

## Statement 6: Expenses and Net Capital Investment

This Statement presents estimates of the Australian Government general government sector (GGS) expenses and net capital investment disaggregated by function. Expenses are the accrual accounting equivalent of cash-based payments. The Government also reports spending on an underlying cash basis (including details about payments) in *Statement 3: Fiscal Strategy and Outlook*.

The Government remains focused on responsible domestic economic management at a time of uncertainty around the world. The Government has provided targeted cost-of-living relief and funding to support a stronger, more secure economy and address legacy issues, while maintaining the commitment to avoid fiscal policy adding to inflationary pressures while these are at their highest.

GGS expenses are expected to grow from \$684.1 billion in 2023–24 to \$771.8 billion in 2026–27. Total expenses are expected to be 26.6 per cent of GDP in 2023–24 and to remain around that level over the forward estimates. Real growth in expenses over the forward estimates is expected to average around 1.5 per cent per annum.

Together, the social security and welfare, health, defence and education functions account for 66 per cent of all government expenses in 2023–24.

Major expense trends from 2023–24 over the forward estimates include movements in the following functions:

- **Defence** – the increase in expenses reflects the planned investment in Defence capabilities which will now be reprioritised to support the Government’s response to the *Defence Strategic Review*.
- **Education** – the increase in expenses reflects the Government’s continued investment in schools and decision to increase the base rate of payments to students through the 2023–24 Budget measure *Increase to Working Age Payments*.
- **Health** – the increase in expenses is driven by expected growth in the assistance to the states for public hospitals and measures to strengthen Medicare and stem the decline in bulk billing in response to the findings of the *Strengthening Medicare Taskforce Report*.
- **Social security and welfare** – the increase in expenses is due largely to the Government’s investment through the 2023–24 Budget measures *Increase to Working Age Payments* and *Increased Support for Commonwealth Rent Assistance Recipients*. Also contributing to this growth is funding for the outcome of the Fair Work Commission’s decision on the Aged Care Work Value Case which increased minimum award wages by 15 per cent from 30 June 2023 for many aged care workers.

- **Recreation and culture** – the increase in expenses reflects the Government’s contributions for venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games provided through the 2023–24 Budget measure *2032 Brisbane Olympic and Paralympic Games – venue infrastructure*, as well as funding for the Macquarie Point Precinct and the University of Tasmania stadium in Launceston.
- **Fuel and Energy** – the increase in expenses is partially due to the *Energy Price Relief Plan* in this Budget which will deliver cost of living relief by reducing the impact of rising energy prices through targeted energy bill relief, progressing gas market reforms and limiting the price of coal.

Analysis in this Statement is presented in both nominal and real terms to allow for international comparisons of functional expenditure. Examining trends in estimated function expenses in real terms (that is adjusted for inflation) illustrates the underlying drivers of growth, other than inflation.

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# Statement 6: Expenses and Net Capital Investment

## Overview

Australian Government general government sector (GGS) expenses are expected to increase from \$644.8 billion in 2022–2023 to \$771.8 billion in 2026–2027, with expenses as a percentage of GDP remaining relatively stable over the forward estimates. Additional spending has been provided to deliver targeted cost-of-living relief, to invest in a stronger economy, and to deal with the legacy of unfunded programs.

Average annual real growth in expenses over the forward estimates is expected to be 1.5 per cent which shows the Government's commitment to responsible and sustainable economic and fiscal management.

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

	October Budget	Revised	Estimates			
	2022–23	2022–23	2023–24	2024–25	2025–26	2026–27
<b>Total expenses (\$b)</b>	<b>650.9</b>	<b>644.8</b>	<b>684.1</b>	<b>715.4</b>	<b>743.3</b>	<b>771.8</b>
Real growth on						
previous year (%) <sup>(a)</sup>	-2.2	-3.3	1.9	1.5	1.3	1.3
Per cent of GDP	26.2	25.3	26.6	27.1	26.8	26.4

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

As a percentage of GDP, total expenses are expected to be 26.6 per cent in 2023–24 and remain broadly stable over the forward estimates. More detail about GGS expenses can be seen at a program level for the top 20 programs by expenses in Table 6.3.1.

As set out in Table 6.1.2, government payments are estimated to increase in both nominal and real terms over the period 2023–24 to 2026–27, with average annual real growth in payments estimated to be 1.8 per cent over the forward estimates.

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

	October Budget	Revised	Estimates			
	2022–23	2022–23	2023–24	2024–25	2025–26	2026–27
<b>Total payments (\$b)</b>	<b>644.1</b>	<b>631.4</b>	<b>682.1</b>	<b>706.3</b>	<b>737.5</b>	<b>763.6</b>
Real growth on						
previous year (%) <sup>(a)</sup>	-2.2	-4.3	3.7	0.6	1.9	1.0
Per cent of GDP	25.9	24.8	26.5	26.8	26.6	26.1

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

As a percentage of GDP, total payments are expected to be broadly stable over the forward estimates. More detail about GGS payments can be seen at a program level for the top 20 programs by payments in Table 6.3.2 and in *Statement 3: Fiscal Strategy and Outlook*.

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

**Table 6.2: Reconciliation of expense estimate**

	Estimates				Total
	2022–23	2023–24	2024–25	2025–26	
	\$m	\$m	\$m	\$m	\$m
<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>
<b>Changes from 2022–23 October Budget to 2023–24 Budget</b>					
Effect of policy decisions(a)	1,749	13,013	10,145	8,460	33,368
Effect of economic parameter variations					
Total economic parameter variations	-352	327	2,761	5,566	8,301
<i>Unemployment benefits</i>	-65	-591	323	861	527
<i>Prices and wages</i>	12	499	1,554	2,924	4,988
<i>Interest and exchange rates</i>	478	742	706	681	2,607
<i>GST payments to the States</i>	-776	-323	177	1,100	178
Public debt interest	-269	-1,554	-3,813	-5,769	-11,405
Program specific parameter variations	-1,338	-822	-1,914	-2,029	-6,104
Other variations	-5,923	6,656	5,950	6,137	12,819
<b>Total variations</b>	<b>-6,134</b>	<b>17,620</b>	<b>13,129</b>	<b>12,364</b>	<b>36,979</b>
<b>2023–24 Budget expenses</b>	<b>644,788</b>	<b>684,085</b>	<b>715,382</b>	<b>743,324</b>	<b>2,787,579</b>

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

The Government is investing in key programs that will assist Australians with cost of living pressures, including support to strengthen Medicare, funding to increase the JobSeeker Payment and the maximum rates of Commonwealth Rent Assistance, and targeted Energy Price Relief. Over the 4 years from 2022–23 to 2025–26, policy decisions will increase expenses by \$33.4 billion.

Economic parameters have increased expenses by \$8.3 billion over the 4 years from 2022–23 to 2026–27. The main driver in economic parameter variations is related to an increase in prices and wages, which includes an adjustment to the indexation methodology for a range of government programs. For additional detail about this change see Box 6.1.

Other variations (\$12.8 billion), variations associated with Public Debt Interest (-\$11.4 billion) and program specific variations (-\$6.1 billion) have reduced expenses by \$4.7 billion over the 4 years to 2025–26.

**Box 6.1: Indexation funding increase helping organisations address cost and wage pressures.**

Funding for a range of government programs, including major programs such as the Medicare Benefits Schedule, aged care home support programs, and programs that fund community sector organisations is indexed for wage and price growth. This long-standing framework, implemented in 1996, uses indices that are a weighted average of movements in prices and wages, and include an incentive for programs to improve their efficiency over time.

In this Budget the Government has updated the methodology for calculating the indexation factors to better align with changes in economic conditions. The wages growth component of the index has been updated to growth in the Wage Price Index (a measure not available in 1996) and the previous arrangement to average the wage component over a 5-year period has been removed. A productivity offset remains in place, based on the long run rate of productivity growth that underlies the Budget medium term forecasts.

This revised framework will provide additional indexation funding for organisations, including community sector organisations, above the indexation increase which would otherwise have been delivered in the 2023–24 Budget. Over the period ahead, it will provide indexation to these programs that is more closely aligned with current economic conditions.

## Estimated expenses by function

Estimates of GGS expenses by function for the period 2022–23 to 2026–27 are set out in Table 6.3. The social security and welfare, health, defence and education functions account for 66 per cent of all government expenses in 2023–24 (see Box 6.2). Changes to the levels of expenditure within these functions significantly affect total government spending. Further details of spending trends in all functions are set out under individual function headings.

