NORTHERN TERRITORY

2013-14 Mid-Year Report

Northern Territory Government

2013-14
Mid-Year Report

Contents

Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act,* I certify that the financial projections included in the 2013-14 Mid-Year Report are based on Government decisions that I was aware of, or that were made available to me by the Treasurer, before 30 November 2013. The projections are presented in accordance with the Uniform Presentation Framework.

Jodie Kirkman
Under Treasurer

30 November 2013

Chapter 1 Overview

Fiscal Overview

The 2013-14 Mid-Year Report has been prepared in accordance with the *Fiscal Integrity and Transparency Act* (FITA) which requires the Treasurer to prepare and publicly release a mid-year fiscal outlook report each year. The Under Treasurer certifies the accuracy, completeness and reliability of all financial projections and associated information, as required by FITA.

As with all states and territories, the Territory continues to experience constrained revenues combined with ongoing demand growth pressures for services resulting in increasing indebtedness. To address this position, the Government has adopted, as its immediate fiscal objective, the stabilising of debt through the aim of returning the Budget to a fiscal balance surplus.

The May 2013 Budget incorporated a range of fiscal repair measures including savings measures across all government agencies, increases in own-source revenues, and addressing the commercial sustainability of the Power and Water Corporation. The Budget also included the effect of a significant reduction in the Territory's goods and services tax (GST) revenue and the easing of utility tariff increases. Despite these challenges, the Government remains committed to achieving its key fiscal objectives, which underpin its fiscal strategy targets, and aims to return the Territory Budget to surplus by 2017-18.

The 2013-14 Mid-Year Report incorporates updated revenue projections, changes to Commonwealth tied funds and Government decisions that have been made since the May 2013 Budget. The Report also incorporates the effect of the 2012-13 outcome, contained in the 2012-13 Treasurer's Annual Financial Report, on the Budget and Forward Estimates. The key effect of the 2012-13 outcome was a reduction in net debt of $449 million on original budget estimates as a result of an improved fiscal balance outcome together with higher returns on investment.

Apart from the flow-on of the net debt changes, other variations incorporated in the Mid-Year Report are largely offsetting. Therefore, when compared to the May 2013 Budget projections, the fiscal balance position for 2013-14 and over the forward estimates remains largely unchanged.

Table 1.1 sets out the key fiscal aggregates for the general government sector (GGS) and non financial public sector (NFPS) including the 2012-13 outcome and the revised 2013-14 Budget and forward estimates.

Table 1.1: Key Fiscal Aggregates

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
	$M	$M	$M	$M	$M
Net operating balance – GGS	- 101	- 201	- 208	- 94	- 92
Fiscal balance – NFPS	**- 516**	**- 1 181**	**- 349**	**- 235**	**- 175**
Net debt – NFPS	3 132	4 260	4 568	4 781	4 946
Net debt to revenue – NFPS (%)	58	76	81	81	82

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

When compared to May 2013 estimates the fiscal highlights in the Mid-Year Report include:

- the general government operating surplus is improved in 2013-14 due to increased revenues partly offset by the revised timing of Commonwealth-funded expenditure and higher depreciation charges. The higher depreciation charges, which relate to remote Indigenous housing, largely account for the worsening over the forward estimates;
- the non financial public sector fiscal balance remains largely unchanged in all years; and
- net debt and net debt to revenue for the non financial public sector shows improvements in all years reflecting the better than expected 2012-13 outcome.

The largely unchanged fiscal balance position, when compared to the May 2013 Budget is the result of the carryover of expenditure from 2012-13 being offset by additional own-source revenue together with a one-off increase to GST revenue being received in 2013-14 that relates to the 2012-13 financial year.

Further information on the comparison between the estimates contained in this report and those projected at the time of the May 2013 Budget is provided in Chapter 2.

Economic Overview

The Territory economy has continued to rebound following a period of relative weakness in the aftermath of the global financial crisis. In 2012-13, the Territory economy grew by 5.6 per cent, following increases of 1.9 per cent in 2010-11 and 4.5 per cent in 2011-12. The Territory recorded the highest level of economic growth of all states in 2012-13 and above the national rate of 2.6 per cent.

The strengthening Territory economy in 2012-13 was mainly driven by a surge in business investment, reflecting construction work on major resource projects, robust household consumption growth and improvement in the Territory's goods trade surplus.

The outlook is for economic growth to remain buoyant at 5 per cent in 2013-14, increasing to 7 per cent in 2014-15, driven by higher levels of construction activity and household consumption that will more than offset the forecast contraction of public expenditure.

Economic growth is expected to slow in 2015-16 and 2016-17 as construction activity related to the INPEX and Total joint venture Ichthys project passes its peak. As the Ichthys project moves from the construction to the production phase, the export sector is forecast to underpin Territory economic growth from 2016-17.

The Territory's state final demand (SFD) increased by 18.3 per cent in 2012-13. Over the budget and forward estimates period, the Territory's SFD is forecast to decline reflecting the timing of pre-payments for pre-assembled modules that are being constructed overseas for the Ichthys project.

A strengthening in local economic conditions is expected to flow through to stronger growth in population and employment. The Territory's rising population is expected to be driven by increased direct workforce requirements of major projects and indirectly due to increasing levels of economic activity. From 2015-16 onwards, employment is forecast to moderate reflecting the transition of the Ichthys project to the less labour-intensive production phase.

The Darwin consumer price index (CPI) is estimated to increase by 3.9 per cent in 2013 due to increases in utility prices from 1 January 2013, as well as increases in prices of rents, house purchases, transportation, alcohol and tobacco, and the flow-through impact of the carbon tax. Over the forward estimate years, housing costs are expected to be the main contributor to increases in the Darwin CPI. This is consistent with increased levels of economic activity in the

Territory over this period. Over the forward years, the growth in the Darwin CPI is expected to moderate and return to long-term trend levels, averaging 3 per cent between 2014 and 2016.

Table 1.2: Key Economic Indicators, Northern Territory

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
	%	%	%	%	%
Gross state product[2]	5.6	5.0	7.0	4.5	3.9
State final demand	18.3	- 8.5	- 9.0	- 8.2	- 2.3
Employment	2.4	3.0	4.5	1.5	0.5
Population[3]	1.8	2.0	2.5	2.5	1.0
Darwin CPI[4]	2.0	3.9	3.5	3.0	2.5

1 Mid-Year Report reflects actual outcome.
2 Year ended June, year-on-year percentage change, inflation adjusted.
3 As at December, annual percentage change
4 As at December, year-on-year percentage change
Sources: Department of Treasury and Finance; Australian Bureau of Statistics (ABS) Cat. No. 5202.0, 6202.0, 3101.0, 6401.0

Gove Alumina Refinery

At the time of finalising this Report, Rio Tinto announced that it was suspending operations of the Gove alumina refinery, however bauxite operations will continue.

Suspension of refining operations at Gove will result in a reduction of the Territory's economic growth forecasts due to reduced alumina exports and lower consumption due to lower employment and population growth expectations. This would be partially offset through increased bauxite exports and reduction in heavy fuel oil imports. Economic growth forecasts are likely to be affected in 2014-15 and 2015-16.

The effect on the Territory's budget will be dependent on the level of bauxite exports and retention of both workforce and population within Nhulunbuy. The net financial and economic impact will be determined once revised production and export schedules are clarified and employment and population responses are known. As a result, the information contained in this Report excludes any effect of the announcement.

Chapter 2 Updated Fiscal Outlook

This chapter addresses the requirement under section 10(1)(a) of *Fiscal Integrity and Transparency Act* (FITA) that each fiscal outlook report contains updated financial projections for the budget year and the following three financial years for the general government sector and non financial public sector.

In addition this chapter also provides:

- a comparison with the estimates provided in the previous fiscal outlook report, being the May 2013 Budget;
- an assessment of the updated fiscal outlook against the fiscal strategy; and
- updated information on the Statement of Risks.

Updated Fiscal Projections

The May 2013 Budget and forward estimates have been updated to reflect:

- the outcome of the 2012-13 financial year;
- Government decisions since the May 2013 Budget;
- revised Territory revenue estimates including goods and services tax (GST) revenue; and
- a range of other revenue and expense related adjustments, largely due to the revised timing of Commonwealth-funded programs.

