Department of Treasury and Finance

Pre-Election Fiscal Outlook Report

9 August 2024

Contents

Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act 2001*, I certify that the financial projections included in this Pre-Election Fiscal Outlook Report are based on government decisions and other information relevant to financial projections available as at 2 August 2024. The projections are presented in accordance with the Uniform Presentation Framework.

Craig Graham
Under Treasurer

8 August 2024

CHIEF MINISTER

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Mr Craig Graham
Under Treasurer
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Dear Mr Graham

I refer to your letter on 30 July 2024 regarding the preparation of the Pre-Election Fiscal Outlook Report (PEFO) and election costings.

Section 20 of the *Fiscal Integrity and Transparency Act 2001* (FITA) requires me, as Treasurer, to disclose details of any Government decisions that may have material fiscal or economic implications for inclusion in the PEFO. I can confirm that there have been no decisions made that meet the requirements of Section 20 of the FITA.

Yours sincerely

Eva Lawler

EVA LAWLER

-2 AUG 2024

NORTHERN TERRITORY GOVERNMENT

Chapter 1
Executive summary

A pre-election fiscal outlook (PEFO) is a requirement of section 17 of the *Fiscal Integrity and Transparency Act 2001* (FITA) and is to be publicly released within 10 days after the issue of a writ for an election. The writ for the 2024 Northern Territory Legislative Assembly General Election was issued on 1 August 2024.

The purpose of a PEFO is to provide updated information on the Territory's fiscal outlook, and is required to be prepared on the same basis and contain the same economic and fiscal information as included in other budget publications.

Consistent with requirements in the FITA, the 2024 PEFO includes:

- updated fiscal projections for the budget year (2024-25) and the following three financial years (2025-26, 2026-27 and 2027-28)
- the financial result for the year preceding the budget year (2023-24 unaudited preliminary outcome)
- updated economic and other assumptions on which the updated financial projections are based
- analysis of any material differences, both policy and non-policy, between the updated financial projections and those published in the most recent fiscal outlook report, being the 2024-25 Budget
- analysis of any material differences between the updated financial projections and expected outcomes in the government's fiscal strategy statement
- a statement of risks that could materially affect the updated projections, including any contingent liabilities.

While the FITA also requires an overview of estimated tax expenditures for the budget year and following three financial years, these remain unchanged from those set out in the 2024-25 Budget Paper No. 2 *Budget Strategy and Outlook* and therefore no commentary has been provided. Furthermore, the 2024 PEFO does not incorporate the impact of any announced election commitments that did not constitute a formal policy decision of government prior to commencing the caretaker period on 1 August 2024.

An additional requirement in preparing the PEFO is advice from the Treasurer as to whether government has entered into any commitments that could have material fiscal or economic consequences for the Territory that the Under Treasurer could not reasonably be expected to know about. The Treasurer's advice in this regard is included at the beginning of the 2024 PEFO and advises there are no additional commitments.

Fiscal outlook

Since the 2024-25 Budget published in May 2024, there have been limited government policy changes to the estimates, with the majority of variations affecting the updated financial projections in the 2024 PEFO stemming from non-policy variations. Non-policy variations have resulted from influences outside government's control, such as timing of payments and changes in external economic conditions.

Key factors affecting the updated financial projections in the 2024 PEFO include:

- 2023-24 unaudited preliminary outcome and the flow-on effect of timing differences to 2024-25 and forward years
- new Commonwealth funding agreements signed since the 2024-25 Budget
- revisions to royalty revenue forecasts following updated advice from mine operators
- updated GST revenue for 2024-25 as a result of the flow-on effect of actual GST collections for 2023-24
- limited new government policy decisions since the 2024-25 Budget.

Key fiscal projections in the 2024 PEFO include:

- general government net operating balance deficit estimates of $415 million in 2024-25 and forecast surpluses every year over the forward estimates
- total revenue for the non financial public sector expected to reach $8.97 billion and a total expenditure (including net capital investment) estimate of $11.4 billion in 2024-25
- estimated non financial public sector fiscal balance deficit of $1.75 billion in 2024-25, reducing each subsequent year to a forecast deficit of $187 million in 2027-28
- a net debt estimate for the non financial public sector of $10.82 billion in 2024-25, with a net debt to revenue ratio of 121%.

Table 1.1 provides the projections for these indicators for the 2024 PEFO.

Table 1.1: Key fiscal indicators

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
General government sector					
Net operating balance	- 698	- 415	35	35	219
Non financial public sector					
Fiscal balance	- 1 368	- 1 746	- 696	- 519	- 187
Net debt	8 997	10 821	11 603	12 125	12 255
Net debt to revenue (%)	108	121	128	133	130

Further discussion explaining material differences between updated financial projections in the 2024 PEFO and those projected at the time of the 2024-25 Budget is provided in Chapter 2 *Fiscal outlook*. Assessment of expected outcomes for fiscal strategy objectives and targets is provided in Chapter 4 *Fiscal strategy statement*, and with the financial statements presented in Chapter 6 *Consolidated financial statements*.

Economic outlook

Limited economic data has been released since the 2024-25 Budget was published. Recent data continues to support the forecasts for key economic indicators presented in the 2024-25 Budget and so the economic forecasts remain largely unchanged in the 2024 PEFO.

Since the 2024-25 Budget, the Australian Bureau of Statistics (ABS) has released *National accounts* and *Balance of payments* data for the March 2024 quarter. At the aggregate level, state final demand (SFD) is broadly in line with the 2024-25 Budget although the composition of growth has changed. Consumption has been more resilient, which has offset weaker than anticipated private investment. As a result, SFD forecasts remain unchanged.

Net exports present some downside risks to gross state product (GSP) growth forecasts, with ABS data showing stronger than expected imports, while exports are tracking slightly below budget estimates. However, reported 2023-24 production volumes for major export operations in the Territory are broadly in line with expectations and therefore GSP growth forecasts remain unchanged.

The ABS released labour force data for June 2024, indicating that employment in the Territory grew by 1.6% in 2023-24, broadly in line with the 2024-25 Budget estimate. The unemployment rate is also consistent with the budget estimate, averaging 4.4% in 2023-24. Due to these outcomes, 2024 PEFO forecasts for employment growth and the unemployment rate remain unchanged from the 2024-25 Budget.

Inflation is expected to continue easing over the forecast period but has been revised since the 2024-25 Budget due to announcements in the 2024 Commonwealth Budget for energy bill relief and increased rent assistance. Wage growth remains high, but growth rates are expected to ease over 2024 in line with the 2024-25 Budget forecasts.

The Territory's estimated resident population forecasts also remain unchanged from the 2024-25 Budget. The latest ABS population data shows population growth is broadly in line with the 2024-25 Budget forecasts, with stronger than expected net overseas migration partially offset by weaker than expected natural increase and net interstate migration.

Table 1.2 shows the updated key economic indicators to account for actual 2023-24 outcomes and revisions to inflation forecasts since the 2024-25 Budget.

Table 1.2: Territory key economic indicators (%)

	2023-24a	2024-25f	2025-26f	2026-27f	2027-28f
Gross state product[1]	4.9e	2.3	7.1	4.1	2.1
State final demand[1]	1.7e	1.9	- 0.2	2.1	1.9
Population[2]	0.8e	0.9	1.1	1.1	1.1
Employment[1]	1.6	1.1	0.9	1.3	1.3
Unemployment rate[3]	4.4	4.6	4.8	4.7	4.6
Consumer price index[1]	3.6	2.6	2.7	2.4	2.4
Wage price index[1]	4.1e	3.2	3.1	3.1	3.0

a: actual; e: estimate; f: forecast
1 Year-on-year percentage change.
2 Change in June quarter compared with June quarter the previous year.
3 Year average.
Source: Department of Treasury and Finance, ABS

A discussion on the economic outlook is presented in Chapter 3 *Economic outlook*.

Chapter 2
Fiscal outlook

Overview

The information provided in this chapter meets the requirements of section 10(1)(a) of the FITA for each fiscal outlook report to contain updated financial projections for the budget year and following three financial years, along with the financial result for the year preceding the budget year, for the general government and non financial public sectors.

The financial result for the year preceding the budget year is the 2023-24 unaudited preliminary outcome. This is based on results available at the time of preparing the 2024 PEFO and have not yet been audited by the Northern Territory Auditor-General. Accordingly, results presented in the 2024 PEFO may vary from the final outcome presented in the 2023-24 Treasurer's Annual Financial Report, scheduled to be tabled in the Legislative Assembly in October 2024.

This chapter provides a comparison of projections in the 2024 PEFO with those in the 2024-25 Budget.

Key fiscal indicators – operating statement

Table 2.1 highlights the movements in general government and non financial public sector operating statement key fiscal indicators, and compares updated projections for the 2024 PEFO with those published in the 2024-25 Budget.

Table 2.1: Key fiscal indicators – operating statement

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
General government sector					
Net operating balance					
2024-25 Budget	- 728	- 410	31	96	231
2024 PEFO	- 698	- 415	35	35	219
Variation from 2024-25 Budget	30	- 5	4	- 61	- 12
Non financial public sector					
Fiscal balance					
2024-25 Budget	- 1 559	- 1 585	- 661	- 444	- 176
2024 PEFO	- 1 368	- 1 746	- 696	- 519	- 187
Variation from 2024-25 Budget	191	- 161	- 35	- 75	- 11

General government sector net operating balance

The net operating balance represents total revenue less total operating expenses, with capital spending only recognised in the fiscal balance.

As shown in Table 2.1, the 2023-24 unaudited outcome for the general government sector net operating balance was a deficit of $698 million, an improvement of $30 million when compared with the 2024-25 Budget. The improved outcome was primarily due to:

- higher taxation and royalty revenue following a large one-off commercial property conveyance, combined with higher than forecast production by a mine operator
- higher GST revenue, following receipts based on revised Commonwealth estimates of national GST collections
- timing variations largely associated with unspent Territory-funded items, and the transfer of Commonwealth-funded expenses from 2023-24 to 2024-25 and forward years, partially offset by
- agency-related variations including cost pressures in hospitals and fire and emergency services.

From 2024-25, the net operating balance is projected to be a deficit of $415 million, forecast to return to surplus from 2025-26 and improve over the forward estimates period. While the trend in the net operating balance projections remains consistent with that forecast in the 2024-25 Budget, the projections are $74 million lower in aggregate across the budget cycle from 2024-25 to 2027-28. This is mainly due to an anticipated decrease in estimated mining royalty revenue in 2025-26 and 2026-27, partially offset by new and revised timing of Commonwealth revenue for capital purposes from 2023-24 to 2024-25 and the forward estimates, where only revenue is recognised in the net operating balance.

Non financial public sector fiscal balance

The fiscal balance is influenced by the same factors affecting the general government sector net operating balance, however the fiscal balance also includes net capital investment and excludes depreciation. The fiscal balance is assessed at the non financial public sector to ensure the financial performance of government trading entities is incorporated in the fiscal aggregates.

As shown in Table 2.1, the 2023-24 unaudited outcome for the non financial public sector fiscal balance was a deficit of $1.37 billion, $191 million lower when compared to the 2024-25 Budget. The improvement is primarily due to revised timing of expected lease renewals for office and employee accommodation and police aircraft, now expected to occur in 2024-25, and the flow-on effect of the improved general government net operating balance, partially offset by lower operating and capital performance of government owned corporations.

From 2024-25, the fiscal balance deficit is projected to be $1.75 billion and is forecast to decline each year over the forward estimates. When compared with the 2024-25 Budget, fiscal balance deficit projections are higher in aggregate by $282 million across the budget cycle to 2027-28. The updated fiscal balance forecasts are influenced by revised timing of leases from 2023-24 to 2024-25, combined with the same factors affecting the net operating balance, as detailed earlier, excluding the impact of Commonwealth revenue for capital purposes, which is matched with expenditure in the fiscal balance.

Further detail on the differences between the unaudited outcome and updated projections when compared to the 2024-25 Budget are provided in the following section.

Reconciliation with previous fiscal projections

Section 10(1)(f) of the FITA requires the Territory Government to explain factors and considerations that contributed to any material differences between the updated financial projections and equivalent projections published in the last fiscal outlook report.

The most recent fiscal outlook report published under the FITA is the 2024-25 Budget. Accordingly, the analysis in the remainder of this chapter reflects policy and non-policy changes since the 2024-25 Budget. Policy variations are the result of government decisions to implement new or expand existing agency programs, and savings and revenue measures. Non-policy variations are the result of influences outside government's control, such as the timing of payments or changes in external economic conditions.

Policy and non-policy changes since 2024-25 Budget

Table 2.2 summarises the effect of policy and non-policy changes on the non financial public sector's fiscal balance since the 2024-25 Budget.

Table 2.2: Non financial public sector fiscal balance – policy and non-policy changes since 2024-25 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2024-25 Budget	- 1 559	- 1 585	- 661	- 444	- 176
Policy changes		- 1	- 4	- 6	- 7
Non-policy changes	191	- 160	- 31	- 69	- 4
2024 PEFO	- 1 368	- 1 746	- 696	- 519	- 187

Details of policy and non-policy changes are discussed in further detail below.

Policy changes since 2024-25 Budget

Table 2.3 outlines the effect of policy changes on the non financial public sector's fiscal balance since the 2024-25 Budget.

Table 2.3: Non financial public sector fiscal balance – policy changes since 2024-25 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Operating commitments	5	- 1	- 4	- 6	- 7
Capital commitments	- 5				
Total policy changes	nil	- 1	- 4	- 6	- 7

(+) reflects an improvement; (-) reflects a worsening

Policy changes in the 2023-24 unaudited outcome represents a change in classification between operating and capital commitments. Over the budget cycle, policy changes reflect increased investment in the tourism industry, with $18 million in additional funding over four years from 2024-25 to 2027-28 for the Territory Aviation Attraction Scheme and Territory Tourism Discount Scheme.

Non-policy changes since 2024-25 Budget

Table 2.4 highlights the effect of non-policy changes on the non financial public sector's fiscal balance since the 2024-25 Budget.

Table 2.4: Non financial public sector fiscal balance – non-policy changes since 2024-25 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
GST revenue	59	- 38			
Taxation and royalties	111		- 30	- 65	
Interest variations[1]	- 7		- 1	- 4	- 5
Government owned corporations	- 45				
Leases	101	- 101			
Timing and agency-related adjustments	- 28	- 21			1
Total non-policy changes	191	- 160	- 31	- 69	- 4

(+) reflects an improvement; (-) reflects a worsening

1 Excludes interest variations affecting government owned corporations as these are included with all other variations affecting government owned corporations.

