of the response to the COVID-19 pandemic, including through the International Freight Assistance Mechanism and Consumer Travel Support Program.

Expenses for the Department of Industry, Science and Resources are expected to decrease by 31.4 per cent in real terms from 2022–23 to 2025–26, largely driven by measures which terminate during the forward estimates.

Expenses for the Australian Competition and Consumer Commission are expected to decrease by 21.7 per cent in real terms from 2022–23 to 2025–26 mainly due to measures terminating in 2022–23, including additional funding for the Consumer Data Right.

Expenses for the Bureau of Meteorology (the Bureau) are expected to decrease by 13.4 per cent in real terms from 2022–23 to 2025–26, which reflects the anticipated completion of information and communications technology (ICT) projects, including investment to strengthen the Bureau’s ICT security and resilience and observations network.

Table 6.16.2 provides further details of the major components of the **other economic affairs nec** sub-function.

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

Component(a)	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Economic Response to the Coronavirus	6,745	416	0	0	0
Promotion of Australia’s export and other international economic interests	1,143	475	432	393	383
<b>Operating costs for:</b>					
Department of Industry, Science and Resources	583	699	617	547	526
Australian Securities and Investments Commission	743	609	584	585	592
Bureau of Meteorology	448	525	485	495	498
IP Australia	219	240	246	253	261
Australian Competition and Consumer Commission	221	224	209	199	192
Australian Prudential Regulation Authority	209	233	234	236	239
National Partnership Payments – Competition and Productivity Enhancing Reform	151	1	0	0	0
Other	130	143	136	138	138
<b>Total</b>	<b>10,592</b>	<b>3,564</b>	<b>2,943</b>	<b>2,847</b>	<b>2,829</b>

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	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Public debt interest	18,517	22,421	24,165	27,701	31,993
<i>Interest on Commonwealth Government's behalf</i>	18,517	22,421	24,165	27,701	31,993
Nominal superannuation interest	8,974	12,264	13,423	13,737	14,403
General purpose inter-government transactions	81,679	90,259	94,950	97,983	99,972
<i>General revenue assistance – states and territories</i>	77,531	88,451	91,548	94,562	96,427
<i>Local government assistance</i>	4,148	1,808	3,402	3,420	3,544
Natural disaster relief	5,840	3,554	1,589	818	267
Contingency reserve	0	801	3,845	8,619	14,014
<b>Total other purposes</b>	<b>115,011</b>	<b>129,299</b>	<b>137,972</b>	<b>148,858</b>	<b>160,650</b>

Total expenses under the other purposes function are estimated to increase by 13.4 per cent in real terms over the period 2022–23 to 2025–26.

Expenses under the **public debt interest** sub function are expected to increase by 30.2 per cent in real terms from 2022–23 to 2025–26. The increase in expenses reflects a forecast increase in the stock of Australian Government Securities (AGS) by the end of the forward estimates period and higher assumed yields on new issuances of AGS.

The increase in **nominal superannuation interest** expenses over the forward estimates primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2021–22 and 2022–23 were calculated using the long-term government bond rate, which best matched each individual scheme's duration of liabilities at the start of the financial year. These rates were between 1.6 and 2.3 per cent per annum for 2021–22, and 3.7 and 3.9 per cent per annum for 2022–23. 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 forward estimates.

Expenses under the **general purpose inter-government transactions** sub-function, made up of general revenue assistance paid to state and territory governments, and local government assistance, are expected to increase by 1.1 per cent in real terms from 2022–23 to 2025–26. Nearly all the expenses under this sub-function relate to **general revenue assistance** paid to state and territory governments, which is expected to remain broadly flat in real terms from 2022–23 to 2025–26, 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 2022–23*.

Expenses under **local government assistance** are expected to increase by 78.9 per cent in real terms from 2022–23 to 2025–26, largely reflecting that 75 per cent of the 2022–23 Financial Assistance Grants were paid in 2021–22.

