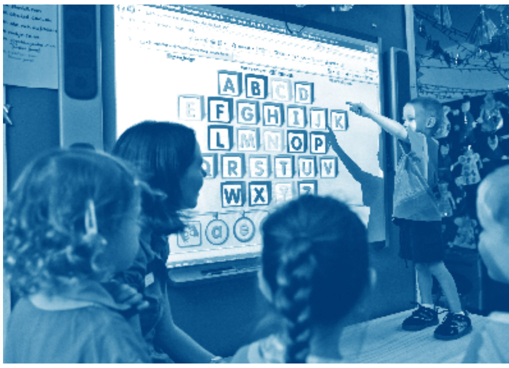
Northern Territory Government

MID-YEAR REPORT

2010-11



2010-11

Mid-Year Report

Contents

Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act*, I certify that the financial projections included in the 2010-11 Mid-Year Report are based on Government decisions that I was aware of, or that were made available to me by the Treasurer, before 24 November 2010. The projections are presented in accordance with the Uniform Presentation Framework.

Jennifer Prince
Under Treasurer

25 November 2010

Chapter 1 Overview

The 2010-11 Mid-Year Report takes into account the current economic conditions as well as the effect of policy and parameter changes on the fiscal and economic outlook for the remainder of 2010-11 and the forward estimates.

There have been a number of significant changes since the May 2010 Budget, which are reflected in updated Budget projections. The first of these is the flow-on effect of the improved 2009-10 outcome as presented in the Treasurer's Annual Financial Report (TAFR), which has reduced net debt in 2010-11 but also results in increased expenses and payments in this and future years as a result of the carry forward of Commonwealth-funded expenditure programs. There has also been non-policy-related changes to a range of revenues including a reduction in GST revenue due to the Commonwealth's revisions to the GST pool estimates, lower mining royalties as a result of the high Australian dollar and lower stamp duty revenue due to a slowing Territory housing market.

The Territory has also made a number of significant policy announcements since the 2010 Budget that have affected expenditure levels in 2010-11 and the forward estimates. The most significant of these is the Government's response to the *Growing Them Strong, Together* Report, which included a substantial package of ongoing funding to enhance child protection services in the government and non-government sectors in the Northern Territory. The Government also announced the *New Era in Corrections* policy, which provides for a significant expansion in alternative incarceration initiatives to increase rehabilitation and education programs and reduce recidivism in the Northern Territory. Part of this package included an announcement to progress a new correctional facility in the Top End intended to be delivered as a public private partnership (PPP) to replace the Berrimah Prison.

These significant initiatives combined with the lower, non-policy revenues related to changed economic circumstances result in higher cash deficits than previously anticipated in 2010-11 and all forward years. Against this backdrop the fiscal outlook in the 2010-11 Mid-Year Report includes:

- operating surplus decreases over the forward estimates with deficits in the outer years;
- an increase in the cash deficit in 2010-11 of $157 million to $425 million due to the timing of Commonwealth-funded expenditure and non-policy-related decreases in GST revenue, stamp duty and mining royalties. When timing differences are excluded, the underlying position is a net worsening of $57 million. This, combined with the underlying improvement of $53 million in 2009-10, results in minimal net change across the two years;
- cash outcome and accrual fiscal balance projected to remain in deficit over the economic cycle; and
- ratios of net debt and net financial liabilities to revenue have increased due to higher cash deficits and a higher value of superannuation liabilities.

The Australian Bureau of Statistics (ABS) estimates that the Territory economy grew by 1.3 per cent in 2009-10, 0.9 percentage points higher than estimated in the May 2010 Budget. Economic growth in 2008-09 has also been revised upwards from 2.6 per cent to 5.1 per cent, reflecting a substantial downward revision to international goods imports and an upward revision to consumption expenditure.

Consistent with the 2010-11 Budget, the Territory economy is expected to continue to benefit from strong growth in Asian economies through increased demand for the Territory's energy and mineral resources, which is supporting increased exploration and production in the mining sector in Australia and the Territory.

The Territory economy is forecast to grow by 3.6 per cent in 2010-11. This forecast is unchanged from the May 2010 Budget. However, underlying this forecast is an upward revision to state final demand offset by downward revisions to net international goods exports.

State final demand is forecast to increase by 1.6 per cent in 2010-11, compared to a 0.3 per cent increase forecast at the time of the 2010-11 Budget. The revision reflects substantial data revisions by the ABS for previous years, the inclusion of the US$1.1 billion Kitan oil field development and upward revisions to growth in household consumption expenditure.

Annual growth in the Territory's resident population was forecast to increase by 2.1 per cent in the 2010-11 Budget. However, this has been revised to 1.4 per cent due to lower levels of net overseas migration and declining interstate migration. Lower net interstate migration reflects slowing onshore economic activity and the recovery of the national economy. Lower levels of net overseas migration reflect changes in national migration policies, which have made obtaining visas more difficult.

Forecast growth in the Territory's labour market remains unchanged from the 2010-11 Budget at 2.5 per cent. Growth is expected to be driven by record levels of public sector investment associated with the Commonwealth's infrastructure-related stimulus spending, defence infrastructure projects and the Territory Government's record capital works program.

At the time of the 2010-11 Budget, Darwin's Consumer Price Index (CPI) was forecast to increase by 3.1 per cent in 2010. This forecast remains unchanged in the Mid-Year Report.

Changes to revenue from the Commonwealth and Territory own-source revenue since the May 2010 Budget and associated expenditure decisions are provided in Chapter 2, with the revised financial statements presented in Chapter 4. Chapter 3 includes a discussion on the updated economic estimates and the fiscal strategy outlook for 2010-11 and the forward years.

Chapter 2 Fiscal Position and Outlook

This chapter presents the updated fiscal projections for 2010-11 through 2013-14, compared with the estimates provided in the May 2010 Budget.

It also provides updated information on the Statement of Risks, as required by the *Fiscal Integrity and Transparency Act*.

Fiscal Outlook

The 2010-11 Budget and forward estimates have been updated to reflect:

- the outcome from the 2009-10 financial year;
- Cabinet decisions since the 2010-11 Budget;
- revised Territory revenue estimates including updated GST revenue; and
- a range of other revenue-related adjustments, largely due to changes in national partnership (NP) agreements with the Commonwealth.

Budget and Forward Estimates

Table 2.1 presents the key fiscal aggregates for the general government sector for the 2010-11 Budget and the 2010-11 Mid-Year Report.

Table 2.1: General Government Sector – 2010-11 Budget and Mid-Year Report Aggregates

			Forward Estimates		
	2009-10[1]	2010-11	2011-12	2012-13	2013-14
	$M	$M	$M	$M	$M
Cash outcome					
2010-11 Budget	- 137	- 268	- 173	- 90	- 61
2010-11 Mid-Year	66	- 425	- 351	- 269	- 205
Variation	**203**	**- 157**	**- 178**	**- 179**	**- 144**
Net operating balance					
2010-11 Budget	371	441	98	56	57
2010-11 Mid-Year	536	232	108	- 27	- 76
Variation	**165**	**- 209**	**10**	**- 83**	**- 133**
Fiscal balance					
2010-11 Budget	- 186	- 310	- 211	- 115	- 81
2010-11 Mid-Year	- 43	- 496	- 405	- 309	- 240
Variation	**143**	**- 186**	**- 194**	**- 194**	**- 159**
Net debt					
2010-11 Budget	901	1 256	1 442	1 567	1 680
2010-11 Mid-Year	719	1 231	1 597	1 902	2 160
Variation	**- 182**	**- 25**	**155**	**335**	**480**
Net financial liabilities					
2010-11 Budget	3 851	4 264	4 507	4 676	4 828
2010-11 Mid-Year	3 959	4 402	4 838	5 200	5 511
Variation	**108**	**138**	**331**	**524**	**683**

1 Mid-Year Report reflects actual outcome.

Source: Northern Territory Treasury

Table 2.1 shows that estimates have worsened in all years compared with those included in the May 2010 Budget largely due to non-policy-related changes that result in lower revenues, the carryover of $150 million of Commonwealth expenditure obligations from 2009-10 and the effect of policy initiatives particularly *Growing Them Strong, Together* and the *New Era in Corrections*.

For 2010-11, the cash deficit has increased by $157 million due largely to non-policy-related revenue reductions in GST ($63 million), taxation revenue ($28 million stamp duty on residential conveyances) and mining royalties ($41 million associated with the higher Australian dollar). On the expenditure side, the carryover of Commonwealth funded initiatives has increased operating expenses and payments but timing issues associated with Commonwealth funded capital programs has resulted in a net increase of $25 million in Commonwealth-funded capital and operational programs.

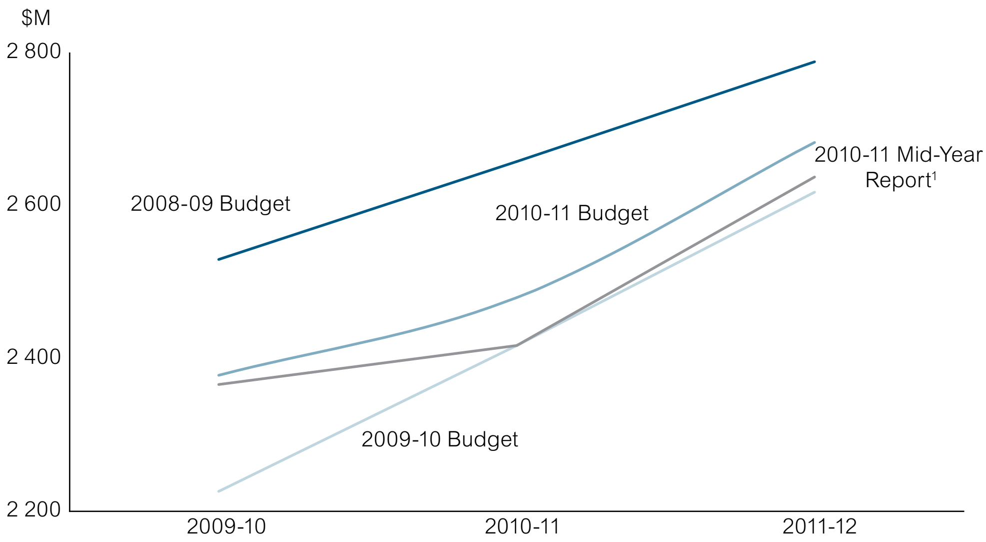
Revenue Changes

Reductions in three of the Territory's main sources of revenue have had the most significant effect on the revised outcome estimated for 2010-11.

The Commonwealth has revised down GST revenues for 2010-11 and all forward years in its 2010-11 Mid-Year Economic and Fiscal Outlook (MYEFO). This reduction largely removes the increase in the GST pool estimate in the Commonwealth's May 2010 Budget and returns the GST estimates to 2009-10 Budget levels. In addition, as a consequence of this overestimation in the Commonwealth's Budget the Territory was overpaid $27 million in 2009-10, and will repay this amount in 2010-11 through lower GST payments. The net effect is a projected decrease in GST revenue to the Territory of $63.4 million in 2010-11, with $36.4 million representing the flow-on effect across the forward years.

As Figure 1 shows, GST revenue remains significantly lower than that predicted in the 2008-09 Budget, prior to the GFC. For 2010-11 GST revenue is now $241 million lower than that predicted in May 2008 and is the same to that estimated in the 2009-10 Budget.

Figure 1: General Government Sector GST Revenue Projections



1 2009-10 excludes the Budget Balancing Assistance of $96 million and GST overpayment of $27 million to enable an appropriate comparison to be made with other years.

Table 2.2 represents the changes in GST revenue projections over time from the May 2008 Budget.

Table 2.2: General Government Sector GST Revenue Projections

	2009-10	2010-11	2011-12	2012-13
	$M	$M	$M	$M
2008-09 Budget	2 530	2 658	2 789	na
2009-10 Budget	2 226	2 417	2 618	2 794
2010-11 Budget	2 378	2 480	2 683	2 878
2010-11 Mid-Year Report[1]	2 366	2 417	2 638	2 829

1 2009-10 excludes the Budget Balancing Assistance of $96 million and GST overpayment of $27 million to enable an appropriate comparison to be made with other years.

There is a decrease in own-source revenue due to lower stamp duty on property conveyances and lower mineral royalties. The Territory's residential property market has operated at very high levels in the last five years fuelled by high levels of population growth, low interest rates and the flow-on effect of housing assistance schemes. In 2010, there has been a decrease in the volume of properties sold and a moderation in prices. While the temporary housing initiatives such as Buildstart and the First Home Owners Boost schemes and low interest rates supported activity in residential construction and property markets during the global financial crisis, they also brought forward demand. Rising interest rates, high prices, lower population growth combined with increased risk aversion by financial institutions during the GFC and since, have contributed to the decline in activity by housing investors as well as owner-occupiers. Growth is expected to return over the forward estimates albeit from the lower 2010 base.