Non-policy changes since the 2024-25 Budget have resulted in a $73 million net worsening to the non financial public sector fiscal balance from 2023-24 to 2027-28. Key variations include:

- higher GST revenue in 2023-24 of $59 million due to an upward revision in the Commonwealth's estimate of national GST collections in its May 2024 Budget (released the same day as the Territory's 2024-25 Budget). GST revenue is paid to states in line with Commonwealth budget forecasts. From 2024-25, GST revenue is expected to be $38 million lower, reflecting an expected balancing adjustment relating to overpaid GST revenue in 2023-24 as a result of actual GST collections being lower than estimated by the Commonwealth
- higher taxation and royalty revenue of $111 million in 2023-24 following a large one-off commercial property conveyance and higher than forecast production by a mine operator; offset by lower forecast mining royalty revenue in 2025-26 and 2026-27 of $30 million and $65 million, respectively, due to delays in the construction of a second mine shaft for a Territory mining operator
- revised financial performance of government owned corporations
- revised timing of expected lease renewals totalling $101 million for office and employee accommodation and police aircraft, now expected to occur in 2024-25
- various timing and agency-related adjustments totalling $48 million from 2023-24 to 2027-28, including:
  - unbudgeted agency-related expenditure variations resulting in a net worsening of $90 million in 2023-24, predominantly relating to: hospital services in the Department of Health largely driven by skilled workforce shortages requiring increased utilisation of high cost agency labour hire and overtime; and enterprise agreement outcomes above funded levels combined with significant overtime in the Northern Territory Fire and Emergency Service
  - partially offset by unspent Commonwealth funds in 2023-24 carried over into 2024-25
  - unspent Territory-funded items in 2023-24 not yet assessed for carryover into future years.

Changes in key fiscal aggregates since 2024-25 Budget

The analysis in this section addresses the requirements of section 10(1)(b) of the FITA that each fiscal outlook report provide an account of the fiscal and economic assumptions on which the updated financial projections are based. Accordingly, this section provides a summary of material variations affecting the unaudited outcome, and budget and forward estimates, combined with changes in assumptions used for key fiscal aggregates.

Revenue changes since 2024-25 Budget

Table 2.5 compares the 2023-24 unaudited preliminary outcome and revised revenue projections for the 2024-25 budget and forward estimates with those published in the 2024-25 Budget.

Table 2.5: Non financial public sector – variation in revenue since 2024-25 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2024-25 Budget	8 205	8 756	8 895	9 013	9 259
2024 PEFO	8 356	8 972	9 052	9 102	9 395
Variation from 2024-25 Budget	151	216	157	89	136

As shown in Table 2.5, when compared with the 2024-25 Budget, total revenue in 2023-24 was $151 million higher largely due to higher taxation and royalty revenue. Also, from 2024-25 and across the forward estimates, total revenue is projected to be on average $150 million per annum higher than forecast in the 2024-25 Budget. Table 2.6 identifies the variations in revenue components since the 2024-25 Budget.

Table 2.6: Non financial public sector – variations in revenue components since 2024-25 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Taxation revenue	52				
GST revenue	59	- 38			
Current grants	- 99	209	149	141	136
Capital grants	18	45	39	14	
Sales of goods and services	39				
Interest income	- 3				
Dividend and income tax equivalent income	1				
Mining and petroleum royalties	58		- 30	- 65	
Other revenue	27				
Total variation	151	216	157	89	136

Taxation revenue

Taxation revenue represents the Territory's primary source of income that government can directly influence. It comprises payroll tax, stamp duty on conveyances, taxes on gambling, taxes on insurance, and motor vehicle fees and taxes.

Table 2.6 shows taxation revenue for 2023-24 was $52 million higher than anticipated in the 2024-25 Budget following a large one-off commercial property conveyance. From 2024-25, projections remains unchanged from the 2024-25 Budget.

GST revenue

GST revenue is the Territory's largest revenue transfer from the Commonwealth. The primary factors that influence the amount of GST revenue the Territory receives are: growth in national GST collections pool; GST relativities as assessed by the Commonwealth Grants Commission (CGC); and the Territory's share of the national population.

As shown in Table 2.6, GST revenue received in 2023-24 was higher than anticipated by $59 million due to an upward revision in the Commonwealth's estimate of national GST collections in its May 2024 Budget. GST revenue is paid to states in line with Commonwealth budget forecasts. From 2024-25, GST revenue is expected to be $38 million lower, due to an expected balancing adjustment relating to overpaid GST revenue in 2023-24 as a result of GST collections being lower than estimated by the Commonwealth. From 2025-26, projections remain unchanged from the 2024-25 Budget.

Current and capital grants

Each year there are significant changes in tied Commonwealth funding estimates as the timing of delivery is revised or as funding agreements commence, are renewed or cease. Similar to the approach with major projects, tied funding is generally not included in the forward estimates unless a funding agreement has been signed with the Commonwealth. Tied funding agreements generally do not affect the Territory's fiscal balance as the revenues are matched with corresponding expenditure.

When compared with the 2024-25 Budget, Table 2.6 shows that while current and capital grants revenue was $81 million lower than anticipated in 2023-24, current and capital grants revenue is expected to be a total of $733 million higher over the budget cycle to 2027-28. This is primarily due to revised timing of funding from 2023-24 to future years combined with new Commonwealth funding announced since the 2024-25 Budget.

Table 2.7 sets out variations in tied Commonwealth funding agreements since the 2024-25 Budget.

Table 2.7: Tied Commonwealth revenue – variations since 2024-25 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Medicare Urgent Care Clinics		12	12		
National Aboriginal Art Gallery		55	24	1	
National Critical Care and Trauma Response Centre		18	18	19	
National Energy Bill Relief		24	7		
National Health Reform Agreement		37	37	37	37
National School Reform/Better and Fairer Schools Agreement	7	8	18	27	40
National Social Housing and Homelessness Agreement		56	57	58	59
National Water Grid Fund	32	- 12			
Other tied Commonwealth revenue	- 120	56	15	13	
Total variation	- 81	254	188	155	136

As shown in Table 2.7, variations in tied Commonwealth grant funding comprise:

- $24 million increased funding to support the delivery of Medicare urgent care clinics to ease pressures in hospitals
- $80 million contribution towards the design and construction of the National Aboriginal and Torres Strait Islander Art Gallery of Australia
- $55 million to continue operation of the National Critical Care and Trauma Response Centre at the Royal Darwin Hospital to 2026-27
- $31 million to extend and expand the Energy Bill Relief Plan to provide a $300 rebate to every household and an additional energy bill relief to small businesses
- $148 million increased funding under the National Health Reform Agreement in line with Commonwealth 2024 Budget forecasts
- $100 million increased funding under the National School Reform/Better and Fairer Schools Agreement for non government schools in line with Commonwealth 2024 Budget forecasts
- $230 million new funding to support social housing and homelessness services
- $32 million in 2023-24 under the National Water Grid Fund relating to accelerated capital works, originally budgeted in 2024-25, for Manton Dam return to service works. In 2024-25 the reduction of $12 million reflects the accelerated capital works funding in 2023-24, partially offset by new funding of $20 million for water infrastructure projects to provide safe and reliable water for regional and remote communities
- new and revised timing of various tied Commonwealth funding agreements from 2023-24 now expected to be delivered over 2024-25 and forward years.

Sales of goods and services

Sales of goods and services revenue includes fees and charges, rent and tenancy income collected by various government agencies, with the most significant component related to gas sales, and electricity, water and sewerage charges collected by government owned corporations.

When compared with the 2024-25 Budget, Table 2.6 shows sales of goods and services revenue was $39 million higher than anticipated for 2023-24 relating to increased sales by government owned corporations in line with higher energy costs. From 2024-25, projections for sales of goods and services revenue remain unchanged from the 2024-25 Budget.

Interest income

Interest income includes returns on short-term and fixed interest investments combined with realised gains on Conditions of Service Reserve investments. As shown in Table 2.6, interest income was largely in line for 2023-24 and remains unchanged from 2024-25, when compared with the 2024-25 Budget.

Dividend and income tax equivalent income

Dividend and income tax equivalent income recognised in the non financial public sector comprises estimated payments by the Northern Territory Treasury Corporation and, as shown in Table 2.6, is largely unchanged when compared with the 2024-25 Budget.

Mining and petroleum royalties

Mining and petroleum royalty forecasts are formulated with advice from mining companies and petroleum producers, including estimates of commodity price movements, production levels and the value of the Australian dollar.

As shown in Table 2.6, mining and petroleum royalties in 2023-24 were $58 million higher compared to the 2024-25 Budget largely due to higher than forecast production by a mine operator. Across the budget and forward estimates, royalties are expected to be $95 million lower over 2025-26 and 2026-27 due to delays in the construction of a second mine shaft for a Territory mining operator, resulting in lower production than previously forecast.

Other revenue

Other revenue includes miscellaneous revenue such as reimbursements and research funding from non-government organisations. As shown in Table 2.6, in 2023-24 other revenue was $27 million higher than anticipated in the 2024-25 Budget, predominantly due to a higher GST refund from the Australian Taxation Office following a favourable tax ruling on providing disability housing combined with various other charges. From 2024-25, other revenue is expected to remain unchanged compared to the 2024-25 Budget.

Expenditure changes since 2024-25 Budget

Table 2.8 compares revised expenditure projections for the 2024 PEFO with those published in the 2024-25 Budget.

Table 2.8: Non financial public sector – variation in expenditure since 2024-25 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Total expenses					
2024-25 Budget	8 945	9 047	8 745	8 900	9 051
2024 PEFO	9 058	9 280	8 898	9 050	9 198
Variation from 2024-25 Budget	113	233	153	150	147
Net capital investment					
2024-25 Budget	1 537	2 070	1 617	1 399	1 198
2024 PEFO	1 569	2 115	1 656	1 413	1 198
Variation from 2024-25 Budget	32	45	39	14	nil

Table 2.8 shows total expenses in 2023-24 was $113 million higher when compared to the 2024-25 Budget, largely as a result of additional expenditure for hospital and fire and emergency services, combined with higher energy costs in government owned corporations as detailed earlier in this chapter.

Total expenses is projected to be $233 million higher in 2024-25, and on average $150 million per annum higher across the forward estimates when compared with the 2024-25 Budget, primarily a result of increased funding for the Territory Aviation Attraction and Territory Tourism Discount schemes, combined with expenditure associated with tied Commonwealth grant revenue variations as discussed earlier in this chapter.

Net capital investment

Net capital investment comprises purchases and sales of non financial assets, such as vehicles, ICT and equipment, and includes the construction of assets under the capital works program.

As shown in Table 2.8, net capital investment in 2023-24 was $1.57 billion, $32 million higher when compared with the 2024-25 Budget. Consistent with trends in the 2024-25 Budget, net capital investment is expected to peak in 2024-25 at $2.12 billion, with forecast declines each year across the forward estimates to $1.2 billion by 2027-28.

When compared with the 2024-25 Budget, Table 2.8 shows net capital investment is projected to be $98 million higher across the budget and forward estimates period. This variation reflects $80 million in new Commonwealth funding to contribute towards the construction of the Aboriginal and Torres Strait Islander Art Gallery of Australia, and $20 million for new water infrastructure projects to provide safe and reliable water for regional and remote communities, partially offset by the revised delivery of Territory recreational fishing infrastructure funding of $2 million to non-infrastructure recreational fishing priorities.

Key fiscal indicators – balance sheet

The key measures for the balance sheet are net debt and the resulting net debt to revenue ratio. As shown in Table 2.9, net debt is projected to be $10.82 billion in 2024-25, increasing to $12.26 billion by 2027-28. The net debt to revenue ratio is projected to be 121% in 2024-25, increasing to a peak of 133% in 2026-27 before declining to 130% in 2027-28.

When compared with the 2024-25 Budget, net debt is projected to be lower in all years across the budget cycle, predominantly due to the flow-on effect of the improved net debt outcome for 2023-24. The variations to the net debt to revenue ratio since the 2024-25 Budget are similarly forecast to be lower in all years. The ratios were further aided by additional Commonwealth funding across the budget cycle.

Table 2.9: Non financial public sector – net debt and net debt to revenue ratio

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Net debt					
2024-25 Budget	9 396	11 046	11 776	12 210	12 329
2024 PEFO	8 997	10 821	11 603	12 125	12 255
Variation from 2024-25 Budget	- 399	- 225	- 173	- 85	- 74
Net debt to revenue (%)					
2024-25 Budget	115	126	132	135	133
2024 PEFO	108	121	128	133	130
Variation from 2024-25 Budget	- 7	- 5	- 4	- 2	- 3

The $399 million improvement to net debt in 2024-25 predominantly reflects the flow-on effect of Commonwealth capital funding received in advance in 2023-24, to be spent and recognised in the fiscal balance over the budget cycle as milestones are met. By 2027-28, Commonwealth funding received in advance is forecast to be fully expended, resulting in a residual improvement to net debt of $74 million when compared to the 2024-25 Budget. This improvement largely reflects unrealised gains on investments, combined with the flow-on effect of lower borrowings by Power and Water Corporation in 2023-24.

Factors affecting net debt are the net result of policy and non-policy changes. Policy changes outlined earlier in this chapter include government's operating and capital commitments. Non-policy changes are outside of government's control and include items such as increased GST, variations to taxation and royalty revenue, the effect of renewed and extended leases, operating and capital results of government owned corporations, and timing of Commonwealth and agency payments and receipts.

Table 2.10 provides details on the cumulative factors that contributed to the projected variation in net debt over the forward estimates since the 2024-25 Budget.

Table 2.10: Non financial public sector – detailed cumulative changes to net debt since 2024-25 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Operating commitments	- 5	- 4	5	11	13
Capital commitments	5	5	5	5	5
GST revenue	- 59	- 21	- 21	- 21	- 21
Taxation and royalties	- 111	- 111	- 81	- 16	- 16
Interest variations[1]	7	7	8	12	17
Government owned corporations	7	- 25	- 25	- 25	- 25
Leases	- 101				
Timing and agency-related adjustments	- 142	- 76	- 64	- 51	- 47
Net cumulative changes	- 399	- 225	- 173	- 85	- 74

(+) reflects a worsening, (-) reflects an improvement

1 Excludes interest variations affecting government owned corporations as these are included with all other variations affecting government owned corporations.

The fiscal balance represents an annual performance of revenue less expenses and is calculated on an accrual basis (with revenue recognised when it is earned and expenses when they are incurred). Net debt is a cumulative measure and comprises financial assets less select liabilities. It is calculated on a cash basis and influenced by when cash is received and money paid. This difference results in significant variations in any one year between the two measures.

Table 2.11 presents a reconcilation between the cumulative change in the fiscal balance to the change in net debt since the 2024-25 Budget.

Table 2.11: Reconciliation of non financial public sector fiscal balance to net debt

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Cumulative change in fiscal balance	191	31	- 4	- 79	- 91
Items not recognised in the fiscal balance					
Unrealised gains on investments	73	73	73	73	73
Commonwealth capital funding	68	30	13		
Lower borrowings	32	32	32	32	32
Movement in receivables/accrued revenue	- 23	3	3	3	3
Items not recognised in net debt					
Non cash transactions	65	65	65	65	65
Other movements	- 8	- 8	- 8	- 8	- 8
Cumulative change in net debt	399	225	173	85	74

(+) reflects an improvement, (-) reflects a worsening

As shown in Table 2.11, when comparing the two fiscal measures, net debt has improved over the budget cycle by $74 million compared to an aggregate worsening to the fiscal balance of $91 million over the same period. This difference is a result of the following key items:

- unrealised valuation gains on investments, as a result of improvements in financial markets, improving net debt. These gains reflect an increase in the market value of investments and are included in other economic flows on the operating statement rather than the fiscal balance outcome
- flow-on effect of lower borrowings by Power and Water Corporation in 2023-24
- non cash transactions increasing the fiscal balance deficit, such as grants of assets to not-for-profit organisations, that are excluded from net debt.