The **natural disaster relief** sub-function reflects 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 (DRFA). The majority of the funding profile over the forward estimates reflects expected payments to the states in relation to disaster events that have already occurred. As a general rule, as no provision is made for future disasters, the amount reduces over time. The sub-function also reflects departmental funding for the National Emergency Management Agency.

A provision of \$3.0 billion has been included in the **natural disaster relief** sub-function in the 2022–23 October Budget acknowledging the expected significant impact on future Government spending from the floods in 2022, and potential future events. Future unquantifiable costs will include the Commonwealth's up to 75 per cent share of the costs of rebuilding of essential public infrastructure damaged by the floods, under categories A and B of the DRFA.

The **contingency reserve** sub-function in the 2022–23 October Budget increases expenses by \$801 million in 2022–23, \$3.8 billion in 2023–24, \$8.6 billion in 2024–25 and \$14.0 billion in 2025–26. A key component of this is the conservative bias allowance (CBA), 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 2022–23 October Budget includes a provision of:

- nil in the Budget year 2022–23.
- ¼ of a percentage point of total general government sector (GGS) expenses in the first forward year 2023–24 (\$1.4 billion).
- ¾ per cent of GGS expenses in the second forward year 2024–25 (\$4.4 billion).
- 1 ½ per cent of GGS expenses in the third forward year 2025–26 (\$9.0 billion).

The drawdown of the CBA decreased expenses by \$1.3 billion in 2023–24, \$1.2 billion in 2024–25 and \$2.5 billion in 2025–26. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

A provision has been included in the Contingency Reserve for the implementation of election commitments published in the *Plan for a Better Future*, where policy settings are yet to be finalised, as well as funding to support an increase to award wages resulting from the aged care work value case being determined by the Fair Work Commission.

The Contingency Reserve also includes the estimates for a number of measures that require legislation to be implemented, including the establishment of the National Anti-Corruption Commission and the Housing Australia Future Fund.

In general, the Contingency Reserve can also include:

- 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 pressures that are reasonably expected to affect the budget estimates.

## 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 (GGS) net capital investment is expected to be \$12.8 billion in 2022–23, \$4.4 billion higher than net capital investment in 2021–22. This reflects increased investment by the Department of Defence as outlined in the *2016 Defence White Paper*, and the *2020 Force Structure Plan* to build future Defence Force capability.

Details of movements are further explained in the following section.

**Table 6.18: Estimates of total net capital investment**

	March Budget	Actual	Estimates			
	2021-22	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Total net capital investment (\$m)</b>	<b>11,092</b>	<b>8,412</b>	<b>12,781</b>	<b>11,883</b>	<b>8,976</b>	<b>9,939</b>
Per cent of GDP	0.5	0.4	0.5	0.5	0.4	0.4

## Reconciliation of net capital investment since the 2022–23 March Budget

A reconciliation of the net capital investment estimates, showing the effect of policy decisions and parameter and other variations since the 2022–23 March Budget, is provided in Table 6.19.

**Table 6.19: Reconciliation of net capital investment estimates**

	Estimates				Total \$m
	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	
<b>2022-23 March Budget net capital investment</b>	<b>11,319</b>	<b>10,580</b>	<b>7,443</b>	<b>8,172</b>	<b>37,515</b>
<b>Changes from 2022-23 March Budget to 2022-23 October Budget</b>					
Effect of policy decisions(a)	130	214	268	380	991
Effect of parameter and other variations	1,332	1,089	1,265	1,386	5,071
<b>Total variations</b>	<b>1,461</b>	<b>1,303</b>	<b>1,532</b>	<b>1,766</b>	<b>6,063</b>
<b>2022-23 October Budget net capital investment</b>	<b>12,781</b>	<b>11,883</b>	<b>8,976</b>	<b>9,939</b>	<b>43,578</b>

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

Forecast net capital investment for 2022–23 has an overall increase of \$1.5 billion since the 2022–23 March Budget. This increase is driven by the effect of policy decisions of \$130 million and an increase of \$1.3 billion as a result of parameter and other variations.

## Net capital investment estimates by function

Estimates for Australian Government general government sector net capital investment by function for the period 2021–22 to 2025–26 are provided in Table 6.20.