The estimate for mining royalties has been reduced in 2010-11 due to the effect of the strength of the Australian dollar on profitability, and also on updated advice from the miners. Estimates for the forward estimates period have not been adjusted.

Expenditure Changes

Expenditure increases in 2010-11 and the forward estimate years predominately relate to the $150 million carryover from 2009-10 and new policy initiatives including *Growing Them Strong, Together* ($130 million over five years) and *New Era in Corrections* ($43 million over three years).

The overall effect of the non-policy revenue and expenditure changes together with the new policy initiatives has resulted in the cash outcomes for 2010-11 and the forward years worsening from those predicted in May 2010. For 2010-11, the cash deficit is now projected to be $425 million falling to $205 million by 2013-14. When timing differences are removed the underlying position over 2009-10 and 2010-11 is largely unchanged across the two years.

In line with the estimated cash outcome, the fiscal balance shows a similar increase in deficits for 2010-11 and the forward years.

The change in the net operating balance differs from the cash outcome across 2010-11 and the forward years largely due to the revised timing of Commonwealth funding for capital purposes. Under normal circumstances, operating surpluses provide the capacity to invest in infrastructure without the need to incur cash deficits. However, following the GFC the Territory's projected operating balance has not been at sufficient levels to sustain necessary higher levels of investment in infrastructure to protect Territory jobs without incurring cash deficits. The further drop in the national GST pool and Territory own-source revenue has increased pressure on the

Territory's ability to return the Budget to an operating and cash surplus position, with operating deficits now predicted from 2012-13.

Net debt is expected to decrease from that projected at Budget time to $1231 million in 2010-11, before increasing over the forward estimates. The improvement in 2010-11 is mainly due to the flow-on effect of the 2009-10 outcome while the increase over the forward estimates is due to projected increased cash deficits compared with the May 2010 estimates.

Net financial liabilities are also expected to increase compared with those in the May 2010 Budget, largely as a result of the increased net debt position and an increase in superannuation liabilities as a result of actuarial revisions associated with improved mortality rates and lower benefit payments than had been anticipated. By 2013-14 net financial liabilities are expected to be $5511 million, an increase of $683 million from that published at Budget time. However, despite the increase in net debt and net financial liabilities, as a ratio to revenue they are still predicted to be below those recorded in 2001-02 as a result of eight consecutive cash surpluses through to 2009-10.

Operating and Cash Flow Statements – General Government

Table 2.3 summarises the key movements in the 2010-11 general government cash flow and operating statements since the 2010-11 Budget. Variations are categorised into policy and non-policy variations. Policy variations are the result of Government decisions to implement or expand agency programs. Non-policy variations are either due to influences outside the Government's control, such as the timing of receipts from the Commonwealth, or changes in economic parameters.

Table 2.3: Variations to the Operating and Cash Flow Statements since May 2010

	2010-11	
	Accrual	Cash
	$M	$M
2010-11 BUDGET	**- 309.7**	**- 268.0**
REVENUE/RECEIPTS		
Revenue/receipts – non policy		
Taxation	- 28.0	- 28.0
GST revenue	- 63.4	- 63.4
Timing of new/expanded Commonwealth revenue	- 14.6	- 14.6
Interest income	3.6	3.6
Mining royalties	- 41.3	- 41.3
Agency own source revenue	6.4	6.4
Miscellaneous revenue	1.1	21.7
Total revenue/receipts – non policy	**- 136.2**	**- 115.6**
OPERATING EXPENSES/PAYMENTS		
Expenses/payments – policy		
New initiatives	14.8	14.8
Total expenses/payments – policy	**14.8**	**14.8**
Expenses/payments – non policy		
Timing and transfers of Commonwealth funded programs	76.5	76.5
Interest	- 1.4	- 1.4
Superannuation costs	2.2	- 6.3
Depreciation	- 16.5	
Other	- 2.3	- 1.7
Total expenses/payments – non policy	**58.5**	**67.1**
TOTAL OPERATING EXPENSES/PAYMENTS	**73.3**	**81.9**
Net capital payments		
Timing and transfers of Commonwealth funded programs	- 51.3	- 51.3
Land sales	- 10.3	- 10.3
Depreciation	16.5	
Capital works cash	22.0	22.0
Total net capital payments	**- 23.1**	**-39.6**
TOTAL EXPENSES/PAYMENTS	**50.2**	**42.3**
Future infrastructure and superannuation contributions/earnings		0.9
TOTAL VARIATION	**- 186.4**	**- 157.1**
2010-11 REVISED BUDGET	**- 496.1**	**- 425.1**

Note: Excludes gross up of GST receipts and payments as explained in the 2009-10 Treasurer's Annual Financial Report.

Source: Northern Territory Treasury

Since May 2010, as outlined above, there has been a number of significant non-policy-related decreases in revenue/receipts and the commencement of two important service initiatives in *Growing Them Strong, Together* and *New Era in Corrections*. Those, together with the effects of timing on revenues and expenditure have resulted in a decline in both the accrual and cash estimated outcomes compared to May 2010.

General government operating revenue has decreased by $136.2 million and receipts by $115.6 million since May 2010. This is a marked contrast to prior years and reflects the current subdued economic conditions nationally affecting GST revenue collections and also locally where the real estate market and currency values have reduced own-source revenue. The main non-policy-related variations to revenue since the May 2010 Budget are:

- decline in Territory taxation revenue of $28 million, reflecting decreased stamp duty receipts on residential conveyances associated with a more subdued residential market;
- GST revenue has been revised down by $63.4 million, due to a decrease in the Commonwealth's estimates of the national GST pool, as published in the 2010-11 MYEFO ($36.4 million) and $27 million as a result of an overpayment in 2009-10;
- a revision in the timing of Commonwealth-tied funding between 2009-10, 2010-11 and forward years including the Strategic Indigenous Housing and Infrastructure Project (SIHIP) and Tiger Brennan Drive resulting in a net reduction of $14.6 million;
- decreased mining royalties revenue of $41.3 million, reflecting increases in the value of the Australian dollar and updated advice from Territory miners on activity levels and profitability;
- an increase in agency own-source revenue of $6.4 million, mainly the result of an increase in patient revenue due to higher demand; and
- an increase in miscellaneous receipts of $21.7 million due predominately to return of part of a prior year grant as a result of revised plans for sporting facilities.

General government expenses increased by $73.3 million and payments by $81.9 million due to:

- policy decisions of $14.8 million approved by Government since the 2010-11 Budget predominately related to *Growing Them Strong, Together* of $9.5 million, *New Era in Corrections* of $1.3 million and environmental compliance initiatives of $1.1 million;
- the net carryover of expense obligations from 2009-10 largely related to timing of the delivery of Commonwealth-funded programs;
- a decrease in superannuation payments of $6.3 million. The net $8.5 million difference between expenses and payments in superannuation costs is reflective of the expected timing of benefit payments during the year; and
- a decrease in depreciation by $16.5 million predominately due to a change in the methodology in the useful life of road network assets.

There have also been changes to capital spending reflected in the Comprehensive Operating Statement and the Cash Flow Statement, with a decrease of $23.2 million in capital expenses and $39.6 million in capital payments. The key variations are:

- revised timing of Commonwealth-tied funding, predominately related to SIHIP expenditure incurred in 2009-10; offset by

- land sales revenue of $10.3 million including sales at Bellamack, Johnson and the settlement of Little Mindil; and
- an increase in capital works cash due to revised arrangements for sporting facilities.

Operating Statement Forward Estimates – General Government

The change in operating revenue from the May Budget to the 2010-11 Mid-Year Report is a decrease of $136 million for 2010-11, an increase of $80 million in 2011-12 and remaining largely unchanged thereafter over the forward years. The decrease in operating revenue in 2010-11 largely reflects the significant falls in GST revenues and own-source revenues of stamp duty and mining royalties. Lower GST revenue and the lower stamp duty base flow through to the forward estimates. In 2011-12 and forward years the effect of the fall in GST and stamp duty is offset by the bringing forward of funding commitments for SIHIP associated with the level of construction now underway, most notably in 2011-12 resulting in an increase of $80 million.

Overall the revised operating revenue is $4648 million in 2010-11, falling to $4490 million by 2013-14 as a result of the lower Commonwealth-tied funding levels compared with 2010-11 which includes peak SIHIP funding and the last element of the Nation Building and Jobs Plan stimulus package. There are also a number of agreements that are for fixed periods and have not been included later in the forward estimates period beyond the life of current agreements.

The change in operating expenditure from the May 2010 Budget to the 2010-11 Mid-Year Report is an increase of $73 million in 2010-11 rising to $135 million in 2013-14. This is predominately due to the impact of the $150 million carryover from 2009-10, policy initiatives including *Growing Them Strong, Together* and *New Era in Corrections* and operational expenses related to Commonwealth funded programs.

The revised total operating expenditure is $4416 million in 2010-11 and is projected to grow on average by 1.1 per cent over the forward estimates to $4566 million in 2013-14.

Since May 2010 capital spending is estimated to be $23 million lower in 2010-11 due to timing differences but to increase by $204 million in 2011-12, $111 million in 2012-13 and $26 million in 2013-14 as a result of the bringing forward of Commonwealth and Territory funding related to SIHIP. The peak through 2010-11 and 2011-12 reflects the residual spending on the Commonwealth stimulus package and higher levels of spending on SIHIP.

The fiscal balance has worsened in all years mainly due to the significant reduction in non-policy-related Territory revenue, the carryover of Commonwealth expenditure obligations from 2009-10 and the effect of new policy decisions. The full effect of this, combined with the bringing forward of the Territory's $140 million contribution to SIHIP is evident in the operating balance deficit in outer years.

Table 2.4: General Government Sector – Operating Statement – 2010-11 Budget and Mid-Year Report

	2010-11	2011-12	2012-13	2013-14
	$M	$M	$M	$M
2010-11 Budget				
Operating revenue	4 784	4 438	4 413	4 488
Operating expenses	4 343	4 341	4 358	4 431
Net operating balance	**441**	**98**	**56**	**57**
Net capital	751	309	171	139
Fiscal balance	**- 310**	**- 211**	**- 115**	**- 81**
2010-11 Mid-Year Report				
Operating revenue	4 648	4 518	4 415	4 490
Operating expenses	4 416	4 410	4 442	4 566
Net operating balance	**232**	**108**	**- 27**	**- 76**
Net capital	728	513	282	164
Fiscal balance	**- 496**	**- 405**	**- 309**	**- 240**
Variation				
Operating revenue	- 136	80	2	2
Operating expenses	73	69	85	135
Net operating balance	**- 209**	**10**	**- 83**	**- 133**
Net capital	- 23	204	111	26
Fiscal balance	**- 186**	**- 194**	**- 194**	**- 159**

Source: Northern Territory Treasury

Operating Revenue

The majority of the Territory's revenue is from the Commonwealth in the form of GST, Specific Purpose Payments (SPPs) and NPs (around 82 per cent over the forward estimates).

GST revenue which is untied Commonwealth funding, has declined since Budget time due to the lower than expected national GST pool as published in the Commonwealth's 2010-11 MYEFO as mentioned earlier in this chapter.

Tied Commonwealth funding in the form of NPs has been revised upwards since the 2010-11 Budget for 2011-12 and the forward estimates, largely as a result of the bringing forward of SIHIP funding consistent with the higher levels of construction activity.

For 2010-11 tied Commonwealth funding decreased slightly by $14.6 million due to revised timing for SIHIP and Tiger Brennan Drive partially offset by new agreements being finalised or re-negotiated since May 2010 predominately related to National Job Creation Package, Digital Regions and health-related initiatives.

Overall these tied funding adjustments tend not to affect the fiscal outcome over time as increases in revenue are matched by a corresponding increase in expenditure, although timing differences may affect the outcome in particular years.

Taxation revenue is the most significant component of the Territory's own-source revenue and is predicted to decrease from 2010-11 and forward estimate years from that projected since the May Budget. This reflects the moderating residential conveyances duties in 2010-11 from the high levels experienced over the past few years, with growth expected to occur from 2011-12 albeit from a lower base. The reduction in mining royalties is expected to occur in 2010-11 only as previously mentioned in this chapter.

Operating and Net Capital Expenses

While overall operating expenses are projected to grow on average 1.1 per cent, growth in untied operating expenses over the forward estimates is less than untied revenue growth over the same period reflecting the fiscal strategy target of limiting operational growth, excluding tied Commonwealth funding, to below revenue growth.

The increased growth since May 2010 is largely reflective of the new service policy initiatives of *Growing Them Strong, Together* and *New Era in Corrections.* On a year-by-year basis the largest increase is in 2013-14 as a greater proportion of the brought forward SIHIP funds are applied to property and tenancy management following the construction of new and rebuilt housing. In all years the growth in expenses is moderated by the effect of efficiency and reprioritisation measures on overall spending levels.

Net capital spending remains higher than average over the past decade across the forward estimates. This is due to significant tied grants from the Commonwealth, a greater proportion of which is applied to capital spending and the Government's priority to increase infrastructure spending in the short term to protect Territory jobs.