Key Fiscal Indicators – Operating Statement

Table 2.1 presents the key general government and non financial public sector operating statement fiscal indicators for 2013-14 through 2016-17, compared to the estimates provided in the May 2013 Budget.

Table 2.1: Key Fiscal Indicators – Operating Statement

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
	$M	$M	$M	$M	$M
General Government Sector					
Net operating balance					
2013-14 Budget	- 88	- 230	- 171	- 62	- 47
2013-14 Mid-Year Report	- 101	- 201	- 208	- 94	- 92
Variation	**- 14**	**29**	**- 38**	**- 33**	**- 45**
Non Financial Public Sector					
Fiscal balance					
2013-14 Budget	- 682	- 1 185	- 351	- 236	- 176
2013-14 Mid-Year Report	- 516	- 1 181	- 349	- 235	- 175
Variation	166	4	2	1	1

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

General Government Sector Net Operating Balance

As shown in Table 2.1, the general government sector operating balance is projected to improve in 2013-14 when compared to the May 2013 Budget, but has worsened in all forward years.

The improvement in 2013-14 is largely due to one-off revenue increases. The lower operating result in forward years is primarily due to the inclusion of depreciation, a non cash expense, of around $46 million as a result of the completion of housing stock in remote areas under the Remote Indigenous Housing program. In the absence of this non cash expense, the underlying operating balance would have improved in all years.

The net operating balance is projected to be in a deficit position in all years and, while trending towards improvement, is estimated to be a deficit of $92 million at the end of 2016-17. This is a result of ongoing constrained revenues and increasing demand pressures, compounded by the significant reduction in the Territory's GST revenue following the Commonwealth Grants Commission's (CGC) February 2013 update of relativities. As reported in the May 2013 Budget, the CGC outcome resulted in projected GST reductions in excess of $100 million per annum from 2013-14.

Non Financial Public Sector Fiscal Balance

The fiscal balance is driven by the same factors influencing the general government operating balance. However, the fiscal balance does not include depreciation, but instead includes capital payments and receipts. The underlying improvement in the operating balance, once depreciation is removed, is offset by the revised timing of capital payments, resulting in the fiscal balance estimates for the non financial public sector remaining largely unchanged in all years when compared to the May 2013 Budget.

As shown in table 2.1, the fiscal balance deficit is projected to peak at $1.181 billion in 2013-14 before trending to improvement with a deficit of $175 million estimated in 2016-17. The key offsetting revenue and expense-related variations that have contributed to the movements in the fiscal balance are described in more detail below.

Revenue

Table 2.2: Non Financial Public Sector – Revenue

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
	$M	$M	$M	$M	$M
Revenue					
2013-14 Budget	5 382	5 504	5 587	5 825	5 965
2013-14 Mid-Year Report	5 412	5 627	5 630	5 875	5 999
Variation	30	123	43	50	34

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

Since the May 2013 Budget, operating revenue has increased in all years as shown in Table 2.2. The main changes relate to the upward revision to taxation revenue estimates and Commonwealth tied revenues across all the forward years. Average total operating revenue is projected to grow by 2.2 per cent (compared to 2.7 per cent at the time of the May 2013 Budget) over the forward estimates, from $5627 million in 2013-14 to $5999 million in 2016-17.

GST Revenue

The parameters that influence the amount of GST revenue the Territory receives are national GST collections, GST relativities as assessed by the CGC and the Territory's share of the national population.

In 2013-14, it is estimated that the Territory will receive $2824 million in GST revenue, $19 million higher than estimated at the time of the May 2013 Budget. The upward revision reflects an increase in actual GST receipts in 2012-13, being $361 million higher than the Commonwealth had projected in its 2013 Budget. The Territory's share of this amount is $20 million, and is to be paid to the Territory in 2013-14.

Although actual receipts exceeded the Commonwealth's expectations, they were marginally lower than those projected in the Territory Budget. As a result, while estimates of growth in national GST collections for 2013-14 have remained unchanged from the May 2013 Budget, growth is off the lower base. As such, the estimates of national GST collections in 2013-14 and over the forward estimates period are slightly lower than that predicted at Budget time.

The Territory's estimates of growth in the Territory population remain unchanged from the May 2013 Budget. However, the Territory's estimates of its share of the national population have increased marginally following the release of the Australian Bureau of Statistics' latest population estimates, which show a higher base population for the Territory in 2012-13.

The CGC is responsible for determining GST relativities for the purpose of distributing GST revenues between the states and territories. GST relativities are updated once a year and, as such, the relativities used to distribute GST revenue between the states remain unchanged since the May 2013 Budget.

When taking all of these factors into account, Table 2.3 represents the changes in the Territory's GST revenue projections since the May 2013 Budget.

Table 2.3: Territory's GST Revenue

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
	$M	$M	$M	$M	$M
Territory's GST Revenue					
2013-14 Budget	2 821	2 805	2 972	3 149	3 289
2013-14 Mid-Year Report	2 793	2 824	2 971	3 147	3 287
Variation	**- 28**	**19**	**- 1**	**- 2**	**- 2**

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

Table 2.3 highlights that over the forward years the Territory's projected GST revenue remains largely unchanged from Budget time estimates. When the timing effect of the $20 million payment is removed, the Territory is expected to receive less in 2013-14 than in the preceding year. This follows the CGC's report on GST Revenue Sharing Relativities 2013 Update which resulted in projected revenue reductions of in excess of $117 million in 2013-14, rising to $147 million in 2016-17.

Taxation Revenue

Taxation revenue is the most significant component of the Territory's own-source revenue and is predicted to increase in all years compared with May 2013 Budget projections.

This increase in taxation revenues is largely attributable to increases in payroll tax collected as a result of employment and wages growth, particularly among the larger employers making up the Territory's payroll tax base.

In 2013-14, collections to date have been higher than anticipated and, as a result, payroll tax estimates have been revised up by $15 million. Collections are expected to continue improving from 2013-14 in line with improved economic conditions, resulting in a flow-on increase across the forward years.

Year to date collections in stamp duty on insurance ($6 million) and motor vehicle registration fees ($6 million) have also contributed to the upward revision of revenue estimates.

Tied Commonwealth Funding

The remaining change in revenue estimates since the May 2013 Budget predominantly relates to tied Commonwealth funding, which has increased by $47.3 million in 2013-14 due to the revised timing of, and additional funding for, NT Jobs Package for Municipal and Essential Services, various programs under the Stronger Futures Package, Trade Training Centres, and the Heavy Vehicle Safety and Productivity program. The main contributors to the increase in tied funding over the forward estimates are additional funding for the Stronger Futures Package, National Critical Care Trauma Response Centre, Rum Jungle Mines Site Stage 2, and NT Jobs Package for Municipal and Essential Services. These tied funding adjustments tend not to affect the fiscal outcome over time as increases in revenue are matched by a corresponding increase in expenditure, although timing differences may affect the outcome in particular years, as occurred at the end of 2012-13.

Operating Expenses and Net Capital payments

Table 2.4: Non Financial Public Sector – Operating expenses and Net Capital payments

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
	$M	$M	$M	$M	$M
Operating expenses					
2013-14 Budget	5 505	5 712	5 753	5 887	6 017
2013-14 Mid-Year Report	5 442	5 805	5 831	5 968	6 096
Variation	- 63	93	79	80	78
Net capital payments					
2013-14 Budget	559	977	185	173	123
2013-14 Mid-Year Report	486	1 002	148	142	78
Variation	- 73	26	- 37	- 31	- 45

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

Total operating expenses are $5805 million in 2013-14 and projected to grow on average by 1.6 per cent over the forward estimates to $6096 million in 2016-17. This compares to 1.8 per cent growth at the time of the May 2013 Budget and remains below revenue growth over the same period. In all years the growth in operating expenses incorporates the effect of parameters which are unchanged from the May 2013 Budget and are:

- wages-inflator;
- CPI-inflator; and
- efficiency dividend-deflator.

Notwithstanding the lower growth in expenses since the May 2013 Budget, operating expenses have increased in all forward years. Although not contributing to the fiscal balance outcome, the increase since the May 2013 Budget is predominantly reflective of the inclusion of additional depreciation expense and follows the completion of a significant number of remote dwellings during 2012-13. In addition, expenses have increased as a result of adjustments to match the increases in tied Commonwealth funding.