Chapter 3

Economic outlook

The 2024-25 Budget included a detailed assessment of the Territory economy and economic forecasts to 2027-28. The forecasts of key economic aggregates in the 2024 PEFO remain broadly unchanged since the 2024-25 Budget.

Overall, the Territory economy is forecast to continue to expand across the forward estimates period to 2027-28, supported by a pipeline of public and private sector investment projects. The composition of SFD growth has changed with stronger consumption and weaker investment broadly offsetting each other in the recently released March 2024 quarter *National accounts*. GSP growth forecasts remain unchanged over the forward estimates, noting outcomes can be highly volatile due to data availability and revisions.

As shown in Table 3.1, employment growth is forecast to slow from 2023-24 to 2025-26 but remains positive, while the unemployment rate is expected to increase modestly from 2023-24 before peaking at around 4.8% in 2025-26 as construction on the Barossa project is completed.

The consumer price index (CPI) is expected to return to average growth of around 2.5% over the forecast period.

Wage growth is forecast to peak at around 4.1% in 2023-24 before moderating to average growth of around 3% by 2027-28.

Table 3.1: Territory key economic indicators (%)

	2023-24a	2024-25f	2025-26f	2026-27f	2027-28f
Gross state product[1]	4.9e	2.3	7.1	4.1	2.1
State final demand[1]	1.7e	1.9	- 0.2	2.1	1.9
Population[2]	0.8e	0.9	1.1	1.1	1.1
Employment[1]	1.6	1.1	0.9	1.3	1.3
Unemployment rate[3]	4.4	4.6	4.8	4.7	4.6
Consumer price index[1]	3.6	2.6	2.7	2.4	2.4
Wage price index[1]	4.1e	3.2	3.1	3.1	3.0

a: actual; e: estimate; f: forecast
1 Year-on-year percentage change.
2 Change in June quarter compared with June quarter the previous year.
3 Year average.
Source: Department of Treasury and Finance, ABS

There is potential upside to the economic outlook if projects such as Tamboran's Shenandoah South pilot project and Arafura Rare Earths Nolans project reach final investment decision and are included in the economic growth profile. Downside risks are concentrated in the external sector, with recent strength in imports, and mixed year-to-date data available for exports.

Gross state product and state final demand

GSP is the preferred measure of overall economic activity, especially when comparing against other states and territories, as it is the broadest measure available of the value added within the Territory economy. GSP is released annually by the ABS, with the 2023-24 result due for release in November 2024.

Territory GSP forecasts remain unchanged from the 2024-25 Budget. However, the composition of growth is now expected to be slightly different for 2023-24, with stronger consumption and weaker investment now expected following the release of the March 2024 quarter *National accounts*.

SFD is a major component of GSP and comprises private and public consumption and investment. In May 2024, the ABS released the March 2024 quarter SFD data, which reported stronger household consumption and public investment than estimated in the 2024-25 Budget. This was offset by lower than expected private investment, leaving SFD broadly in line with forecasts.

GSP includes SFD, exports, imports and a balancing item (which includes interstate trade and other statistical adjustments). Year-to-date data on exports is mixed, with ABS data tracking lower than forecast, while production volumes for 2023-24 reported by major mining operations in the Territory are broadly in line with expectations. Imports were stronger than expected in the March 2024 quarter, however it is unclear whether this will be sustained. The balancing item comprises a significant component of the Territory's GSP, however limited data is available through the year to accurately forecast this component.

Considering the above, the risks to the 2024-25 Budget forecasts remain broadly balanced and GSP forecasts remain unchanged.

Labour market

In the 2024-25 Budget, employment growth for 2023-24 was estimated to increase by 1.5%, reflecting elevated levels of business investment and public investment at the time. Employment has now grown by 1.6% in 2023-24, broadly in line with forecasts. The unemployment rate is also consistent with forecasts, averaging 4.4% in 2023-24.

Over the forward estimates period, employment growth is anticipated to continue to be supported by construction activity related to the Barossa project and the transition to production and liquefied natural gas exports, with participation returning to long-term levels in the outer years. The Territory's unemployment rate is forecast to peak in 2025-26, before declining over the rest of the outlook period.

Consumer price index

Forecasts for CPI have been revised since the 2024-25 Budget to incorporate Commonwealth Budget announcements to extend and broaden the energy bill relief fund and increase rent assistance. These programs are expected to result in a 0.3 percentage point reduction in 2024-25 and a 0.2 percentage point increase in 2025-26 as the energy bill relief fund expires, relative to 2024-25 Budget forecasts. CPI growth in 2023-24 is in line with 2024-25 Budget forecasts, and other national and global developments have not materially altered the forecast for inflation presented in the 2024-25 Budget, which remain unchanged from 2026-27.

Wage price index

Forecasts for the Territory wage price index remain unchanged, with the latest data for the March 2024 quarter supporting the 2024-25 Budget forecasts. Wage growth is expected to have peaked in 2023-24 following one-off impacts from new enterprise agreements in the public sector and minimum wage increases tied to national inflation.

In June 2024, the Fair Work Commission announced a 3.75% increase for minimum wages from 1 July 2024. This is lower than the previous two increases but in line with 2024-25 Budget forecast assumptions. As developments to date continue to support the 2024-25 Budget forecasts, the forecasts for the 2024 PEFO remain unchanged.

Population

Recent ABS data showed the Territory's population grew by 0.9% through the year to December 2023, which is slightly higher than the growth of 0.8% estimated in the 2024-25 Budget. The higher result is driven by stronger net overseas migration, partially offset by weaker natural increase and net interstate migration. As the latest available data is broadly in line with the 2024-25 Budget, population growth forecasts for the 2024 PEFO remain unchanged.

Risks to the population forecasts are also largely unchanged from the 2024-25 Budget. The Territory's migration flows have been volatile over the last few years with interstate migration reaching a historic low and overseas migration at record high levels. The forecasts assume migration flows will normalise over the forward estimates period, however the persistence of volatility adds a level of uncertainty to these forecasts.

The Territory has increased its allocations under the 2024-25 migration program to 1,600 nominations. Partially offsetting this, the Commonwealth announced potential changes to Australia's migration settings that present downside risks to the population forecasts, including changes that may limit international student arrivals nationally.

Chapter 4

Fiscal strategy statement

Overview

The information provided in this chapter meets requirements under section 10(1)(g) of the FITA that states each fiscal outlook report is to contain an explanation of the factors and considerations contributing to any material differences between updated financial projections and government's fiscal objectives and targets.

This chapter assesses the updated 2024 PEFO projections against government's fiscal objectives and targets set in the 2024-25 Budget.

Assessment of the fiscal strategy

Principle 1: Sustainable service provision

Ongoing objective and target: Territory-funded expense growth to be lower than total own-source and untied revenue growth in the general government sector over the budget cycle from the budget year

Table 4.1 shows the updated Territory-funded expense estimates, excluding depreciation, are projected to increase by 1.1% in aggregate over the budget and forward estimates, below anticipated growth in own-source and untied revenue of 13.8% over the same period. As a result, this fiscal strategy objective and target is projected to be achieved over the budget cycle.

When compared with the 2024-25 Budget, the updated projections for Territory-funded expenses have increased over the budget and forward estimates by a cumulative $30 million, predominantly due to additional funding allocated for the Territory Aviation Attraction Scheme and Territory Tourism Discount Scheme, combined with increased interest expenses on new borrowings. The cumulative decrease in estimated own-source and untied revenue of $133 million over the budget and forward estimates reflects lower GST revenue of $38 million relating to the recovery of overpaid GST in 2023-24, combined with lower forecast mining royalty revenue of $95 million due to delays in the construction of a second mine shaft for a Territory mining operator, resulting in lower production than previously forecast.

Table 4.1: General government sector – Territory-funded expense growth, and own-source and untied revenue growth

	2024-25	2025-26	2026-27	2027-28		
	Budget	Forward estimate			Growth	Target on track
	$M	$M	$M	$M	%	
2024-25 Budget						
Territory-funded expenses[1]	6 142	6 019	6 090	6 203	1.0	yes
Own-source and untied revenue	5 870	6 074	6 340	6 636	13.1	
2024 PEFO						
Territory-funded expenses[1]	6 146	6 024	6 100	6 214	1.1	yes
Own-source and untied revenue	5 832	6 044	6 275	6 636	13.8	

1 Excludes depreciation and unspent funds carried over from prior years.

Ongoing objective and target: Maintain a sustainable public service by ensuring annual growth in general government sector Territory-funded employee expenses does not exceed the wages policy parameter (net of efficiency dividends) plus the Territory's long-term annual population growth in any year over the budget and forward estimates period

Since the 2024-25 Budget, there have been no new policy decisions affecting Territory-funded employee expenses or changes to the wages policy parameter. Consequently, assessment of this element of the fiscal strategy remains unchanged from the 2024-25 Budget, with Territory-funded employee expense growth well below the sum of the wages policy parameter (net of efficiency dividends) and the Territory's 1.1% long-term annual population growth in all years across the budget cycle.

Table 4.2: General government sector – Territory-funded employee expense growth for 2024-25 Budget and 2024 PEFO

	2024-25	2025-26	2026-27	2027-28
	Budget	Forward estimate		
	%	%	%	%
Territory-funded employee expense growth	- 0.4	1.5	2.8	2.2
Wages policy parameter[1] plus long-term annual population growth	2.5[2]	3.5	3.5	3.5
Target on track	yes	yes	yes	yes

1 Net of efficiency dividends.
2. While the 2024-25 wages inflator remained unchanged at 0%, agencies received additional lump sum funding in the 2023-24 Budget to reflect the change in the Wages Policy to 2%.

Medium-term objective: Achieve a net operating balance surplus in the general government sector and maintain an improving net operating balance over the budget cycle

Target: Achieve a general government net operating balance surplus by 2027-28

Table 4.3 shows the updated projections for the net operating balance is estimated to be a deficit in 2024-25, and then forecast to be in a surplus from 2025-26 and improving from 2027-28. Accordingly, the fiscal strategy objective and target are on track to be met, with a net operating balance surplus projected two years ahead of the 2027-28 target.

While the trend in net operating balance projections remain consistent with that forecast in the 2024-25 Budget, the projections are $74 million lower in aggregate across the budget cycle. This mainly reflects a decrease in estimated mining royalty revenue due to expected delays in the construction of a second mine shaft for a Territory mining operator, and lower GST revenue resulting from the recovery of overpaid GST revenue in 2023-24, partially offset by new and revised timing of Commonwealth funding for capital projects from 2023-24 to 2024-25 and across the forward estimates, where only the revenue for these projects is reported in the net operating balance.

Table 4.3: General government sector – net operating balance

	2024-25	2025-26	2026-27	2027-28	Target on track
	Budget	Forward estimate			
	$M	$M	$M	$M	
2024-25 Budget	- 410	31	96	231	yes
2024 PEFO	- 415	35	35	219	yes
Variation from 2024-25 Budget	- 5	4	- 61	- 12	

Long-term objective: Ensure new general government capital investment is funded through revenues rather than borrowings

Borrowing (net), as reported in financing activities on the cash flow statement, shows the amount of cash received from new loans, net of repayments and leases, used to fund operating and capital activities. Positive values indicate the Territory has insufficient cash to fund its operating and capital requirements, and is relying on borrowings to meet these requirements, while negative values indicate repayment of debt or surplus cash available to fund new capital investment.

As shown in Table 4.4, borrowing estimates have increased in aggregate by $95 million over the budget cycle since the 2024-25 Budget. This increase is in line with expected lower mining royalty revenue in 2025-26 and 2026-27. Although estimated borrowing requirements have increased since the 2024-25 Budget, borrowing requirements are expected to decline each year over the forward estimates, indicating this fiscal strategy objective is on track to being achieved over the medium to long term.

The effect of increased borrowings to the net debt measure has been fully offset by 2027-28 due to unrealised gains on financial investments and improved cash balances as a result of unspent Territory-funded items not yet assessed for carryover into future years, combined with the flow-on effect of lower borrowings by Power and Water Corporation in 2023-24.

Table 4.4: General government sector – borrowing (net)

	2024-25	2025-26	2026-27	2027-28
	Budget	Forward estimate		
	$M	$M	$M	$M
2024-25 Budget	1 674	570	445	170
2024 PEFO	1 674	600	510	170
Variation from 2024-25 Budget	nil	30	65	nil

Principle 2: Infrastructure for economic and community development

Ongoing objective and target: Average general government sector infrastructure investment not to fall below the level of average depreciation over the budget cycle and Territory-funded investment not to exceed twice the level of depreciation in any year

As shown in Table 4.5, updated forecasts for the general government sector's total infrastructure investment, including Commonwealth-funded projects (comprising capital works, minor works, and repairs and maintenance expenses) is consistent with the first element of this objective, with annual average infrastructure investment over the budget cycle of $1.36 billion, well above annual average depreciation of $605 million in the 2024 PEFO.

The second element of this objective has also been achieved with updated projections for Territory-funded infrastructure investment not exceeding twice the level of depreciation in any single year, with the Territory-funded infrastructure investment to depreciation ratio peaking at 1.7 in 2024-25 and averaging 1.3 over the budget cycle.

When compared with the 2024-25 Budget, planned Territory-funded infrastructure investment has decreased by $2 million in 2024-25 as a result of the revised delivery of recreational fishing infrastructure funding to non-infrastructure recreational fishing priorities. All other years remain unchanged from the 2024-25 Budget.

Table 4.5: General government sector – infrastructure investment to depreciation ratio

	2024-25 Budget	2025-26 Forward estimate	2026-27 Forward estimate	2027-28 Forward estimate	Average	Target on track
2024-25 Budget						
Total infrastructure investment ($M)	1 664	1 303	1 229	1 128	1 331	
Depreciation ($M)	619	611	602	590	605	yes
Territory-funded infrastructure investment ($M)	1 040	673	738	687	785	
Depreciation ($M)	619	611	602	590	605	
Territory-funded infrastructure investment to depreciation ratio	1.7	1.1	1.2	1.2	1.3	
Target on track	yes	yes	yes	yes	yes	
2024 PEFO						
Total infrastructure investment ($M)	1 723	1 341	1 243	1 128	1 359	
Depreciation ($M)	619	611	602	590	605	yes
Territory-funded infrastructure investment ($M)	1 038	673	738	687	784	
Depreciation ($M)	619	611	602	590	605	
Territory-funded infrastructure investment to depreciation ratio	1.7	1.1	1.2	1.2	1.3	
Target on track	yes	yes	yes	yes	yes	

Short to medium-term objective: General government sector debt-funded infrastructure to be limited to projects with a positive economic return on investment

Target: 100% of general government capital works projects (excluding ICT) with a value exceeding $30 million progressed in accordance with the Northern Territory Project Development Framework

Since the 2024-25 Budget, there have been no new Territory-funded capital works projects exceeding $30 million to progress through the framework.