The new correctional facility announced in the *New Era in Corrections* package is not yet included in the forward estimates for either capital or financing costs as it is expected to be a PPP and contractual arrangements will not be finalised until later in 2011.

Assets and Liabilities – General Government Sector

Table 2.5: General Government Sector – Balance Sheet – 2010-11 Budget and Mid-Year Report

	2010-11	2011-12	2012-13	2013-14
	$M	$M	$M	$M
2010-11 Budget				
Net worth	6 540	6 777	6 981	7 176
Net debt	1 256	1 442	1 567	1 680
Net debt to revenue (%)	26	32	36	37
Net financial liabilities	4 264	4 507	4 676	4 828
Net financial liabilities to revenue (%)	89	102	106	108
2010-11 Mid-Year Report				
Net worth	7 349	7 596	7 712	7 776
Net debt	1 231	1 597	1 902	2 160
Net debt to revenue (%)	26	35	43	48
Net financial liabilities	4 402	4 838	5 200	5 511
Net financial liabilities to revenue (%)	95	107	118	123
Variation				
Net worth	809	820	730	600
Net debt	- 25	155	335	480
Net debt to revenue (%)		3	8	11
Net financial liabilities	138	331	524	683
Net financial liabilities to revenue (%)	6	6	12	15

Source: Northern Territory Treasury

The estimate of net worth has improved significantly for 2010-11 and over the forward estimates period since the 2010-11 Budget. This is due largely to the improved Balance Sheet position, including the upward revaluation of the Territory's assets for key buildings across government, as reported in the 2009-10 Treasurer's Annual Financial Report (TAFR).

Net debt is estimated to increase by $480 million to $2160 million in 2013-14 from the May 2010 Budget, due to a combination of the flow-on effect of the cash deficits predicted over the forward estimates and a higher value of the superannuation liability, partly offset by an increase in the Territory's financial asset base. Net debt as a percentage to revenue is estimated to be higher than that predicted in May 2010, increasing to 48 per cent by 2013-14.

During 2009-10 the Conditions of Service Reserve (COSR) experienced a higher return due to a general improvement in global economic conditions subsequent to the GFC with a market value of $393 million at 30 June 2010. In line with the recent increase in economic and financial market conditions, the value of the COSR is $422 million at 31 October 2010. The return on these investments to 31 October 2010 is 7.26 per cent.

Net financial liabilities are expected to increase to $5511 million by 2013-14, a $683 million increase compared to the May 2010 Budget, largely as a result of the increase in the net debt position and an actuarial assessment of the increase in the Territory's superannuation liability as a result of improved mortality rates and lower benefit payments than had been anticipated.

When measured as a percentage to revenue, it is expected that the net financial liabilities ratio will be higher than that projected in May 2010, increasing to 123 per cent by 2013-14.

However levels of net debt and net financial liabilities are still lower than 2001-02 levels due to the eight consecutive cash surpluses achieved to 2009-10.

Statement of Risks

The *Fiscal Integrity and Transparency Act* requires that each Fiscal Outlook Report must contain "a statement of risks, quantified as far as practical, that could materially affect the updated financial projections, including any contingent liabilities and any Government negotiations that have yet to be finalised".

The risks identified and explained in detail at the time of the 2010-11 Budget remain appropriate, with the following providing a summary of those risks that have been updated to reflect recent events.

Revenue

GST Revenue – The most significant risk to the Territory's Budget is GST revenue changes. GST revenue accounts for approximately 60 per cent of the Territory's budget and therefore even small variations in key parameters can have a significant impact on Government's funding capacity and budget outcomes.

The three parameters affecting the amount of GST that the Territory receives are: the size of national GST pool; the Territory's relativity; and the Territory's share of the national population.

The estimates for national GST collections for 2010-11 to 2013-14 are lower than those used in the Territory's 2010-11 Budget. This is consistent with the Commonwealth's revisions to national GST collections for 2010-11 and forward years between its 2010-11 Budget and 2010-11 MYEFO forecasts. The decrease reflects lower actual GST collections in 2009-10 and downward revisions to Australia's economic growth forecast since the Commonwealth 2010-11 Budget. The effect on the Territory's GST revenue of a 1 per cent variation in growth in national GST collection estimates is about +/-$23 million in 2010-11.

GST relativities are generally affected by cyclical economic circumstances. The Commonwealth Grants Commission (CGC) has determined the state and territory GST relativities for 2010-11. However, the CGC does not forecast relativities in the forward estimates period (2011-12 onwards). There is potential scope for significant movement in the Territory's relativity, which will impact on the Territory's share of GST revenue.

The Territory's population estimates for the budget and forward estimates period reflect the most recent ABS population data and the expected performance of the Territory's economy based on confirmed projects. The effect on the Territory's GST revenue of a 1 per cent variation in the Territory's population estimates is about +/-$23 million in 2010-11.

Other Commonwealth Revenue Grants and Subsidies – Specific Purpose Payment (SPP) agreements have historically posed risks to state budgets in several ways. The reforms to Commonwealth-state financial relations arising from the 2008 Intergovernmental Agreement on Federal Financial Relations have provided greater clarity in relation to tied Commonwealth funding. However, the adequacy of indexation of SPPs remains a key risk. The structure of some NPs also poses a risk to the Territory's revenue should the Territory not be deemed by the Commonwealth to have met the necessary milestones for payment.

Commonwealth Health Reform Agenda – The Commonwealth's National Health and Hospitals Network reform involves significant changes to the current state and territory health care arrangements. The risks associated with implementation of the reform agenda cannot currently be quantified, but could arise from a number of elements of the reform package, including the requirement to dedicate a portion of untied GST funding, the Commonwealth funding of 60 per cent of the efficient price of hospital services, the shift from government hospital management to management by local hospital networks, and the changes to primary health care funding and policy responsibilities.

Own-Source Revenue – The amount of revenue received from Territory taxes and royalties is dependent upon the performance of the Territory economy and other external factors. Mining royalty revenue is mainly affected by changes in mining production levels, commodity prices and exchange rate conditions. Mining revenue forecasts rely on advice from mining companies of their expected estimated liability for the financial year and unpredicted market changes in any of these factors will have a material impact on mining royalty revenue. The state of current global financial markets and world economies have continued to result in volatility of commodity prices and exchange rates.

Forecasting conveyance stamp duty is also difficult because it is linked to activity in the property market. Residential property market activity has significantly moderated from a high base, demonstrating that the extent and timing of any drop is difficult to predict given the strength of property markets at the time of framing of the 2010-11 Budget. In addition, the Territory has a relatively small conveyance duty base which includes valuable commercial properties such as pastoral properties and mining projects. These factors introduce significant variability in collections as a result of the impact of the duty collected from large commercial transactions.

Expenditure

The forward estimates for expenses are based on known policy decisions, with adjustments for parameters.

The most significant risk to these estimates on the expense side is increasing budget pressure due to increased cost and demand influences.

A further risk is in relation to any future enterprise bargaining agreements. The outcome of future enterprise bargaining agreements over and above amounts currently factored into the forward estimates will increase budgetary pressures.

Minimal capacity exists in the forward estimates to respond to budget pressures, over the capacity already factored into the estimates.

Contingent Liabilities

These are potential future costs to Government that may arise from guarantees, indemnities, legal and contractual claims as they constitute a risk to the Territory’s financial position.

For more information on Statement of Risks, refer to Chapter 3 in 2010-11 Budget Paper No. 2: Fiscal and Economic Outlook.

Chapter 3 Economic Outlook and Fiscal Strategy

This chapter meets the *Fiscal Integrity and Transparency Act* requirement for the Mid-Year Report to provide updated information on the economic assumptions and fiscal strategy as set out in the 2010-11 Budget Papers.

Structure of the Economy

The drivers of economic activity in the Territory economy are markedly different to other Australian jurisdictions. The Territory has an abundance of natural resources, a large public sector and a significant defence presence. Territory gross state product (GSP), at around $16.9 billion, accounts for approximately 1.3 per cent of national gross domestic product (GDP).

Economic growth in the Territory can be volatile from year to year. The relatively small size of the Territory economy means that large, often resource-based, projects can have a substantial impact on investment and income streams, resulting in volatile growth patterns. In addition, the Territory economy is highly influenced by global economic conditions due to its commodity-focused economic base.

Another source of volatility in reported annual economic growth comes from ABS data revisions, which for the Territory can be significant.

Recent Economic Performance

Table 3.1: Summary of Key Economic Parameters, percentage change

Latest ABS Data					Budget Forecast	Revised Forecast
	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11
Gross state product	4.4	4.4	5.1	1.3	3.6	3.6
State final demand	2.9	7.2	9.2	-5.0	0.3	1.6
Employment	5.0	6.1	4.4	2.5	2.5	2.5
Population[1]	1.9	2.4	2.5	2.3	2.1	1.4
CPI[2]	4.4	3.4	4.0	2.8	3.1	3.1

1 Based on the middle of the financial year, December estimates, annual percentage change.

2 Year-on-year ended December percentage change.

Source: Northern Territory Treasury, ABS

2009-10

The ABS has estimated that the Territory's GSP increased by 1.3 per cent in 2009-10. Growth was mainly due to strong increases in net international goods exports and public investment, which more than offset declining private sector investment and moderating consumption expenditure.

As forecast in the 2009-10 and 2010-11 Budget papers, Territory state final demand (SFD) declined by 5 per cent in 2009-10. The decline was mainly due to substantially lower engineering construction activity in the year reflecting the completion of several major projects in the mining and energy sector, such as the GEMCO manganese refinery expansion and the Eni Blacktip project, and the cessation of development activity at the Montara oil field.

Growth in consumption expenditure moderated to 1.3 per cent in 2009-10. Growth in household consumption moderated to 0.7 per cent, as increasing interest rates reduced disposable household income and uncertain economic times led to increased savings by households. Public consumption expenditure growth moderated to 2.1 per cent in the year, reflecting tightening budgets across all levels of Government.

Private investment expenditure decreased by 29.1 per cent in 2009-10, due to declining levels of engineering and non-residential construction activity. Declining non-residential construction activity was mainly due to increased risk aversion and capital rationing by financial institutions, which constrained financing for private sector commercial construction projects. Strong growth in public investment somewhat offset the decline in private investment in the year. Public investment increased by 55.7 per cent to $1.5 billion in 2009-10, contributing 3.2 percentage points to the Territory's economic growth. The increase was the result of a record Territory Government investment program and Commonwealth stimulus measures under the Nation Building and Jobs Plan package.

In volume terms, net international goods exports (exports less imports) from the Territory increased by 83.8 per cent in 2009-10, driven by a 24.4 per cent decrease in imports and a 10.0 per cent increase in exports. The decline in imports was mainly due to lower feedstock gas imports as a result of the 35-day scheduled maintenance shutdown at the Darwin LNG Pty Ltd liquefied natural gas (LNG) plant at Wickham Point. While this resulted in a decline in LNG gas exports, growth in total goods exports resulted from a solid recovery in the mining sector reflecting the strengthening global demand for resources, particularly from China. Strong growth was recorded for manganese, iron ore and gold exports.

Economic Outlook

The GSP, SFD and population estimates reported in the 2010-11 Budget have been revised for the Mid-Year Report (Table 3.1). Revisions reflect new and or revised data and the latest information regarding the status of projects.

Economic growth in the Territory is forecast to strengthen to 3.6 per cent in 2010-11. Growth is expected to be driven by increasing:

- international goods exports;
- public investment;
- household consumption; and
- private sector residential construction.

SFD is forecast to increase by 1.6 per cent in 2010-11, 1.3 percentage points more than forecast at the time of the 2010-11 Budget. The upward revision mainly reflects substantial data revisions by the ABS for previous years and the inclusion of the US$1.1 billion Kitan oil field development.

Kitan oil field

The Kitan oil field is located in the Joint Petroleum Development Area (JPDA) approximately 450 kilometres north-west of Darwin. Half of all economic activity (capital expenditure, production and exports) associated with projects in the JPDA is attributed by the ABS to Australia (and in turn the Territory). This reflects the current ownership arrangements of the JPDA, agreed between Australia and Timor Leste under the Timor Sea Treaty. Production from Kitan is expected to commence in the second half of 2011. At the time of the 2010-11 Budget, the Timor Leste regulatory authority, ANP, had yet to give approval for the Kitan project to proceed. As a result it was not included in the forecasts.

Strong growth in international goods exports is expected to be the major driver of the Territory's economic growth in 2010-11 and reflects higher LNG, alumina and manganese exports. Strong growth in LNG exports is expected, due to a return to production capacity at the Darwin LNG Pty Ltd plant following the maintenance shutdown in 2009-10. Growth in alumina and manganese exports reflects the ramping up of output to design specification following the completion of expansion projects at the Rio Tinto Alcan and GEMCO refineries. Growth is also expected to be driven by increasing demand from Asia, particularly China, as their economies continue to outperform those in Europe and North America.