For 2013-14, the increase is more pronounced due to the carryover of expenditure from 2012-13 related to the timing of delivery of Commonwealth-funded programs. In all years, the growth in operating expenses is moderated by the continuing effect of efficiency and reprioritisation measures on overall spending levels.

The growth in expenses also incorporates additional policy decisions made since the May 2013 Budget. Although offset by additional revenues, these decisions primarily relate to the realignment of Department of Education budget measures, the new Tiwi Island Ferry Service and the Container Legislation Deposit Scheme.

Net capital payments have decreased in all forward years since the May 2013 Budget due to removing the effect of the increase in depreciation for remote Indigenous housing dwellings, but have been revised upwards in 2013-14 reflecting the revised timing of Commonwealth-funded capital programs. Consistent with the May 2013 Budget, net capital payments continue to decrease over the forward estimates as private sector investment increases as a result of major projects.

Consolidated Table of Changes since May 2013

Table 2.5 sets out changes since the May 2013 Budget in the fiscal balance for 2013-14 for the non financial public sector. Variations are categorised into policy and non policy variations. Policy variations are the result of Government decisions to implement or expand agency programs. Non policy variations are either due to influences outside the Government's control, such as the timing of receipts from the Commonwealth, or changes in economic parameters.

Table 2.5: Variations to the Non Financial Public Sector's Fiscal Balance since May 2013

	2013-14
	$M
2013-14 BUDGET	- 1 185.0
REVENUE	
Revenue – non policy	
Taxation	26.2
GST revenue	19.0
Timing of new/expanded Commonwealth revenue	47.3
Interest income	4.6
Agency own-source revenue	- 3.6
Income tax and dividends	4.5
Other revenue	24.9
Total revenue – non policy	122.9
OPERATING EXPENSES	
Expenses – policy	
Policy decisions	25.1
Total expenses – policy	25.1
Expenses – non policy	
Commonwealth payments and transfers between years and to capital	18.7
Interest	3.7
Depreciation	45.6
Total expenses – non policy	68.0
TOTAL OPERATING EXPENSES	93.1
Net capital payments	
Commonwealth payments and transfers between years and to capital	56.9
Sales	- 2.5
Depreciation	- 45.6
Higher capital works expenditure	16.8
Total net capital payments	25.6
TOTAL EXPENSES	118.7
TOTAL VARIATION	4.2
2013-14 REVISED BUDGET	- 1 180.8

Source: Department of Treasury and Finance

Since May 2013, a number of largely offsetting policy and non policy-related increases to revenue and expenses in 2013-14 have resulted in the fiscal outcomes being generally consistent with those estimated in the May 2013 Budget.

The non financial public sector revenue has increased by $122.9 million since the May 2013 Budget and total expenses have increased by $118.7 million. The main revenue variations since the May 2013 Budget are:

- an increase in taxation revenue of $26.2 million, which is largely attributed to increased payroll tax ($15 million) as a result of employment and wages growth, particularly among the larger employers making up the Territory's payroll tax base, together with stamp duty collections on insurance and motor vehicles ($12 million);
- an additional $19 million in GST revenue compared to the May 2013 Budget largely due to a one-off $20 million payment being made in 2013-14 related to the 2012-13 final national GST collections;
- revised timing of Commonwealth National Partnership (NP) and Specific Purpose Payments (SPP) revenue ($47.3 million higher); and
- a one-off increase in other revenue totalling $24.9 million.

Non financial public sector operating expenses have increased since the May 2013 Budget by $93.1 million.

The key policy and non policy expenses variations in 2013-14 are:

- policy decisions approved by Government since the May 2013 Budget totalling $25.1 million. New initiatives include additional funding for the Department of Education, the new Tiwi Island Ferry Service and the Container Legislation Deposit Scheme;
- Commonwealth payments and transfer between years and to capital of $18.7 million largely related to the timing of the delivery of Commonwealth-funded programs including the Municipal and Essential Services job package, various programs under the Stronger Futures Package and transitional funding for homelessness programs previously funded under the National Partnership Agreement on Homelessness; and
- higher depreciation charges ($45.6 million) related to completed remote Indigenous housing dwellings.

Net capital spending has increased by $25.6 million, with the variations to net capital spending including:

- Commonwealth payments and transfers between years and to capital of $56.9 million largely related to the timing of the delivery of Commonwealth-funded programs including the Remote Indigenous Housing program ($24 million), Heavy Vehicle Safety and Productivity program ($6 million), Trade Training Centres and capital activities for Indigenous Early Childhood Development ($14.6 million);
- $2.5 million lower than expected sales of non financial assets commensurate with the revised sales program for NT Fleet vehicles;
- $16.8 million higher than budgeted purchases of non financial assets due to a reprioritisation and realignment in the timing of a number of capital works projects across government; offset by
- the effect of additional depreciation of $45.6 million for remote Indigenous housing dwellings.

Key Fiscal Indicators – Balance Sheet

Table 2.6: Non Financial Public Sector – Net Debt and Net Debt to Revenue Ratio

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
Net debt ($M)					
2013-14 Budget	3 278	4 417	4 730	4 944	5 113
2013-14 Mid-Year Report	3 132	4 260	4 568	4 781	4 946
Variation	- 146	- 157	- 162	- 163	- 167
Net debt to revenue (%)					
2013-14 Budget	61	80	85	85	86
2013-14 Mid-Year Report	58	76	81	81	82
Variation	- 3	- 5	- 4	- 3	- 3

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

As shown in Table 2.6, net debt and net debt to revenue are still projected to increase over the forward estimate period but there have been modest improvements to the projected outcomes since the May 2013 Budget. The improvement is reflective of the better than expected 2012-13 outcome, a $166 million improvement to the Fiscal Balance on the estimate projected in the May 2013 Budget. The improvement has flowed through to the forward estimates with net debt projected to be $4946 million at the end of 2016-17, a $167 million improvement on the May 2013 Budget. Flowing on from the improvement in net debt, the net debt to revenue is expected to be 82 per cent compared to 86 per cent projected in the May 2013 Budget.

Assessment of Updated Fiscal Outlook against the Fiscal Strategy

This section addresses the requirement under section 10(1)(g) of FITA that each fiscal outlook report is to contain an explanation of the factors and considerations that contribute to any material differences between the updated financial projections and the expected outcomes for the key fiscal indicators as specified in the Government's fiscal strategy statement.

The fiscal strategy is an important element in setting out and measuring adherence to a government's fiscal objectives. The Territory's fiscal strategy was revised in the May 2013 Budget with the primary aim being to return the Territory Budget to a sustainable financial position by 2017-18. The strategy was developed against a background of a deteriorating fiscal position evidenced by the emergence of operating deficits, increased annual borrowing requirements and rising debt. The analysis in this chapter provides an assessment of the 2013-14 Mid-Year Report against the Government's fiscal strategy, medium term objectives, and key fiscal indicators as set out in the May 2013 Budget.

Key Fiscal target: by 2017-18 the fiscal imbalance in the Territory's non financial public sector is to be eliminated

Table 2.7: Non Financial Public Sector – Fiscal Balance

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
	$M	$M	$M	$M	$M
Fiscal balance					
2013-14 Budget	- 682	- 1 185	- 351	- 236	- 176
2013-14 Mid-Year Report	- 516	- 1 181	- 349	- 235	- 175
Variation	166	4	2	1	1

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

The Government has adopted, as its immediate fiscal objective, the stabilising of the Territory's debt burden by targeting the elimination of the overall fiscal deficit in the non financial public sector by 2017-18.

Table 2.7 shows the significant improvement of $166 million in the 2012-13 outcome against the $682 million fiscal deficit projection in the May 2013 Budget. It also shows that the deficit is reducing over the forward years.

Notwithstanding the improvement in 2012-13, the fiscal projections for 2013-14 and the forward estimate period are broadly consistent with those estimated in the May 2013 Budget with the 2016-17 fiscal balance projected to be a $175 million deficit. To achieve the elimination of the deficit by the end of 2017-18 will require additional revenue and/or additional efficiency measures.