Principle 3: Competitive tax environment

Ongoing objective: Maintain a competitive tax environment that encourages investment, creates jobs and attracts business to the Territory, while raising sufficient revenue to contribute to funding government's service delivery requirements

Target: Territory taxation effort for the last assessed year by the Commonwealth Grants Commission at least 90% of the state average of 100%

This measure is a lagging indicator as the CGC updates information annually based on the actual outcome of the previous year. Consequently, assessment of this element of the strategy remains unchanged from the 2024-25 Budget with the Territory's 2022-23 total taxation effort assessed as 82%, the latest year assessed by the CGC. Therefore this fiscal strategy target has not been achieved as the Territory's taxation effort is below the target of 90%. The Territory generally demonstrates below-average taxation effort as it does not impose land tax, and it levies lower than average motor vehicle taxes.

Table 4.6: Taxation effort by jurisdiction, 2022-23

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average	Target met
	%	%	%	%	%	%	%	%	%	
Total taxation effort	97.1	108.0	95.1	98.6	96.0	84.2	135.3	82.0	100	no

Source: CGC 2024 Update

Ongoing objective: Generate own-source revenue efficiently

Target: Territory Revenue Office expenditure as a percentage of non financial public sector taxes and royalties less than 1%

Table 4.7 demonstrates this element of the fiscal strategy is expected to be achieved with the Territory Revenue Office's operating expenditure projected to be below the 1% target across the budget and forward estimates in the 2024 PEFO.

When compared with the 2024-25 Budget, Territory taxes and royalty estimates decreased by $30 million in 2025-26 and $65 million in 2026-27 as a result of a decrease in estimated mining royalty revenue due to expected delays in the construction of a second mine shaft for a Territory mining operator. There were no changes to projections for operating expenditure for the Territory Revenue Office over the budget cycle.

Table 4.7: Territory Revenue Office expenditure to taxation revenue raised

	2024-25	2025-26	2026-27	2027-28
	Budget	Forward estimate		
2024-25 Budget				
Territory Revenue Office expenditure ($M)	8	5	5	5
Territory taxes and royalties ($M)	919	982	993	1 048
Expenditure to revenue (%)	0.8	0.5	0.5	0.5
Target on track	yes	yes	yes	yes
2024 PEFO				
Territory Revenue Office expenditure ($M)	8	5	5	5
Territory taxes and royalties ($M)	919	952	928	1 048
Expenditure to revenue (%)	0.8	0.5	0.5	0.5
Target on track	yes	yes	yes	yes

Principle 4: Prudent management of debt and liabilities

Ongoing objective: Maintain or improve the Territory's credit rating

Target: Territory's credit rating of Aa2 (negative) or better

The Territory's credit rating was last assessed by Moody's Investors Service (Moody's) on the 2024-25 Budget in July 2024, which resulted in an unchanged credit rating for the Territory at Aa3 with a stable outlook. Therefore this fiscal strategy target has not yet been met.

Long-term objective and target: The Territory's non financial public sector net debt to revenue ratio at or below 50%

As shown in Table 4.8, updated projections for net debt to revenue ratios are lower in each year over the budget and forward estimates when compared to the 2024-25 Budget. It is anticipated the net debt to revenue ratio will remain above 100% over the medium term, and therefore this fiscal strategy objective and target is not likely to be met.

Table 4.8: Non financial public sector – net debt to revenue ratios

	2024-25	2025-26	2026-27	2027-28	Target on track
	Budget	Forward estimate			
	%	%	%	%	
2024-25 Budget	126	132	135	133	no
2024 PEFO	121	128	133	130	no
Variation from 2024-25 Budget (ppt)	- 5	- 4	- 2	- 3	

ppt: percentage points

The FITA incorporates a cap on assessable debt at the non financial public sector of $15 billion (the debt ceiling). The legislated debt ceiling increases accountability for financial performance and supports improving the Territory's credit rating and net debt to revenue ratio.

Table 4.9 presents the assessable debt for the 2024 PEFO in accordance with the FITA debt ceiling and shows that total borrowings, excluding leases, are projected to increase over the budget cycle but remain below the $15 billion cap in all years.

When compared to the 2024-25 Budget, assessable debt is expected to increase by a net $61 million by 2027-28, as a result of new borrowings to fund the impact of lower mining royalties, partially offset by the flow-on effect of lower borrowings by Power and Water Corporation in 2023-24.

Table 4.9: Non financial public sector – debt ceiling assessment

	2024-25	2025-26	2026-27	2027-28
	Budget	Forward estimate		
	$M	$M	$M	$M
2024-25 Budget				
Total borrowings	14 401	15 196	15 759	16 006
Less: leases	1 777	1 673	1 546	1 433
Total assessable debt	12 624	13 523	14 213	14 573
Target on track	yes	yes	yes	yes
2024 PEFO				
Total borrowings	14 428	15 253	15 881	16 128
Less: leases	1 838	1 735	1 607	1 494
Total assessable debt	12 590	13 518	14 274	14 634
Target on track	yes	yes	yes	yes

Principle 5: Commercial management of government owned corporations

Projections for government owned corporations are revised through each respective statement of corporate intent (SCI), which is prepared annually and forms part of the Territory's budget development process. Consequently, assessment of the fiscal strategy objectives and targets within this fiscal strategy principle remain unchanged from the 2024-25 Budget.

Chapter 5

Risks and contingent liabilities

Sections 10(1)(e) and 19(1) of the FITA require the PEFO to contain a statement of risks, quantified as far as practicable, that could materially affect updated financial projections, including any contingent liabilities and related agreements that are yet to be finalised. Section 5(1)(d) of the FITA requires government to manage financial risks faced by the Territory prudently (having regard to economic circumstances), including by maintaining Territory debt at prudent levels.

This section meets the FITA requirements by outlining potential risks to the 2024 PEFO due to changes in factors underpinning revenue and expenditure estimates, and the likelihood of contingent liabilities becoming actual liabilities.

Risks to the Territory are assessed and categorised in accordance with those identified in section 5(2) of the FITA, comprising risks from excessive debt, ownership of trading entities, erosion of the Territory's revenue base, managing assets and liabilities, and other risks.

Most of the risks and contingent liabilities for the Territory remain unchanged from those disclosed in the 2024-25 Budget and have been restated in the 2024 PEFO. Additional risks and liabilities that have become apparent since the 2024-25 Budget are also identified.

Sound fiscal management of risks

Risks from excessive debt

Excessive debt levels could affect the Territory's ability to raise funds when required, or at a cost substantially higher than could be achieved under more sustainable debt levels, limiting government's capacity to maintain appropriate levels of service. Excessive debt could also impact investor and consumer confidence, resulting in negative effects on the broader Territory economy.

Risks associated with excessive debt are mitigated by a limit on government borrowings to $15 billion as legislated in the FITA, diversifying borrowing and investment activities across a maturity spectrum using a variety of funding sources, and adherence to government's fiscal strategy objectives.

One of government's fiscal strategy objectives is to maintain or improve the Territory's credit rating. Credit ratings reflect an independent assessment of a government's credit worthiness and ability to fulfil its financial commitments and repay debt. A higher rating indicates a strong fiscal and economic position, and results in the ability to borrow at lower interest rates, while a lower rating indicates credit challenges and results in higher interest rates on borrowings. In July 2024, Moody's assessed the Territory's credit rating based on the 2024-25 Budget, which resulted in an unchanged credit rating for the Territory at Aa3 with a stable outlook.

Risks from ownership of trading entities

Poor financial performance of commercial entities can pose risks to government in the form of lower returns and dividend payments to government, or increased requirements for financial support, with the potential to materially affect the Territory's debt levels and fiscal targets.

The Territory's fiscal strategy incorporates government owned corporations, with targets aimed at strengthening commercial sustainability and reducing reliance on government support. Risks are also mitigated through the government owned corporations operating and accountability framework, comprising the Corporate Governance and Reporting Framework, *Government Owned Corporations Act 2001*, enabling legislation for each government owned corporation and the Territory's Policy Statement on Competitive Neutrality. The Corporate Governance and Reporting Framework sets out processes in line with best practice for strategic planning, monitoring and reporting performance targets, and accountability for performance set in the SCI.

The Territory's government owned corporations are the Power and Water Corporation, Territory Generation and Jacana Energy. Each corporation has an SCI, which is an annual performance agreement between the board and the shareholding minister, tabled in parliament and examined by the Estimates Committee. Each SCI details key financial and non-financial targets for the corporation and provides updated financial projections for the budget year and forward estimates period.

Each corporation is expected to include future efficiencies through operational and business improvements as part of their respective SCIs. Failure to achieve SCI targets presents a risk to the budget and forward estimates through reduced dividends and tax equivalent payments, and worsening of the Territory's fiscal outcomes.

Power and Water Corporation's gas business has significant market-related risks arising from its long-term gas purchase, sales and transportation agreements. The corporation's board oversees a gas sales strategy to address future market opportunities and position the corporation to ensure costs are covered by revenue, and any risks are appropriately mitigated.

Government has further strengthened oversight of the Territory's strategic energy security by establishing the Gas Strategy Steering Committee, comprising chief executive officers from relevant agencies and Power and Water Corporation, to oversee measures to mitigate immediate to long-term risks around gas supply.

Risks from erosion of the Territory's revenue base

Reliance on Commonwealth funding

Australia's federal system is characterised by a high level of vertical fiscal imbalance, where the expenditure requirements of states under the Australian Constitution far outweigh their capacity to raise revenue. This imbalance is addressed through intergovernmental payments from the Commonwealth to the states to facilitate delivery of essential services.

In comparison to all other states, the Territory is more reliant on Commonwealth payments due to greater expenditure needs and a lower ability to fund expenditure through own-source revenue. In 2024-25, Commonwealth funding to the Territory is expected to account for 73% of the Territory's total revenue, with GST revenue and tied funding payments accounting for 47% and 26% of total revenue, respectively, in the non financial public sector. Due to the Territory's reliance on these funding sources, any changes will have a significant effect on Territory revenue. Risks include variations in national GST collections and changes to tied Commonwealth funding agreements, such as their amount, timing, deliverables and duration.

GST revenue volatility

Volatility in GST revenue represents the largest revenue risk for the Territory, as GST revenue is estimated to account for 47% of the Territory's total revenue in 2024-25 in the non financial public sector.

The Territory's GST revenue entitlement is dependent on four parameters:

- national GST collections pool
- the Territory's share of the national population
- the Territory's GST relativity as determined by the Commonwealth Treasurer based on the recommendation of the CGC
- the impact of Commonwealth-legislated GST distribution reforms that commenced in 2021-22.

There are variables that influence each of these parameters, adding to the complexity of forecasting GST revenue over the budget and forward estimates. For further information on factors affecting GST revenue, refer to 2024-25 Budget Paper No. 2 *Budget Strategy and Outlook*, Chapter 5 *Commonwealth revenue*. The following analysis examines the effect of variations of each parameter in isolation. However, as these parameters interact with each other, variations can have a compounding or offsetting effect on GST revenue estimates.

GST collections pool

The Territory's GST revenue is directly affected by variations in the national GST collections pool.

Risks to the national GST collections pool forecasts relate to the outlook for national nominal consumption of goods and services subject to GST and private dwelling investment. Results may vary from forecasts if nominal prices or real economic activity is materially different to expectations.

GST collections pool forecasts remain uncertain following mixed economic data released since the 2024-25 Budget. While consumption grew in 2023-24 in line with expectations, private dwelling investment performed below expectations and inflation was higher than expected. As GST is added to the final price of goods and services paid by consumers, higher inflation could result in higher GST collections for a given level of real consumption. However, prolonged inflation above the Reserve Bank of Australia target could compel the Reserve Bank Board to increase interest rates, which would put downward pressure on the GST pool.

Recent weakness in private dwelling investment also presents a downside risk to forecasts. Other risks include general economic and national policy factors, such as changes to the rate of international migration or national population growth. If the economic reaction to these factors is larger or smaller than expected, this may also affect GST collections pool outcomes.

A ±1 percentage point change in the GST collections pool growth rate is estimated to have a ±$41 million impact on the Territory's GST revenue in 2024-25, all else being equal. If a variation of ±1 percentage point was applied to GST collections pool growth rates in each year from 2024-25 to 2027-28, the cumulative impact on Territory GST revenue would be around ±$439 million.

Territory's share of the national population

Estimates of each state and territory's population growth relative to the national rate influence the Territory's share of the national population, affecting forecasts of the Territory's GST revenue.

The Territory uses its own estimates of Territory population growth, given its knowledge of local factors that may affect migration levels. Estimates of other states' populations are based on Commonwealth population projections. Accordingly, the Territory's GST revenue projections are sensitive to the Territory's forecasts of Territory population growth, as well as Commonwealth forecasts of interstate population growth. A discussion on Territory population forecasts is provided at Chapter 3 *Economic outlook*.

Emerging risks to the Territory's population share largely relate to changes to Commonwealth international migration policies, as well as the distribution of overseas migrant inflows between states and territories.

The effect of a ±1,000 person variation in the Territory's population forecast is expected to have a ±$31 million impact in 2024-25, all else being equal. The cumulative impact of a ±1,000 person variation in the Territory's population each year over the budget and the forward estimates would be about ±$81 million.

GST relativity

The distribution of GST revenue is based on the principles of horizontal fiscal equalisation that aim to equip all states and territories with the capacity to provide similar levels of services and infrastructure.

The CGC recommends GST relativities annually and incorporates new data and changes in state fiscal capacities.

Relativities are subject to calculations based on the financial and demographic circumstances of all states and territories in a rolling three-year assessment period, updated annually. As a result of the methodology associated with estimating GST relativities, the Territory forecasts relativities on a three-year average basis, held constant over the forward estimates period, adjusted for GST distribution reforms. In any relativity update, the Territory's GST relativity will be sensitive to changes in all jurisdictions' relativities, reflecting the fixed sum nature of the GST distribution process.

Risks to the Territory forecast arise if any state's relativity circumstances vary significantly from its three-year average over the forecast period. Recent relativities have varied substantially due to factors such as covid, which will continue to impact data for at least two years. Mineral royalty production volumes and values, particularly for coal, data revisions to population, demographic and socio-economic data following the 2021 Census, and levels of capital and urban transport investment, all affect the Territory's relativity.

In early 2023, the CGC commenced its five-yearly review of methodologies used to distribute GST revenue to states, with the results expected to be released in March 2025. The draft report of the 2025 methodology review, released in July 2024, indicates the Territory may receive additional GST revenue due to new methods for estimating housing and homelessness contributions, changes to the treatment of Commonwealth own-purpose expense (COPE) payments, lower assessed taxable land values and adjusted measures of student disadvantage in government schools. These positive changes are expected to be partly offset by changes to the use of new health data, reducing assessed remote health activity; wage cost estimations; recognition of recent interstate covid-related expenses; and the inclusion of additional small communities in remote and very remote areas in other states.

Given the uncertainty of final methodologies adopted and their impact, no changes have been made to Territory relativity projections in the 2024 PEFO.