**Table 6.3: Estimates of expenses by function<sup>(a)</sup>**

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
General public services	30,106	29,126	30,155	29,413	29,498
Defence	40,059	42,850	44,568	49,465	48,840
Public order and safety	7,384	7,434	7,063	6,398	6,425
Education	45,876	48,258	50,385	52,114	53,732
Health	107,710	106,538	108,860	112,174	116,293
Social security and welfare	226,378	250,280	263,074	277,054	288,442
Housing and community amenities	7,135	7,940	8,074	7,767	5,864
Recreation and culture	4,840	4,776	4,809	5,133	5,363
Fuel and energy	8,953	13,006	16,521	12,107	13,962
Agriculture, forestry and fishing	4,737	5,156	3,227	3,045	2,999
Mining, manufacturing and construction	4,905	5,022	4,696	4,418	4,444
Transport and communication	13,461	17,508	17,733	16,744	15,225
Other economic affairs	14,935	12,447	11,647	11,274	11,100
Other purposes	128,309	133,743	144,569	156,217	169,591
<b>Total expenses</b>	<b>644,788</b>	<b>684,085</b>	<b>715,382</b>	<b>743,324</b>	<b>771,779</b>

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



**Box 6.2: Where does government spending go in 2023–24?**

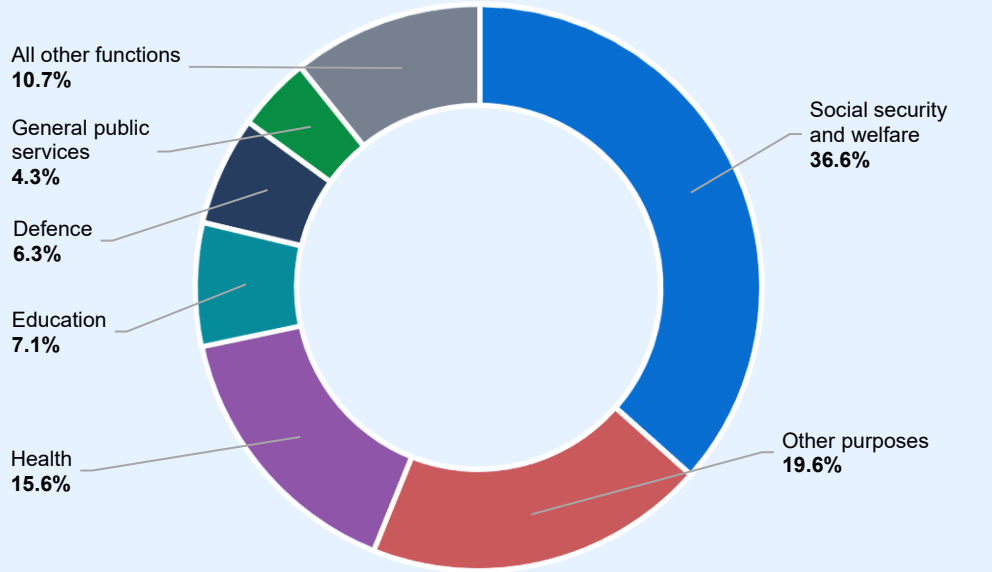
Government spending provides a wide range of services to the community. The most significant component of government spending relates to social security and welfare, with over one third of total expenses providing support to the aged, families with children, people with disabilities, veterans, carers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

Around a 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 2023–24**



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

## Program expenses

The top 20 expense programs in the 2023–24 financial year are presented in Table 6.3.1. These programs represent more than two thirds of total expenses in that year.

**Table 6.3.1: Top 20 programs by expense**

Program(a)	Function	Estimates				
		2022-23	2023-24	2024-25	2025-26	2026-27
		\$m	\$m	\$m	\$m	\$m
Revenue assistance to the States and Territories	Other purposes	88,021	92,470	96,345	101,782	105,261
Support for Seniors	SSW	54,873	59,192	61,684	64,590	67,322
National Disability Insurance Scheme(b)	SSW	36,654	41,922	46,765	51,852	55,936
Aged Care Services	SSW	26,900	32,668	35,894	37,988	39,854
Medical Benefits	Health	28,245	30,413	32,242	34,114	35,975
Assistance to the States for Healthcare Services	Health	25,658	28,392	30,456	32,215	34,296
Commonwealth Debt Management	Other purposes	22,152	22,611	23,890	26,224	29,077
Financial Support for People with Disability	SSW	19,392	21,043	21,800	22,608	23,046
Support for Families (c)	SSW	-	18,323	19,276	19,955	20,355
Pharmaceutical Benefits	Health	18,733	18,218	18,121	18,300	18,319
Non-Government Schools National Support	Education	16,646	17,441	18,131	18,681	19,260
Job Seeker Income Support	SSW	13,867	13,830	15,483	15,999	15,915
Child Care Subsidy	SSW	10,626	12,716	13,474	14,160	14,958
Financial Support for Carers	SSW	10,570	11,539	12,238	12,923	13,369
Government Schools National Support	Education	10,264	10,845	11,266	11,676	12,108
National Partnership Payments - Road Transport	Transport and communication	7,109	9,801	10,065	9,542	8,778
Public Sector Superannuation - Benefits(d)	Other purposes; General public services	9,392	9,668	9,691	10,061	10,179
Fuel Tax Credits Scheme	Fuel and energy	7,466	9,583	9,874	10,473	11,218
Defence Force Superannuation - Benefits(d)	Other purposes; General public services	9,730	9,482	9,920	10,416	10,950
Air Force Capabilities	Defence	8,430	8,846	9,399	9,520	10,164
<b>Sub-total</b>		<b>424,727</b>	<b>479,006</b>	<b>506,016</b>	<b>533,080</b>	<b>556,342</b>
Other programs		220,061	205,079	209,366	210,244	215,437
<b>Total expenses</b>		<b>644,788</b>	<b>684,085</b>	<b>715,382</b>	<b>743,324</b>	<b>771,779</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 new program at the 2023–24 Budget and reflects the majority of the expenditure of the October Budget program Family Assistance.  
d) This program is a combination of superannuation nominal interest and accrual expenses.

## Program payments

The top 20 payment programs in the 2023–24 financial year are presented in Table 6.3.2. Although broadly similar to the top 20 expense programs there are some differences in the timing of reporting between payments and expenses. Additionally, the reported payment figures include expenditure capital investment but exclude depreciation.

**Table 6.3.2: Top 20 programs by payment**

Program(a)	Function	Estimates				
		2022-23	2023-24	2024-25	2025-26	2026-27
		\$m	\$m	\$m	\$m	\$m
Revenue assistance to the States and Territories	Other purposes	88,958	92,448	96,354	101,797	105,273
Support for Seniors	SSW	54,851	58,870	61,710	64,616	67,446
National Disability Insurance Scheme(b)	SSW	35,026	41,013	46,083	51,102	55,126
Aged Care Services	SSW	25,770	31,778	35,863	37,955	39,822
Medical Benefits	Health	28,213	30,368	32,219	34,108	35,970
Assistance to the States for Healthcare Services	Health	25,661	28,392	30,456	32,215	34,296
Financial Support for People with Disability	SSW	19,468	20,994	21,878	22,692	23,127
Commonwealth Debt Management	Other purposes	17,724	19,799	21,241	27,061	25,969
Support for Families (c)	SSW	-	18,430	19,441	20,111	20,567
Pharmaceutical Benefits	Health	18,643	18,227	18,118	18,296	18,312
Non-Government Schools National Support	Education	16,656	17,451	18,141	18,691	19,264
Job Seeker Income Support	SSW	14,125	13,939	15,661	16,199	16,090
Child Care Subsidy	SSW	10,543	12,467	13,376	14,279	14,946
Financial Support for Carers	SSW	10,590	11,492	12,257	12,953	13,416
Army Capabilities	Defence	9,745	11,389	12,285	11,957	14,497
Government Schools National Support	Education	10,305	10,857	11,279	11,688	12,114
Air Force Capabilities	Defence	4,635	10,646	11,056	10,106	13,869
Navy Capabilities	Defence	6,282	9,810	9,560	11,100	12,172
National Partnership Payments - Road Transport	Transport and communication	7,109	9,801	10,065	9,542	8,778
Fuel Tax Credits Scheme	Fuel and Energy	6,804	9,443	9,813	10,383	11,106
<b>Sub-total</b>		<b>411,107</b>	<b>477,617</b>	<b>506,854</b>	<b>536,852</b>	<b>562,159</b>
Other programs		220,284	204,443	199,441	200,697	201,410
<b>Total payments</b>		<b>631,392</b>	<b>682,060</b>	<b>706,296</b>	<b>737,549</b>	<b>763,569</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 new program at the 2023–24 Budget and reflects the majority of the expenditure of the October Budget program Family Assistance.