Investment expenditure in the Territory is expected to decrease slightly in 2010-11, as private sector investment continues to decline from historically high levels over recent years. Strong growth in public investment is expected to almost fully offset lower private investment levels, reflecting a record Territory Government infrastructure program.

Household consumption expenditure is expected to strengthen in 2010-11, following a subdued outcome in 2009-10. However, growth is expected to remain below long-term trend levels due to the impact of increasing interest rates on disposable household incomes and moderating population growth.

Growth in residential construction is expected to continue strengthening in 2010-11, mainly due to a rebound in private unit construction, the Territory Government's accelerated land release program and the Strategic Indigenous Housing and Infrastructure Program. There are risks to the residential construction forecasts including a high probability of a particularly active wet season in the Top End and ongoing finance restrictions that may continue to constrain building activity across the Territory.

Property Market

Property markets across the Territory are expected to be subdued over 2010-11 reflecting the impact of:

- increasing interest rates, which will lead to further reductions in home loan affordability;
- moderating population growth; and
- the increasing supply of residential land and housing.

The increase in interest rates and ongoing high levels of risk aversion by lenders is likely to continue to constrain housing finance commitments in 2010-11, resulting in sluggish demand for established properties and dampening new supply growth. In turn, this is expected to lead to increased demand for rental accommodation in the short term, which may support rental prices. Despite this, moderating population growth should help alleviate pent-up demand in the housing market by freeing up existing housing stock.

Employment

The ABS reports that employment in the Territory increased by 2.5 per cent in 2009-10, weaker than the 3.3 per cent rise in employment estimated at the time of the 2010-11 Budget. The employment growth forecast for 2010-11 of 2.5 per cent is unchanged from the Budget.

Employment growth is expected to be driven by record levels of public sector investment associated with the Commonwealth's infrastructure-related stimulus spending, defence infrastructure projects and the Territory Government's record capital works program. Large scale land releases, coupled with strengthening growth in housing construction in the public and private sectors is also expected to support employment growth over the year.

Expectations of increasing interest rates over 2010-11 are likely to partly offset growth due to reduced household disposable income. In turn, this is expected to lead to relatively subdued growth in retail spending across the Territory. Rising interest rates are expected to continue supporting the appreciation of the Australian dollar versus the Territory's major trading partners. In turn, this is expected to impact on employment in the tourism industry as more Australians travel overseas to take advantage of the appreciating currency and international visitor numbers to the Territory and Australia decline.

Population

Population estimates as at 31 December each year are a key determinant of the allocation of the national GST revenue pool. Accurate population estimates are very important to the Territory, which is estimated to receive approximately 60 per cent of its revenue from GST. The Territory has the smallest population of all the jurisdictions and accounts for around 1 per cent of the national population. The Territory's population growth is particularly difficult to forecast due to highly volatile net interstate migration estimates, primarily driven by the Territory's young, highly mobile population. Remoteness and the high proportion of Indigenous persons can also make population estimation difficult. Population estimates are also subject to large revisions, which makes forecasting challenging.

At the time of the 2010-11 Budget, annual growth in the Territory's resident population was forecast to increase by 2.1 per cent to December 2010. However, the population growth forecast has been revised down to 1.4 per cent due to lower levels of net overseas migration and declining interstate migration. The decline in net interstate migration is expected to be driven by slowing onshore economic activity and the recovery of the national economy. Lower levels of net overseas migration reflect changes in national migration policies, which have made obtaining visas more difficult.

Consumer Price Index

At the time of the Budget, Darwin's Consumer Price Index (CPI) was forecast to increase by 3.1 per cent in 2010. This forecast remains unchanged in the Mid-Year Report.

Fiscal Strategy

The *Fiscal Integrity and Transparency Act* requires the Mid-Year Report to provide updated information to allow an assessment of the Government's fiscal performance against fiscal strategy targets, as set out in the 2010-11 Budget.

The prevailing fiscal strategy was developed prior to the 2009-10 Budget as a result of the global financial crisis and contains short-term and medium-term measures. The 2010-11 Mid-Year Report has also been framed against this backdrop and is encapsulated by the Territory Government's commitment to increase investment in both infrastructure and service delivery programs to support jobs and maintain growth in the Territory.

The Government's short-term and medium-term fiscal objectives as set out in the 2010-11 Budget Papers and the assessment of this strategy against the updated fiscal projections follows.

Sustainable Service Provision

Target: Expenditure growth not to exceed revenue growth, excluding tied Commonwealth funding.

Assessment: Return budget to surplus once economy improves.

Operating expenditure growth remains below revenue growth, excluding tied Commonwealth funding and the cash outcome, while remaining in deficit, is trending to improvement.

Infrastructure for Economic and Community Development

Target: Maintain infrastructure investment at appropriate levels.

Assessment: Infrastructure spending of at least twice depreciation expenses on average over the current economic cycle and at appropriate levels to support medium-term growth thereafter.

Updated fiscal projections continue to project infrastructure spending in excess of target measure, partially funded through additional borrowings.

Competitive Tax Environment

Target: Ensure Territory taxes and charges are competitive with the average of the states and territories.

Assessment: Taxation below the state average.

The Territory's taxation revenue per capita remains significantly below the state average.

Prudent Management of Liabilities

Target: Reduce debt to pre-GFC levels once the economy rebounds.

Assessment: Once the economy improves, debt levels to reduce on average by 5 per cent per annum of additional debt incurred since 2007-08.

While overall levels of net debt and net financial liabilities have increased since May 2010, the Territory is committed to improving debt levels once the economy returns to pre-GFC levels.

The purpose of the Mid-Year Report is to provide updated estimates for the Budget and three forward years. Many of the fiscal strategy targets provide both absolute measures for the Territory as well as comparative state measures. Although information for the states is generally available for the 2009-10 outcome, updated state estimates for 2010-11 are not yet available. Thus the comparisons that follow provide updated information for the Territory and, only where possible, updated comparative state data.

Sustainable Service Provision

Target: Expenditure growth not to exceed revenue growth, excluding tied Commonwealth funding

This element of the fiscal strategy aims to limit growth in untied general government operating expenses to less than the growth in revenue, excluding tied Commonwealth revenue, over the economic cycle, to achieve a sufficient operating balance to fund general government capital spending.

During an economic downturn which is characterised by falling revenue growth and slowing private sector activity, the objective is to ensure cash deficits are kept to a minimum while increasing counter cyclical infrastructure spending to support growth in the local economy. Once the economy and government revenues return to more normal levels, the aim is to restore cash surpluses sufficient to fund capital spending and provide capacity to retire debt to pre-GFC levels.

As outlined in the 2010-11 Budget, to minimise recurrent expenditure in this and future years the Territory Government initiated budget improvement measures such as a staffing cap for two years from 2010-11, an efficiency dividend of 2 per cent in 2010-11 and 3 per cent in 2011-12 and a redirection of 2 per cent of agencies' output appropriation from 2010-11, to fund demand growth and new initiatives.

As stated in the 2009-10 TAFR, while there was a cash surplus in 2009-10 the delayed timing of Commonwealth-funded expenditure will result in a worsening effect on the 2010-11 revised estimate compared to the May 2010 Budget.

The cash targets in all years have also been affected by the reduction in GST revenue, stamp duty and mining royalties, as highlighted in the previous chapter. This together with the bringing forward of commitments for SIHIP results in an operating balance deficit in outer years that will put further pressure on the Territory's commitment to return the Budget to a surplus.

Notwithstanding the deterioration in the fiscal position since the May 2010 Budget, untied operating expenses remain below the growth in untied revenue over the forward estimates period and the cash deficit is reducing over the same period. Table 3.2 compares the net operating balance, including as a proportion of revenue, and the cash outcome for 2010-11 and forward estimates against those predicted in May 2010.

Table 3.2: General Government Sector – Net Operating Balance and Cash Outcome

	2009-10[1]	2010-11	2011-12	2012-13	2013-14
2010-11 Budget					
Net operating balance ($M)	371	441	98	56	57
As a proportion of total revenue (%)	8.11	9.22	2.20	1.26	1.27
Cash Outcome ($M)	- 137	- 268	- 173	- 90	- 61
2010-11 Mid-Year Report					
Net operating balance ($M)	536	232	108	-27	-76
As a proportion of total revenue (%)	11.53	4.98	2.39	- 0.61	- 1.69
Cash outcome ($M)	66	- 425	- 351	- 269	- 205
Variation					
Net operating balance ($M)	165	- 209	10	- 83	- 133
As a proportion of total revenue (%)	3.42	- 4.24	0.19	- 1.87	- 2.96
Cash outcome ($M)	203	- 157	- 178	- 179	- 144

1 Mid-Year Report reflects actual outcome.
Source: Northern Territory Treasury

Infrastructure for Economic and Community Development

Target: Maintain infrastructure investment at appropriate levels

Infrastructure investment plays a central role in the Government's budget strategy and is essential for the delivery of the Territory's social and economic requirements.

The fiscal strategy commits to spending at least twice the level of depreciation expense on capital infrastructure, on average, over the current economic cycle to support service delivery and business growth in the Territory.

Once the economy and government revenues return to more usual levels, the Territory's strategy is to maintain infrastructure spending to at least equal to depreciation charges to support medium-term economic growth while trending towards the objective of a general government fiscal balance.

As highlighted in Tables 3.3 and 3.4, there has been a further net increase over the forward estimates in investment in infrastructure since the May 2010 Budget with all years continuing to exceed the revised fiscal strategy target of spending twice depreciation levels over the current economic cycle.

The Government's infrastructure investment comprises purchases of non financial assets (including construction and capital items) and capital grants to non-government organisations.

The overall increase in capital investment since May 2010 is predominantly due to revised timing of commitments related to SIHIP funding.

Table 3.3: General Government Sector – Capital Investment

	2009-10[1]	2010-11	2011-12	2012-13	2013-14
	$M	$M	$M	$M	$M
2010-11 Budget					
Purchases of non financial assets	859	1 049	602	480	438
Capital grants	185	177	85	51	44
Total	**1 043**	**1 226**	**687**	**531**	**481**
2010-11 Mid-Year Report					
Purchases of non financial assets	843	1 022	792	570	450
Capital grants	170	189	86	52	48
Total	**1 013**	**1 211**	**878**	**623**	**498**
Variation					
Purchases of non financial assets	- 16	- 27	190	91	13
Capital grants	- 14	12	1	1	4
Total	**- 30**	**- 15**	**191**	**92**	**17**

1 Mid-Year Report reflects actual outcome.

Source: Northern Territory Treasury

Table 3.4: General Government Sector – Capital Investment to Depreciation Ratio

	2009-10[1]	2010-11	2011-12	2012-13	2013-14
2010-11 Budget					
Total capital investment ($M)	1 043	1 226	687	531	481
Depreciation ($M)	201	204	207	210	213
Capital investment to depreciation ratio (%)	**5.2**	**6.0**	**3.3**	**2.5**	**2.3**
2010-11 Mid-Year Report					
Total capital investment ($M)	1 013	1 211	878	623	498
Depreciation ($M)	174	188	191	194	197
Capital investment to depreciation ratio (%)	**5.8**	**6.5**	**4.6**	**3.2**	**2.5**
Variation					
Total capital investment ($M)	- 30	- 15	191	92	17
Depreciation ($M)	- 27	- 16	- 16	- 16	- 16
Capital investment to depreciation ratio (%)	**0.6**	**0.4**	**1.3**	**0.7**	**0.3**

1 Mid-Year Report reflects actual outcome.

Source: Northern Territory Treasury

The fiscal balance is an accrual measure that includes the effect of both capital and operating transactions and demonstrates the Territory's net investment in additional assets. A fiscal balance deficit is consistent with a developing jurisdiction such as the Territory.

Table 3.5 presents the general government sector's fiscal balance over the forward years and as a proportion of total revenue against those predicted in May 2010.

Table 3.5: General Government Sector – Fiscal Balance

	2009-10[1]	2010-11	2011-12	2012-13	2013-14
2010-11 Budget					
Fiscal balance ($M)	- 186	- 310	- 211	- 115	- 81
As a proportion of total revenue (%)	- 4.07	- 6.47	- 4.76	- 2.62	- 1.81
2010-11 Mid-Year Report					
Fiscal balance ($M)	- 43	- 496	- 405	- 309	- 240
As a proportion of total revenue (%)	- 0.92	- 10.67	- 8.96	- 7.00	- 5.35
Variation					
Fiscal balance ($M)	143	- 186	- 194	- 194	- 159
As a proportion of total revenue (%)	3.16	- 4.20	- 4.20	- 4.38	- 3.53

1 Mid-Year Report reflects actual outcome.

Source: Northern Territory Treasury

The fiscal balance deficits over the forward years have increased, consistent with the increase in the cash deficits. Although the Territory's fiscal balance remains in deficit over the budget cycle, it continues to trend to improvement.