The impact of a ±0.1 variation in the Territory's GST relativity is about ±$78 million in 2024-25, all else being equal. A ±0.1 variation in the Territory's GST relativity in each of the budget and forward estimate years would have a cumulative effect of about ±$338 million.

GST distribution reforms

The Commonwealth has legislated changes to the GST distribution system through the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*.

The reforms include a Commonwealth temporary no-worse-off guarantee that operates as a time-limited safety net for jurisdictions. This ensures jurisdictions receive, at a minimum, the cumulative amount of GST they would have received under the previous methodology. This guarantee temporarily mitigates the risks of GST distribution reforms to the Territory's GST.

The Territory's GST revenue forecasts include expected no-worse-off guarantee payments of $104 million from 2024-25 to 2027-28, unchanged from the 2024-25 Budget. Any future changes to relativities or GST collections pool growth may affect no-worse-off guarantee payments currently factored into the budget and forward estimates. The guarantee is extended to the end of 2029-30, with any further policy changes reflecting a risk to forecasts.

The Commonwealth has committed to a Productivity Commission review of the GST distribution reforms by the end of 2026.

Tied Commonwealth funding

Tied Commonwealth funding is provided under the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) through national federation funding agreements and schedules. Tied funding can also be provided outside IGA FFR payment arrangements through COPE arrangements.

Key risks to the Territory budget associated with tied Commonwealth funding include uncertainty as to the amount, timing, deliverables and duration of new and renegotiated funding agreements, expiry of agreements and the increasing inclusion of financial input controls.

Agreements that are short term in nature and subject to repeated short-term extensions upon expiry inhibit the ability of governments and other providers to plan for providing ongoing, reliable service delivery in key areas. Short-term funding arrangements can lead to heightened community expectations without providing associated Commonwealth funding certainty in the long run. Recently, Commonwealth funding has been increasingly short term, with a number of one-year extensions and agreements being renewed close to expiry, increasing Territory funding risks.

The Commonwealth is also increasingly including financial input controls in funding arrangements such as matched funding and maintenance of effort provisions. Input controls pose a significant risk to the Territory budget by reducing the Territory's autonomy and ability to efficiently allocate resources in a manner that best suits community needs.

Further risks may arise from the expiry of tied Commonwealth funding agreements including ceasing public services or assuming financial responsibility to continue the services previously funded by these agreements.

Major funding agreements expiring in the budget and forward estimates period include the Northern Territory Remote Aboriginal Investment agreement, which has been extended for a 12-month period to 30 June 2025.

Territory taxes and royalties

Territory taxes and royalty revenues mainly comprise revenue from mining and petroleum royalties, as well as payroll tax, and conveyance and related duties. In 2024-25, Territory taxes and royalties are expected to account for about 10% of total revenue and 38% of own-source revenue in the non financial public sector.

Forecasting tax and royalty revenue involves judgements and assumptions about the performance of various economic factors and indicators, such as growth in wages, employment, average hours worked, business investment, commodity prices, market conditions and activity, and exchange rates.

Mining royalty revenue has historically been the largest single contributor to Territory taxes and royalties, and forecasts are sensitive to mineral price outlooks, production levels, mine expansions or disruptions, as well as exchange rates and global trade conditions. Mining revenue forecasts are informed by independent assessments of commodity prices and market conditions, and advice from mining companies about their expectations of production, prices and royalty obligations over the budget and forward estimate years. Changes in commodity prices, mine end of life estimates, and production or exchange rates can materially impact these forecasts.

International economic conditions following the covid pandemic and trends in electric vehicle markets have contributed to the significant volatility of key commodity prices due to a supply and demand imbalance. Further, inflationary pressures have increased operating costs for mines, potentially affecting profitability, which will flow through to mineral royalty forecasts over the forward estimates. The uncertainty of costs and duration of returning mines to normal operations following the impact of Cyclone Megan, which suspended mining operations in Borroloola and Groote Eylandt in March 2024, continues to pose a risk to the Territory's royalty revenue projections.

There is, however, upside potential over the forward estimates should petroleum be sold under an exploration permit (appraisal gas) in the Beetaloo basin. While final investment decision is still pending for major proponents in the Beetaloo, including Empire Energy Group Limited and Tamboran Resources Corporation, both have announced plans to commence selling appraisal gas over the forward estimates period.

Payroll tax is the Territory's largest source of tax revenue and is imposed on businesses with total payroll above the tax-free threshold of $1.5 million per annum. Payroll tax forecasts are influenced by employment, wages and business investment projections.

The Territory's conveyance and related duty is derived from direct and indirect conveyances of property in the Territory. Forecasting for conveyance duty is linked to the outlook for the property market with commercial transactions linked to economic conditions and sentiment more broadly. The extent and timing of any market changes in terms of property prices and transaction volumes can be volatile, and directly affects conveyance duty collections.

Conveyance duty forecasts are influenced by the size of the Territory's conveyance duty base, which includes valuable commercial properties such as pastoral properties, mining projects and commercial precincts. The duty collected in respect of large commercial transactions contributes significant volatility to conveyance duty collections.

Unlike tax revenue from property transactions or employment, gambling tax revenue is not as closely correlated with the economic or business cycle. Gaming activity in community venues and casinos is expected to remain steady over the forward estimates period.

In total, a variation of ±1% to the forecast of Territory taxes and royalties would affect revenue by about ±$9 million in 2024-25.

An emerging risk to state and territory taxes has arisen following the case of *Vanderstock & Anor versus the state of Victoria*. The High Court of Australia found that a road user charge imposed by the state of Victoria, on registered owners of particular vehicles, was unconstitutional. The basis for the High Court decision has cast doubt on the validity of other state and territory taxes, with at least two states currently facing legal challenges. In the event that similar legal challenges are upheld, in relation to other state and territory taxes, levies or duties, Australian states and territories are at risk of further erosion of own-source revenue, and an increased reliance on Commonwealth funding.

Risks arising from managing assets and liabilities

Assets and liabilities of the Territory are each subject to inherent risks that are managed through the Territory's fiscal strategy objectives.

The Territory's Financial Management and Accountability Framework governs the financial management of government resources (assets and liabilities) and comprises legislation, supplementary legislation (including Treasurer's Directions and Treasury Circulars), Australian accounting standards, whole of government and agency-specific policies and procedures, and resource materials. This framework specifies the practices, including risk assessment, to be observed by agencies in the fiscal management of their resources.

In addition to the framework, the Territory's financial investment assets and debt liabilities are administered by the Northern Territory Treasury Corporation (NTTC), the central financing authority for the Territory Government. NTTC borrows, invests and lends on behalf of the Territory Government, and is governed by an extensive risk management framework.

For more information refer to Chapter 4 *Fiscal strategy statement*.

Equity investments

The Territory has entered into several arrangements that represent ownership in private sector projects, entities and enterprises. To date, these equity investments are in the form of shares and result in no significant influence or control over the entity or project. Accordingly, the Territory is not exposed to financial loss beyond the amount invested. Most of these investments have been approved through the Local Jobs Fund, which has a range of policies and governance statements, along with an expert investment committee to provide independent assessment and advice on investment proposals to mitigate financial risks associated with these investments. Furthermore, the Financial Management and Accountability Framework specifies conditions and limitations on the type of investments that can be entered into and mandates certain practices, including risk assessments, to mitigate risks associated with equity investments.

Loans and concessional loans

The Territory has issued loans and concessional loans with the aim of funding particular enterprises or householders. These include amounts paid for assistance to farmers, businesses under the Local Jobs Fund and home ownership products. A number of these loans are on concessional terms, including low interest or interest-free terms. Default risks are considered small, and periodic reviews of issued loans have not resulted in a shift in levels of assessed risk. Similar to equity investments, loans are issued where criteria and limitations are met, and the Financial Management and Accountability Framework mandates certain practices to mitigate risks associated with loans.

Risks to expenses and payments

Estimates for expenses are based on known policy decisions, with adjustments for non-policy changes. The most significant risks to expense estimates are budget pressures due to increased costs and demand for government services, and the inability to meet savings and efficiency measures factored into agency budgets.

The Territory's public service employee expense accounts for about 40% of the general government sector's total expenses and represents the Territory's largest expense. The primary risks to this expenditure are wages growth, number of employees and composition of the labour force. The 2024-25 Budget incorporates a wages parameter of 3% from 2025-26 onwards in line with expected economic growth and remains unchanged in the 2024 PEFO. Enterprise agreements contain terms and conditions of employment that are negotiated through an enterprise bargaining process and apply to groups of public sector employees. Enterprise agreements pose a risk to the Territory's expenses to the extent the outcome exceeds indexation factored into the budget and forward estimates.

Demand for skilled labour nationally also poses a risk to the delivery of government services, as labour shortages may require the use of higher cost external providers to ensure service delivery is not compromised. Additionally, inflationary pressures have increased the risks relating to delivery of government services. This poses a risk to the Territory's expenses to the extent inflation growth exceeds the indexation currently factored into the budget and forward estimates.

The effect of adverse weather events and natural disasters pose a risk to the Territory's expense projections due to the uncertainty of costs and timing of restoration works, evacuation costs, and costs and duration of providing temporary housing for evacuees. Although the Territory may be eligible for partial reimbursement from the Commonwealth under Disaster Recovery Funding Arrangements, the extent and timing of such reimbursements are also uncertain.

At the end of each financial year, agencies are requested to review their final budget outcome and consider unspent expenditure commitments to carry over into future years. Given the materiality of Commonwealth carryover adjustments on the Territory's fiscal aggregates, particularly to net debt, unspent Commonwealth funding relating to 2023-24 has been incorporated into 2024 PEFO projections. Assessment of unspent Territory items is subject to Treasurer's approval. As these items could not be assessed prior to commencement of the caretaker period, no amounts for unspent Territory items relating to 2023-24 have been included. Territory-funded items that are subsequently approved for carryover will worsen the Territory's fiscal aggregates from those published in the 2024 PEFO.

Further risks to the Territory's expense projections may arise if activities are continued beyond current funding profiles. Material Territory-funded items that are currently budgeted to reduce or cease over the forward estimates include supplemental funding to support hospitals and corrections cost pressures, and time-limited funding for domestic, family and sexual violence reduction programs. Where elevated service delivery levels/costs or programs are continued beyond budgeted levels, and not managed through reprioritisation of other existing funding, the Territory's fiscal aggregates will be worse off.

In addition, the impact of any announced election commitments that are not funded through reprioritisation or savings measures will further worsen the fiscal aggregates.

The construction of the Aboriginal and Torres Strait Islander Art Gallery of Australia (ATSIAGA) also poses a risk to the Territory's fiscal projections. ATSIAGA is a landmark project aimed at celebrating the rich heritage of First Nations art and culture in Australia. It is to be an iconic cultural showcase, drawing national and international audiences, driving tourism, social and economic development, and fostering education and cultural exchange. Preliminary construction cost estimates substantially exceed the current approved funding allocation. The Territory is exploring a number of funding strategies to progress the project without impacting the fiscal aggregates including seeking additional Commonwealth funding, public-facing fundraising and philanthropic donations, and private investment.

Emerging risks to expenses and payments are mitigated through the Territory's fiscal strategy objectives, and are supported by strengthened budget accountability, agency performance monitoring and reporting obligations within the Territory's Financial Management and Accountability Framework, enabling early identification and remediation of budget pressures where necessary.

Risks to economic forecasts

Economic forecasts included in the 2024 PEFO are subject to risks and uncertainties in the assumptions and data relied upon to generate the forecasts. Economic conditions in the Territory also tend to be highly volatile due to the relatively small size of the Territory's economy and this is often reflected in the available data, which can be subject to significant revisions.

There are a wide variety of risks that can impact the economic forecasts, including the state of the global economy and any impacts on commodity prices, national economic growth, interest rates, inflation and exchange rates, government and private spending, and consumer behaviour. Any changes in these assumptions can lead to actual outcomes diverging significantly from forecast outcomes.

Key risks to the economic forecasts include:

- potential escalation of conflicts in Europe and the Middle East, which may affect global supply chains and inflation, particularly through disruptions to global energy markets
- ongoing tight labour market conditions in other jurisdictions potentially affecting the Territory's ability to compete for labour and population growth
- effect of migration flows on population growth as a result of covid, and recent announcements by the Commonwealth to ease Australia's migration program and cap international student numbers
- interest and inflation rate paths that differ from current market expectations, which could lead to different consumption growth nationally and in the Territory.

Other risks include:

- the extent to which large projects that underpin economic growth over the forecast period do not proceed to the same level or in the same timeframes as planned
- projects without a final investment decision at the time of the 2024 PEFO, proceeding to final investment decision within the outlook period, resulting in upside to forecasts
- changes in exchange rates and commodity prices, which can have a significant effect on the production of current resource and agriculture projects
- adverse weather conditions, such as cyclones, floods and droughts, and agricultural pests and diseases, which can affect production and or put upward pressure on prices and add downside risks to economic growth, employment and revenue forecasts.

Uncertainty in economic forecasts is driven by the use of economic data that is subject to reporting limitations, statistical error, revisions, new information and methodological changes.

Contingent liabilities

Contingent liabilities are potential future costs to government that may arise from guarantees, indemnities, and legal and contractual claims. Contingent liabilities pose a risk to the Territory's financial position and have the potential to materially affect the budget due to the likelihood of an actual liability arising, however most are considered low risk. The Territory continues to assess risks under these arrangements to determine if future disclosure is required and if there are any impacts on the Territory's financial position.

Details of significant contingent liabilities for the Territory are summarised below and have been classified as quantifiable (where the financial effect is estimated in excess of $5 million) or unquantifiable (where the financial effect cannot be reliably estimated, either due to the nature of the contingent liability or number of variables that could affect the financial estimates).

As at the date of this report, no transaction or event of a material nature has occurred that would crystallise the contingent liabilities reported in this section.

Quantifiable contingent liabilities

Public Trustee Common Fund 1

Under section 97 of the *Public Trustee Act 1979*, the Treasurer indemnifies the Public Trustee Common Fund 1 against any deficiencies in money available to meet claims on it. At 30 June 2024, the Common Fund 1 had an unaudited preliminary total of $38.5 million.

The Common Fund is a repository for all monies received by the Public Trustee on behalf of estates, trusts or persons, and earns interest. Money to the credit of the Common Fund is invested according to the directions issued by an investment board, comprising the Public Trustee or, in the absence of the Public Trustee, the Deputy Public Trustee, and two persons appointed by the Attorney-General and Minister for Justice. The board is responsible for acting prudently to obtain maximum return on the investments of Common Fund monies commensurate with sound investment practices and to ensure estates and trusts receive commercial rates of return on their funds. Although a material contingent liability exists, the prospect of this contingent liability being called upon is low.

Darwin ship lift and Marine Industry Park

The Territory has entered into a loan facility agreement with the Northern Australia Infrastructure Facility (NAIF) to borrow $300 million for the Darwin ship lift and Marine Industry Park. The project is estimated at $515 million and will enable maintenance and servicing of defence and Australian Border Force vessels, along with commercial and private vessels, including from the oil, gas and marine industries.