## 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	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Legislative and executive affairs	1,574	2,003	1,901	1,538	1,560
Financial and fiscal affairs	9,309	9,137	9,038	9,257	8,687
Foreign affairs and economic aid	7,622	7,166	8,179	7,294	7,725
General research	3,735	4,140	4,255	4,361	4,280
General services	918	992	946	963	986
Government superannuation benefits	6,947	5,687	5,835	6,001	6,260
<b>Total general public services</b>	<b>30,106</b>	<b>29,126</b>	<b>30,155</b>	<b>29,413</b>	<b>29,498</b>

Total general public services expenses are estimated to increase by 1.3 per cent in nominal terms but decrease by 6.4 per cent in real terms over the period 2023–24 to 2026–27.

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 referendum in 2023–24 and a federal election in 2024–25.

Expenses in the **financial and fiscal affairs** sub-function are expected to decrease in real terms reflecting the termination of a number of tax compliance measures. This is partially offset by the 2023–24 Budget measure *GST compliance program – 4year extension*.

Total expenses under the **foreign affairs and economic aid** sub-function reflect the impact of financing provided through Export Finance Australia and the payment cycles of Australia's contributions under funding arrangements for multilateral funds. Contributing to the nominal growth in this subfunction is the 2023–24 Budget measure *Maintaining Support for an Effective Foreign Service*.

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 expense**

Component(a)	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m	\$m
Foreign aid(b)	4,536	4,087	5,136	4,209	4,477
Diplomacy(c)	1,378	1,439	1,409	1,452	1,520
Payments to international organisations	426	459	459	459	459
Passport services	423	363	354	330	365
International police assistance	190	240	227	242	271
International agriculture research and development	119	124	120	122	125
Consular services	141	145	150	136	142
Finance and insurance services for Australian exporters and investors	283	152	169	188	233
Other	125	157	155	155	133
<b>Total</b>	<b>7,622</b>	<b>7,166</b>	<b>8,179</b>	<b>7,294</b>	<b>7,725</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.

While total expenses under this sub-function are expected to increase by 3.4 per cent in nominal terms, there are decreases in a number of components resulting in a real decline in expenses. This partially reflects the terminating funding provided to the Commonwealth Scientific and Industrial Research Organisation to address the impacts of COVID-19 on its commercial research activities.

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

Component(a)	Estimates				
	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m
Research – science services and innovation fund	1,501	1,625	1,551	1,580	1,590
Discovery – research and research training	512	554	601	631	648
Science and technology solutions	415	455	446	474	475
Linkage – cross sector research partnerships	321	348	378	407	435
Supporting science and commercialisation	429	364	331	343	318
Research capacity	415	617	781	749	636
Other	143	177	167	176	177
<b>Total</b>	<b>3,735</b>	<b>4,140</b>	<b>4,255</b>	<b>4,361</b>	<b>4,280</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. The variation in the profile of expenses across the forward estimates largely reflects the impact of insurance claims expenditure and terminating departmental funding measures.

The decrease in expenses from 2022–23 to 2023–24 in the **government superannuation benefits** sub-function primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2022–23 are 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 are between 3.7 and 3.9 per cent per annum. 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 2023–24 Budget year and forward estimates as per usual practice.

## Defence

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

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

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	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Defence	40,059	42,850	44,568	49,465	48,840
<b>Total defence</b>	<b>40,059</b>	<b>42,850</b>	<b>44,568</b>	<b>49,465</b>	<b>48,840</b>

Total expenses for the **defence** sub-function are estimated to increase by 14.0 per cent in nominal terms and by 5.3 per cent in real terms over the period 2023–24 to 2026–27. This reflects the funding required by Defence for capability investments which will be reprioritised to support the Government's response to the *Defence Strategic Review*. The Government's response represents a fundamental shift in Defence's force structure and posture, and sets out a blueprint for an Integrated Force and the reprioritisation of Defence capability investments. The Government's response includes commitments totalling \$19 billion over the forward estimates for nuclear-powered submarines, long-range strike capabilities, strengthened northern bases, workforce growth and retention, innovation, and regional partnerships.

The Government has made a provision in the Contingency Reserve for increased Defence funding over the medium term to implement the *Defence Strategic Review*. Defence funding will increase and rise above 2.3 per cent of GDP in 2032–33, based on current GDP projections. Over the next 12 months, Defence will reshape the Defence Integrated Investment Program to give effect to the findings and recommendations of the *Defence Strategic Review*.

## Public order and safety

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

**Table 6.6: Summary of expenses – public order and safety**

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Courts and legal services	1,747	1,754	1,687	1,152	1,131
Other public order and safety	5,637	5,680	5,376	5,246	5,293
<b>Total public order and safety</b>	<b>7,384</b>	<b>7,434</b>	<b>7,063</b>	<b>6,398</b>	<b>6,425</b>

Total expenses for the public order and safety function are estimated to decrease by 13.6 per cent in nominal terms and by 20.2 per cent in real terms over the period 2023–24 to 2026–27.

Expenses within the **courts and legal services** sub-function are estimated to decrease 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 reflecting the termination of the Safer Communities grant program and the provision of supplementary funding on an annual basis to the Australian Border Force on the Budget year. The decrease is partially offset by the Government's investment through the 2023–24 Budget measure *Enduring Funding Mechanisms for AusCheck*.

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 expense**

Component(a)	Estimates				
	2022–23 \$m	2023–24 \$m	2024–25 \$m	2025–26 \$m	2026–27 \$m
Policing and law enforcement	4,027	4,090	3,976	3,841	3,865
Border protection	1,610	1,590	1,399	1,405	1,428
<b>Total</b>	<b>5,637</b>	<b>5,680</b>	<b>5,376</b>	<b>5,246</b>	<b>5,293</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	Estimates				
	2022–23 \$m	2023–24 \$m	2024–25 \$m	2025–26 \$m	2026–27 \$m
Higher education	10,587	10,902	11,485	11,946	12,322
Vocational and other education	2,262	2,278	2,643	2,643	2,593
Schools	26,909	28,286	29,397	30,356	31,368
<i>Non-government schools</i>	16,646	17,441	18,131	18,681	19,260
<i>Government schools</i>	10,264	10,845	11,266	11,676	12,108
School education – specific funding	1,128	1,149	808	821	827
Student assistance	4,783	5,362	5,789	6,088	6,369
General administration	208	282	263	259	254
<b>Total education</b>	<b>45,876</b>	<b>48,258</b>	<b>50,385</b>	<b>52,114</b>	<b>53,732</b>

Total education function expenses are estimated to increase reflecting the Government's ongoing investment in schools, higher education and the 2023–24 Budget measure *Increase to Working Age Payments*.

Expenses for the **higher education** sub-function are estimated to increase largely due to the provision of 20,000 additional Commonwealth supported places commencing in 2023 and 2024 in the October Budget measure *Strengthening Australia's Higher Education Sector*.

Expenses for the **vocational and other education** sub-function are estimated to increase due to 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.

Expenses for aggregate schools funding, comprising **schools – non-government schools** and **schools – government schools** are estimated to increase primarily reflecting the funding arrangements implemented under the Quality Schools Package.

Expenses for the **school education – specific funding** sub-function are estimated to decrease due to the termination of the October Budget measures *Student Wellbeing Boost* and *Schools Upgrade Fund* at the end of 2023–24.

Expenses for the **student assistance** sub-function are estimated to increase primarily due to the Government's 2023–24 Budget measure *Increase to Working Age Payments* and an expected increase in the number of people accessing the Student Payments program due to an anticipated increase in unemployment. The estimated increase in expenses is also driven by an increase in the value of Higher Education Loan Program (HELP) loans issued to students. The increase in the value of HELP loans is a result of the provision of 20,000 additional Commonwealth supported places commencing in 2023 and 2024 under the October Budget measure *Strengthening Australia's Higher Education Sector*, and 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	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Medical services and benefits	36,982	39,300	41,313	43,396	45,471
Pharmaceutical benefits and services	19,592	19,106	19,035	19,214	19,232
Assistance to the states for public hospitals	25,658	28,392	30,456	32,215	34,296
Hospital services(a)	973	999	1,137	1,195	1,220
Health services	19,163	13,220	11,776	11,247	11,230
General administration	4,212	4,286	3,815	3,605	3,558
Aboriginal and Torres Strait Islander health	1,130	1,234	1,328	1,301	1,285
<b>Total health</b>	<b>107,710</b>	<b>106,538</b>	<b>108,860</b>	<b>112,174</b>	<b>116,293</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 expected to increase by 9.2 per cent in nominal terms and by 0.8 per cent in real terms over the period 2023–24 to 2026–27 primarily driven by expected growth in the **assistance to the states for public hospitals** and **medical services and benefits** sub-functions.