Associated fiscal outcome: by 2016-17, the Territory's general government sector is achieving a net operating surplus

Table 2.8: General Government Sector – Net Operating Balance

	2012-13[1]	2013-14	2014-15	2015-16	2016-17
	$M	$M	$M	$M	$M
Net operating balance					
2013-14 Budget	- 88	- 230	- 171	- 62	- 47
2013-14 Mid-Year Report	- 101	- 201	- 208	- 94	- 92
Variation	**- 14**	**29**	**- 38**	**- 33**	**- 45**

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

As shown in Table 2.8, the general government sector operating balance is projected to improve in 2013-14 when compared to the May 2013 Budget, but the deficit has increased in all years from 2013-14 and remains in a deficit position of $92 million at the end of 2016-17.

The improvement in 2013-14 is due to increased revenue only partly offset by revised timing of Commonwealth-funded expenditure and higher depreciation charges. The worsening over the forward estimates is largely as a result of the higher depreciation charges relating to remote Indigenous housing. In the absence of this non cash expense the operating balance would have improved in all years.

As with the projected fiscal balance deficit for 2016-17, in the absence of any additional revenues, further budget improvement measures will be required to achieve this element of the strategy.

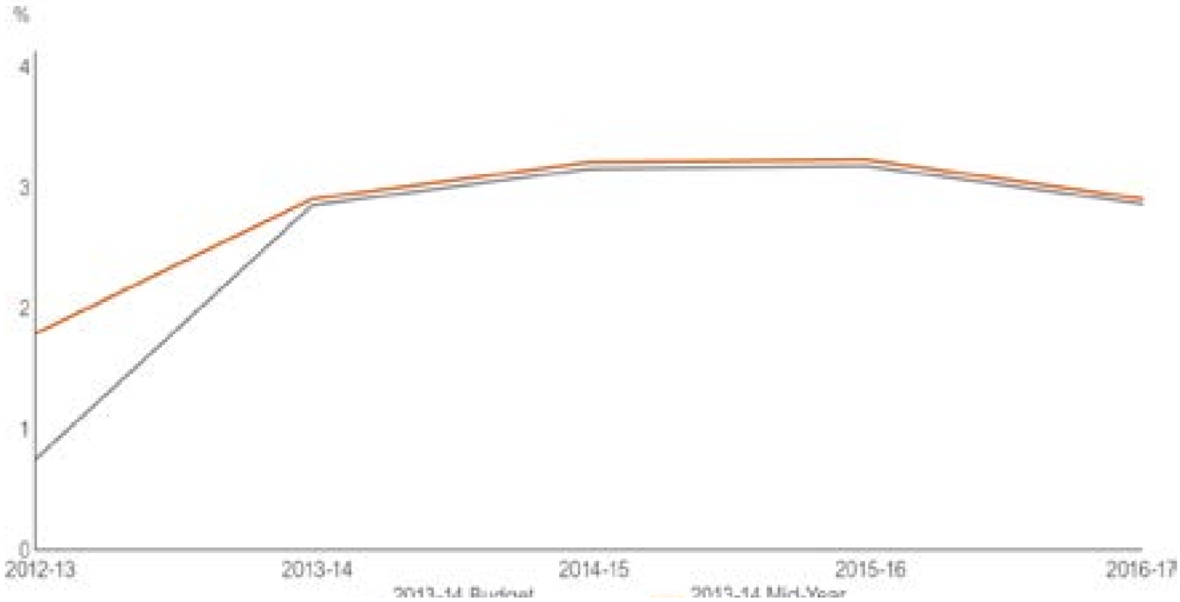
Associated fiscal outcome: by 2016-17, taxation effort in the Territory's general government sector is more on par with the average effort of the states

This measure is a lagging indicator in that the CGC updates the information annually in February based on financial data from two years ago. As such, the Territory's revenue effort remains at 78 per cent as presented in the May 2013 Budget. However, the policy changes of re-targeting home assistance stamp duty measures together with increases in motor vehicle registration fees implemented in 2012-13 mean that future CGC assessments of the Territory's taxation effort should be higher, reflecting an increase in effort that is closer to being on par with the average of the states.

This measure for 2012-13 will not be known until amended by the CGC in its February 2014 update.

Associated fiscal outcome: by 2016-17, the Territory's government owned corporation is moving towards commercial rates of return on capital employed

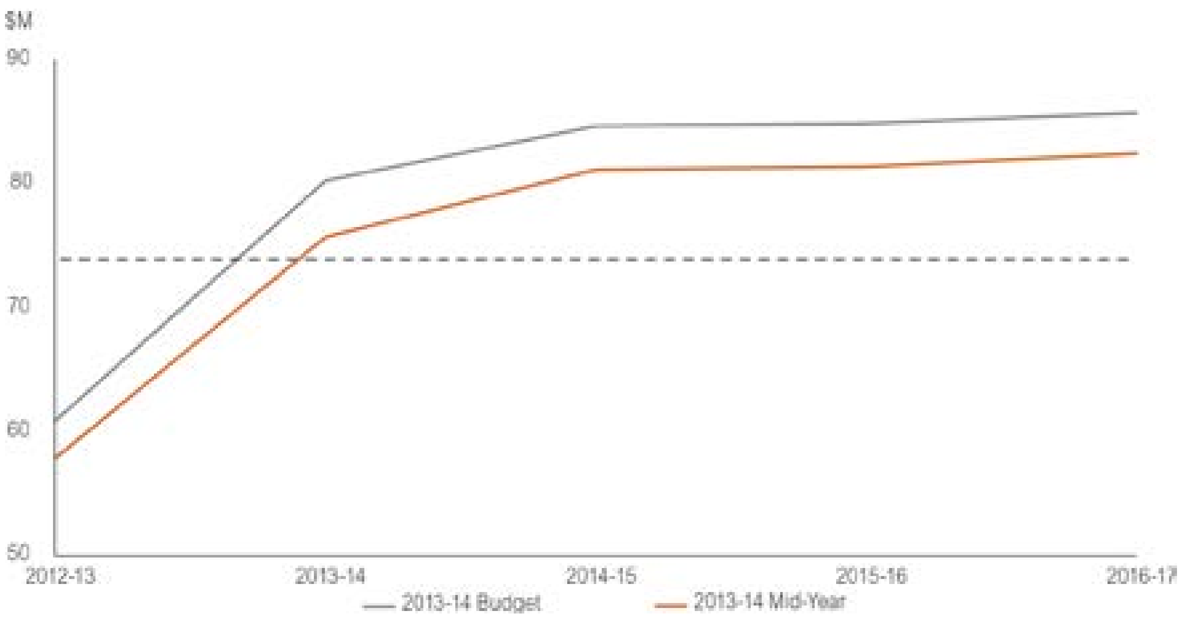
Chart 2.1: Pre-Tax Annual Rate of Return for the Power and Water Corporation



As Chart 2.1 shows, the increases in electricity, water and sewerage tariffs implemented from 1 January 2013, combined with reduced operating and capital costs by Power and Water Corporation (PWC), have resulted in an improved return on assets when compared to the May 2013 Budget. The final 2012-13 outcome of 1.79 per cent represents a 1.04 percentage point improvement on the May 2013 Budget. Estimates contained in PWC's 2013-14 Statement of Corporate Intent project modest improvements over forward years and remain unchanged since the May 2013 Budget. However, further improvements are still required to achieve a commercial rate of return of around 6 per cent by 2016-17.

Associated fiscal outcome: by 2020, the Territory's non financial public sector net debt as a percentage of revenue is returning towards 60 per cent

Chart 2.2: Non Financial Public Sector – Net Debt to Revenue



As shown in Chart 2.2, the net debt to revenue ratio for the non financial public sector at the end of 2012-13 is currently 58 per cent, a modest improvement of 3 percentage points from that projected in the May 2013 Budget.

Net debt and net debt to revenue are still projected to increase over the forward estimate period but the projections have improved since the May 2013 Budget. The improvement is reflective of the better than expected 2012-13 outcome, with the net debt to revenue ratio now expected to be 82 per cent compared to 86 per cent projected in the May 2013 Budget.

Conclusion

Overall, despite the continued effects of constrained revenues in the general government sector and ongoing demand for increased services, the updated projections continue to maintain an improving trend towards the key fiscal objective of eliminating the fiscal deficit by 2017-18. The gains made by Government are also evidenced by the improved 2012-13 outcome. Notwithstanding, as a result of the projected deficits in all years, net debt and net debt to revenue ratio continue on an upward path, albeit at a lower rate than projected in the May 2013 Budget.

Until revenue returns to historical growth levels, the challenge over the forward years will be to limit growth in future spending in order to achieve a fiscal balance by 2017-18.