The Territory indemnifies NAIF and the Commonwealth against any loss related to the Territory's fulfilment of any condition precedent to the loan facility agreement. The conditions and obligations contained in the facility agreement are being monitored during development of the project to ensure the conditions are satisfied.

Unquantifiable contingent liabilities

Banking

The Territory's financial management framework is underpinned by centralised banking arrangements. The sole provider of banking-related services has been granted indemnities under the whole of government banking contract.

Correctional facilities

The Territory has contingent liabilities related to indemnities and guarantees provided in support of the construction and ongoing property management of the Darwin Correctional Precinct under a public private partnership agreement and has indemnified the project company for losses arising from any uninsurable risks.

Economic-enabling projects

Northern gas pipeline project

The Territory has contingent liabilities in relation to gas transport for indemnities contained in the Northern Gas Pipeline Project Development Agreement.

Adelaide to Darwin railway project

The Territory has contingent liabilities that relate to indemnities and guarantees provided in support of the Adelaide to Darwin railway. The AustralAsia Railway Corporation (AARC), and the Territory and South Australian governments entered into a concession arrangement for the Adelaide to Darwin railway on a build, own, operate and transfer-back basis.

Unquantifiable contingent liabilities of the Territory in relation to the Adelaide to Darwin railway comprise:

- joint guarantee of the obligations of AARC
- indemnities granted in relation to title over the railway corridor (title is secure but the indemnity continues).

AARC and the governments have comprehensive risk management procedures in place for all events that would give rise to liabilities.

As part of the long-term lease of the Darwin port, the railway corridor was transferred to the Territory and leased to the concession holder. There are contingent liabilities that arise out of any loss or claim incurred or suffered as a result of the Territory's failure to comply with its environmental obligations contained in the lease. The lease contains similar indemnities given by the lessee with respect to contamination caused by the lessee and a failure to comply with its environmental obligations.

East Arm Port

The Territory has assumed the former Darwin Port Corporation's indemnity in relation to certain works at East Arm Port. The indemnity covers third-party claims, loss, damage, cost and expenses that may be incurred or sustained by parties arising out of any breach of the Territory's obligations under relevant agreements and licences. Comprehensive risk management procedures are in place to minimise risk exposure to the Territory.

Jabiru electricity supply project

The Territory has entered into an agreement for the development and ongoing operation of the power station for the supply of electricity to Jabiru. The Territory has contingent liabilities that may arise if the agreement is terminated under specific circumstances.

Strategic gas agreements

The Territory has entered into agreements to facilitate gas supply for the Territory. The agreements commit the Territory to pricing, volumes and timing of gas supply to meet forecast future requirements. The risks to the Territory are outweighed by the broader benefits of gas security and ability to mitigate risk by selling excess gas to the east coast gas market.

Government administration

Territory appointed members of councils, boards and committees

Where the Territory has invited the participation of private sector persons and government officers on boards of government-owned or funded companies, the Territory may grant indemnities to the board members to cover them for any losses that may result from good faith actions.

These indemnities are generally consistent with cover available through directors' and officers' insurance and issuing an indemnity rather than purchasing commercial insurance is in line with government's self-insurance arrangements.

In relation to corporations established in accordance with the *Government Owned Corporations Act 2001*, an indemnity given by the Territory to board members is limited to actions arising from compliance with a direction issued by the shareholding minister or portfolio minister.

The resulting contingent liabilities are considered low risk as board members are professionals, selected based on their expertise and knowledge. Further, the indemnities are restricted to good faith actions only.

Sponsorship

Indemnities are granted to the Commonwealth and other entities involved in funding or sponsoring activities and programs initiated or undertaken by the Territory. Under these indemnities, the Territory generally accepts liability for damage or losses occurring as a result of the activities or programs, and acknowledges that, while the Commonwealth or another party has contributed financially or provided in-kind support, the Territory is ultimately liable for the consequences of the activity or program.

Although the resulting contingent liability, depending on the activity undertaken, may not always be low risk, the Territory's financial exposure is no greater than would have been the case without funding or sponsorship assistance.

Legal proceedings

Where the Territory is engaged in legal proceedings and disputes, due to the wide variety and nature of cases, and uncertainty of any potential liability, no value can be attributed to these cases. In addition, the attribution of a value to these cases has the potential to prejudice the outcome of the proceedings and disputes.

Workers compensation

Government has indemnified private sector insurers that provide workers compensation insurance in the Territory for losses arising as a result of acts of terrorism.

Health and community services

The Territory has granted a series of health-related indemnities for various purposes including indemnities to specialist medical practitioners employed or undertaking work in public hospitals, indemnities provided to medical professionals requested to give expert advice on inquiries before the Medical Board and indemnities to midwives.

Although risks associated with health indemnities are potentially high, the beneficiaries of the indemnities are highly trained and qualified professionals. The indemnities generally cannot be called upon where there is wilful or gross misconduct on the part of the beneficiary.

Land development

The Territory has contingent liabilities that relate to guarantees provided by the Land Development Corporation in order to facilitate specific land release projects.

National Disability Insurance Scheme Review

In October 2023, the final report of the Independent Review of the National Disability Insurance Scheme (NDIS) was released and provided 26 recommendations and 139 key actions to change the system that supports people with disability. A key recommendation was to include 'foundational supports' for people aged under 65 with a disability to reduce inequity between people who are in the NDIS and those who are not. The design of a foundational supports system is currently under development and negotiation between the Commonwealth and states, with costs and risk sharing arrangements yet to be finalised. In the absence of appropriate risk sharing and funding support from the Commonwealth, this may result in increased costs to the Territory that are not yet quantifiable.

Native title

The Territory has a contingent liability under the *Native Title Act 1993* relating to an obligation to pay compensation to native title holders where the Territory commits an action that extinguishes or impairs a native title holder's rights. There have been a number of claims filed with the Federal Court under the *Native Title Act 1993*, however, it is not possible to reliably estimate the Territory's liability in respect of these and any future claims.

Property and business services

Agreements for leases or licences of property, plant or equipment generally contain standard indemnity provisions, similar to those commonly found in commercial leases, covering the lessor or licensor for any losses suffered as a result of the lease or licence arrangement.

The granting of a concession to Darwin Cove Convention Centre Pty Ltd gives rise to contingent liabilities associated with:

- discriminatory changes in law
- environmental clean-up costs
- incentive payments to the operator if performance targets established for the centre are exceeded
- negotiated payments to the operator during the centre's operation.

For the categories listed above, neither the probability nor the amount the Territory might be called upon to pay at some future date can be determined reliably. As a result, these items are regarded as contingent liabilities.

A contingent asset also arises as a consequence of the concession arrangement. The Territory Availability Payment is recognised as a liability on the general government sector and whole of government balance sheets. However, the Territory has the right to recover up to 75% of that liability should the operator not achieve certain performance criteria. Because neither the probability of such a recovery nor the amount that might be recovered can be determined reliably, the part of the Territory Availability Payment that may be subject to abatement is classified as a contingent asset.

Royal Commission into violence, abuse, neglect and exploitation of people with disability

In September 2023, the Royal Commission into violence, abuse, neglect and exploitation of people with a disability released a final report including 222 recommendations to improve laws, policies, structures and practices to enhance the support, care and independence of people living with a disability. If these recommendations are accepted in full by Commonwealth, state and territory governments, there may be additional funding implications to the Territory, which are not yet quantifiable.

Chapter 6

Consolidated financial statements

The financial statements in this chapter meet the requirements of the FITA, and have been prepared in accordance with relevant Australian accounting standards, including AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, and the Uniform Presentation Framework.

The Uniform Presentation Framework mandates that all Commonwealth, state and territory governments must comply with AASB 1049, and publish financial information in budget papers and fiscal outcome reports in a standard format, allowing for greater transparency and comparison of fiscal data between jurisdictions.

Each set of financial statements includes a comprehensive operating statement, balance sheet and cash flow statement. These have been provided for the general government and non financial public sectors, reflecting the sectors on which governments' key fiscal indicators and fiscal policy are premised and assessed.

The financial statements include the 2023-24 preliminary unaudited outcome, and the updated projections for the 2024-25 budget and 2025-26 to 2027-28 forward estimates.

Details on changes to the revised projections since the 2024-25 Budget can be found in Chapter 2, *Fiscal outlook*. For a list of entities included in each sector of government, refer to Appendix A, *Classification of entities in the Northern Territory*.

General government sector comprehensive operating statement

		2023-24	2024-25	2025-26	2026-27	2027-28
		Unaudited	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	758 528	708 824	718 382	737 657	770 431
	Current grants	5 486 389	5 962 396	5 720 787	5 963 458	6 192 762
	Capital grants	368 015	636 920	626 944	461 220	396 521
	Sales of goods and services	443 871	435 983	429 044	428 947	431 654
	Interest income	127 056	123 908	126 137	128 249	130 276
	Dividend and income tax equivalent income	73 402	102 531	103 697	123 462	116 348
	Other revenue	389 612	290 283	310 324	267 354	357 087
	TOTAL REVENUE	**7 646 872**	**8 260 845**	**8 035 315**	**8 110 347**	**8 395 079**
less	EXPENSES					
	Employee benefits expense	3 082 865	3 047 903	2 929 381	3 004 269	3 088 855
	Superannuation expenses					
	Superannuation interest cost	140 589	137 737	133 379	128 794	123 962
	Other superannuation expenses	346 523	384 923	387 444	394 771	386 038
	Depreciation and amortisation	710 084	618 842	610 646	601 661	590 157
	Other operating expenses	1 936 618	1 950 772	1 729 582	1 733 274	1 762 303
	Interest expenses	403 923	484 383	542 532	579 109	615 060
	Other property expenses	4 254				
	Current grants	1 186 769	1 348 969	1 274 537	1 289 812	1 334 850
	Capital grants	294 462	449 928	173 651	130 983	60 708
	Subsidies and personal benefit payments	238 396	252 537	219 500	213 073	214 051
	TOTAL EXPENSES	**8 344 482**	**8 675 994**	**8 000 652**	**8 075 746**	**8 175 984**
equals	NET OPERATING BALANCE	- 697 610	- 415 149	34 663	34 601	219 095
plus	Other economic flows – included in operating result	17 833	59 405	64 642	71 275	77 593
equals	**OPERATING RESULT**	**- 679 777**	**- 355 744**	**99 305**	**105 876**	**296 688**
plus	Other economic flows – other comprehensive income	43 309	34 333	31 089	- 19 213	- 19 132
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**- 636 468**	**- 321 411**	**130 394**	**86 663**	**277 556**
	NET OPERATING BALANCE	**- 697 610**	**- 415 149**	**34 663**	**34 601**	**219 095**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	1 217 800	1 609 129	1 178 181	1 079 150	941 878
	Sales of non financial assets	- 30 296	- 31 549	- 26 149	- 26 149	- 26 149
	less Depreciation	710 084	618 842	610 646	601 661	590 157
	plus Change in inventories	- 1 817				
	plus Other movements in non financial assets	7 582	163 680	49 845	14 939	38 005
	equals **Total net acquisition of non financial assets**	**483 186**	**1 122 418**	**591 231**	**466 279**	**363 577**
equals	FISCAL BALANCE	- 1 180 795	- 1 537 567	- 556 568	- 431 678	- 144 482

General government sector balance sheet

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	1 406 446	1 316 975	1 195 125	1 151 976	1 104 678
Advances paid	152 177	163 177	173 427	178 827	175 827
Investments, loans and placements	2 708 675	2 863 564	3 005 154	3 150 361	3 304 462
Receivables	571 460	525 900	526 896	539 620	537 156
Equity investments					
Investments in other public sector entities	2 384 842	2 474 599	2 517 988	2 506 002	2 486 870
Equity accounted investments					
Investments – shares	12 577	32 577	52 577	67 577	67 577
Other financial assets	83 740	82 840	81 935	81 028	80 122
Total financial assets	**7 319 917**	**7 459 632**	**7 553 102**	**7 675 391**	**7 756 692**
Non financial assets					
Inventories	19 168	19 166	19 166	19 166	19 166
Property, plant and equipment	20 832 798	21 942 276	22 534 161	22 994 794	23 371 090
Investment property	34 078	30 078	26 078	22 078	18 078
Other non financial assets	502 380	527 027	536 973	553 219	551 100
Total non financial assets	**21 388 424**	**22 518 547**	**23 116 378**	**23 589 257**	**23 959 434**
TOTAL ASSETS	**28 708 341**	**29 978 179**	**30 669 480**	**31 264 648**	**31 716 126**
LIABILITIES					
Deposits held	882 294	833 905	790 887	773 269	741 549
Advances received	125 718	118 259	110 438	102 238	93 640
Borrowing	10 456 214	12 293 523	12 943 552	13 468 222	13 676 200
Superannuation	3 070 734	3 060 483	3 038 037	3 009 815	2 957 668
Other employee benefits	891 129	891 132	891 132	891 132	891 132
Payables	403 628	407 222	409 047	410 418	411 826
Other liabilities	1 277 646	1 101 346	1 083 684	1 120 188	1 177 189
TOTAL LIABILITIES	**17 107 364**	**18 705 870**	**19 266 777**	**19 775 282**	**19 949 204**
NET ASSETS/(LIABILITIES)	**11 600 977**	**11 272 309**	**11 402 703**	**11 489 366**	**11 766 922**
NET WORTH	11 600 977	11 272 309	11 402 703	11 489 366	11 766 922
NET FINANCIAL WORTH[1]	- 9 787 447	- 11 246 238	- 11 713 675	- 12 099 891	- 12 192 512
NET FINANCIAL LIABILITIES[2]	12 172 289	13 720 837	14 231 663	14 605 893	14 679 382
NET DEBT[3]	7 196 929	8 901 971	9 471 171	9 862 565	9 926 422

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.