The **medical services and benefits** sub-function, which primarily consists of Medicare and Private Health Insurance Rebate expenses, comprises 36.9 per cent of total estimated health expenses for 2023–24. Expenses for medical benefits are expected to increase as a result of population growth, ongoing growth in the use of medical services, the use of high value items on the Medicare Benefits Schedule, and the Government's range of 2023–24 Budget measures to strengthen Medicare in response to the findings of the *Strengthening Medicare Taskforce Report* and stem the decline in bulk billing.

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 expense**

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Medical benefits	28,245	30,413	32,242	34,114	35,975
Private health insurance	7,021	7,157	7,381	7,575	7,743
General medical consultations and services	715	720	720	706	720
Dental services(b)	344	350	358	359	360
Other	657	660	611	642	672
<b>Total</b>	<b>36,982</b>	<b>39,300</b>	<b>41,313</b>	<b>43,396</b>	<b>45,471</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 increase by 0.7 per cent in nominal terms and decrease by 7.0 per cent in real terms over the period 2023–24 to 2026–27. The decrease in real terms is primarily due to the impacts of existing pricing policies under the Pharmaceutical Benefits Scheme. The Government is investing \$1.3 billion in the 2023–24 Budget to ensure access to existing pharmacy programs, support rural and remote pharmacies and deliver on improved pharmacy services.

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 expense**

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Pharmaceutical benefits, services and supply	18,733	18,218	18,121	18,300	18,319
Immunisation	477	545	576	578	580
Veterans' pharmaceutical benefits	382	343	338	336	333
<b>Total</b>	<b>19,592</b>	<b>19,106</b>	<b>19,035</b>	<b>19,214</b>	<b>19,232</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 reflecting the Government's agreement with states and territories for the Commonwealth to fund 45 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. This increase in expenditure largely reflects an anticipated return to pre-COVID-19 use of hospital services by veterans and their dependants.

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. The decrease in **health services** expenditure is largely driven by the termination of measures responding to the COVID-19 pandemic after 2023–24. Terminating measures include the 2023–24 Budget measures *COVID-19 Response* and *COVID-19 Aged Care Response*, and the October Budget measure *COVID-19 Package – vaccines and treatments*.

The **general administration** sub-function includes the Government's general administrative costs associated with health care, funding for primary health care and coordination, investment in health workforce measures, and support for rural health initiatives. Expenditure for this sub-function is expected to decrease largely reflecting the cessation of temporary and targeted measures to respond to the COVID-19 pandemic in 2023–24.

Expenses in the **Aboriginal and Torres Strait Islander health** sub-function are expected to increase by 4.2 per cent in nominal terms and decrease by 3.7 per cent in real terms over the period 2023–24 to 2026–27. The increase in real expenses from 2022–23 to 2023–24 reflects the Government's commitment to close the gap for First Nations peoples' health and wellbeing through the 2023–24 Budget measure *Improving Health Outcomes for Aboriginal and Torres Strait Islander people* and the October Budget measure *Strengthening First Nations Health*. The decrease in real expenses from 2023–24 to 2026–27 reflects that a number of these measures terminate over the forward estimates period.

## Social security and welfare

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

**Table 6.9: Summary of expenses – social security and welfare**

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Assistance to the aged	84,844	95,214	99,698	104,664	109,287
Assistance to veterans and dependants	7,741	8,385	8,351	8,400	8,384
Assistance to people with disabilities	69,429	78,332	82,602	89,129	94,087
Assistance to families with children	39,622	45,123	47,904	50,020	52,174
Assistance to the unemployed and the sick	13,867	13,830	15,483	15,999	15,915
Other welfare programs	2,700	1,717	1,601	1,523	1,377
Assistance for Indigenous Australians nec	2,872	3,049	3,080	3,091	2,996
General administration	5,302	4,630	4,355	4,228	4,221
<b>Total social security and welfare</b>	<b>226,378</b>	<b>250,280</b>	<b>263,074</b>	<b>277,054</b>	<b>288,442</b>

Expenses in the social security and welfare function are estimated to increase by 15.2 per cent in nominal terms and by 6.5 per cent in real terms over the period 2023–24 to 2026–27. This is largely driven by the 2023–24 Budget measures *Increase to Working Age Payments* and *Increased Support for Commonwealth Rent Assistance Recipients*, as well as growth in 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 14.8 per cent in nominal terms and by 6.0 per cent in real terms over the period 2023–24 to 2026–27. The Aged Care Services program is a key driver of this growth with funding of \$11.3 billion over the period 2023–24 to 2026–27 to implement the Fair Work Commission's decision on the *Aged Care Work Value Case* which increased minimum award wages by 15 per cent from 30 June 2023 for many aged care workers. The other significant driver of growth in this sub-function is the Support for Seniors program which is estimated to increase by 5.1 per cent in real terms over the period reflecting 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 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*, as well as terminating COVID-19 support measures. This reduction is partially offset by the 2023–24 Budget measure *Aged Care Regulatory Reform* which builds on the October Budget measure *Fixing the Aged Care Crisis*, and the October Budget measure *COVID-19 Package – aged care*.

Expenses for **veterans' community care and support** are estimated to increase by 12.9 per cent in nominal terms and by 4.4 per cent in real terms over the period 2023–24 to 2026–27, reflecting additional funding for increased care minutes and the requirement for registered nurses to be on site 24 hours per day, 7 days a week as part of the October Budget measure *Fixing the Aged Care Crisis*.

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 expense**

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Support for Seniors	54,873	59,192	61,684	64,590	67,322
Aged Care Services	26,900	32,668	35,894	37,988	39,854
Veterans' Community Care and Support	942	899	954	998	1,016
Aged Care Quality	1,223	1,504	320	259	250
Access and information	646	637	642	631	644
National Partnership Payments –					
Assistance to the Aged	34	30	0	0	0
Other	226	283	204	199	201
<b>Total</b>	<b>84,844</b>	<b>95,214</b>	<b>99,698</b>	<b>104,664</b>	<b>109,287</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 remain constant in nominal terms and decrease by 7.6 per cent in real terms over the period 2023–24 to 2026–27. The real decrease is mainly attributable to the declining population of aged veterans and their dependents with the decrease partially offset by an increase in compensation payments for younger veterans.

Expenses for the **assistance to people with disabilities** sub-function are expected to increase by 20.1 per cent in nominal terms and by 11.0 per cent in real terms over the period 2023–24 to 2026–27, largely reflecting an increase in the number of people with a disability participating in the National Disability Insurance Scheme and increases in individual support costs.

National Cabinet has committed to a National Disability Insurance Scheme Financial Sustainability Framework. While the Scheme remains demand driven, the goal of the Financial Sustainability Framework is to moderate growth in the National Disability Insurance Scheme to no more than 8 per cent by 1 July 2026, with further moderation of growth as the Scheme matures.

Expenses for the **assistance to people with disabilities** sub-function also includes expenses associated with Financial Support for People with Disability – primarily the Disability Support Pension – and Financial Support for Carers, both components are expected to increase 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 expense**

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
National Disability Insurance Scheme(b)	36,654	41,922	46,765	51,852	55,936
National Disability Insurance Scheme – Quality and Safeguards	90	139	142	75	71
Financial Support for People with Disability	19,392	21,043	21,800	22,608	23,046
Financial Support for Carers	12,318	13,213	13,895	14,594	15,033
National Partnership Payments – Assistance to People with Disabilities	975	2,015	0	0	0
<b>Total</b>	<b>69,429</b>	<b>78,332</b>	<b>82,602</b>	<b>89,129</b>	<b>94,087</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 15.6 per cent in nominal terms and by 6.8 per cent in real terms over the period 2023–24 to 2026–27. The major programs impacting this trend include Family Assistance, Parents Income Support, and the Child Care Subsidy.

Family Assistance expenses are expected to increase, largely driven by the October Budget measure *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families* which increases paid parental leave by 2 weeks each year from 1 July 2024 until 1 July 2026.

Parents Income Support expenses are expected to increase primarily driven by the 2023–24 Budget measure *Parenting Payment (Single) – improved support for single parents* through which the Government will extend eligibility for Parenting Payment (Single) to principal carers with a youngest child under 14 years of age.

The **assistance to families with children** sub-function profile also includes an increase driven by the child care subsidy component. The increase primarily reflects the October Budget measure *Plan for Cheaper Child Care*, which will increase, from 1 July 2023, 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.