Risks to the Updated Financial Projections

As required under section 10(1)(e) of FITA, each fiscal outlook report is required to contain 'a statement of the risks, quantified as far as practicable, that could materially affect the updated financial projections, including any contingent liabilities and any Government negotiations that have yet to be finalised'.

This section outlines the potential effect of risks to the Budget due to changes in revenue and expense estimates and the likelihood of contingent liabilities becoming actual liabilities. Any changes in risks or liabilities that are apparent since the May 2013 Budget are also identified.

Revenue

Goods and Services Tax Revenue

GST revenue continues to be the Territory's most significant revenue source, accounting for around 50 per cent of total Territory revenue. Volatility in GST revenue is the main revenue risk for the Territory. Changes in GST revenue estimates can significantly impact the Territory's budget outcome and capacity to deliver government services.

There are three parameters which determine the Territory's GST entitlement: national GST collections, the Territory's share of the national population and GST relativities as recommended by the CGC. There are many variables that influence each of these parameters, adding to the complexity of forecasting GST revenue to the Territory over the forward estimates period.

National GST Collections

The Territory's estimates of national GST collections in 2013-14 and over the forward estimates period are informed by the Commonwealth's most recent published advice and national economic indicators.

Forecast growth in national GST collections for 2013-14 onwards remain unchanged from those included in the May 2013 Budget, notwithstanding from a slightly lower 2012-13 base.

The Territory's GST revenue is directly impacted by variations in national GST collections. A ±1 per cent change in the GST pool growth rate is estimated to have a ±$27 million impact on the Territory's GST revenue in 2013-14. If variations of this size occurred in each of the budget and forward estimates years, the cumulative impact on Territory GST revenue would be ±$301 million by 2016-17.

Territory's Share of National Population

The Territory's population growth rate is expected to increase from 2013 with construction associated with major projects such as the INPEX workers' village and processing facilities, but then decline in 2016 as the construction phase of these projects nears completion. Leading up to 2016, the Territory's population growth rate is above the national average growth rate. As a consequence, the Territory's share of the national population is expected to increase over the forward estimates period up to 2016, before declining slightly.

Estimates of the Territory's population growth relative to the national average influence the Territory's share of the national population, and therefore impact on forecasts of the Territory's GST revenue. The effect of a ±1 percentage point variation in the Territory's forecast population growth is estimated at ±$26 million in 2013-14, all other things being equal. The cumulative impact of a ±1 percentage point variation in the estimate of the Territory's population growth rate over the budget and forward estimates period is about ±$292 million by 2016-17.

GST Relativities

The CGC is responsible for determining GST relativities for the purpose of distributing GST revenues between the states and territories. GST relativities are updated each year; however, the CGC does not forecast relativities for forward years. The recommended relativities used to distribute GST revenue between the states in 2013-14 remain unchanged since the May 2013 Budget, with the Territory having a recommended GST relativity of 5.31414.

Due to the complexity and the large number of variables that are used to determine GST relativities, the Territory's budget forecasts hold relativities constant over the forward estimates period. As such, any adverse change in the Territory's future GST relativity as a result of the CGC's annual update process could have a significant impact on the Territory's budget outcome.

The approximate impact of a 1 per cent variation in the Territory's GST relativity is ±$26 million with a cumulative impact over the forward estimates period of ±$115 million.

Other Commonwealth Grants and Subsidies

Commonwealth funding is provided under either the Intergovernmental Agreement on Federal Financial Relations (IGA) through SPPs, National Health Reform (NHR) payments and NP payments, or through Commonwealth Own Purpose Expenses (COPE) provided directly to agencies. The IGA affords flexibility of expenditure across the relevant sector for the SPPs (which in 2013-14 are provided for the education, skills and workforce, disability and housing sectors) without input controls, matching and maintenance of effort requirements. These payments are not time-limited and are indexed on a sector-specific basis. These arrangements provide a degree of certainty for the Territory's budgeting, although adequacy of indexation in terms of capturing cost growth remains an ongoing risk.

From July 2012, NHR payments replaced the National Healthcare SPP. For 2012-13 and 2013-14, NHR payments will be equivalent to the amount that would have been paid under the previous Healthcare SPP. From 2014-15, NHR payments will be comprised of activity-based funding, which will respond to changes in activity levels and the cost of public hospital services, and block funding for smaller hospitals in recognition of their circumstances. As with many national agreements, there remains a risk that the Territory's circumstances will not be adequately recognised in the funding arrangements.

While an improvement on previous funding agreements, and although less prescriptive than COPE funding agreements, NP agreements continue to contain many risks to states including co-investment, input controls, application of national costs, burdensome reporting and administrative arrangements, and potential withdrawal of seed funding. Expiry of NP agreements (which by nature are time-limited) also pose a potential risk to the Territory's Budget, particularly where funding has raised the service delivery expectations of the public. In addition, timing of Commonwealth decisions regarding treatment of expiring NPs and their funding is also critical to ensure continuity in delivery or to allow for alternative approaches to be considered should funding not be available. Furthermore, at the time of this report, the Territory has not signed up to the National Education Reform Agreement and, as such, the issue of Commonwealth funding for schools for 2014-15 and over the forward estimates remains unclear at this time.

With the potential budget issues prevailing at the Commonwealth level, there is a further risk to all state and territory tied and untied agreements of reduced funding levels if these funds are used to achieve revised priorities of the Commonwealth.

While the risks related to SPPs, NHR payments, NPs and COPEs cannot be quantified, they remain unchanged from the time of the May 2013 Budget.

Own-Source Revenue

The amount of revenue received from Territory taxes and royalties is dependent on the performance of the Territory economy and other external factors. Forecasting such revenue involves judgments and assumptions being made about the performance of the various economic factors and indicators that impact directly on Territory taxes and royalties, such as growth in wages, employment, average hours worked, prices, market activity and exchange rates.

It is difficult to accurately predict revenue collections into the future, particularly for the later years of the forward estimates. The most difficult source of revenue to forecast is mining royalty revenue because it is influenced by a number of factors including mineral price, production levels and exchange rate conditions.

Mining revenue forecasts rely mainly on advice from mining companies of their expected liability for the financial year. Unpredicted market changes in mineral prices, production or exchange rates will have a material impact on this forecast.

Forecasting conveyance stamp duty is also difficult because it is linked to activity in the property market. For example, there was strong growth in residential property market activity prior to 2010-11, followed by a slowing in transaction volumes in 2011, with significant recovery of transaction volumes in 2012. In 2013, the recovery in activity includes an increase in average transaction values. The extent and timing of any market changes or growth or decline in property prices or transaction levels is difficult to predict and can have a significant impact on conveyance duty collections. In addition, the Territory has a relatively small conveyance duty base that includes valuable commercial properties including pastoral properties and mining projects. These factors introduce significant variability in collections as a result of the impact of the duty collected from large commercial transactions.

In total, a variation of ±1 per cent to the parameters used to forecast Territory taxes and royalties would affect revenue by about $6 million for 2013-14.

A range of agency revenue measures, including increases in fees and charges across government, were factored in the May 2013 Budget and forward estimates. The risk to the budget outcome will be influenced to the extent that these measures are not realised.

Expenses and Payments

The forward estimates for expenses are based on known policy decisions with adjustments for non policy changes.

The parameter for wages growth in all forward years is 3 per cent, which has remained unchanged, with a revised consumer price index of 2 per cent for 2013-14 and 2.5 per cent for all forward years. The efficiency dividend remains unchanged in 2013-14 and all forward years at 1 per cent.

The most significant risk to the expense estimates is increasing budget pressure due to increased cost and demand influences. Furthermore, a range of agency savings initiatives have been factored in the May 2013 Budget and forward estimates. The risk to the budget outcome will be influenced to the extent that these measures are not achieved.

In addition, future enterprise bargaining agreements represent a risk to the Budget if the outcome of negotiations is over and above amounts currently factored into the forward estimates.

There are also risks of increasing costs associated with planned future capital projects. These need to be considered based on recent construction industry indications that project costs could increase by around 10 per cent in line with expected increases in industry wages.