**Table 6.20: Estimates of net capital investment by function**

	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
General public services	988	586	-68	-66	-464
Defence	6,684	9,876	11,600	11,775	11,397
Public order and safety	-134	-28	-245	-271	-243
Education	21	34	32	-10	-10
Health	2,074	570	-52	-62	-74
Social security and welfare	12	344	-124	-171	-421
Housing and community amenities	-142	352	260	-16	8
Recreation and culture	-35	243	325	9	-100
Fuel and energy	-63	10	0	4	1
Agriculture, forestry and fishing	15	107	33	0	-31
Mining, manufacturing and construction	-11	-21	-17	-30	-22
Transport and communication	-972	-25	76	-2,155	-38
Other economic affairs	-27	65	-292	-369	-382
Other purposes	0	668	357	337	318
<b>Total net capital investment</b>	<b>8,412</b>	<b>12,781</b>	<b>11,883</b>	<b>8,976</b>	<b>9,939</b>

A significant component of the Government's net capital investment occurs in the defence function and relates primarily to the acquisition of military equipment. Major factors contributing to changes in net capital investment, expected to occur in the following functions, include:

- **General public services** – the decrease in net capital investment from 2022–23 to 2025–26 largely reflects depreciation and amortisation of existing assets and the timing of building and equipment purchases.
- **Defence** – the increase in net capital investment from 2022–23 to 2025–26 reflects funding associated with the implementation of the *2016 Defence White Paper* and new or adjusted investments outlined in the *2020 Force Structure Plan* to build the future Defence Force and capability. These investments are guided by the Defence Integrated Investment Program. Major investments include military capabilities such as ships, aircraft and armoured vehicles, as well as enabling ICT capabilities, infrastructure and the Defence estate.
- **Public order and safety** – the decrease in net capital investment from 2022–23 reflects the timing of lease renewals by the Department of Home Affairs.
- **Health** – the decrease in net capital investment from 2022–23 to 2025–26 largely reflects the reductions in National Medical Stockpile procurements related to the COVID-19 pandemic.

- **Social security and welfare** – the decrease in net capital investment from 2022–23 to 2025–26 is largely driven by the depreciation and amortisation of prior Commonwealth investments into Services Australia’s assets such as ICT capabilities and infrastructure. This is partially offset by Commonwealth investment in ICT capabilities and infrastructure in 2022–23 for the 2021–22 Budget measures *GovERP – Common Corporate Australian Public Service System* and *Digital Economy Strategy*, and the 2020–21 Budget measure *Welfare Payment Infrastructure Transformation – tranche four*.
- **Housing and community amenities** – the decrease in net capital investment in 2024–25 largely reflects a change in Defence Housing Australia’s property investment strategy to better meet the housing needs of the Australian Defence Force.
- **Recreation and culture** – the decrease in net capital investment from 2022–23 to 2025–26 reflects the expected completion of capital investments at the Australian War Memorial and the Great Barrier Reef Marine Park Authority’s ‘Reef HQ Aquarium’, and within Australia’s Antarctic Program and Commonwealth National Parks.
- **Transport and communication** – the variable profile of net capital investment reflects the sale of non-financial assets through the 850/900 MHz and 2.4 Gigahertz Spectrum Auctions.
- **Other economic affairs** – the decrease in net capital investment from 2022–23 reflects the timing of lease renewals by the Department of Home Affairs and the phasing down of investment under the second and third tranches of capital projects to strengthen the Bureau of Meteorology’s ICT security and resilience, and observations network.
- **Other purposes** – the increase in net capital investment in 2022–23 reflects a provision for the procurement of additional COVID-19 vaccines and treatments for the National Medical Stockpile in the 2022–23 October Budget measure *COVID-19 Package – vaccines and treatments*.