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 expense**

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Family Assistance	19,872	21,460	22,767	23,910	24,830
Child Care Subsidy	10,626	12,716	13,474	14,160	14,958
Parents income support	5,918	7,501	8,200	8,503	8,942
Child Support	1,834	1,886	1,923	1,954	1,982
Support for the child care system	355	348	344	322	322
Families and Children	746	926	907	877	842
Family relationship services	252	267	270	276	281
Other	20	20	20	18	17
<b>Total</b>	<b>39,622</b>	<b>45,123</b>	<b>47,904</b>	<b>50,020</b>	<b>52,174</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 15.1 per cent in nominal terms and increase by 6.3 per cent in real terms over the period 2023–24 to 2026–27. This is due to the 2023–24 Budget measure *Increase to Working Age Payments* which will increase the base rate of working age payments by \$40 per fortnight from 20 September 2023 and extend eligibility for the existing higher single JobSeeker Payment rate for recipients aged over 60 years to recipients aged 55 years and over who are on the payment for 9 or more continuous months. The increase is also driven by an increase in the expected number of recipients as a result of higher anticipated unemployment.

Expenses for the **other welfare programs** sub-function are expected to decrease as a result of the termination of the extended support for the *Family and Domestic and Sexual Violence Responses National Partnership Agreement* on 30 June 2025.

Expenditure to support First Nations people is reported across several functions. In this Budget, the Government is investing \$1.9 billion over the period 2022–23 to 2026–27 in measures that provide critical investment in key areas of health, aged care, infrastructure, employment, justice, women's safety and housing initiatives for First Nations people. While the Government is increasing expenditure across a range of functions to support First Nations people and drive progress against targets and priority reforms under the *National Agreement on Closing the Gap*, expenses for the **assistance for Indigenous Australians not elsewhere classified (nec)** sub-function are estimated to decrease. This is 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 terminating initiatives under the Indigenous Advancement Strategy. The Government is currently working in partnership with the Aboriginal Peak Organisations Northern Territory and the Northern Territory Government to design options for future investment in remote Aboriginal communities.



Expenses for the **general administration** sub-function are estimated to decrease over the period 2023–24 to 2026–27 reflecting the cessation of additional funding to respond to the COVID-19 pandemic as well as the implementation of measures by Services Australia that involve higher upfront service delivery and ICT costs.

## Housing and community amenities

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

**Table 6.10: Summary of expenses – housing and community amenities**

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Housing	3,460	3,466	3,474	3,364	3,397
Urban and regional development	1,980	2,104	2,265	2,069	717
Environment protection	1,696	2,369	2,335	2,334	1,750
<b>Total housing and community amenities</b>	<b>7,135</b>	<b>7,940</b>	<b>8,074</b>	<b>7,767</b>	<b>5,864</b>

Total expenses under the housing and community amenities function are expected to decrease by 26.1 per cent in nominal terms and by 31.8 per cent in real terms over the period 2023–24 to 2026–27.

The Government is addressing concerns about rental affordability through the 2023–24 Budget measure *Increased Support for Commonwealth Rent Assistance Recipients*. This additional support of \$2.7 billion over the five years to 2026–27 is reported in a range of sub-functions in the social security and welfare function.

The **housing** sub-function includes the 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 driven by fewer payments under the National Rental Affordability Scheme which is now closed to new applicants. These impacts are partially offset by additional expenses related to the Housing Australia Future Fund and DHA.

The **urban and regional development** sub-function comprises urban development, services to territories, and regional development programs. Expenses for this sub-function are estimated to decrease over the period 2023–24 to 2026–27 primarily reflecting the profile of funding for regional development programs included in the October Budget measure *Responsible Investment to Grow Our Regions* and the conclusion of the Regional Growth Fund and Building Better Regions Fund.

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 for this sub-function are estimated to decrease over the period 2023–24 to 2026–27 primarily due to the re-profiling of project funding under the National Water Grid Fund, the expected profile of grant payments through the Regional Hydrogen Hubs Program, and the cessation of temporary investment in environmental assessments in the October Budget measure *Sustaining Environmental Assessments*, prior to the establishment of Environment Protection Australia, as part of the Government’s 2023–24 Budget measure *Nature Positive Plan – better for the environment, better for business*.

## Recreation and culture

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

**Table 6.11: Summary of expenses – recreation and culture**

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Broadcasting	1,680	1,671	1,745	1,794	1,798
Arts and cultural heritage	1,835	1,869	1,822	1,860	1,811
Sport and recreation	638	556	551	800	1,066
National estate and parks	686	680	692	679	688
<b>Total recreation and culture</b>	<b>4,840</b>	<b>4,776</b>	<b>4,809</b>	<b>5,133</b>	<b>5,363</b>

Total expenses under the recreation and culture function are estimated to increase by 12.3 per cent in nominal terms and by 3.7 per cent in real terms over the period 2023–24 to 2026–27, predominantly driven by the Government’s investment in the **sport and recreation** sub-function through the 2023–24 Budget.

Expenses under the **broadcasting** sub-function reflect the 5-year funding terms for the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service Corporation (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)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
ABC general operational activities	976	989	1,039	1,065	1,053
SBS general operational activities	437	402	419	433	442
ABC transmission and distribution services	194	202	208	214	218
SBS transmission and distribution services	74	78	79	82	85
<b>Total</b>	<b>1,680</b>	<b>1,671</b>	<b>1,745</b>	<b>1,794</b>	<b>1,798</b>

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

The Government is investing in the **arts and cultural heritage** sub-function through the 2023–24 Budget measures *Revive – National Cultural Policy and Location Incentive* and *National Cultural Policy – National Collecting Institutions – sustainability*. Although this investment increases funding in the arts sector, expenses in this sub-function are estimated to decrease largely resulting from lower expenses for the Australian Screen Production Incentive after a one-off increase in 2023–24 due to the impact of COVID-19 on eligible activities.

Expenses under the **sport and recreation** sub-function are estimated to increase significantly over the period 2023–24 to 2026–27, reflecting contributions for venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games provided through the 2023–24 Budget measure *2032 Brisbane Olympic and Paralympic Games – venue infrastructure*, as well as funding for the Macquarie Point Precinct and the University of Tasmania stadium in Launceston provided through the 2023–24 Budget measure *National Approach for Sustainable Urban Development*.

Expenses under the **national estate and parks** sub-function are estimated to increase by 1.2 per cent in nominal terms and decrease by 6.5 per cent in real terms over the period 2023–24 to 2026–27, largely due to investment in the renewal and repair of heritage-listed infrastructure across sites managed by the Sydney Harbour Federation Trust in 2023–24 and 2024–25 through the 2023–24 Budget measure *Sydney Harbour Federation Trust – infrastructure improvements*. Additional support is also being provided for the management of Australia's terrestrial and marine Commonwealth parks through the 2023–24 Budget *Protecting Australia's Iconic 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	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Fuel and energy	8,953	13,006	16,521	12,107	13,962
<b>Total fuel and energy</b>	<b>8,953</b>	<b>13,006</b>	<b>16,521</b>	<b>12,107</b>	<b>13,962</b>

In the 2023–24 Budget the *Energy Price Relief Plan* measure will reduce the impact of rising energy prices through targeted energy bill relief, progressing gas market reforms and limiting the price of coal. This investment in fuel and energy is a part of an expected nominal increase of 7.4 per cent over the period 2023–24 to 2026–27.

The major program within this sub-function is the Fuel Tax Credits Scheme which is expected to increase because of an expected increase in the use of fuels that are eligible for the Fuel Tax Credits Scheme.

Expenses under the Resources and Energy component are expected to decrease expenses over the period 2023–24 to 2026–27, as the temporary assistance for the cost of energy price relief provided through the 2023–24 Budget measure *Energy Price Relief Plan* is phased out. The decline also reflects the funding profile associated with programs such as the Northern Endeavour Decommissioning Program and the Critical Minerals Development Program.

Expenses under the Renewable Energy component reflect the profile of expenses for the concessional component of concessional loans made by the Clean Energy Finance Corporation, primarily those expected to be made in the 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 expense**

Component(a)	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Fuel Tax Credits Scheme	7,466	9,583	9,874	10,473	11,218
Resources and Energy(b)	805	2,005	1,236	153	114
Renewable Energy	421	1,101	5,128	1,223	2,391
Other	261	317	283	257	240
<b>Total</b>	<b>8,953</b>	<b>13,006</b>	<b>16,521</b>	<b>12,107</b>	<b>13,962</b>

- a) The entry for each component includes eliminations for inter-agency transactions within that component.  
b) Part of this component relating to payments made to states and territories was previously reported under 'Other' and has been moved to Resources and Energy to better reflect the purpose of the expenses

## 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	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Wool industry	67	74	84	95	95
Grains industry	224	266	266	268	269
Dairy industry	55	52	50	50	49
Cattle, sheep and pig industry	252	266	276	285	288
Fishing, horticulture and other agriculture	553	460	376	358	388
General assistance not allocated to specific industries	44	44	45	45	45
Rural assistance	433	303	301	353	373
Natural resources development	1,793	2,453	614	425	344
General administration	1,317	1,239	1,215	1,167	1,148
<b>Total agriculture, forestry and fishing</b>	<b>4,737</b>	<b>5,156</b>	<b>3,227</b>	<b>3,045</b>	<b>2,999</b>

Total expenses under the agriculture, forestry and fishing function are estimated to decrease over the period 2023–24 to 2026–27. This largely reflects the scheduled completion of water reform activities under the *Murray-Darling Basin Plan 2012 (Basin Plan)* in 2023–24 and ahead of the first statutory review of the *Basin Plan* by 2026 within the **natural resources development** sub-function.