In accordance with FITA, the May 2013 Budget includes forward estimates up to 2016-17. There is the potential for fiscal aggregates beyond the forward estimates period to be affected by existing commitments. These could either take the form of recurrent costs that are not expected to crystallise until later in the forward estimates period, recurrent initiatives that roll out over time and have therefore not yet reached their peak of funding, or capital infrastructure for which the associated recurrent costs are not fully incorporated into forward years as their completion falls either close to or outside of the forward estimates period.

Power and Water Corporation

Increases in electricity, water and sewerage tariffs combined with reduced operating and capital costs of PWC, which form the basis of its 2013-14 Statement of Corporate Intent, have been factored into the May 2013 Budget and forward estimates. The extent to which PWC is unable to successfully implement these improvement measures represents an ongoing risk to the Budget.

Contingent Liabilities

Contingent Liabilities are potential future costs to Government that may arise from guarantees, indemnities, legal and contractual claims as they constitute a risk to the Territory's financial position. The Territory's contingent liabilities remain unchanged from the May 2013 Budget.

For more information on Contingent Liabilities, refer to Chapter 4 in the May 2013 Budget Paper No. 2: Budget Strategy and Outlook and to the 2012-13 Treasurer's Annual Financial Report.

Chapter 3 Economic Outlook

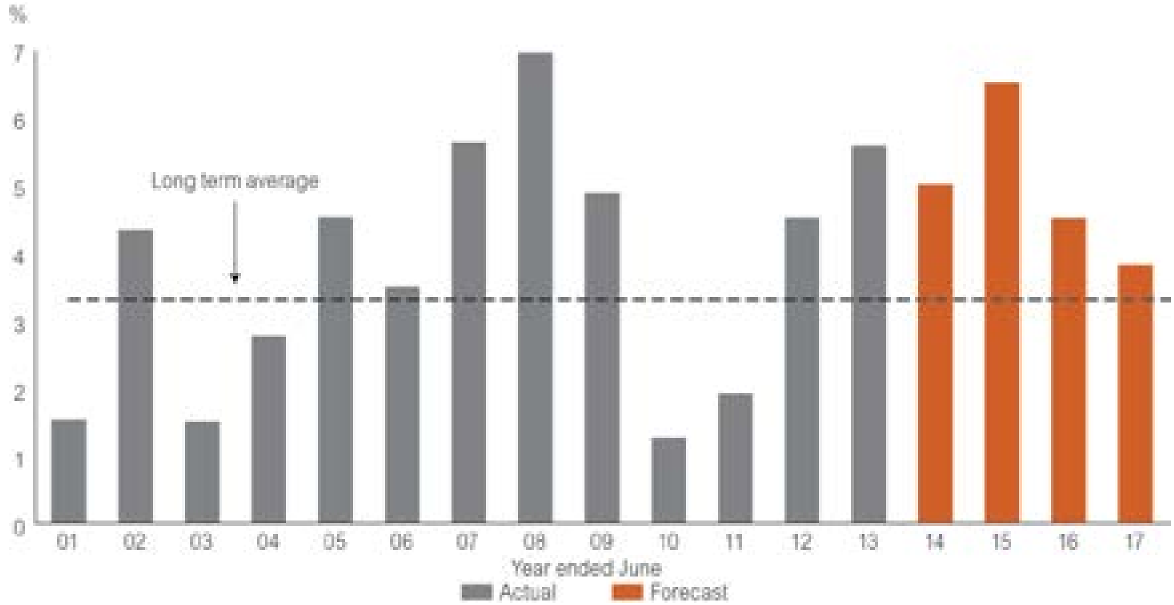
Economic Growth

In 2012-13, the Territory economy grew by 5.6 per cent. This was higher than anticipated at the time of the May 2013 Budget due to stronger than expected growth in household consumption and a larger than expected trade surplus. These factors, combined with an increase in business investment, were the main contributors to the strong result in 2012-13.

The Territory's economic projections contained in the Mid-Year Report only incorporate known projects that have a confirmed final investment decision. The Territory economy is forecast to expand at a robust pace over the next two years, underpinned by stronger private final demand related to the construction work on the $34 billion Ichthys project, of which an estimated $13 billion is expected to be spent on on-shore facilities in the Territory. The Territory's gross state product (GSP) is forecast to increase by 5 per cent in 2013-14 and 7 per cent in 2014-15, above the long-run average rate of 3.3 per cent (Figure 3.1).

As the Ichthys project passes peak construction, the Territory's headline growth is expected to moderate to 4.5 per cent in 2015-16. In 2016-17, the forecast growth in the Territory economy of 3.9 per cent is expected to be underpinned by a significant increase in exports resulting from the expected commencement of liquefied natural gas (LNG) production from the Ichthys plant located at Blaydin Point.

Figure 3.1: Year-On-Year Growth in the Territory's Gross State Product, Inflation Adjusted



Source: Department of Treasury and Finance; ABS Cat No 5202.0

State final demand (SFD) is forecast to decline over the budget and forward estimates period reflecting the timing of pre-payments for pre-assembled modules for the Ichthys project. However, the assumed profile of the pre-payments has been revised and the forecast decline in SFD is not anticipated to be as pronounced as forecast in the May 2013 Budget.

Progress payments are netted off through a balancing adjustment in the Territory's GSP. As such, the Territory's GSP is forecast to show a more orderly growth pattern over the budget and forward years that reflects the increase in construction activity on the Ichthys project peaking in 2014-15 before moderating from 2015-16 onwards as the project transitions to the production phase.

Table 3.1 compares the forecasts of key economic indicators in the May 2013 Budget and Mid-Year Report.

Table 3.1: Key Economic Forecast, Northern Territory

	2012-13	2013-14		2014-15		2015-16		2016-17	
	Actual	Budget	MYR	Budget	MYR	Budget	MYR	Budget	MYR
	%	%	%	%	%	%	%	%	%
GSP[1]	5.6	5.0	5.0	7.0	7.0	4.5	4.5	3.9	3.9
SFD	18.3	- 15.3	- 8.5	- 7.6	- 9.0	- 4.2	- 8.2	- 3.7	- 2.3
Employment	2.4	3.0	3.0	4.5	4.5	1.5	1.5	0.5	0.5
Population[2]	1.8	2.0	2.0	2.5	2.5	2.5	2.5	1.0	1.0
Darwin CPI[3]	2.0	3.9	3.9	3.5	3.5	3.0	3.0	2.5	2.5

1 Year ended June, year-on-year percentage change, inflation adjusted.
2 As at December, annual percentage change.
3 As at December, year-on-year percentage change.
Source: Department of Treasury and Finance; ABS Cat. No. 5202.0, 6202.0, 3101.0, 6401.0

Household Consumption

Household consumption increased by 6.2 per cent in 2012-13, the highest growth rate of all states and above the national rate of 1.8 per cent. Increased household spending on essential items such as food, rent, utility services and health were the main contributors to growth in 2012-13.

In addition, the Territory recorded a positive net interstate expenditure in 2012-13, the first time this has occurred since the Australian Bureau of Statistics (ABS) time series on Territory GSP data began. Net interstate expenditure is the difference between the estimated level of expenditure by Territory travellers in other states and spending by interstate travellers in the Territory.

Real household spending on discretionary items detracted from household consumption in 2012-13, with the largest declines in spending on recreation and culture, furnishings and household equipment, and hotels, cafes and restaurants.

Recent improvements in retail turnover following a prolonged period of subdued growth suggest that activity is improving. However, this continues to be primarily driven by household spending on essential items.

Household consumption is expected to mirror trends in the broader economy, supported by population growth.

Private Investment

Private investment increased by 62.2 per cent in 2012-13 following record levels of engineering construction expenditure associated with major projects, including the Ichthys project, the Montara oilfield development, expansion at McArthur River zinc-lead and GEMCO manganese mines, the Marine Supply Base and the Darwin Correctional Precinct.

Business investment is expected to decline over the Budget and forward estimates period, but remain at historically elevated levels. The forecast decrease in business investment reflects declining levels of pre-payments overseas and interstate for pre-assembled modules required for the Ichthys project between 2012-13 and 2014-15. This is expected to be partly offset by an increase in engineering work done on the Ichthys Blaydin Point site over this period.

Since the May 2013 Budget, business investment forecasts have been revised to reflect a change in the assumed profile of pre-payments for the pre-assembled modules required for the Ichthys project as noted above.

Private dwelling investment is expected to remain at elevated levels in 2013-14 supported by land release and development of several new suburbs and subdivisions in Darwin and Palmerston, and robust population and employment growth.