General government sector cash flow statement

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	757 828	708 824	718 382	737 657	770 431
Receipts from sales of goods and services	433 238	453 340	446 401	446 304	449 011
Grants and subsidies received	6 015 791	6 413 561	6 281 515	6 409 163	6 589 283
Interest receipts	125 291	123 908	126 137	128 249	130 276
Dividends and income tax equivalents	71 094	101 562	103 517	111 899	118 812
Other receipts	783 244	271 050	303 404	260 524	349 070
Total operating receipts	**8 186 484**	**8 072 245**	**7 979 356**	**8 093 796**	**8 406 883**
Cash payments for operating activities					
Payments for employees	- 3 580 940	- 3 580 814	- 3 472 650	- 3 556 056	- 3 651 002
Payment for goods and services	- 2 175 065	- 1 504 675	- 1 295 556	- 1 297 107	- 1 318 069
Grants and subsidies paid	- 1 633 256	- 2 051 434	- 1 667 688	- 1 633 868	- 1 609 609
Interest paid	- 390 248	- 480 821	- 541 737	- 577 877	- 614 529
Other payments	- 20 312	- 416 507	- 416 507	- 416 507	- 416 507
Total operating payments	**- 7 799 822**	**- 8 034 251**	**- 7 394 138**	**- 7 481 415**	**- 7 609 716**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**386 663**	**37 994**	**585 218**	**612 381**	**797 167**
Cash flows from investments in non financial assets					
Sales of non financial assets	30 296	31 549	26 149	26 149	26 149
Purchases of non financial assets	- 1 195 537	- 1 609 129	- 1 178 181	- 1 079 150	- 941 878
Net cash flows from investments in non financial assets	**- 1 165 242**	**- 1 577 580**	**- 1 152 032**	**- 1 053 001**	**- 915 729**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 778 579**	**- 1 539 586**	**- 566 814**	**- 440 620**	**- 118 562**
Net cash flows from investments in financial assets for policy purposes[1]	- 2 507	- 88 156	- 44 643	- 29 866	604
Net cash flows from investments in financial assets for liquidity purposes	- 126 970	- 79 511	- 59 738	- 56 576	- 58 995
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 294 718	- 1 745 247	- 1 256 413	- 1 139 443	- 974 120
Net cash flows from financing activities					
Advances received (net)	- 32 093	- 7 459	- 7 821	- 8 200	- 8 598
Borrowing (net)	1 004 511	1 673 632	600 184	509 731	169 973
Deposits received (net)	279 104	- 48 385	- 43 018	- 17 618	- 31 720
Other financing (net)	652				
NET CASH FLOWS FROM FINANCING ACTIVITIES	1 252 173	1 617 788	549 345	483 913	129 655
NET INCREASE (+)/DECREASE (-) IN CASH HELD	344 118	- 89 465	- 121 850	- 43 149	- 47 298
Net cash flows from operating activities	386 663	37 994	585 218	612 381	797 167
Net cash flows from investments in non financial assets	- 1 165 242	- 1 577 580	- 1 152 032	- 1 053 001	- 915 729
CASH SURPLUS (+)/DEFICIT (-)	- 778 579	- 1 539 586	- 566 814	- 440 620	- 118 562
Future infrastructure and superannuation contributions/earnings[2]	- 36 541	- 49 172	- 51 201	- 53 113	- 54 940
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 815 120	- 1 588 758	- 618 015	- 493 733	- 173 502

1 Includes equity acquisitions and disposals (net).
2 Contributions for future infrastructure and superannuation requirements.

Non financial public sector comprehensive operating statement

		2023-24	2024-25	2025-26	2026-27	2027-28
		Unaudited	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	746 598	700 842	709 984	729 049	761 383
	Current grants	5 433 752	5 810 022	5 716 697	5 963 458	6 192 762
	Capital grants	400 141	728 801	708 175	488 475	403 619
	Sales of goods and services	1 166 558	1 234 452	1 398 424	1 440 116	1 466 803
	Interest income	135 842	130 172	131 199	133 967	135 837
	Dividend and income tax equivalent income	55 771	54 048	50 817	53 846	52 184
	Other revenue	417 778	314 042	336 644	293 433	382 513
	TOTAL REVENUE	8 356 439	8 972 379	9 051 940	9 102 344	9 395 101
less	EXPENSES					
	Employee benefits expense	3 222 403	3 170 764	3 054 562	3 137 091	3 230 902
	Superannuation expenses					
	Superannuation interest cost	140 589	137 737	133 379	128 794	123 962
	Other superannuation expenses	364 524	395 171	399 171	407 246	399 669
	Depreciation and amortisation	944 433	855 330	860 341	856 142	854 975
	Other operating expenses	2 519 866	2 572 101	2 399 245	2 414 757	2 454 720
	Interest expenses	486 581	586 437	663 453	719 134	761 186
	Other property expenses	4 131				
	Current grants	1 123 104	1 283 087	1 207 044	1 221 346	1 264 637
	Capital grants	178 977	210 955	113 927	97 725	38 735
	Subsidies and personal benefit payments	73 725	68 021	67 095	68 100	69 112
	TOTAL EXPENSES	9 058 334	9 279 603	8 898 217	9 050 335	9 197 898
equals	NET OPERATING BALANCE	- 701 895	- 307 224	153 723	52 009	197 203
plus	Other economic flows – included in operating result	- 47 405	- 27 081	- 31 669	27 335	72 898
equals	OPERATING RESULT	- 749 300	- 334 305	122 054	79 344	270 101
plus	Other economic flows – other comprehensive income	112 832	12 894	8 340	7 319	7 455
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	- 636 468	- 321 411	130 394	86 663	277 556
	NET OPERATING BALANCE	- 701 895	- 307 224	153 723	52 009	197 203
less	Net acquisition of non financial assets					
	Purchases of non financial assets	1 597 805	2 145 539	1 698 300	1 465 573	1 224 720
	Sales of non financial assets	- 30 134	- 31 549	- 42 102	- 52 227	- 26 149
	less Depreciation	944 433	855 330	860 341	856 142	854 975
	plus Change in inventories	9 794	16 817	4 202	- 1 034	3 017
	plus Other movements in non financial assets	33 310	163 680	49 845	14 939	38 005
	equals Total net acquisition of non financial assets	666 341	1 439 157	849 904	571 109	384 618
equals	FISCAL BALANCE	- 1 368 236	- 1 746 381	- 696 181	- 519 100	- 187 415

Non financial public sector balance sheet

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	1 412 994	1 323 524	1 201 674	1 158 525	1 111 227
Advances paid	152 177	163 177	173 427	178 827	175 827
Investments, loans and placements	2 708 678	2 863 567	3 005 157	3 150 364	3 304 465
Receivables	687 039	648 317	650 246	660 015	665 064
Equity investments					
Investments in other public sector entities	21 637	21 631	21 647	21 711	21 806
Equity accounted investments					
Investments – shares	12 577	32 577	52 577	67 577	67 577
Other financial assets	89 822	88 053	85 958	83 649	81 959
Total financial assets	**5 084 924**	**5 140 846**	**5 190 686**	**5 320 668**	**5 427 925**
Non financial assets					
Inventories	238 529	255 345	259 547	258 513	261 530
Property, plant and equipment	24 937 859	26 252 990	27 046 563	27 610 387	28 026 471
Investment property	34 078	30 078	26 078	22 078	18 078
Other non financial assets	567 765	594 950	588 952	580 041	577 311
Total non financial assets	**25 778 232**	**27 133 363**	**27 921 140**	**28 471 019**	**28 883 390**
TOTAL ASSETS	**30 863 156**	**32 274 209**	**33 111 826**	**33 791 687**	**34 311 315**
LIABILITIES					
Deposits held	623 320	624 555	619 925	629 602	625 647
Advances received	125 718	118 259	110 438	102 238	93 640
Borrowing	12 522 285	14 428 198	15 252 550	15 880 648	16 127 704
Superannuation	3 070 734	3 060 483	3 038 037	3 009 815	2 957 668
Other employee benefits	967 770	959 863	961 251	962 083	963 987
Payables	520 545	517 831	519 270	519 191	524 551
Other liabilities	1 431 807	1 292 711	1 207 652	1 198 744	1 251 196
TOTAL LIABILITIES	**19 262 179**	**21 001 900**	**21 709 123**	**22 302 321**	**22 544 393**
NET ASSETS/(LIABILITIES)	**11 600 977**	**11 272 309**	**11 402 703**	**11 489 366**	**11 766 922**
NET WORTH	11 600 977	11 272 309	11 402 703	11 489 366	11 766 922
NET FINANCIAL WORTH[1]	- 14 177 255	- 15 861 054	- 16 518 437	- 16 981 653	- 17 116 468
NET FINANCIAL LIABILITIES[2]	14 198 892	15 882 685	16 540 084	17 003 364	17 138 274
NET DEBT[3]	8 997 473	10 820 744	11 602 655	12 124 772	12 255 472

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.

Non financial public sector cash flow statement

	2023-24	2024-25	2025-26	2026-27	2027-28
	Unaudited	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	745 556	700 842	709 984	729 049	761 383
Receipts from sales of goods and services	1 151 347	1 236 874	1 405 833	1 446 533	1 472 087
Grants and subsidies received	6 019 975	6 385 586	6 286 915	6 395 163	6 587 183
Interest receipts	134 057	130 172	131 199	133 967	135 837
Dividends and income tax equivalents	54 587	54 928	54 048	50 818	53 845
Other receipts	874 574	290 035	329 985	277 541	374 496
Total operating receipts	**8 980 096**	**8 798 437**	**8 917 964**	**9 033 071**	**9 384 831**
Cash payments for operating activities					
Payments for employees	- 3 732 547	- 3 721 833	- 3 608 170	- 3 700 521	- 3 804 776
Payment for goods and services	- 2 798 706	- 2 103 010	- 1 959 350	- 1 958 791	- 2 005 440
Grants and subsidies paid	- 1 292 028	- 1 562 063	- 1 388 066	- 1 387 171	- 1 372 484
Interest paid	- 472 431	- 582 022	- 661 374	- 717 396	- 760 452
Other payments	- 23 263	- 416 628	- 416 676	- 416 762	- 416 722
Total operating payments	**- 8 318 976**	**- 8 385 556**	**- 8 033 636**	**- 8 180 641**	**- 8 359 874**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**661 120**	**412 881**	**884 328**	**852 430**	**1 024 957**
Cash flows from investments in non financial assets					
Sales of non financial assets	30 134	31 549	42 102	52 227	26 149
Purchases of non financial assets	- 1 576 155	- 2 145 539	- 1 698 300	- 1 465 573	- 1 224 720
Net cash flows from investments in non financial assets	**- 1 546 021**	**- 2 113 990**	**- 1 656 198**	**- 1 413 346**	**- 1 198 571**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 884 901	- 1 701 109	- 771 870	- 560 916	- 173 614
Net cash flows from investments in financial assets for policy purposes[1]	1 993	- 32 956	- 32 343	- 22 639	604
Net cash flows from investments in financial assets for liquidity purposes	- 125 943	- 78 642	- 58 548	- 55 174	- 58 211
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 669 971	- 2 225 588	- 1 747 089	- 1 491 159	- 1 256 178
Net cash flows from financing activities					
Advances received (net)	- 32 093	- 7 459	- 7 821	- 8 200	- 8 598
Borrowing (net)	1 138 235	1 729 463	753 362	594 103	196 476
Deposits received (net)	251 975	1 238	- 4 630	9 677	- 3 955
Other financing (net)	652				
NET CASH FLOWS FROM FINANCING ACTIVITIES	1 358 769	1 723 242	740 911	595 580	183 923
NET INCREASE (+)/DECREASE (-) IN CASH HELD	349 918	- 89 465	- 121 850	- 43 149	- 47 298
Net cash flows from operating activities	661 120	412 881	884 328	852 430	1 024 957
Net cash flows from investments in non financial assets	- 1 546 021	- 2 113 990	- 1 656 198	- 1 413 346	- 1 198 571
CASH SURPLUS (+)/DEFICIT (-)	- 884 901	- 1 701 109	- 771 870	- 560 916	- 173 614
Future infrastructure and superannuation contributions/earnings[2]	- 36 541	- 49 172	- 51 201	- 53 113	- 54 940
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 921 442	- 1 750 281	- 823 071	- 614 029	- 228 554

1 Includes equity acquisitions and disposals (net).
2 Contributions for future infrastructure and superannuation requirements.

Appendix A

Classification of entities in the Northern Territory

Total public sector

Non financial public sector

General government sector

Aboriginal Areas Protection Authority
Auditor-General's Office
AustralAsia Railway Corporation[1]
Batchelor Institute of Indigenous Tertiary Education[1]
Central Holding Authority
Darwin Waterfront Corporation[1]
Data Centre Services[2]
Department of the Attorney-General and Justice
Department of the Chief Minister and Cabinet
Department of Corporate and Digital Development
Department of Education
Department of Environment, Parks and Water Security
Department of Health
Department of Industry, Tourism and Trade
Department of Infrastructure, Planning and Logistics
Department of the Legislative Assembly
Department of Territory Families, Housing and Communities
Department of Treasury and Finance
Desert Knowledge Australia[1]
Motor Accidents (Compensation) Commission[1]
Museums and Art Galleries Board of the Northern Territory[1]
Nominal Insurer's Fund[1]
Northern Territory Electoral Commission
Northern Territory Legal Aid Commission[1]
Northern Territory Major Events Company Pty Ltd[1]
Northern Territory Police
Northern Territory Fire and Emergency Service
NT Build[1]
NT Fleet[2]
NT Home Ownership[2]
Office of the Independent Commissioner Against Corruption
Ombudsman's Office
Territory Wildlife Parks[2]

Public non financial corporations sector

Indigenous Essential Services Pty Ltd[1]
Jacana Energy[1, 3]
Land Development Corporation[2]
Power and Water Corporation[1, 3]
Territory Generation[1, 3]

Public financial corporation sector

Northern Territory Treasury Corporation[2]

1 Non-budget sector entity.
2 Government business division.
3 Government owned corporation.

Appendix B

Abbreviations and acronyms

a	actual
AARC	AustralAsia Railway Corporation
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
CGC	Commonwealth Grants Commission
COPE	Commonwealth own-purpose expenses
CPI	consumer price index
e	estimate
f	forecast
FITA	*Fiscal Integrity and Transparency Act 2001*
GSP	gross state product
GST	goods and services tax
ICT	information and communications technology
IGA FFR	Intergovernmental Agreement on Federal Financial Relations
M	million
Moody's	Moody's Investors Service
NAIF	Northern Australia Infrastructure Facility
SCI	statement of corporate intent
SFD	state final demand

Appendix C
Explanation of terms

Administrative Arrangements Order

A list of ministers of the Northern Territory and the agencies, Acts and principal areas of government for which they are responsible.

Advances/advances paid

Advances are the creation of financial assets (that is, an increase in the indebtedness to government units) with the aim of funding particular enterprise, household or government activity.

Agency

A unit of government administration, office or statutory corporation, as nominated in an Administrative Arrangements Order for the purposes of the *Financial Management Act 1995*.

Assessable debt

Assessable debt comprises total borrowings less leases.

Australian accounting standards

Statements of accounting standards (from the Australian Accounting Standards Board) that are applied in preparation and presentation of financial statements.

Australian Bureau of Statistics

A Commonwealth agency that coordinates statistical activities and collaborates with official bodies in collecting, compiling, analysing and distributing statistics.

Balancing item

The balancing item is the residual of gross state product less state final demand and net international trade in goods and services. It implicitly comprises the change in inventories at a jurisdictional level plus net interstate trade.

Borrowings

Receipt of money, property or other value with an obligation to repay, regardless of whether or not the repayment is of equal value. It includes loans, the issue of debentures, bonds or stock, discounted securities, promissory notes, the lease of real or personal property, or any other arrangement where there is an obligation to repay.

Budget cycle

Financial years that report budget forecasts. For the PEFO, this comprises budget year, and the following three financial years.

Capital grants expense/revenue

Transfers of assets from one unit to another, for which no economic benefit of equal value are receivable or payable in return. Includes transfers of ownership of assets (other than cash and inventories), transfers of cash to enable recipients to acquire another asset, and transfers of funds realised from the disposal of assets.

Capital works

Infrastructure projects involving building and engineering works that create or improve government owned assets, as well as constructing or installing facilities and fixtures associated with and forming an integral part of those works.

Cash and deposits

Notes and coin held, deposits at call with a bank or other financial institution, and highly liquid investments that are readily convertible to cash on hand at the investor's option.