Competitive Tax Environment

Target: Ensure Territory taxes and charges are competitive with the average of the states and territories

The Government is committed to maintaining taxation at levels that are competitive with other states and territories and to encourage increased levels of business activity in the Territory. Accordingly this element of the strategy is constant irrespective of prevailing economic conditions. Comparisons of relative tax competitiveness are complex due to inherent differences in respective economies and in taxation regimes. Therefore in order to measure and assess the competitiveness of the Territory's tax system, the following are utilised:

- taxation revenue per capita; and
- taxation effort as assessed by the Commonwealth Grants Commission.

Taxation revenue per capita is a simple summary measure that affords some comparability with other jurisdictions.

Table 3.6 shows that the Territory's tax collection for 2010-11 is estimated to decrease by $122 to $1622 per capita from original 2010-11 Budget estimates and remains well below the average of the other jurisdictions of $2601 per capita. This movement since May 2010 is largely due to a decrease in stamp duty collections of $28 million, a reflection of a slow down in the residential market.

Table 3.6: General Government Sector – Comparison Taxation Revenue Per Capita

	2009-10 Estimate	2009-10 Outcome[1]	2010-11 Budget	2010-11 Revised[2]
	$ per capita	$ per capita	$ per capita	$ per capita
State average	2 442	2 464	2 601	2 601
Northern Territory	1 793	1 814	1 744	1 622

1 Actual 2009-10 data not available for Queensland and South Australia. (Budget estimate used)

2 2010-11 Revised reflects original Budget for state average.

Source: State and territory outcome reports, state and territory budget papers, ABS Cat. No. 3101.0

Although taxation per capita is a useful comparative measure, it is limited in that it does not make any allowances for differences in states' capacity to raise revenue.

A more useful measure of tax competitiveness is the Commission's analysis of 'tax effort', which adjusts for the extent to which a particular state's capacity to raise revenue is above or below average. Table 3.7 details the Territory's revenue-raising capacity and effort expressed as a percentage of the Australian average in 2008-09, the latest year assessed by the Commission.

Table 3.7: Northern Territory Revenue – Raising Capacity and Effort 2008-09

	Capacity[1]	Effort[2]
	%	%
Total taxation	86	91
Total own-source revenue	99	119

1 Northern Territory's capacity to raise revenue compared with the Australian average.

2 Northern Territory's revenue effort compared with the Australian average, given the capacity available.

Note: Australian average = 100 per cent.

Source: Commonwealth Grants Commission 2010 Update

The Commission's assessment shows that the Territory's tax effort (91 per cent) is below the Australian average reflective of the Territory's fiscal strategy of ensuring taxes are competitive with the average of the jurisdictions. The lower than average taxation effort is mainly as a result of the Territory not imposing a land tax and having lower than average motor taxes. In regard to own-source revenue, the Territory's effort is at 119 per cent, above the Australian average largely due to higher royalties received from the Territory's profits-based royalty regime at a time of high profitability for Territory mines in 2008-09.

The Commission's assessment combined with the per capita measure of taxation revenue demonstrates that the Government continues to provide a competitive tax environment for Territorians. When volatility associated with mineral royalties is taken into account, levels of effort are in line with previous years and the Australian average.

Prudent Management of Liabilities

Target: Reduce debt to pre-GFC levels once the economy rebounds

This element provides that during the current economic cycle, short-term increases in general government debt levels are expected as a result of increased investment in infrastructure to support Territory jobs and the economy. It also aims to ensure that debt is prudently managed, taking into consideration service delivery needs and capital investment in infrastructure to promote social wellbeing and economic growth.

This is particularly important for the Territory due to its greater infrastructure requirements relative to other jurisdictions, resulting in the Territory traditionally having higher levels of debt than the states.

Once the economy recovers, the sustainable service provision target of limiting expenditure growth will provide the capacity to reduce debt to pre-GFC levels in the general government sector, on average by 5 per cent per annum.

The measures of net debt and net financial liabilities for the general government sector provide the means of assessing the Territory's performance against this element of the fiscal strategy.

Table 3.8: General Government Sector – Net Debt and Net Financial Liabilities

	2009-10[1]	2010-11	2011-12	2012-13	2013-14
	$M	$M	$M	$M	$M
2010-11 Budget					
Net worth	5 977	6 540	6 777	6 981	7 176
Net debt	901	1 256	1 442	1 567	1 680
Net debt to revenue (%)	20	26	32	36	37
Net financial liabilities	3 851	4 264	4 507	4 676	4 828
Net financial liabilities to revenue (%)	84	89	102	106	108
2010-11 Mid-Year Report					
Net worth	6 846	7 349	7 596	7 712	7 776
Net debt	719	1 231	1 597	1 902	2 160
Net debt to revenue (%)	15	26	35	43	48
Net financial liabilities	3 959	4 402	4 838	5 200	5 511
Net financial liabilities to revenue (%)	85	95	107	118	123
Variation					
Net worth	870	809	820	730	600
Net debt	- 182	- 25	155	335	480
Net debt to revenue (%)	- 4	0	3	8	11
Net financial liabilities	108	138	331	524	683
Net financial liabilities to revenue (%)	1	6	6	12	15

1 Mid-Year Report reflects actual outcome.

Source: Northern Territory Treasury

Over the forward estimates period, the ratio of net debt to revenue has increased from that estimated in May 2010 predominately due to a decrease in revenue including GST, mining royalties and stamp duty collections. This has flowed through to the forward estimates with the ratio to revenue now projected to be 48 per cent in 2013-14.

Net financial liabilities is a broader measure than net debt in that it encompasses all liabilities including unfunded employee entitlements, consisting largely of unfunded superannuation, which is a major liability for the Territory and most jurisdictions.

Table 3.8 highlights that the level of net financial liabilities is estimated to increase over the forward estimates from that projected in the original 2010-11 Budget to $5511 million by 2013-14.

When compared to the 2009-10 outcome of 85 per cent, net financial liabilities as a ratio to revenue is expected to increase in all forward years to 123 per cent in 2013-14. This increase is predominantly due to the projected increased cash deficits and higher value of the superannuation liability due to improved mortality rates and lower than expected benefit payments in previous years. While net debt and net financial liabilities are projected to increase, both are still lower than 2001-02 levels, due to the eight consecutive cash surpluses recorded to 2009-10.

Conclusion

Against the backdrop of a more subdued growth in the national economy during the current recovery phase than previously anticipated, the Territory remains committed to its objectives and targets as set out in the fiscal strategy.

The 2010-11 Mid-Year Report highlights lower than historic growth in the Territory's revenue base. This is predominately due to a decrease in GST revenue, as a result of a decline in the Commonwealth's estimates of the national GST pool, combined with a decline in Territory taxation revenue resulting from decreases in stamp duty as a result of the decline in the residential property market and decreased mining royalty revenue associated with the strength of the Australian dollar and revised mining profitability. This has resulted in higher cash and fiscal balance deficits than projected in May 2010, although still trending to an improved position. In addition the operating balance is now projected to be in deficit from 2012-13.

Untied operating expenditure growth remains below revenue growth, excluding tied Commonwealth funding, and infrastructure spending remains at least twice depreciation levels.

The Territory Government is also continuing its commitment to maintain taxation at competitive levels, relative to the rest of Australia, in order to encourage increased levels of business activity.

The measures of net debt and net financial liabilities to revenue have increased since that projected in May 2010 due to the higher cash deficits and the higher value of the Territory's superannuation liability. With continued high levels of investment in services and infrastructure short-term budget deficits and increased debt levels are unavoidable. However, as reflected in the medium-term objectives of the strategy, the Government remains committed to return the budget to surplus and retire debt as soon as it is economically prudent to do so.

The challenge over the forward years will be to continue limiting growth in future spending during times of subdued revenue growth while maintaining support for capital investment to protect jobs until confidence in private sector investment returns to pre-GFC levels. The budget improvement measurers already undertaken have started to take effect as evidenced by the underlying improvement in the 2009-10 outcome.

Chapter 4 Uniform Presentation Framework

Under the Uniform Presentation Framework (UPF), jurisdictions have agreed to publish information in a standard format in their budget papers, outcome and mid-year reports to facilitate a basis for meaningful comparisons of each government's financial results and projections.

Consistent with 2009-10, the 2010-11 Mid-Year Report financial statements are presented in accordance with accounting standard AASB 1049 – Whole of Government and General Government Sector Financial Reporting.

The reporting requirements of the *Fiscal Integrity and Transparency Act* complement those specified in the UPF Agreement. The Act requires that fiscal outlook reports be prepared in accordance with external reporting standards, including the Australian Accounting Standards and the UPF.

The tables in this chapter meet the Territory's reporting obligations under both the *Fiscal Integrity and Transparency Act* and the UPF. They include an operating statement, balance sheet and cash flow statement for the general government, public non financial corporation and non financial public sectors.

The 2010-11 revised budget and forward estimates have been amended to include the impact of the gross up of GST receipts and payments related to purchases and sales and tax refunds as required by accounting standards, as foreshadowed in the 2009-10 Treasurer's Annual Financial Report.

Also included are tables presenting general government sector taxes and the revised 2010-11 Loan Council Allocation.

Table 4.1

General Government Sector Comprehensive Operating Statement

		2010-11	2010-11	2011-12	2012-13	2013-14
		Budget	Revised	Forward Estimates		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	398 575	370 622	382 690	379 671	394 323
	Current grants	3 311 521	3 288 288	3 390 809	3 442 069	3 593 481
	Capital grants	632 647	578 023	296 932	139 245	47 857
	Sales of goods and services	167 436	173 869	167 466	167 560	168 160
	Interest income	54 771	58 384	53 181	54 579	55 679
	Dividend and income tax equivalent income	27 673	27 673	30 497	35 623	34 434
	Other	191 327	150 849	196 433	196 362	196 535
	TOTAL REVENUE	**4 783 950**	**4 647 708**	**4 518 008**	**4 415 109**	**4 490 469**
less	**EXPENSES**					
	Employee benefits expense	1 581 572	1 627 998	1 673 216	1 703 484	1 743 169
	Superannuation expenses					
	Superannuation interest cost	139 144	143 650	147 133	150 515	153 277
	Other superannuation expenses	132 863	130 231	132 892	131 886	129 332
	Depreciation and amortisation	204 031	187 610	190 717	193 845	197 046
	Other operating expenses	1 145 249	1 150 304	1 185 752	1 214 571	1 263 783
	Interest expenses	141 931	140 499	154 901	168 708	187 627
	Other property expenses					
	Current grants	714 466	740 460	723 709	707 449	721 529
	Capital grants	177 257	189 095	85 541	52 450	48 208
	Subsidies and personal benefit payments	106 317	106 317	116 051	119 164	122 229
	TOTAL EXPENSES	**4 342 830**	**4 416 164**	**4 409 912**	**4 442 072**	**4 566 200**
equals	**NET OPERATING BALANCE**	**441 120**	**231 544**	**108 096**	**- 26 963**	**- 75 731**
plus	Other economic flows – included in operating result	25 125	176 241	27 110	28 543	27 620
equals	**OPERATING RESULT**	**466 245**	**407 785**	**135 206**	**1 580**	**- 48 111**
plus	Other economic flows – other non-owner changes in equity	96 865	91 026	112 095	114 059	112 505
equals	**COMPREHENSIVE RESULT – Total change in net worth before transactions with owners in their capacity as owners**	**563 110**	**498 811**	**247 301**	**115 639**	**64 394**
	NET OPERATING BALANCE	**441 120**	**231 544**	**108 096**	**- 26 963**	**- 75 731**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	1 048 895	1 021 616	792 218	570 496	450 185
	Sales of non financial assets	- 94 026	- 106 326	- 88 742	- 94 587	- 88 678
	less Depreciation	204 031	187 610	190 717	193 845	197 046
	plus Change in inventories					
	plus Other movements in non financial assets					
	equals **Total net acquisition of non financial assets**	**750 838**	**727 680**	**512 759**	**282 064**	**164 461**
equals	**FISCAL BALANCE**	**- 309 718**	**- 496 136**	**- 404 663**	**- 309 027**	**- 240 192**

Table 4.2

General Government Sector Balance Sheet

	2010-11	2010-11	2011-12	2012-13	2013-14
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	151 922	192 290	118 910	111 234	111 421
Advances paid	134 730	134 028	134 419	134 810	135 201
Investments, loans and placements	723 105	786 200	620 777	588 350	588 612
Receivables	128 819	124 129	127 529	133 231	132 493
Equity					
Investments in other public sector entities	2 300 881	2 353 824	2 507 579	2 685 443	2 879 948
Investments – other	100	100	100	100	100
Other financial assets					
Total financial assets	**3 439 557**	**3 590 571**	**3 509 314**	**3 653 168**	**3 847 775**
Non financial assets					
Inventories	8 797	9 468	9 468	9 468	9 468
Property, plant and equipment	8 447 524	9 338 446	9 873 678	10 179 106	10 365 469
Investment property	39 915	44 157	38 800	33 443	28 086
Other non financial assets	6 322	4 442	4 440	4 428	4 416
Total non financial assets	**8 502 558**	**9 396 513**	**9 926 386**	**10 226 445**	**10 407 439**
TOTAL ASSETS	**11 942 115**	**12 987 084**	**13 435 700**	**13 879 613**	**14 255 214**
LIABILITIES					
Deposits held	106 996	186 157	185 009	196 455	208 615
Advances received	218 707	236 468	228 617	220 296	211 470
Borrowing	1 939 661	1 921 254	2 057 681	2 319 880	2 574 863
Superannuation	2 494 000	2 581 276	2 640 615	2 689 065	2 727 242
Other employee benefits	484 806	459 543	469 743	479 171	489 023
Payables	96 025	116 456	116 564	116 786	117 050
Other liabilities	62 254	137 104	141 344	146 194	150 791
TOTAL LIABILITIES	**5 402 449**	**5 638 258**	**5 839 573**	**6 167 847**	**6 479 054**
NET ASSETS/(LIABILITIES)	**6 539 666**	**7 348 826**	**7 596 127**	**7 711 766**	**7 776 160**
Contributed equity					
Accumulated surplus/(deficit)	1 745 814	1 612 981	1 748 187	1 749 767	1 701 656
Reserves	4 793 852	5 735 845	5 847 940	5 961 999	6 074 504
NET WORTH	**6 539 666**	**7 348 826**	**7 596 127**	**7 711 766**	**7 776 160**
NET FINANCIAL WORTH[1]	- 1 962 892	- 2 047 687	- 2 330 259	- 2 514 679	- 2 631 279
NET FINANCIAL LIABILITIES[2]	4 263 773	4 401 511	4 837 838	5 200 122	5 511 227
NET DEBT[3]	**1 255 607**	**1 231 361**	**1 597 201**	**1 902 237**	**2 159 714**

1 Net financial worth equals total financial assets minus total liabilities.

2 Net financial liabilities equals the sum of total liabilities less total financial assets excluding investments in other public sector entities.