Public Expenditure

Public expenditure declined by 5.6 per cent in 2012-13, as capital expenditure by the Territory and Commonwealth governments retracted from the high levels observed between 2009-10 and 2011-12. The contraction of public expenditure reflects the cessation of fiscal stimulus measures implemented by the Commonwealth and Territory governments in response to the global financial crisis. Public expenditure is expected to decline over the forward estimates period consistent with the constrained fiscal environment at the Territory and national levels.

International Trade

The Territory's trade surplus increased in 2012-13, with the growth in exports more than offsetting higher imports.

The increase in exports in 2012-13 was largely due to higher levels of LNG exports to Japan. The level of exports is expected to increase over the next few years reflecting forecast increases in production levels following the expansion of the McArthur River and GEMCO mines. In 2016-17, Territory exports are forecast to increase significantly due to the commencement of production from the Ichthys LNG plant, which will produce LNG for consumption in Japan.

The real value of imports in 2012-13 was lower than anticipated at the time of the May 2013 Budget. This was due to lower imports of machinery and equipment related to the Ichthys project and bunker oil used at the Gove alumina refinery, and higher than anticipated growth in import prices. The level of imports is forecast to peak in 2014-15 due to machinery imports for the Ichthys project before declining from 2015-16 onwards.

Population

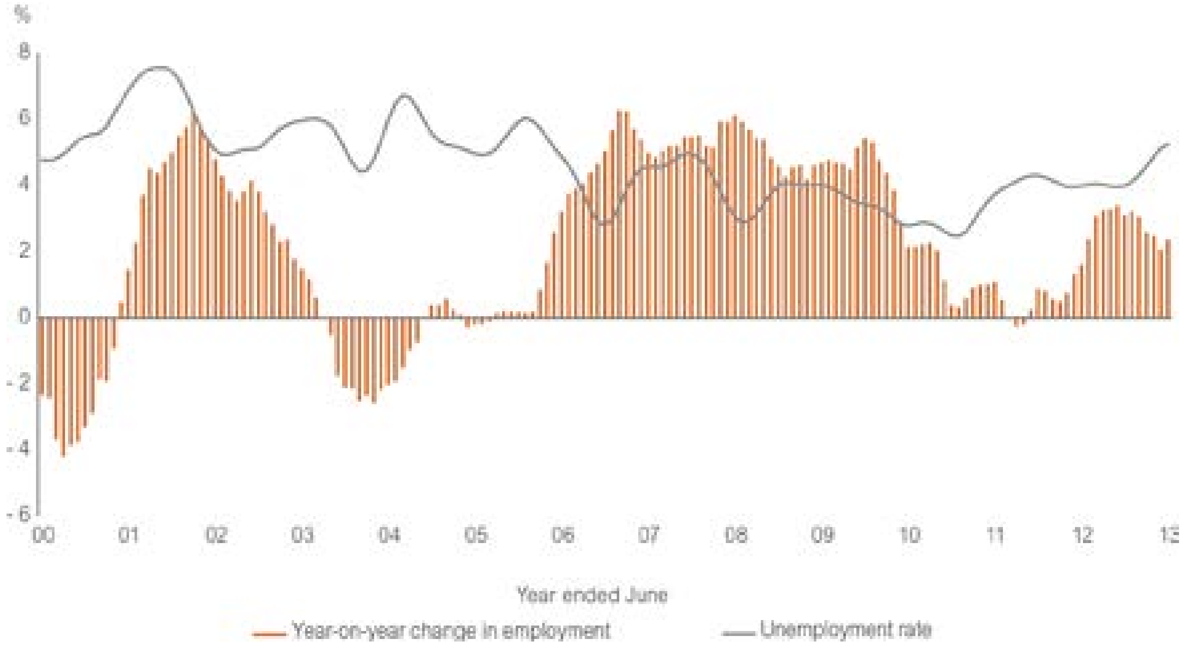
Growth in the Territory's resident population strengthened from 1 per cent in 2011 to 1.8 per cent in 2012. The stronger growth in 2012 is mainly due to higher net overseas migration flows to the Territory and smaller net interstate migration outflows from the Territory. In 2012, the Territory recorded net overseas migration of 2772 persons, the highest annual total on record. This reflects the favourable job prospects and the stronger performance of the Territory and Australian economies relative to other established countries.

Population growth forecasts for the Territory for the period 2013 to 2016 are unchanged from the May 2013 Budget. The Territory's population growth is expected to strengthen between 2012 and 2015. This is consistent with the forecast increase in economic activity in the Territory. Population growth is expected to peak at 2.5 per cent in 2014 and 2015 before moderating to 1.0 per cent in 2016 as the Ichthys project transitions from the construction phase to the less labour-intensive production phase.

Labour Force

Employment growth exceeded expectations, increasing by 2.4 per cent in 2012-13 following growth of 1.6 per cent in 2011-12 (Figure 3.2). Over the next two years, employment growth is forecast to continue to strengthen underpinned by strong population growth, acceleration of construction work on the Ichthys project, elevated levels of private residential construction and improving retail trade.

Figure 3.2: Labour Force, Northern Territory



Source: ABS Cat. No. 6202.0

Employment growth in the Territory was not consistent across all industries in 2012-13. The main industries that contributed to employment growth were construction, mining, and healthcare and social assistance. Industries that detracted from employment growth included retail trade and agriculture, forestry and fishing.

Forecast growth in resident employment in the Territory over the Budget and forward estimates period is unchanged from the May 2013 Budget. The number of people employed in the Territory is forecast to grow by 3.0 per cent in 2013-14 and by 4.5 per cent in 2014-15. Employment growth is expected to moderate from 2015-16 onwards as construction work on the Ichthys project passes its peak and the project transitions to the production phase.

Despite robust employment growth in 2012-13, the Territory's unemployment rate trended upwards in the first half of 2013 before stabilising at around 5.3 per cent (Figure 3.2). Nevertheless, the Territory's trend unemployment rate remains the third lowest of all jurisdictions and below the national rate of 5.8 per cent.

The sharp increase in the Territory's unemployment rate in the first half of 2013 coincided with a rise in the participation rate. The Territory's participation rate of 75 per cent in October 2013 is the highest of all states and 2.6 percentage points above ten-year average levels. The increase in the participation rate may, in part, reflect increased optimism as a positive Territory economy encourages people to enter the labour market and look for work. If sustained, the unemployment rate may not decline as rapidly as employment growth would suggest.

Prices

Darwin inflation is expected to remain at elevated levels in 2013 and 2014. This is consistent with the forecast strength in economic activity in the Territory over this period.

In 2013, the Darwin consumer price index (CPI) is forecast to increase by 3.9 per cent, largely due to increased cost of housing, transportation, alcohol and tobacco, and the pass through impact of the carbon tax.

Over the forward years, major projects are expected to exert upward pressure on Darwin's inflation through increased demand for labour and housing. However, growth in the Darwin CPI is expected to moderate from 2014 onwards due to smaller increases in utility prices in 2014 and 2015, the expected increase in supply of units and housing in the Greater Darwin area, and the peaking of the major project workforce requirements.

Since the May 2013 Budget, the depreciation of the Australian dollar to below parity against the United States dollar is expected to exert some upward pressure on prices of imported goods over the forecast period. However, consistent with the Reserve Bank of Australia view, the pass through of exchange rate changes to the overall level of consumer prices is likely to be gradual and to occur over an extended period of time.

Darwin CPI forecasts are unchanged from the May 2013 Budget. Growth in the Darwin CPI is expected to moderate over the forward years and average 3 per cent per annum between 2014 and 2016, which is consistent with historical trend levels.

Chapter 4 Uniform Presentation Framework

Under the Uniform Presentation Framework (UPF), the Commonwealth, state and territory governments have agreed to publish information in a standard format in their budget papers. The UPF is based on accounting standard AASB 1049 Whole of Government and General Government Sector Financial Reporting, which harmonises Government Finance Statistics and generally accepted accounting principles with the objective of improving the clarity and transparency of government financial statements.

The harmonised standard means that government financial reports are presented on the same basis by all jurisdictions, resulting in greater transparency and consistency.

The *Fiscal Integrity and Transparency Act* (FITA) requires that fiscal outlook reports be prepared in accordance with external reporting standards, including the Australian Accounting Standards or the UPF.