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**

	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
General public services	2,637	2,234	1,503	1,503	1,295
Defence	12,056	15,674	18,241	19,177	19,567
Public order and safety	769	825	612	572	603
Education	74	64	62	19	20
Health	392	479	91	69	48
Social security and welfare	918	1,309	791	650	350
Housing and community amenities	365	455	450	405	347
Recreation and culture	452	787	786	476	359
Fuel and energy	17	44	14	20	16
Agriculture, forestry and fishing	125	206	136	105	74
Mining, manufacturing and construction	27	17	21	9	16
Transport and communication	104	102	205	69	92
Other economic affairs	833	935	574	520	508
Other purposes	4	185	359	339	319
<b>General government purchases of non-financial assets</b>	<b>18,772</b>	<b>23,317</b>	<b>23,846</b>	<b>23,934</b>	<b>23,614</b>

## Appendix A: Expense by function and sub-function

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

	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
<b>General public services</b>					
Legislative and executive affairs	1,864	1,580	1,509	1,768	1,445
Financial and fiscal affairs	8,898	8,524	8,522	8,588	8,809
Foreign affairs and economic aid	6,096	8,544	6,758	7,773	6,872
General research	3,291	3,758	4,005	4,143	4,187
General services	903	973	921	910	923
Government superannuation benefits	10,221	6,900	5,459	5,550	5,657
<b>Total general public services</b>	<b>31,273</b>	<b>30,280</b>	<b>27,175</b>	<b>28,732</b>	<b>27,895</b>
<b>Defence</b>	<b>38,246</b>	<b>38,303</b>	<b>39,437</b>	<b>41,290</b>	<b>44,133</b>
<b>Public order and safety</b>					
Courts and legal services	1,611	1,706	1,616	1,547	1,053
Other public order and safety	5,047	5,442	5,113	5,028	4,954
<b>Total public order and safety</b>	<b>6,658</b>	<b>7,148</b>	<b>6,729</b>	<b>6,575</b>	<b>6,007</b>
<b>Education</b>					
Higher education	10,656	10,609	10,863	11,381	11,777
Vocational and other education	2,077	2,270	2,126	2,338	2,518
Schools	25,036	26,785	28,284	29,460	30,585
<i>Non-government schools</i>	15,365	16,365	17,259	17,949	18,578
<i>Government schools</i>	9,671	10,420	11,025	11,511	12,007
School education – specific funding	721	1,177	1,080	746	801
Student assistance	4,401	5,168	5,609	5,836	5,990
General administration	333	307	316	312	307
<b>Total education</b>	<b>43,225</b>	<b>46,317</b>	<b>48,278</b>	<b>50,072</b>	<b>51,977</b>
<b>Health</b>					
Medical services and benefits	37,306	39,893	40,819	42,812	44,835
Pharmaceutical benefits and services	16,273	18,934	17,854	17,968	18,044
Assistance to the states for public hospitals	24,230	26,575	28,325	30,030	31,982
Hospital services(a)	1,049	1,065	1,082	1,115	1,153
Health services	21,691	17,949	11,202	11,060	10,999
General administration	4,648	4,157	3,569	3,392	3,333
Aboriginal and Torres Strait Islander health	989	1,122	1,223	1,290	1,246
<b>Total health</b>	<b>106,185</b>	<b>109,694</b>	<b>104,074</b>	<b>107,667</b>	<b>111,592</b>
<b>Social security and welfare</b>					
Assistance to the aged	76,283	85,888	91,540	97,277	102,454
Assistance to veterans and dependants	7,480	8,232	7,075	7,010	7,024
Assistance to people with disabilities	61,040	69,257	75,133	81,096	88,781
Assistance to families with children	37,375	40,656	44,825	46,955	48,901