3 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 4.3

General Government Sector Cash Flow Statement

	2010-11	2010-11	2011-12	2012-13	2013-14
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	397 727	369 774	382 114	379 095	393 747
Receipts from sales of goods and services	170 739	177 172	171 344	171 910	172 710
Grants and subsidies received	3 944 168	3 866 311	3 687 741	3 581 314	3 641 338
Interest receipts	54 771	58 384	53 181	54 579	55 679
Dividends and income tax equivalents	20 339	20 339	27 673	30 497	35 748
Other receipts	183 411	352 803	377 197	376 639	376 612
Total operating receipts	**4 771 155**	**4 844 783**	**4 699 250**	**4 594 034**	**4 675 834**
Cash payments for operating activities					
Payments for employees	- 1 786 375	- 1 826 443	- 1 879 130	- 1 923 420	- 1 973 162
Payment for goods and services	- 1 141 459	- 1 336 282	- 1 370 782	- 1 398 991	- 1 448 456
Grants and subsidies paid	- 997 995	- 1 035 827	- 925 256	- 879 018	- 891 921
Interest paid	- 141 822	- 140 275	- 154 793	- 168 486	- 187 363
Other payments					
Total operating payments	**- 4 067 651**	**- 4 338 827**	**- 4 329 961**	**- 4 369 915**	**- 4 500 902**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**703 504**	**505 956**	**369 289**	**224 119**	**174 932**
Cash flows from investments in non financial assets					
Sales of non financial assets	94 026	106 326	88 742	94 587	88 678
Purchases of non financial assets	- 1 048 895	- 1 021 616	- 792 218	- 570 496	- 450 185
Net cash flows from investments in non financial assets	**- 954 869**	**- 915 290**	**- 703 476**	**- 475 909**	**- 361 507**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 251 365**	**- 409 334**	**- 334 187**	**- 251 790**	**- 186 575**
Net cash flows from investments in financial assets for policy purposes[1]	- 113 035	- 113 035	- 42 051	- 64 196	- 82 391
Net cash flows from investments in financial assets for liquidity purposes	57 032	358 051	175 430	42 986	10 836
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 010 872	- 670 274	- 570 097	- 497 119	- 433 062
Net cash flows from financing activities					
Advances received (net)	- 26 784	- 7 414	- 7 851	- 8 321	- 8 826
Borrowing (net)	329 610	309 596	136 427	262 199	254 983
Deposits received (net)	- 238 358	- 255 828	- 1 148	11 446	12 160
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	64 468	46 354	127 428	265 324	258 317
NET INCREASE/DECREASE IN CASH HELD	- 242 900	- 117 964	- 73 380	- 7 676	187
Net cash flows from operating activities	703 504	505 956	369 289	224 119	174 932
Net cash flows from investments in non financial assets	- 954 869	- 915 290	- 703 476	- 475 909	- 361 507
CASH SURPLUS (+)/DEFICIT (-)	**- 251 365**	**- 409 334**	**- 334 187**	**- 251 790**	**- 186 575**
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	**- 251 365**	**- 409 334**	**- 334 187**	**- 251 790**	**- 186 575**
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	**- 251 365**	**- 409 334**	**- 334 187**	**- 251 790**	**- 186 575**
Future infrastructure and superannuation contributions/earnings[2]	- 16 601	- 15 735	- 16 677	- 17 680	- 18 738
UNDERLYING SURPLUS (+)/DEFICIT (-)	**- 267 966**	**- 425 069**	**- 350 864**	**- 269 470**	**- 205 313**

1 Includes equity acquisitions, disposals and privatisations (net).

2 Contributions for future infrastructure and superannuation requirements.

Table 4.4

Public Non Financial Corporation Sector Comprehensive Operating Statement

		2010-11	2010-11	2011-12	2012-13	2013-14
		Budget	Revised	Forward Estimates		
		$000	$000	$000	$000	$000
	REVENUE					
	Current grants	121 228	121 228	123 203	126 286	129 202
	Capital grants	19 224	19 224	10 955	16 354	16 763
	Sales of goods and services	794 134	794 134	582 059	608 298	634 272
	Interest income	1 241	1 241	1 231	1 239	1 252
	Other	36 004	36 004	25 787	27 112	27 696
	TOTAL REVENUE	**971 831**	**971 831**	**743 235**	**779 289**	**809 185**
less	**EXPENSES**					
	Employee benefits expense	80 956	80 956	89 163	91 549	103 434
	Superannuation expenses	12 415	12 415	12 415	12 415	12 415
	Depreciation and amortisation	131 634	131 634	141 425	151 156	160 609
	Other operating expenses	698 202	698 794	404 236	421 365	432 471
	Interest expenses	67 998	66 163	84 510	93 101	97 976
	Other property expenses	166	166	166	4 783	4 950
	Current grants					
	Capital grants					
	Subsidies and personal benefit payments	5 787	5 787	26 483	27 458	29 591
	TOTAL EXPENSES	**997 158**	**995 915**	**758 398**	**801 827**	**841 446**
equals	**NET OPERATING BALANCE**	**- 25 327**	**- 24 084**	**- 15 163**	**- 22 538**	**- 32 261**
plus	Other economic flows – included in operating result	- 1 823	- 1 823	- 1 435	- 1 504	- 1 579
equals	**OPERATING RESULT**	**- 27 150**	**- 25 907**	**- 16 598**	**- 24 042**	**- 33 840**
plus	Other economic flows – other non-owner changes in equity	82 337	82 531	81 450	87 251	91 327
equals	**COMPREHENSIVE RESULT – Total change in net worth before transactions with owners in their capacity as owners**	**55 187**	**56 624**	**64 852**	**63 209**	**57 487**
	NET OPERATING BALANCE	**- 25 327**	**- 24 084**	**- 15 163**	**- 22 538**	**- 32 261**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	428 255	425 373	323 034	283 454	201 909
	Sales of non financial assets	- 126	- 126	- 126	- 126	- 126
	less Depreciation	131 634	131 634	141 425	151 156	160 609
	plus Change in inventories	15 414	6 996	399	510	471
	plus Other movements in non financial assets	18 500	18 500	8 713	8 930	9 154
	equals **Total net acquisition of non financial assets**	**330 409**	**319 109**	**190 595**	**141 612**	**50 799**
equals	**FISCAL BALANCE**	**- 355 736**	**- 343 193**	**- 205 758**	**- 164 150**	**- 83 060**

Table 4.5

Public Non Financial Corporation Sector Balance Sheet

	2010-11	2010-11	2011-12	2012-13	2013-14
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	42 164	126 842	127 307	130 740	137 122
Advances paid					
Investments, loans and placements					
Receivables	107 016	111 240	99 156	102 286	105 852
Equity	3	3	3	3	3
Other financial assets					
Total financial assets	**149 183**	**238 085**	**226 466**	**233 029**	**242 977**
Non financial assets					
Inventories	33 687	26 326	26 725	27 235	27 706
Property, plant and equipment	3 102 884	3 085 085	3 346 040	3 568 333	3 701 403
Investment property					
Other non financial assets	2 361	22 778	33 589	39 769	48 474
Total non financial assets	**3 138 932**	**3 134 189**	**3 406 354**	**3 635 337**	**3 777 583**
TOTAL ASSETS	**3 288 115**	**3 372 274**	**3 632 820**	**3 868 366**	**4 020 560**
LIABILITIES					
Deposits held	392	123	123	123	123
Advances received					
Borrowing	1 142 203	1 128 703	1 303 937	1 409 077	1 427 353
Superannuation					
Other employee benefits	30 569	36 188	36 816	37 805	40 004
Payables	83 739	100 867	78 575	75 869	67 586
Other liabilities	2 431	23 425	24 083	29 386	30 095
TOTAL LIABILITIES	**1 259 334**	**1 289 306**	**1 443 534**	**1 552 260**	**1 565 161**
NET ASSETS/(LIABILITIES)	**2 028 781**	**2 082 968**	**2 189 286**	**2 316 106**	**2 455 399**
Contributed equity	474 816	475 967	517 627	581 432	663 432
Accumulated surplus/(deficit)	713 564	690 415	673 623	649 387	615 353
Reserves	840 401	916 586	998 036	1 085 287	1 176 614
TOTAL EQUITY	**2 028 781**	**2 082 968**	**2 189 286**	**2 316 106**	**2 455 399**
NET FINANCIAL WORTH[1]	- 1 110 151	- 1 051 221	- 1 217 068	- 1 319 231	- 1 322 184
NET DEBT[2]	**1 100 431**	**1 001 984**	**1 176 753**	**1 278 460**	**1 290 354**

1 Net financial worth equals total financial assets minus total liabilities.

2 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 4.6

Public Non Financial Corporation Sector Cash Flow Statement

	2010-11	2010-11	2011-12	2012-13	2013-14
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Receipts from sales of goods and services	762 076	762 076	594 416	605 401	630 851
Grants and subsidies received	140 452	140 452	134 158	142 640	145 965
Interest receipts	1 240	1 240	1 229	1 238	1 251
Other receipts	15 533	15 533	15 280	16 388	16 747
Total operating receipts	**919 301**	**919 301**	**745 083**	**765 667**	**794 814**
Cash payments for operating activities					
Income tax equivalents paid	- 185	- 182	- 166	- 166	- 4 908
Payments for employees	- 99 325	- 99 327	- 107 477	- 109 502	- 120 177
Payment for goods and services	- 680 753	- 672 928	- 420 516	- 416 879	- 433 409
Grants and subsidies paid	- 5 787	- 5 787	- 26 483	- 27 458	- 29 591
Interest paid	- 67 492	- 66 183	- 83 768	- 93 652	- 98 646
Other payments					
Total operating payments	**- 853 542**	**- 844 407**	**- 638 410**	**- 647 657**	**- 686 731**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**65 759**	**74 894**	**106 673**	**118 010**	**108 083**
Cash flows from investments in non financial assets					
Sales of non financial assets	126	126	126	126	126
Purchases of non financial assets	- 428 255	- 425 373	- 323 034	- 283 454	- 201 909
Net cash flows from investments in non financial assets	**- 428 129**	**- 425 247**	**- 322 908**	**- 283 328**	**- 201 783**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 362 370**	**- 350 353**	**- 216 235**	**- 165 318**	**- 93 700**
Net cash flows from investments in financial assets for policy purposes[1]					
Net cash flows from investments in financial assets for liquidity purposes					
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 428 129	- 425 247	- 322 908	- 283 328	- 201 783
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	198 773	185 274	175 234	105 140	18 276
Deposits received (net)					
Dividends paid	- 215	- 215	- 194	- 194	- 194
Other financing (net)	112 644	112 644	41 660	63 805	82 000
NET CASH FLOWS FROM FINANCING ACTIVITIES	311 202	297 703	216 700	168 751	100 082
NET INCREASE/DECREASE IN CASH HELD	- 51 168	- 52 650	465	3 433	6 382
Net cash flows from operating activities	65 759	74 894	106 673	118 010	108 083
Net cash flows from investments in non financial assets	- 428 129	- 425 247	- 322 908	- 283 328	- 201 783
Dividends paid	- 215	- 215	- 194	- 194	- 194
CASH SURPLUS (+)/DEFICIT (-)	**- 362 585**	**- 350 568**	**- 216 429**	**- 165 512**	**- 93 894**
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	**- 362 585**	**- 350 568**	**- 216 429**	**- 165 512**	**- 93 894**
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	**- 362 585**	**- 350 568**	**- 216 429**	**- 165 512**	**- 93 894**

