

Appendix B: Supplementary Expenses Table and the Contingency Reserve

Expenses

Table B.1 shows estimates of Australian Government general government expenses by function and sub-function for 2023–24 and the forward years.

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

	Estimates											
	2023-24			2024-25			2025-26			2026-27		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
General public services												
Legislative and executive affairs	2,003	1,998	0	1,901	1,971	4	1,538	1,600	4	1,560	1,650	6
Financial and fiscal affairs	9,137	9,462	4	9,038	9,411	4	9,257	9,601	4	8,687	8,998	4
Foreign affairs and economic aid	7,166	7,220	1	8,179	8,267	1	7,294	7,381	1	7,725	7,817	1
General research	4,140	4,145	0	4,255	4,234	0	4,361	4,353	0	4,280	4,219	-1
General services	992	1,049	6	946	1,014	7	963	1,012	5	986	1,026	4
Government superannuation benefits	5,687	6,545	15	5,835	5,693	-2	6,001	5,793	-3	6,260	5,966	-5
Defence	42,850	45,006	5	44,568	44,172	-1	49,465	49,194	-1	48,840	49,978	2
Public order and safety	7,434	7,905	6	7,063	7,424	5	6,398	6,657	4	6,425	6,660	4
Education	48,258	48,699	1	50,385	50,303	0	52,114	52,237	0	53,732	53,905	0
Health	106,538	107,357	1	108,860	110,224	1	112,174	113,720	1	116,293	117,542	1
Social security and welfare	250,280	249,465	0	263,074	261,169	-1	277,054	275,562	-1	288,442	287,097	0
Housing and community amenities	7,940	8,632	9	8,074	8,698	8	7,767	7,799	0	5,864	5,650	-4
Recreation and culture	4,776	4,878	2	4,809	4,928	2	5,133	5,237	2	5,363	5,431	1
Fuel and energy	13,006	13,455	3	16,521	17,577	6	12,107	12,792	6	13,962	13,663	-2
Agriculture, forestry and fishing	5,156	5,104	-1	3,227	3,871	20	3,045	3,699	21	2,999	3,554	19
Mining, manufacturing and construction	5,022	5,173	3	4,696	5,011	7	4,418	4,978	13	4,444	5,243	18

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

	Estimates											
	2023-24			2024-25			2025-26			2026-27		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
Transport and communication	17,508	16,120	-8	17,733	16,499	-7	16,744	15,413	-8	15,225	15,037	-1
Other economic affairs												
Tourism and area promotion	184	199	8	189	195	3	181	187	3	182	188	3
Labour and employment affairs	5,550	5,775	4	5,414	5,480	1	5,175	5,190	0	4,957	4,984	1
Immigration	3,531	3,906	11	3,001	3,267	9	2,979	3,113	4	3,027	3,146	4
Other economic affairs nec	3,183	3,580	12	3,043	3,179	4	2,939	3,049	4	2,934	3,019	3
Other purposes												
Public debt interest	22,611	22,404	-1	23,890	24,686	3	26,224	28,365	8	29,077	33,081	14
Nominal superannuation interest	13,631	13,374	-2	13,941	14,126	1	14,637	14,840	1	15,033	15,251	1
General purpose inter-government transactions	95,947	91,135	-5	99,872	99,138	-1	105,443	105,315	0	108,790	108,818	0
Natural disaster relief	1,610	1,630	1	898	918	2	275	273	-1	264	264	0
Contingency reserve	-56	5,089	-9,188	5,967	4,534	-24	9,638	14,585	51	16,427	21,349	30
Total expenses	684,085	689,306	1	715,382	715,990	0	743,324	751,944	1	771,779	783,537	2

Contingency Reserve

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

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

The Contingency Reserve contains an allowance for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years, known as the conservative bias allowance (CBA). Since the 2023–24 Budget, the allowance has been drawn down to:

- $\frac{1}{4}$ of a percentage point of total general government sector expenses (excluding GST payments to the states) in the first forward year 2024–25 (\$1.6 billion)
- $\frac{3}{4}$ of a percentage point of expenses in the second forward year 2025–26 (\$4.9 billion)
- $1\frac{1}{2}$ of a percentage point of expenses in the third forward year 2026–27 (\$10.0 billion).

The drawdown of the CBA reduced expenses by \$1.5 billion in 2024–25, \$1.6 billion in 2025–26, and \$3.1 billion in 2026–27. This is consistent with long standing practice and does not represent a saving.

In general, the Contingency Reserve can also include:

- a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some entities or functions not to be met
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programs that are yet to be renegotiated with state and territory governments
- the effect on the budget and forward estimates, of economic parameter revisions received late in the process and hence not able to be allocated to individual entities or functions
- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual entity estimates
- provisions for other specific events and policy changes that may impact the budget estimates.