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

	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
<b>Social security and welfare (continued)</b>					
Assistance to the unemployed and the sick	15,866	14,006	14,700	15,560	15,537
Other welfare programs	16,175	2,623	1,508	1,424	1,373
Assistance for Indigenous Australians nec	2,492	2,958	2,820	2,859	2,939
General administration	4,716	5,170	4,336	4,180	4,047
<b>Total social security and welfare</b>	<b>221,427</b>	<b>228,791</b>	<b>241,937</b>	<b>256,360</b>	<b>271,057</b>
<b>Housing and community amenities</b>					
Housing	4,154	3,508	3,251	3,395	3,284
Urban and regional development	1,337	2,214	1,845	1,937	1,642
Environment protection	1,542	2,103	2,062	2,112	1,876
<b>Total housing and community amenities</b>	<b>7,033</b>	<b>7,826</b>	<b>7,158</b>	<b>7,444</b>	<b>6,802</b>
<b>Recreation and culture</b>					
Broadcasting	1,559	1,669	1,669	1,723	1,746
Arts and cultural heritage	1,579	1,919	1,743	1,671	1,669
Sport and recreation	537	624	489	395	369
National estate and parks	595	668	618	631	614
<b>Total recreation and culture</b>	<b>4,270</b>	<b>4,880</b>	<b>4,519</b>	<b>4,420</b>	<b>4,399</b>
<b>Fuel and energy</b>	<b>9,437</b>	<b>9,134</b>	<b>11,287</b>	<b>15,490</b>	<b>12,079</b>
<b>Agriculture, forestry and fishing</b>					
Wool industry	58	67	72	74	77
Grains industry	199	238	240	240	240
Dairy industry	55	55	55	56	57
Cattle, sheep and pig industry	249	260	266	275	280
Fishing, horticulture and other agriculture	412	567	387	363	342
General assistance not allocated to specific industries	35	40	41	41	41
Rural assistance	334	489	335	369	421
Natural resources development	722	2,140	2,080	572	401
General administration	1,121	1,178	1,030	959	876
<b>Total agriculture, forestry and fishing</b>	<b>3,185</b>	<b>5,034</b>	<b>4,504</b>	<b>2,950</b>	<b>2,734</b>
<b>Mining, manufacturing and construction</b>	<b>3,816</b>	<b>4,945</b>	<b>4,678</b>	<b>4,069</b>	<b>4,047</b>
<b>Transport and communication</b>					
Communication	1,941	1,750	1,721	1,647	1,605
Rail transport	1,701	3,561	3,646	3,614	3,952
Air transport	1,169	469	377	361	392
Road transport	6,026	8,890	10,619	10,860	10,086
Sea transport	440	459	486	494	494
Other transport and communication	225	222	220	200	216
<b>Total transport and communication</b>	<b>11,503</b>	<b>15,351</b>	<b>17,068</b>	<b>17,177</b>	<b>16,746</b>

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

	Actual	Estimates			
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
<b>Other economic affairs</b>					
Tourism and area promotion	189	214	178	177	176
Total labour and employment affairs	7,592	6,561	5,317	5,115	4,886
<i>Vocational and industry training</i>	4,664	3,577	2,082	1,955	1,711
<i>Labour market assistance to job seekers and industry</i>	2,265	2,266	2,481	2,395	2,391
<i>Industrial relations</i>	662	718	754	765	784
Immigration	3,409	3,582	3,211	3,008	2,952
Other economic affairs nec	10,592	3,564	2,943	2,847	2,829
<b>Total other economic affairs</b>	<b>21,781</b>	<b>13,920</b>	<b>11,649</b>	<b>11,147</b>	<b>10,843</b>
<b>Other purposes</b>					
Public debt interest	18,517	22,421	24,165	27,701	31,993
<i>Interest on Commonwealth Government's behalf</i>	18,517	22,421	24,165	27,701	31,993
Nominal superannuation interest	8,974	12,264	13,423	13,737	14,403
General purpose inter-government transactions	81,679	90,259	94,950	97,983	99,972
<i>General revenue assistance – states and territories</i>	77,531	88,451	91,548	94,562	96,427
<i>Local government assistance</i>	4,148	1,808	3,402	3,420	3,544
Natural disaster relief	5,840	3,554	1,589	818	267
Contingency reserve	0	801	3,845	8,619	14,014
<b>Total other purposes</b>	<b>115,011</b>	<b>129,299</b>	<b>137,972</b>	<b>148,858</b>	<b>160,650</b>
<b>Total expenses</b>	<b>623,050</b>	<b>650,922</b>	<b>666,465</b>	<b>702,253</b>	<b>730,960</b>

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