Cash surplus/deficit

Net impact of cash flows during the period. A key fiscal aggregate reported in the cash flow statement, cash surplus/deficit is a useful indicator of the Territory's need to call on financial markets to meet its budget obligations. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non financial assets, less distributions paid.

Change in net worth

Change in net worth (comprehensive result) measures the variation in a government's accumulated assets and liabilities. It is calculated as revenue from transactions less expenses from transactions plus other economic flows.

Commonwealth Grants Commission

A Commonwealth statutory body that makes recommendations to the Commonwealth Treasurer on how revenues raised from GST should be distributed to states and territories.

Commonwealth own-purpose expenses

Payments by the Commonwealth directly to an agency for provision of specific services or for on-passing to non-government and local government organisations.

Comprehensive result

Fiscal aggregate reported in the operating statement. 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 assets and liabilities, other than transactions with owners in their capacity as owners. It equals revenue from transactions less expenses from transactions plus other economic flows.

Consumer price index

A measure of the price of a representative basket of goods and services for each Australian capital city over time.

The consumer price index's basket of goods has 11 categories of goods and services (food and non-alcoholic beverages; alcohol and tobacco; clothing and footwear; housing; furnishings, household equipment and services; health; transport; communication; recreation and culture; education; and insurance and financial services). These categories are weighted to reflect household consumption patterns in each city. Weights for each capital city are updated on an annual basis to reflect changing household consumption patterns over time.

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 not wholly in control of the Territory. It also includes present liabilities that arise from past events where it is not probable the Territory will be required to settle the liability, or the amount of the obligation cannot be reliably estimated.

Current grants expense/revenue

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Debt ceiling

Limit on the amount of assessable borrowings that can be incurred by the Territory to meet its operational and capital commitments in accordance with the *Fiscal Integrity and Transparency Act 2001*.

Deposits held

Net cash held by public sector entities as a result of deposits received, predominantly comprising cash held on behalf of, or for the benefit of, other parties.

Depreciation and amortisation

An expense that represents the cost of assets (both tangible and intangible) over their useful life, to account for declines in their value over time due to usage, wear and tear, and obsolescence.

Employed

Persons 15 years and older who worked for one hour or more in the week as measured by the labour force survey. Persons are measured as being employed in the jurisdiction in which they reside, regardless of the location of their employment.

Employee benefits expense

Consists of all uncapitalised compensation of employees except for superannuation. It includes payments in cash or in kind.

Federation funding agreement schedules

Fixed term agreements between the Commonwealth and states and territories, with defined objectives, outcomes, outputs and performance measures for the delivery of specific projects, services or to facilitate reforms arranged under five sectoral federation funding agreements covering health, education and skills, infrastructure, environment, and affordable housing, community services and other.

Financial asset

A non physical asset that gets its value from a contractual or ownership claim with a counterparty. Includes cash and deposits, advances paid, investments, loans and placements, receivables, equity investments, and other contractual rights to receive future economic benefits.

Fiscal aggregate

Financial indicators used for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* prescribes net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth and cash surplus/deficit. The Uniform Presentation Framework prescribes additional fiscal aggregates not included in AASB 1049. These are net debt, net financial worth, net financial liabilities and cash surplus/deficit.

Fiscal balance (net lending/borrowing)

An operating statement measure, also referred to as net lending/borrowing, that differs from net operating balance as it includes spending on capital items but excludes depreciation. A net lending (or fiscal surplus) balance indicates that government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) balance indicates a government's level of investment is greater than its level of savings. The fiscal balance equals the net operating balance less the net acquisition of non financial assets.

General government sector

Agencies and other entities controlled by government mainly engaged in the production of goods and or services outside the normal market mechanism, where goods and services are provided free of charge or at nominal charge well below costs of production. This sector is generally funded by taxation revenues (directly or indirectly) and Commonwealth grants.

Goods and services tax revenue

The Territory's share of national GST collections, based on the Territory's population share weighted by its GST relativity. GST relativities are determined by the Commonwealth Treasurer, informed by the recommendations of the Commonwealth Grants Commission.

Government business division

A Territory Government-controlled trading entity that follows commercial practices and is required to comply with competitive neutrality principles.

Government owned corporation

An entity governed by the *Government Owned Corporations Act 2001*. Operating under a shareholder model of corporate government, its objectives are to function as efficiently as any corporate business and maximise sustainable returns to government.

The Territory has three government owned corporations: Power and Water Corporation, Territory Generation and Jacana Energy.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving equal value in return. Grants can be either current or capital in nature (see current grants and capital grants).

Grants can be paid as general purpose grants, which refer to grants 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.

Gross state product

Measures the total value of goods and services produced in a state or territory. It can be calculated by measuring expenditure, where it is the sum of state final demand and international and interstate trade, changes in the level of stocks, and a balancing item.

Guarantee

An undertaking to assume responsibility for the debt of, or performance obligations by another party should the party default.

Horizontal fiscal equalisation

A distribution of GST revenue to state and territory governments so, after allowing for material factors affecting revenues and expenditures, each would have the fiscal capacity to provide services and associated infrastructure at a similar standard, if each made the same effort to raise revenue from its own sources, operated at the same level of efficiency and maintained the average per capita net financial worth.

Indemnity

An undertaking to compensate, protect or insure another person or entity against future financial loss, damage or liability.

Inflation

Annual change in the consumer price index. For the purpose of adjusting agency budgets and government fees, the Territory Government generally uses the year-on-year change in the consumer price index.

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 lease repayments and amortisation of discounts or premiums on borrowings.

Intergovernmental Agreement on Federal Financial Relations

An agreement outlining the objectives, principles and institutional arrangements governing financial relations between the Commonwealth and state and territory governments, including Commonwealth funding to states and territories through general revenue assistance, specific purpose payments and national partnership payments.

Inventories

Goods or other property used in the production of goods or services, or held for sale or consumption, but does not include livestock and other regenerative natural resources.

Investments, loans and placements

Surplus cash or funds available that are invested in permitted investment types with the goal of achieving desired financial returns within defined risk tolerance levels.

Key fiscal indicators

Key financial measures that must be specified by government in accordance with the *Fiscal Integrity and Transparency Act 2001*, against which fiscal policy is set and assessed. The fiscal indicators determined by government are derived from fiscal aggregates reported in the Uniform Presentation Framework and AASB 1049.

Labour force

All persons 15 years and over who are available for work, that is, employed plus unemployed persons actively seeking work. Labour force excludes Australian Defence Force personnel and non residents.

Leases

Rights conveyed in a contract or part of a contract to use an asset (the underlying asset) for a period of time in exchange for consideration.

Loans

Debt financial instruments used for the purpose of raising and obtaining funds from financial institutions (or central borrowing authority).

Local Jobs Fund

Funding pool established by the Territory Government to support job creation and accelerate major and significant economic projects for high growth potential Territory businesses through a variety of funding mechanisms such as concessional loans, equity co-investments, and grants.

Minor works

Capital projects of $1 million or less approved to start in the current financial year relating to improvements to or construction of new Territory Government assets.

National funding agreements

Agreements between the Commonwealth and states and territories that contain significant policy content and act as sources of longer-term funding.

Net acquisition/(disposal) of non financial assets

Measuring net capital expenditure for a fiscal year, it equals 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.

Net actuarial gains/losses

Net gains and losses as a result of changes in actuarial assumptions, including those relating to defined benefit superannuation plans, reported in other economic flows in the operating statement.

Net capital investment

Purchases of non financial assets (incorporating the construction of assets) less sales of non financial assets as reported in the comprehensive operating statement.

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 liquidation or repayment of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. These cash flows are 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 disasters.

Net debt

A government's net stock of selected gross financial liabilities less financial assets. A key fiscal aggregate reported in the balance sheet, it equals the sum of deposits held, advances received, loans and other borrowings, less the sum of cash and deposits, advances paid and investments, loans and placements.

Net debt to revenue

Fiscal measure that assesses net debt as a proportion of total revenue. It assesses government's ability to repay its borrowings, with a high ratio indicating a lower ability to repay debt and a low ratio indicating a strong ability to repay debt.

Net exports (also known as trade balance)

The trade balance is the difference between the value of a jurisdiction's exports and imports. When exports exceed imports, the jurisdiction has a trade surplus and, conversely, when imports exceed exports, the jurisdiction has a trade deficit.

Net financial liabilities

Reported in the balance sheet, 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). It equals total liabilities less financial assets, other than equity in public non financial corporations and public financial corporations. For the public non financial corporation and public financial corporation sectors, it is equal to negative net financial worth.

Net financial worth

Reported in the balance sheet, net financial worth measures a government's net holdings of financial assets. It equals total financial assets minus total liabilities.

Net operating balance

Key fiscal aggregate reported in the operating statement, measuring the ongoing sustainability of a government's operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets, and is the component of the change in net worth that is due to transactions attributable directly to government policies. It equals total revenue less total expenses.

Net worth

Provides a 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 non financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as 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-budget sector entity

An entity in which the Territory has a controlling interest. The entity is consolidated at the whole of government level but not presented separately in the Territory's financial reports. Outside the scope of the *Financial Management Act 1995*, it is generally a statutory body that does not meet the definition of a general government sector agency, public non financial corporation or public financial corporation.

Non cash

Transactions that do not involve the inflow or outflow of cash, and are typically attributed to increases or decreases in the value of assets or liabilities. Non cash transactions include depreciation, amortisation, assets gifted for nil consideration and unrealised gains or losses.

Non financial assets

Assets that are not financial assets, predominantly comprising land and other fixed assets.

Non financial public sector

The sector formed through a consolidation of the general government and public non financial corporation sectors.

Non-policy variations

Changes in key fiscal indicators as a result of factors outside government's control, such as the timing of payments or changes in external economic conditions.

Northern Territory Project Development Framework

Framework applied to capital projects that are funded or partially funded by the Territory, where the Territory-funded contribution (either cash or non cash) is $30 million or more. The framework aims to ensure government-facilitated and funded projects are developed, evaluated and progressed in a consistent way to enhance transparency and public accountability, and maximise outcomes and public benefit of government expenditure.

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 classified as 'other non-owner movements in equity'.

Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions, such as revaluations, net actuarial gains and losses, and other changes in the volume of assets.

Other operating expenses

Expenses that generally represent day-to-day running costs incurred in normal operations. They also include total value of goods and services used in production and use of goods acquired for resale.

Other revenue

Revenue other than revenue from taxes, sales of goods and services, and property income. It includes revenue from fines other than penalties imposed by tax authorities.

Other superannuation expenses

Total superannuation expenses from transactions excluding superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are reported in other economic flows.

Own-source revenue

Revenue raised by the Territory, mainly through Territory administered legislation, largely comprising taxes and mining and petroleum royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets.

Parameters

Used to adjust agency budgets. Also referred to as inflators and deflators.

Payables

Liabilities (or amounts owed) that include short and long-term trade debt, accounts payable, accrued expenses, grants and interest payable.

Policy variations

Changes to key fiscal indicators that arise from government decisions to implement new or expand existing agency programs and savings, revenue and contingency measures.

Private investment

Expenditure by producers on fixed assets that are used in the process of production and used repeatedly or continuously for longer than one year. It comprises dwelling investment, ownership transfer costs (fees incurred by the buyer or seller of real estate), non-dwelling construction (industrial, commercial and non-dwelling buildings and other structures such as pipelines and bridges), machinery and equipment, cultivated biological resources (natural resources used repeatedly to produce products such as milk or orchards) and intellectual property products (products as a result of creative activity, research and development and mineral exploration).

Public consumption

Government expenditure on goods and services (including wages and rents). National consumption is a combination of Commonwealth consumption, defence consumption and consumption by universities. State and local government consumption includes all other public consumption.

Public financial corporation

Government-controlled entity that performs a central bank function and has the authority to incur financial liabilities and acquire financial assets in the market on its own behalf.

Public investment

Expenditure by all levels of government on the purchase of fixed assets that are used over a long time period. Most data for public investment is sourced from state and territory government financial reports. Adjustments are made by the Australian Bureau of Statistics to deduct expenditure that is classified as consumption, rather than investment. The Australian Bureau of Statistics' statistical treatment of public investment does not always reconcile with the Territory Government's reporting of investment expenditure and, as a result, is not directly comparable.

Public non financial corporations

Government owned and controlled entities that provide goods and services to consumers on a commercial basis and are funded largely by the sale of these goods and services with the aim to maximise sustainable returns to government. These entities are legally distinguishable from the government that owns them.

Receivables

Assets (or amounts to be received) that include short and long-term trade credit, accounts receivable, prepaid expenses, grants, taxes and interest receivable.

Repairs and maintenance expenses

Expenses incurred to maintain existing government owned assets in working condition or keep an asset functioning at its required capacity. Reported in other operating expenses in the operating statement, it excludes works that enhance an asset significantly or extend its useful life.

Sales of goods and services

Revenue from the direct provision of goods and services, including 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 from operating leases and on assets such as buildings and equipment, but excludes rental income from the use of non-produced assets such as land.

State final demand

A major component of gross state product, and a measure of the demand for goods and services in an economy. While state final demand includes consumption and investment expenditure, it does not include the contribution of trade or changes in inventories to economic growth and therefore is not a comprehensive measure of economic growth.

Statutory bodies

Entities established by or under an Act for a public purpose where there is a need for some operational independence from government. These entities are mainly funded through levies, taxes or grant funding.

Superannuation interest cost

Costs equivalent to interest expense that would be payable if the Territory borrowed funds to extinguish superannuation liabilities related to defined benefit and defined contribution schemes.

Tax equivalents regime

Mechanism used to ensure government business divisions and government owned corporations incur similar tax liabilities to private enterprises. The regime supports competitive neutrality by achieving a greater degree of parity between the cost structures of government-controlled trading entities and the private sector.

Territory-funded expenses

Expenses funded by the Territory from appropriation and payments made from the Central Holding Authority including interest and employee entitlements.

Tied revenue

Revenue received by the Territory that must be used for specific purposes, predominantly through national funding agreements, federation funding agreement schedules, national partnership agreements and specific purpose payments, which are tied with a sector.

Unemployment rate

Number of unemployed persons expressed as a percentage of the labour force.

Uniform Presentation Framework

A framework agreed by the Council on Federal Financial Relations to incorporate AASB 1049. The Uniform Presentation Framework requires Commonwealth, state and territory governments to present a minimum set of budget and financial outcome information based on the government finance statistics, according to an agreed format and specified reporting arrangements. This enables users of the information to make valid comparisons between jurisdictions.

Untied revenue

Revenue received by the Territory that can be used for discretionary purposes. It comprises GST revenue.

Wage price index

A measure of hourly rates of pay over time for a fixed range of jobs. The Australian Bureau of Statistics measures the wage price index at the state and territory level (as well as nationally) and for both the public and private sectors. It excludes non-wage costs such as superannuation, payroll tax and workers compensation.

Whole of government financial report

Financial report prepared by a government in accordance with Australian accounting standards, including AASB 10 *Consolidated Financial Statements* and AASB 127 *Separate Financial Statements*, thereby separately recognising assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.