Expenses for the **rural assistance** sub-function partially offset the overall decrease in the function with an increase of 22.9 per cent in nominal terms and by 13.5 per cent in real terms over the period 2023–24 to 2026–27, due to the timing of concessional loan discount expenses on loans issued by the Regional Investment Corporation.

## Mining, manufacturing and construction

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

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

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Mining, manufacturing and construction	4,905	5,022	4,696	4,418	4,444
<b>Total mining, manufacturing and construction</b>	<b>4,905</b>	<b>5,022</b>	<b>4,696</b>	<b>4,418</b>	<b>4,444</b>

Total expenses under the mining, manufacturing and construction function are expected to decrease by 11.5 per cent in nominal terms and by 18.3 per cent in real terms over the period 2023–24 to 2026–27.

Expenses for the Research and Development Tax Incentive administered by the Australian Taxation Office are expected to increase over the period 2023–24 to 2026–27 due to the increases in number and value of expected claims following the reopening of international markets post COVID-19.

Expenses under the Growing Business Investment component are expected to decrease over the period 2023–24 to 2026–27, reflecting 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 2023–24 Budget measure *Enhanced Support for Small and Medium sized Businesses and Startups*.

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 over the period 2023–24 to 2026–27, 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 expense**

Component(a)	Estimates				
	2022–23 \$m	2023–24 \$m	2024–25 \$m	2025–26 \$m	2026–27 \$m
Research and Development Tax Incentive	3,555	3,315	3,416	3,509	3,617
Growing Business Investment	717	767	644	303	237
Northern Australia Infrastructure Facility	200	492	272	209	206
Other	433	450	365	397	384
<b>Total</b>	<b>4,905</b>	<b>5,022</b>	<b>4,696</b>	<b>4,418</b>	<b>4,444</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	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Communication	1,627	1,924	1,719	1,663	1,631
Rail transport	3,035	4,065	4,342	3,867	3,279
Air transport	432	448	347	400	292
Road transport	7,663	10,337	10,613	10,096	9,310
Sea transport	461	473	494	489	494
Other transport and communication	242	261	217	229	218
<b>Total transport and communication</b>	<b>13,461</b>	<b>17,508</b>	<b>17,733</b>	<b>16,744</b>	<b>15,225</b>

Total expenses under this function are estimated to decrease in nominal terms by 13.0 per cent and by 19.7 per cent in real terms from 2023–24 to 2026–27.

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 from 2023–24 to 2026–27 primarily reflecting the profile of funding for communications programs included in the October Budget measure *Better Connectivity Plan for Regional and Rural Australia*, and the conclusion of the Mobile Black Spot Program and Connecting Northern Australia initiative.

Expenses under the **rail transport** sub-function primarily consist of grants provided under the Infrastructure Investment Program. Expenses are estimated to increase from 2022–23 to 2023–24, and decrease from 2023–24 to 2026–27. The initial increase and subsequent decrease in expenditure reflects the schedules of major rail infrastructure projects, including the completion of projects under the METRONET program.

Expenses under the **air transport** sub-function primarily relate to activities of the safety regulator Civil Aviation Safety Authority and aviation related initiatives. Total expenses are estimated to decrease from 2023–24 to 2026–27 due to the conclusion of a number of aviation initiatives, including Enhanced Regional Security Screening, upgrades to Hobart and Newcastle Airports, and the Regional Aviation Access Program.

Expenses under the **road transport** sub-function primarily consist of grants provided under the Infrastructure Investment Program and are estimated to increase from 2022–23 to 2023–24, and then decrease from 2023–24 to 2026–27. The increase and subsequent decrease in expenditure, reflects the Government's continued investment in priority road infrastructure projects, including through the October Budget measure *Building a Better Future through considered Infrastructure Investment*, the realignment of project profiles to more accurately reflect delivery schedules, and the completion of the Bruce Highway and Road Safety Program projects.

Total expenses under the **other transport and communication** sub-function are estimated to decrease from 2023–24 to 2026–27, reflecting the short-term program support provided through the 2023–24 Budget measure *Supporting Transport Priorities*.

## Other economic affairs

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

**Table 6.16: Summary of expenses – other economic affairs**

Sub-function	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Tourism and area promotion	208	184	189	181	182
Total labour and employment affairs	7,521	5,550	5,414	5,175	4,957
<i>Vocational and industry training</i>	4,511	2,309	2,064	1,822	1,540
<i>Labour market assistance to job seekers and industry</i>	2,214	2,348	2,488	2,518	2,575
<i>Industrial relations</i>	797	893	862	834	841
Immigration	3,673	3,531	3,001	2,979	3,027
Other economic affairs nec	3,533	3,183	3,043	2,939	2,934
<b>Total other economic affairs</b>	<b>14,935</b>	<b>12,447</b>	<b>11,647</b>	<b>11,274</b>	<b>11,100</b>

Total expenses for the other economic affairs function are estimated to decrease by 10.8 per cent in nominal terms and by 17.6 per cent in real terms over the period 2023–24 to 2026–27.

Expenses under the **tourism and area promotion** sub-function are expected to decrease over the period 2023–24 to 2026–27 with the decline in 2023–24 largely due to the cessation of the COVID-19-related additional tourism marketing campaigns as international travel resumed, and from 2023–24 reflects stable expenditure in nominal terms.

Expenses under the **vocational and industry training** sub-function are expected to decrease reflecting the cessation of the Boosting Apprenticeship Commencements wage subsidy which is closed to new applicants.

Expenses under the **labour market assistance to job seekers and industry** sub-function are expected to increase 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 reflect higher than expected payments for employee entitlements under the *Fair Entitlements Guarantee Act 2012* from 2022–23 to 2023–24, and lower than expected payments from 2024–25 to 2026–27.

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 over the period 2023–24 to 2026–27 primarily reflecting the forecast reduction of the detainee population in both onshore and offshore detention.



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 expense**

Component(a)	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m	\$m
Management of unlawful non-citizens	1,884	1,833	1,447	1,427	1,456
Citizenship, visas and migration	891	860	787	781	807
Regional co-operation and refugee and humanitarian assistance	898	838	768	771	764
<b>Total</b>	<b>3,673</b>	<b>3,531</b>	<b>3,001</b>	<b>2,979</b>	<b>3,027</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 primarily due to the Government's economic response to the COVID-19 pandemic measures being unwound. A reduction in 2023–24 occurs as a result of 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 as well as redirection of funding from the Export Market Development Grants program to fund Government priorities in the Foreign Affairs and Trade portfolio.

Expenses for the Bureau of Meteorology (the Bureau) are expected to decrease by 5.4 per cent in real terms from 2022–23 to 2023–24 reflecting the anticipated completion of projects to strengthen the Bureau's ICT security and resilience and observations network. The decrease in real terms from 2023–24 to 2026–27 reflects the Bureau's departmental expenses over the forward estimates.

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 expense**

Component(a)	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27
	\$m	\$m	\$m	\$m	\$m
Economic Response to the Coronavirus	339	0	0	0	0
Promotion of Australia's export and other international economic interests	471	449	405	341	338
<b>Operating costs for:</b>					
Department of Industry, Science and Resources	696	701	623	608	562
Australian Securities and Investments Commission	654	635	619	618	634
Bureau of Meteorology	525	517	518	519	536
IP Australia	241	248	256	264	272
Australian Competition and Consumer Commission	230	242	233	195	200
Australian Prudential Regulation Authority	229	238	239	243	243
Other	148	152	150	150	150
<b>Total</b>	<b>3,533</b>	<b>3,183</b>	<b>3,043</b>	<b>2,939</b>	<b>2,934</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	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
Public debt interest	22,152	22,611	23,890	26,224	29,077
<i>Interest on Commonwealth Government's behalf</i>	22,152	22,611	23,890	26,224	29,077
Nominal superannuation interest	12,334	13,631	13,941	14,637	15,033
General purpose inter-government transactions	89,841	95,947	99,872	105,443	108,790
<i>General revenue assistance - states and territories</i>	88,021	92,470	96,345	101,782	105,261
<i>Local government assistance</i>	1,820	3,476	3,527	3,661	3,529
Natural disaster relief	3,533	1,610	898	275	264
Contingency reserve	449	-56	5,967	9,638	16,427
<b>Total other purposes</b>	<b>128,309</b>	<b>133,743</b>	<b>144,569</b>	<b>156,217</b>	<b>169,591</b>

Total expenses under the other purposes function are estimated to increase by 26.8 per cent in nominal terms and by 17.2 per cent in real terms over the period 2023–24 to 2026–27.