1 Includes equity acquisitions, disposals and privatisations (net).

Table 4.7

Non Financial Public Sector Comprehensive Operating Statement

		2010-11	2010-11	2011-12	2012-13	2013-14
		Budget	Revised	Forward Estimates		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	391 381	363 428	375 496	372 477	387 129
	Current grants	3 311 521	3 288 269	3 390 809	3 442 069	3 593 481
	Capital grants	632 647	578 023	296 932	139 245	47 857
	Sales of goods and services	935 466	939 865	721 702	748 241	774 815
	Interest income	54 777	58 390	53 185	54 579	55 679
	Dividend and income tax equivalent income	27 313	27 313	30 137	30 646	29 290
	Other	224 120	183 642	218 994	220 233	220 990
	TOTAL REVENUE	**5 577 225**	**5 438 930**	**5 087 255**	**5 007 490**	**5 109 241**
less	**EXPENSES**					
	Employee benefits expense	1 662 528	1 708 954	1 762 379	1 795 033	1 846 603
	Superannuation expenses					
	Superannuation interest cost	139 144	143 650	147 133	150 515	153 277
	Other superannuation expenses	142 117	139 485	142 131	141 110	138 556
	Depreciation and amortisation	335 665	319 244	332 142	345 001	357 655
	Other operating expenses	1 810 103	1 813 716	1 554 921	1 601 075	1 661 393
	Interest expenses	208 694	205 427	238 184	260 570	284 351
	Other property expenses					
	Current grants	664 060	690 054	671 985	654 371	667 062
	Capital grants	158 033	169 871	74 586	36 096	31 445
	Subsidies and personal benefit payments	41 282	41 263	71 055	73 414	77 085
	TOTAL EXPENSES	**5 161 626**	**5 231 664**	**4 994 516**	**5 057 185**	**5 217 427**
equals	**NET OPERATING BALANCE**	**415 599**	**207 266**	**92 739**	**- 49 695**	**- 108 186**
plus	Other economic flows – included in operating result	23 302	174 418	25 675	27 039	26 041
equals	**OPERATING RESULT**	**438 901**	**381 684**	**118 414**	**- 22 656**	**- 82 145**
plus	Other economic flows – other non-owner changes in equity	124 209	117 127	128 887	138 295	146 539
equals	**COMPREHENSIVE RESULT – Total change in net worth before transactions with owners in their capacity as owners**	**563 110**	**498 811**	**247 301**	**115 639**	**64 394**
	NET OPERATING BALANCE	**415 599**	**207 266**	**92 739**	**- 49 695**	**- 108 186**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	1 477 150	1 446 989	1 115 252	853 950	652 094
	Sales of non financial assets	- 94 152	- 106 452	- 88 868	- 94 713	- 88 804
	less Depreciation	335 665	319 244	332 142	345 001	357 655
	plus Change in inventories	15 414	6 996	399	510	471
	plus Other movements in non financial assets	18 500	18 500	8 713	8 930	9 154
	equals **Total net acquisition of non financial assets**	**1 081 247**	**1 046 789**	**703 354**	**423 676**	**215 260**
equals	**FISCAL BALANCE**	**- 665 648**	**- 839 523**	**- 610 615**	**- 473 371**	**- 323 446**

Table 4.8

Non Financial Public Sector Balance Sheet

	2010-11	2010-11	2011-12	2012-13	2013-14
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	152 531	193 682	119 724	112 048	112 235
Advances paid	134 730	134 028	134 419	134 810	135 201
Investments, loans and placements	723 105	786 200	620 777	588 350	588 612
Receivables	226 457	226 057	216 795	220 433	222 642
Equity					
Investments in other public sector entities	272 100	270 856	318 293	369 337	424 549
Investments – other	103	103	103	103	103
Other financial assets					
Total financial assets	**1 509 026**	**1 610 926**	**1 410 111**	**1 425 081**	**1 483 342**
Non financial assets					
Inventories	42 484	35 794	36 193	36 703	37 174
Property, plant and equipment	11 550 408	12 423 531	13 219 718	13 747 439	14 066 872
Investment property	39 915	44 157	38 800	33 443	28 086
Other non financial assets	8 683	27 220	38 029	44 197	52 890
Total non financial assets	**11 641 490**	**12 530 702**	**13 332 740**	**13 861 782**	**14 185 022**
TOTAL ASSETS	**13 150 516**	**14 141 628**	**14 742 851**	**15 286 863**	**15 668 364**
LIABILITIES					
Deposits held	65 833	60 829	58 638	66 651	72 429
Advances received	218 707	236 469	228 618	220 297	211 471
Borrowing	3 081 864	3 049 957	3 361 618	3 728 957	4 002 216
Superannuation	2 494 000	2 581 276	2 640 615	2 689 065	2 727 242
Other employee benefits	515 375	495 731	506 559	516 976	529 027
Payables	172 483	209 925	187 739	185 254	177 234
Other liabilities	62 588	158 615	162 937	167 897	172 585
TOTAL LIABILITIES	**6 610 850**	**6 792 802**	**7 146 724**	**7 575 097**	**7 892 204**
NET ASSETS/(LIABILITIES)	**6 539 666**	**7 348 826**	**7 596 127**	**7 711 766**	**7 776 160**
Contributed equity					
Accumulated surplus/(deficit)	2 459 378	2 303 396	2 421 810	2 399 154	2 317 009
Reserves	4 080 288	5 045 430	5 174 317	5 312 612	5 459 151
NET WORTH	**6 539 666**	**7 348 826**	**7 596 127**	**7 711 766**	**7 776 160**
NET FINANCIAL WORTH[1]	- 5 101 824	- 5 181 876	- 5 736 613	- 6 150 016	- 6 408 862
NET FINANCIAL LIABILITIES[2]	5 373 924	5 452 732	6 054 906	6 519 353	6 833 411
NET DEBT[3]	**2 356 038**	**2 233 345**	**2 773 954**	**3 180 697**	**3 450 068**

1 Net financial worth equals total financial assets minus total liabilities.

2 Net financial liabilities equals the sum of total liabilities less total financial assets excluding investments in other public sector entities.

3 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 4.9

Non Financial Public Sector Cash Flow Statement

	2010-11	2010-11	2011-12	2012-13	2013-14
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	391 381	363 428	375 496	372 477	387 129
Receipts from sales of goods and services	906 711	911 110	737 937	749 694	775 944
Grants and subsidies received	3 944 168	3 866 292	3 687 741	3 581 314	3 641 338
Interest receipts	54 777	58 390	53 185	54 579	55 679
Dividends and income tax equivalents	19 940	19 940	27 313	30 137	30 646
Other receipts	198 894	368 286	392 427	392 977	393 309
Total operating receipts	**5 515 871**	**5 587 446**	**5 274 099**	**5 181 178**	**5 284 045**
Cash payments for operating activities					
Payments for employees	- 1 879 354	- 1 919 422	- 1 979 989	- 2 026 304	- 2 086 721
Payment for goods and services	- 1 796 059	- 1 981 022	- 1 763 425	- 1 788 203	- 1 854 198
Grants and subsidies paid	- 863 330	- 901 143	- 817 581	- 763 836	- 775 547
Interest paid	- 208 080	- 205 224	- 237 336	- 260 900	- 284 758
Other payments					
Total operating payments	**- 4 746 823**	**- 5 006 811**	**- 4 798 331**	**- 4 839 243**	**- 5 001 224**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**769 048**	**580 635**	**475 768**	**341 935**	**282 821**
Cash flows from investments in non financial assets					
Sales of non financial assets	94 152	106 452	88 868	94 713	88 804
Purchases of non financial assets	- 1 477 150	- 1 446 989	- 1 115 252	- 853 950	- 652 094
Net cash flows from investments in non financial assets	**- 1 382 998**	**- 1 340 537**	**- 1 026 384**	**- 759 237**	**- 563 290**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 613 950**	**- 759 902**	**- 550 616**	**- 417 302**	**- 280 469**
Net cash flows from investments in financial assets for policy purposes[1]	- 391	- 391	- 391	- 391	- 391
Net cash flows from investments in financial assets for liquidity purposes	57 032	358 051	175 430	42 986	10 836
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 326 357	- 982 877	- 851 345	- 716 642	- 552 845
Net cash flows from financing activities					
Advances received (net)	- 26 784	- 7 414	- 7 851	- 8 321	- 8 826
Borrowing (net)	528 383	494 870	311 661	367 339	273 259
Deposits received (net)	- 187 186	- 203 174	- 2 191	8 013	5 778
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	314 413	284 282	301 619	367 031	270 211
NET INCREASE/DECREASE IN CASH HELD	- 242 896	- 117 960	- 73 958	- 7 676	187
Net cash flows from operating activities	769 048	580 635	475 768	341 935	282 821
Net cash flows from investments in non financial assets	- 1 382 998	- 1 340 537	- 1 026 384	- 759 237	- 563 290
CASH SURPLUS (+)/DEFICIT (-)	**- 613 950**	**- 759 902**	**- 550 616**	**- 417 302**	**- 280 469**
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	**- 613 950**	**- 759 902**	**- 550 616**	**- 417 302**	**- 280 469**
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	**- 613 950**	**- 759 902**	**- 550 616**	**- 417 302**	**- 280 469**
Future infrastructure and superannuation contributions/earnings[2]	- 16 601	- 15 735	- 16 677	- 17 680	- 18 738
UNDERLYING SURPLUS (+)/DEFICIT (-)	**- 630 551**	**- 775 637**	**- 567 293**	**- 434 982**	**- 299 207**

1 Includes equity acquisitions, disposals and privatisations (net).

2 Contributions for future infrastructure and superannuation requirements.

Table 4.10

General Government Sector Taxes

	2010-11 Budget	2010-11 Revised	2011-12 Forward Estimate
	$M	$M	$M
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE	**152**	**152**	**157**
Payroll taxes	152	152	157
TAXES ON PROPERTY	**113**	**85**	**87**
Stamp duties on financial and capital transactions	113	85	87
TAXES ON THE PROVISION OF GOODS AND SERVICES	**87**	**87**	**91**
Taxes on gambling	57	57	60
Taxes on insurance	30	30	31
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES	**47**	**47**	**48**
Motor vehicle registration fees	47	47	48
TOTAL TAXES	**399**	**371**	**383**

Table 4.11

2010-11 Loan Council Allocation

		Budget-time Estimate	Mid-Year Estimate
		$M	$M
General government sector cash deficit (+)/surplus (-)		251	409
Public non financial corporations sector cash deficit (+)/surplus (-)		363	351
Non financial public sector cash deficit (+)/surplus (-)		614	760
less	Acquisitions under finance leases and similar arrangements		
equals	ABS GFS cash deficit (+)/surplus (-)	614	760
less	Net cash flows from investments in financial assets for policy purposes		
plus	Memorandum items		
2010-11 LOAN COUNCIL ALLOCATION		**614**	**760**

Appendix Classification of Entities in the Northern Territory Public Sector

Non Financial Public Sector

General Government

Aboriginal Areas Protection Authority
Auditor-General's Office
AustralAsia Railway Corporation[3]
Batchelor Institute of Indigenous Tertiary Education[3]
Central Holding Authority
Construction Division[1]
Darwin Waterfront Corporation[3]
Data Centre Services[1]
Department of Business and Employment
Department of Construction and Infrastructure
Department of the Chief Minister
Department of Education and Training
Department of Health and Families
Department of Housing, Local Government and Regional Services
Department of Justice
Department of Lands and Planning
Department of the Legislative Assembly
Department of Natural Resources, Environment, The Arts and Sport
Department of Resources
Desert Knowledge Australia[3]
Government Printing Office[1]
Land Development Corporation
Natural Resource Management Board[3]
Nominal Insurer's Fund[3]
Northern Territory Electoral Commission
Northern Territory Legal Aid Commission[3]
Northern Territory Major Events Company Pty Ltd[3]
Northern Territory Police, Fire and Emergency Services
Northern Territory Treasury
NT Build Statutory Corporation[3]
NT Fleet[1]
NT Home Ownership[1]
Office of the Commissioner for Public Employment
Ombudsman's Office
Territory Discoveries[1]
Territory Wildlife Parks[1]
Tourism NT

Public Non Financial Corporations

Darnor Pty Ltd[3]
Darwin Bus Service[1]
Darwin Port Corporation[1]
Gasgo Pty Ltd[3]
Indigenous Essential Services Pty Ltd[3]
Power and Water Corporation[2,3]

1 Government business divisions
2 Government owned corporation
3 Non budget sector entity

Glossary

ABS GFS Manual	The Australian Bureau of Statistics (ABS) publication Australian System of Government Finance Statistics: Concepts, Sources and Methods as updated from time to time.
Accountable Officer's Trust Account	Established under section 7(1) of the *Financial Management Act* to enable agencies to hold money in trust for another person or entity. Transactions in these accounts are excluded from the Public Account.
Accounts Payable	The value of short-term and long-term trade debt and accounts payable, interest payable and prepayments received.
Accounts Receivable	The value of short-term and long-term trade credit and accounts receivable interest receivable and prepayments made.
Accrual Accounting	A recording method in which revenues, expenses, lending and borrowing are recognised as they are earned or incurred regardless of when a cash payment is made or received.
Administrative Arrangements Order	A list of Ministers of the Northern Territory, agencies, Acts and principal areas of government for which they are responsible.
Advances/Advances Paid	Loans acquired for policy rather than liquidity management purposes. Included are long-term and short-term loans, non marketable debentures and long-term and short-term promissory agreements (bonds and bills) issued to public sector units for achieving government policy objectives.
Agency	A unit of government administration, or office or statutory corporation, nominated in an Administrative Arrangements Order for the purposes of the *Financial Management Act* and including, where the case requires, a part or division (by whatever name called) of an agency.
Appropriation	An authority given by the Legislative Assembly to make payments, now or at some future time, for the purposes stated, up to the limit of the amount in the particular Act.
Appropriation Act	Includes a *Supply Act* and an annual *Appropriation Act* or an additional *Appropriation Act.*
Australian Accounting Standards	Statements of accounting standards that can be applied in the preparation and presentation of financial statements.
Capital Grants	Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset, or in which the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.
Cash Accounting	A recording method in which transactions are recognised when cash payments are made or received.
Cash Surplus/Deficit	Reported in the cash flow statement that measures the net impact of cash flows during the period. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets, less distributions paid less value of assets acquired under finance leases and similar arrangements. Net cash flows from operating plus net cash from acquisition and disposal of non-financial assets (less dividends paid for the PNFC and PFC sectors).