Expected expenses under the **public debt interest** sub-function have reduced since the October Budget, largely reflecting lower expected levels of Australian Government Securities (AGS) on issue. While lower than the October Budget, **public debt interest** is still expected to increase by 28.6 per cent in nominal terms and by 18.8 per cent in real terms over the period 2023–24 to 2026–27.

The increase in **nominal superannuation interest** expenses between 2022–23 and 2023–24 primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2022–23 are 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 are between 3.7 and 3.9 per cent per annum. In preparing the latest Long Term Cost Reports, the scheme actuaries have determined that a discount rate of 5.0 per cent should be applied to the estimates in the budget year and forward estimates as per usual practice.

Expenses under the **general purpose inter-government transactions** sub-function is made up of general revenue assistance paid to state and territory governments, and local government assistance. Expenses are expected to increase for the sub-function over the period 2023–24 to 2026–27. Nearly all the expenses under this sub-function relate to **general revenue assistance** paid to state and territory governments, which is expected to increase in real terms from 2023–24 to 2026–27, largely comprising payments of GST entitlements provided on an 'untied' basis. Payments to state and territory governments tied to specific purposes are reported under the relevant sections in this Statement. Further information on general revenue assistance to the states and territories can be found in Budget Paper No. 3, *Federal Financial Relations*.

Expenses under **local government assistance** are expected to increase from 2022–23 to 2023–24 largely reflecting that expenses were artificially low in 2022–23 because 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 sub-function also reflects departmental funding for the National Emergency Management Agency. 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.

A provision is included in the **natural disaster relief** sub-function in 2023–24 and 2024–25 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 assets damaged by the floods, under Category B of the DRFA.

The **contingency reserve** sub-function in the 2023–24 Budget decrease expenses by \$0.1 billion in 2023–24, and increase expenses by \$6.0 billion in 2024–25, and by \$9.6 billion in 2025–26 and \$16.4 billion in 2026–27. 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 2023–24 Budget includes a provision of:

- nil in the Budget year 2023–24
- ½ of a percentage point of total general government sector (GGS) expenses in the first forward year 2024–25 (\$3.1 billion)
- 1 per cent of GGS expenses in the second forward year 2025–26 (\$6.4 billion)
- 2 per cent of GGS expenses in the third forward year 2026–27 (\$13.1 billion).

The drawdown of the CBA decreased expenses by \$1.4 billion in 2023–24, \$1.3 billion in 2024–25, \$2.5 billion in 2025–26 and \$3.0 billion in 2026–27. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

In this Budget, the remaining savings from the October Budget measure *Savings from External Labour, and Savings from Advertising, Travel and Legal Expenses* was allocated to GGS agencies. In the October Budget, these savings were provisioned in the Contingency Reserve over 3 years from 2023–24. The Government has allocated these savings over 4 years rather than 3 (2023–24 to 2026–27), with no net impact on underlying cash.

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

In general, the Contingency Reserve can include:

- Commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately 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, including the continuation of terminating measures.

## General government net capital investment

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

Government capital spending involves acquisition of physical assets, financial assets and provision of grants and subsidies to others (primarily state and territory governments), which they then use to acquire assets. 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 \$10.4 billion in 2023–24, which is in line with the net capital investment in 2022–23. This reflects reprioritised investments in military capabilities by the Department of Defence to support the implementation of the Government’s response to the *Defence Strategic Review* and the achievement of an Integrated Force.

Details of movements are further explained in the following section.

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

	October Budget	Revised	Estimates			
	2022–23	2022–23	2023–24	2024–25	2025–26	2026–27
<b>Total net capital investment (\$m)</b>	<b>12,781</b>	<b>10,441</b>	<b>10,431</b>	<b>7,229</b>	<b>5,449</b>	<b>9,271</b>
Per cent of GDP	0.5	0.4	0.4	0.3	0.2	0.3

## Reconciliation of net capital investment since the October Budget

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

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

	Estimates				Total \$m
	2022–23 \$m	2023–24 \$m	2024–25 \$m	2025–26 \$m	
<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>
<b>Changes from 2022–23 October Budget to 2023–24 Budget</b>					
Effect of policy decisions(a)	-10	734	712	493	1,929
Effect of parameter and other variations	-2,329	-2,187	-2,458	-4,982	-11,956
<b>Total variations</b>	<b>-2,339</b>	<b>-1,452</b>	<b>-1,746</b>	<b>-4,489</b>	<b>-10,028</b>
<b>2023–24 Budget net capital investment</b>	<b>10,441</b>	<b>10,431</b>	<b>7,229</b>	<b>5,449</b>	<b>33,550</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 2023–24 has decreased by \$1.5 billion since the October Budget. This decrease is driven by a decrease of \$2.2 billion from a result of parameter and other variations partially offset by an increase from policy decisions of \$0.7 billion.

## Net capital investment estimates by function

Estimates for Australian Government general government sector net capital investment by function for the period 2022–23 to 2026–27 are provided in Table 6.20.

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

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
General public services	477	308	700	-185	438
Defence	8,592	8,768	8,695	6,293	9,958
Public order and safety	-59	-83	-210	-139	-225
Education	24	36	43	42	13
Health	411	-379	10	-69	-83
Social security and welfare	253	-95	-262	-510	-453
Housing and community amenities	468	284	11	30	-29
Recreation and culture	186	396	256	-32	-106
Fuel and energy	14	2	-3	0	-9
Agriculture, forestry and fishing	50	386	2	-37	-44
Mining, manufacturing and construction	-21	-3	-26	-23	-30
Transport and communication	-27	144	-2,152	-52	-87
Other economic affairs	82	-52	-250	-269	-413
Other purposes	-8	719	415	399	340
<b>Total net capital investment</b>	<b>10,441</b>	<b>10,431</b>	<b>7,229</b>	<b>5,449</b>	<b>9,271</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 increase in net capital investment from 2023–24 to 2026–27 largely reflects depreciation and amortisation of existing assets, and the timing of building and equipment purchases.
- **Defence** – the net capital investment from 2023–24 to 2026–27 reflects funding for capability investments. The implementation of the Government's response to the *Defence Strategic Review* and the achievement of an Integrated Force will require reprioritisation of the Defence Integrated Investment Program and major investments in military capabilities such as ships, submarines, aircraft and missile systems, as well as enabling ICT capabilities, infrastructure and the Defence estate.
- **Health** – the decrease in net capital investment from 2022–23 to 2026–27 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 2026–27 is largely driven by the depreciation 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.



- **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 2023–24 to 2026–27 reflects the expected completion of capital investments by the National Capital Authority, and up-front capital investment in infrastructure projects across sites managed by the Sydney Harbour Federation Trust and within the Muṯitjulu community in the Uluru-Kata Tjuta National Park under the 2023–24 Budget measures *Sydney Harbour Federation Trust – infrastructure improvements* and *Protecting Australia’s Iconic 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 2023–24 reflects the phasing down of investment under the second and third tranches of projects to strengthen the Bureau of Meteorology’s ICT security and resilience, and observations network.
- **Other purposes** – the increase in net capital investment in 2023–24 reflects a provision for the procurement of additional COVID-19 vaccines and treatments for the National Medical Stockpile in the 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**

	Estimates				
	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m
General public services	2,067	1,849	2,273	1,605	2,034
Defence	14,402	15,108	15,637	13,798	18,135
Public order and safety	789	772	638	714	633
Education	33	44	51	50	20
Health	497	246	155	66	60
Social security and welfare	1,245	866	641	337	358
Housing and community amenities	886	474	432	370	377
Recreation and culture	718	866	740	453	375
Fuel and energy	46	13	9	11	3
Agriculture, forestry and fishing	149	486	106	69	61
Mining, manufacturing and construction	17	35	14	18	11
Transport and communication	96	271	72	79	43
Other economic affairs	943	821	651	621	493
Other purposes	8	399	417	401	342
<b>General government purchases of non-financial assets</b>	<b>21,897</b>	<b>22,251</b>	<b>21,835</b>	<b>18,593</b>	<b>22,943</b>