Community Service Obligation	A community service obligation (CSO) arises when the Government requires a government business division of a government owned corporation to carry out activities that it would not choose to do on a commercial basis or would only do at higher commercial prices. CSOs allow the Government to achieve identifiable community or social objectives that would not be achieved if left to commercial considerations.
Commonwealth Own-Purpose Expenses	Payments by the Commonwealth for goods and service and associated transfer payments for the conduct of its general government activities.
Central Holding Authority	Created by section 5 of the *Financial Management Act*, the Central Holding Authority is a representation of the revenue, expenses, assets and liabilities of the Territory. Credited to this account is all money received by or on behalf of the Territory or an agency, except that required or permitted by or under the *Financial Management Act* or any other Act to be credited to an operating account or to an accountable officer's trust account.
Change in Net Worth	Change in net worth (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows, and measures the variation in a government's accumulated assets and liabilities.
Comprehensive Result	The net result of all items of income and expense recognised for the period. It is the aggregate of the operating result and other movements in equity other than transactions with owners as owners.
Contingent Liability	A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.
Convergence Difference	The difference between the amounts recognised in the financial statements compared with the amounts determined for GFS purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.
Current Grants	Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.
Doubtful Debt	A debt that is treated as a possible future loss and for which a provision has been made.
Eliminations	Adjustments relating to interrelated transactions or entries between entities within the total public sector.
Finance Lease	Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset).

Financial Asset	Any asset that is: • cash; • an equity instrument of another entity; • a contractual right: – to receive cash or another financial asset from another entity; or – to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or • a contract that will or may be settled in the entity's own equity instruments and is: – a non derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or – a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.
Fiscal Aggregates	Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 prescribes net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth and cash surplus/deficit. The UPF prescribes additional fiscal aggregates not included in AASB 1049: these are net debt, net financial worth, net financial liabilities and ABS GFS cash surplus/deficit.
Fiscal Balance (also referred to as net lending/borrowing)	An operating statement measure that differs from the net operating balance in that it includes spending on capital items but excludes depreciation. The fiscal balance measure more accurately reflects the cash requirements of a government in any given year. A net lending (or fiscal surplus) balance indicates that a government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates that a government's level of investment is greater than its level of savings.
Generally Accepted Accounting Principles (GAAP)	Term used to describe broadly the body of principles that governs the accounting for financial transactions underlying the preparation of a set of financial statements.
General Government Sector (GGS)	Defined in Government Finance Statistics as an entity or group of entities that are mainly engaged in the production of goods and/or services outside the normal market mechanism. Goods and services are provided free of charge or at nominal charges well below costs of production.
Goods and Services Tax (GST) Revenue	On 1 July 2000, the Commonwealth introduced the goods and services tax (GST). Payments from the Commonwealth return the GST revenue to the states and territories, replacing the previous general purpose grants.
Government Business Division (GBD)	A Territory-controlled trading entity that follows commercial practices and is required to comply with competitive neutrality principles.

Government Finance Statistics	Refers to statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. Government Finance Statistics in Australia are developed by the Australian Bureau of Statistics in conjunction with all governments and are mainly based on international statistical standards developed, in consultation with member countries, by the International Monetary Fund.
Government Owned Corporation (GOC)	An entity whose objectives are to operate at least as efficiently as any corporate business and maximise the sustainable return to government. The *Government Owned Corporations Act* adopts the shareholder model of corporate governance. The Power and Water Corporation became the Territory's first government owned corporation on 1 July 2002.
Government Purpose Classification	Classifies outlays or expenditure transactions by the purpose served, for example, health and education.
Guarantee	An undertaking to answer for the debt or obligations of another person or entity.
Grants	Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be of a current or capital nature (see current grants and capital grants). While grants to government may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and or have conditions attached regarding their use.
Grants for On-Passing	All grants paid to one institutional sector (for example, a state general government) to be passed on to another institutional sector (for example, local government or a non-profit institution).
Indemnity	A written undertaking to compensate, protect or insure another person or entity against future financial loss, damage or liability.
Intergovernmental Agreement	An agreement signed by all state and the Commonwealth in December 2008 defining the framework for federal financial relations, encompassing Commonwealth funding to states through general revenue assistance, specific purpose payments and national partnership payments.
Interest Expense	Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments and amortisation of discounts or premiums in relation to borrowing.
International Financial Reporting Standards	The term used to describe the move to standardise existing global international accounting standards. Australian equivalents to these new standards have been adopted for reporting periods on or after 1 January 2005.

Inventories	Includes goods or other property used in the production of goods or services, or held for sale, but does not include livestock and other regenerative natural resources.
Loan Council	The Australian Loan Council coordinates borrowing by Australian and state governments. Current arrangements seek to emphasise transparency of public sector finances, through financial market scrutiny of proposed borrowing to restrict borrowing to prudent levels.
Loan Council Allocation	The nomination to the Loan Council of the level of financing required.
Memorandum Items – Loan Council	Memorandum items are used to adjust the cash surplus/deficit to include in the Loan Council Allocation certain transactions that may have the characteristics of public sector borrowings but do not constitute formal borrowings.
National Partnership Agreement	An agreement defining the objectives, outputs and performance benchmarks related to the delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.
Net Acquisition/ (Disposal) of Non-Financial Assets from Transactions	Purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Purchases exclude non-produced assets and valuables that are included in other movements in non-financial assets.
Net Actuarial Gains	Includes actuarial gains and losses on defined benefit superannuation plans.
Net Cash Flows from Investments in Financial Assets (Liquidity Management purposes)	Cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.
Net Cash Flows from Investments in Financial Assets (Policy Purposes)	Cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.
Net Debt	Net debt measures a government's net stock of selected gross financial liabilities less financial assets. Net debt equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements.
Net Financial Liabilities	Total liabilities less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net Financial Worth — A measure of a government's net holdings of financial assets. It is calculated from the Uniform Presentation Framework balance sheet as financial assets minus liabilities. Net financial worth is a broader measure than net debt, in that it incorporates provisions (such as superannuation, but excludes depreciation and doubtful debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities.

Net Gain on Equity Investment in other Sector Entities Measured at Proportional Share of the Carrying Amount of Net Assets/(Liabilities) — Comprises the net gains relating to the equity held by the General Government Sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of intersector balances.

Net Operating Balance — The revenue from transaction minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net Other Economic Flows — The net change in the volume or value of assets and liabilities that does not result from transactions.

Net Worth — Provides a relatively comprehensive picture of a government's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. It includes a government's non financial assets such as land and other fixed assets, which may be sold and used to repay debt, as well as its financial assets and liabilities including debtors, creditors and superannuation liabilities. Net worth also shows asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.

Non Financial Assets — Assets that are not financial assets, predominantly land and other fixed assets.

Non Financial Public Sector — The sector formed through a consolidation of the general government and public non financial corporation subsectors.

Non-Profit Institution — A legal or social entity that is created for the purpose of producing or distributing foods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

Operating Account — A government business division operating account or an agency operating account established under section 6(1) of the *Financial Management Act*.

Operating Result — A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Other Current Revenues — Current revenue other then current revenue from taxes, sales of goods and services, and property income. It includes revenue from fines other than penalties imposed by tax authorities.

Other Economic Flows — Changes in the volume or value of an asset or liability that do not result from transactions (i.e. revaluations and other changes in the volume of assets).

Payables — Includes short-term and long-term trade debt and accounts payable, grants and interest payable.

Provisions — Amounts set aside by entities from current revenue or income for future payments.

Public Account	Comprises agencies subject to the *Financial Management Act*, where the financial transactions of the Northern Territory Government are recorded. As defined in section 4(2) of the Act, it comprises the Central Holding Authority and operating accounts.
Public Financial Corporation (PFC)	Government-controlled entities that perform central bank functions, and or have the authority to incur liabilities and acquire financial assets in the market on their own account.
Public Non Financial Corporation (PNFC)	Public enterprise primarily engaged in the production of goods or services of a non financial nature, for sale in the market place, at prices that aim to recover most of the costs involved.
Public Private Partnerships (PPPs)	A term used to describe a method of procuring government infrastructure and associated services. PPPs create opportunities with the private sector for increasing investment in social and economic infrastructure. The Territory's PPP policy framework, Territory Partnerships, defines the protocol for such commercial dealings between the public and private sectors.
Quasi-corporation	An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.
Receivables	Includes short-term and long-term trade credit and accounts receivable, grants, taxes and interest receivable.
Sale of Goods and Services	Revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rental income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.
Securities other than Shares	Negotiable financial instruments serving as evidence of the obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. The security normally specifies a schedule for interest payments and principal repayments. Some examples are: bills, bonds and debentures, commercial paper, and securitised mortgage loans.
Social Benefits	Transfers in cash or in kind to relieve households of the burden of a defined set of social risks, which are events or circumstances that may adversely affect the welfare of households by imposing additional demands on their resources or by reducing their income.
Specific Purpose Payments (SPPs)	A Commonwealth financial contribution to support state delivery of service in a particular sector. Payments are made from the Commonwealth Treasury to state treasuries, and are appropriated to the relevant Northern Territory agency.
Superannuation Interest Cost	The expense resulting from the increase in the liability due to the fact that, for all participants in the scheme, retirement (and death) is one year nearer, and so one fewer discount factors must be used to calculate the present value of the benefits for each future year. Interest cost is the increase during a period in the present value of a defined benefit obligation that arises because the benefits are one period closer to settlement, as per the relevant accounting standard. The cost is measured net of the actuarial return on plan assets of defined benefit schemes calculated using an actuarially determined long-term rate of return.

Other Superannuation Expense	Includes all superannuation expenses from transactions except superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.
Tax Equivalents Regime	The mechanism to ensure that GBDs and GOCs incur similar tax liabilities to privately owned organisations. Thus, greater parity exists between the cost structures of government-controlled trading entities and the private sector, aiding in the achievement of competitive neutrality.
Transactions	Interactions between two institutional units by mutual agreement or actions within a unit that are analytically useful to treat as transactions.
Treasurer's Advance	An appropriation purpose of that name as specified in an *Appropriation Act*, which provides a pool of funds specifically set aside in each Budget to meet operational contingencies that arise during the year.
Uniform Presentation Framework	A uniform reporting framework (UPF) agreed by the Australian Loan Council in 2000, which is a revision of the agreement reached at the 1991 Premiers' Conference. The UPF was further updated and reissued in April 2008 to incorporate accounting standard AASB 1049 Whole Government and General Government Sector Financial Reporting. The UPF specifies that the Commonwealth, state and territory governments will present a minimum set of budget and financial outcome information on the Government Finance Statistics basis according to an agreed format and specified Loan Council reporting arrangements.
Use of Goods and Services	The total value of goods and services used in production, and use of goods acquired for resale. Goods and services acquired for use as direct in-kind transfer to household or as grants are excluded.
Wages, Salaries and Supplements	Consist of all uncapitalised compensation of employees except for superannuation. It includes pay in cash or in-kind.
Whole of Government Financial Report	A financial report prepared by a government that is prepared in accordance with Australian Accounting Standards, including AASB 127 Consolidated and Separate Financial Statements, and thereby separately recognises assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.