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

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

	Actual	Estimates				
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
	\$m	\$m	\$m	\$m	\$m	\$m
<b>General public services</b>						
Legislative and executive affairs	1,864	1,574	2,003	1,901	1,538	1,560
Financial and fiscal affairs	8,898	9,309	9,137	9,038	9,257	8,687
Foreign affairs and economic aid	6,096	7,622	7,166	8,179	7,294	7,725
General research	3,291	3,735	4,140	4,255	4,361	4,280
General services	903	918	992	946	963	986
Government superannuation benefits	10,221	6,947	5,687	5,835	6,001	6,260
<b>Total general public services</b>	<b>31,273</b>	<b>30,106</b>	<b>29,126</b>	<b>30,155</b>	<b>29,413</b>	<b>29,498</b>
<b>Defence</b>	<b>38,246</b>	<b>40,059</b>	<b>42,850</b>	<b>44,568</b>	<b>49,465</b>	<b>48,840</b>
<b>Public order and safety</b>						
Courts and legal services	1,611	1,747	1,754	1,687	1,152	1,131
Other public order and safety	5,047	5,637	5,680	5,376	5,246	5,293
<b>Total public order and safety</b>	<b>6,658</b>	<b>7,384</b>	<b>7,434</b>	<b>7,063</b>	<b>6,398</b>	<b>6,425</b>
<b>Education</b>						
Higher education	10,656	10,587	10,902	11,485	11,946	12,322
Vocational and other education	2,077	2,262	2,278	2,643	2,643	2,593
Schools	25,036	26,909	28,286	29,397	30,356	31,368
<i>Non-government schools</i>	<i>15,365</i>	<i>16,646</i>	<i>17,441</i>	<i>18,131</i>	<i>18,681</i>	<i>19,260</i>
<i>Government schools</i>	<i>9,671</i>	<i>10,264</i>	<i>10,845</i>	<i>11,266</i>	<i>11,676</i>	<i>12,108</i>
School education - specific funding	721	1,128	1,149	808	821	827
Student assistance	4,401	4,783	5,362	5,789	6,088	6,369
General administration	333	208	282	263	259	254
<b>Total education</b>	<b>43,225</b>	<b>45,876</b>	<b>48,258</b>	<b>50,385</b>	<b>52,114</b>	<b>53,732</b>
<b>Health</b>						
Medical services and benefits	37,306	36,982	39,300	41,313	43,396	45,471
Pharmaceutical benefits and services	16,273	19,592	19,106	19,035	19,214	19,232
Assistance to the states for public hospitals	24,230	25,658	28,392	30,456	32,215	34,296
Hospital services(a)	1,049	973	999	1,137	1,195	1,220
Health services	21,691	19,163	13,220	11,776	11,247	11,230
General administration	4,648	4,212	4,286	3,815	3,605	3,558
Aboriginal and Torres Strait Islander health	989	1,130	1,234	1,328	1,301	1,285
<b>Total health</b>	<b>106,185</b>	<b>107,710</b>	<b>106,538</b>	<b>108,860</b>	<b>112,174</b>	<b>116,293</b>

**Table A1: 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	2026–27 \$m
<b>Social security and welfare</b>						
Assistance to the aged	76,283	84,844	95,214	99,698	104,664	109,287
Assistance to veterans and dependants	7,480	7,741	8,385	8,351	8,400	8,384
Assistance to people with disabilities	61,040	69,429	78,332	82,602	89,129	94,087
Assistance to families with children	37,375	39,622	45,123	47,904	50,020	52,174
Assistance to the unemployed and the sick	15,866	13,867	13,830	15,483	15,999	15,915
Other welfare programs	16,175	2,700	1,717	1,601	1,523	1,377
Assistance for Indigenous Australians nec	2,492	2,872	3,049	3,080	3,091	2,996
General administration	4,716	5,302	4,630	4,355	4,228	4,221
<b>Total social security and welfare</b>	<b>221,427</b>	<b>226,378</b>	<b>250,280</b>	<b>263,074</b>	<b>277,054</b>	<b>288,442</b>
<b>Housing and community amenities</b>						
Housing	4,154	3,460	3,466	3,474	3,364	3,397
Urban and regional development	1,337	1,980	2,104	2,265	2,069	717
Environment protection	1,542	1,696	2,369	2,335	2,334	1,750
<b>Total housing and community amenities</b>	<b>7,033</b>	<b>7,135</b>	<b>7,940</b>	<b>8,074</b>	<b>7,767</b>	<b>5,864</b>
<b>Recreation and culture</b>						
Broadcasting	1,559	1,680	1,671	1,745	1,794	1,798
Arts and cultural heritage	1,579	1,835	1,869	1,822	1,860	1,811
Sport and recreation	537	638	556	551	800	1,066
National estate and parks	595	686	680	692	679	688
<b>Total recreation and culture</b>	<b>4,270</b>	<b>4,840</b>	<b>4,776</b>	<b>4,809</b>	<b>5,133</b>	<b>5,363</b>
<b>Fuel and energy</b>	<b>9,437</b>	<b>8,953</b>	<b>13,006</b>	<b>16,521</b>	<b>12,107</b>	<b>13,962</b>
<b>Agriculture, forestry and fishing</b>						
Wool industry	58	67	74	84	95	95
Grains industry	199	224	266	266	268	269
Dairy industry	55	55	52	50	50	49
Cattle, sheep and pig industry	249	252	266	276	285	288
Fishing, horticulture and other agriculture	412	553	460	376	358	388
General assistance not allocated to specific industries	35	44	44	45	45	45
Rural assistance	334	433	303	301	353	373
Natural resources development	722	1,793	2,453	614	425	344
General administration	1,121	1,317	1,239	1,215	1,167	1,148
<b>Total agriculture, forestry and fishing</b>	<b>3,185</b>	<b>4,737</b>	<b>5,156</b>	<b>3,227</b>	<b>3,045</b>	<b>2,999</b>
<b>Mining, manufacturing and construction</b>	<b>3,816</b>	<b>4,905</b>	<b>5,022</b>	<b>4,696</b>	<b>4,418</b>	<b>4,444</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	2026–27 \$m
<b>Transport and communication</b>						
Communication	1,941	1,627	1,924	1,719	1,663	1,631
Rail transport	1,701	3,035	4,065	4,342	3,867	3,279
Air transport	1,169	432	448	347	400	292
Road transport	6,026	7,663	10,337	10,613	10,096	9,310
Sea transport	440	461	473	494	489	494
Other transport and communication	225	242	261	217	229	218
<b>Total transport and communication</b>	<b>11,503</b>	<b>13,461</b>	<b>17,508</b>	<b>17,733</b>	<b>16,744</b>	<b>15,225</b>
<b>Other economic affairs</b>						
Tourism and area promotion	189	208	184	189	181	182
Total labour and employment affairs	7,592	7,521	5,550	5,414	5,175	4,957
<i>Vocational and industry training</i>	4,664	4,511	2,309	2,064	1,822	1,540
<i>Labour market assistance to job seekers and industry</i>	2,265	2,214	2,348	2,488	2,518	2,575
<i>Industrial relations</i>	662	797	893	862	834	841
Immigration	3,409	3,673	3,531	3,001	2,979	3,027
Other economic affairs nec	10,592	3,533	3,183	3,043	2,939	2,934
<b>Total other economic affairs</b>	<b>21,781</b>	<b>14,935</b>	<b>12,447</b>	<b>11,647</b>	<b>11,274</b>	<b>11,100</b>
<b>Other purposes</b>						
Public debt interest	18,517	22,152	22,611	23,890	26,224	29,077
<i>Interest on Commonwealth Government's behalf</i>	18,517	22,152	22,611	23,890	26,224	29,077
Nominal superannuation interest	8,974	12,334	13,631	13,941	14,637	15,033
General purpose inter-government transactions	81,679	89,841	95,947	99,872	105,443	108,790
<i>General revenue assistance - states and territories</i>	77,531	88,021	92,470	96,345	101,782	105,261
<i>Local government assistance</i>	4,148	1,820	3,476	3,527	3,661	3,529
Natural disaster relief	5,840	3,533	1,610	898	275	264
Contingency reserve	0	449	-56	5,967	9,638	16,427
<b>Total other purposes</b>	<b>115,011</b>	<b>128,309</b>	<b>133,743</b>	<b>144,569</b>	<b>156,217</b>	<b>169,591</b>
<b>Total expenses</b>	<b>623,050</b>	<b>644,788</b>	<b>684,085</b>	<b>715,382</b>	<b>743,324</b>	<b>771,779</b>

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