The tables in this chapter meet the Territory's reporting obligations under both FITA and the UPF. They include, for the general government, public non financial corporations and non financial public sectors of government, a:

- Comprehensive Operating Statement;
- Balance Sheet; and
- Cash Flow Statement.

The financial statements include the original May 2013 Budget for 2013-14, revised 2013-14 Estimate and 2014-15 to 2016-17 Forward Estimates.

Also included are supplementary tables presenting general government sector taxes and the revised 2013-14 Loan Council Allocation.

Table 4.1

General Government Sector Comprehensive Operating Statement

		2013-14	2013-14	2014-15	2015-16	2016-17
		Budget	Revised	Forward Estimates		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	485 238	511 460	531 536	547 953	564 430
	Current grants	3 582 240	3 625 548	3 684 522	3 888 052	4 004 801
	Capital grants	201 752	224 752	155 881	149 022	118 575
	Sales of goods and services	245 638	242 104	248 632	252 775	256 358
	Interest income	54 529	59 138	51 762	52 309	53 507
	Dividend and income tax equivalent income	66 884	71 384	98 414	111 517	109 071
	Other	166 384	190 592	150 882	151 086	151 757
	TOTAL REVENUE	**4 802 665**	**4 924 978**	**4 921 629**	**5 152 714**	**5 258 499**
less	EXPENSES					
	Employee benefits expense	1 898 999	1 936 793	1 947 039	1 971 580	1 995 435
	Superannuation expenses					
	Superannuation interest cost	106 400	129 076	120 270	142 840	164 260
	Other superannuation expenses	215 556	195 279	211 030	202 066	182 080
	Depreciation and amortisation	250 764	296 338	307 223	312 795	318 574
	Other operating expenses	1 293 278	1 284 350	1 273 335	1 300 394	1 351 942
	Interest expenses	205 192	207 479	269 099	280 629	291 436
	Other property expenses					
	Current grants	799 938	803 761	754 456	802 432	819 215
	Capital grants	89 806	92 553	54 602	42 962	33 667
	Subsidies and personal benefit payments	172 762	180 674	192 735	191 136	194 246
	TOTAL EXPENSES	**5 032 695**	**5 126 303**	**5 129 789**	**5 246 834**	**5 350 855**
equals	NET OPERATING BALANCE	- 230 030	- 201 325	- 208 160	- 94 120	- 92 356
plus	Other economic flows – included in operating result	20 912	19 612	26 299	21 926	23 005
equals	OPERATING RESULT	- 209 118	- 181 713	- 181 861	- 72 194	- 69 351
plus	Other economic flows – other comprehensive income	606 901	296 878	649 434	414 790	232 625
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**397 783**	**115 165**	**467 573**	**342 596**	**163 274**
	NET OPERATING BALANCE	**- 230 030**	**- 201 325**	**- 208 160**	**- 94 120**	**- 92 356**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	675 202	737 292	509 407	479 877	432 390
	Sales of non financial assets	- 70 678	- 66 878	- 69 303	- 56 793	- 55 043
	less Depreciation	250 764	296 338	307 223	312 795	318 574
	plus Change in inventories					
	plus Other movements in non financial assets	501 305	501 305	- 33 200		
	equals **Total net acquisition of non financial assets**	**855 065**	**875 381**	**99 681**	**110 289**	**58 773**
equals	FISCAL BALANCE	- 1 085 095	- 1 076 706	- 307 841	- 204 409	- 151 129

Table 4.2

General Government Sector Balance Sheet

	2013-14	2013-14	2014-15	2015-16	2016-17
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	123 377	164 330	154 468	148 920	169 758
Advances paid	234 262	216 602	199 602	192 602	185 602
Investments, loans and placements	789 611	953 613	1 004 262	1 046 667	1 090 539
Receivables	183 155	169 396	186 201	191 949	193 400
Equity					
Investments in other public sector entities	3 116 574	3 149 978	3 356 241	3 581 079	3 809 752
Investments – other	100	100	100	100	100
Other financial assets					
Total financial assets	4 447 079	4 654 019	4 900 874	5 161 317	5 449 151
Non financial assets					
Inventories	9 275	10 714	10 714	10 714	10 714
Property, plant and equipment	11 533 806	11 611 675	11 730 419	11 854 026	11 926 227
Investment property	95 493	88 685	84 578	81 171	78 014
Other non financial assets	65 270	123 034	123 021	123 008	122 995
Total non financial assets	11 703 844	11 834 108	11 948 732	12 068 919	12 137 950
TOTAL ASSETS	16 150 923	16 488 127	16 849 606	17 230 236	17 587 101
LIABILITIES					
Deposits held	138 484	158 047	165 431	173 022	182 911
Advances received	369 456	369 456	360 096	345 148	334 565
Borrowing	3 647 314	3 658 058	3 920 950	4 116 360	4 285 912
Superannuation	3 454 287	3 436 762	3 042 806	2 881 753	2 895 534
Other employee benefits	562 418	572 043	580 043	586 043	592 043
Payables	147 199	138 545	152 891	152 925	153 077
Other liabilities	144 738	171 297	175 897	180 897	185 697
TOTAL LIABILITIES	8 463 896	8 504 208	8 398 114	8 436 148	8 629 739
NET ASSETS/(LIABILITIES)	7 687 027	7 983 919	8 451 492	8 794 088	8 957 362
Contributed equity					
Accumulated surplus/(deficit)	793 072	504 976	753 115	866 921	797 570
Reserves	6 893 955	7 478 943	7 698 377	7 927 167	8 159 792
NET WORTH	7 687 027	7 983 919	8 451 492	8 794 088	8 957 362
NET FINANCIAL WORTH[1]	- 4 016 817	- 3 850 189	- 3 497 240	- 3 274 831	- 3 180 588
NET FINANCIAL LIABILITIES[2]	7 133 391	7 000 167	6 853 481	6 855 910	6 990 340
NET DEBT[3]	3 008 004	2 851 016	3 088 145	3 246 341	3 357 489

1 Net financial worth equals total financial assets minus total liabilities.
2 Net financial liabilities equals the sum of total liabilities less total financial assets excluding investments in other public sector entities.
3 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 4.3

General Government Sector Cash Flow Statement

	2013-14	2013-14	2014-15	2015-16	2016-17
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	485 107	511 329	531 261	547 803	564 430
Receipts from sales of goods and services	290 699	287 165	293 693	297 836	301 419
Grants and subsidies received	3 783 992	3 850 300	3 840 403	4 037 074	4 123 376
Interest receipts	54 501	59 138	51 762	52 309	53 507
Dividends and income tax equivalents	54 856	58 356	81 884	105 919	107 620
Other receipts	382 283	406 481	367 382	367 664	368 335
Total operating receipts	5 051 438	5 172 769	5 166 385	5 408 605	5 518 687
Cash payments for operating activities					
Payments for employees	- 2 175 095	- 2 207 275	- 2 230 864	- 2 282 186	- 2 318 641
Payment for goods and services	- 1 554 226	- 1 545 298	- 1 532 251	- 1 560 347	- 1 611 995
Grants and subsidies paid	- 1 042 411	- 1 056 893	- 968 548	- 1 036 485	- 1 047 083
Interest paid	- 205 138	- 207 494	- 256 285	- 280 690	- 291 479
Other payments					
Total operating payments	- 4 976 870	- 5 016 960	- 4 987 948	- 5 159 708	- 5 269 198
NET CASH FLOWS FROM OPERATING ACTIVITIES	74 568	155 809	178 437	248 897	249 489
Cash flows from investments in non financial assets					
Sales of non financial assets	63 878	60 078	69 303	56 793	55 043
Purchases of non financial assets	- 675 202	- 737 292	- 509 407	- 479 877	- 432 390
Net cash flows from investments in non financial assets	- 611 324	- 677 214	- 440 104	- 423 084	- 377 347
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 536 756	- 521 405	- 261 667	- 174 187	- 127 858
Net cash flows from investments in financial assets for policy purposes[1]	14 450	24 450	30 171	10 952	10 952
Net cash flows from investments in financial assets for liquidity purposes	- 29 806	326 881	- 39 282	- 30 366	- 31 114
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 626 680	- 325 883	- 449 215	- 442 498	- 397 509
Net cash flows from financing activities					
Advances received (net)	- 8 816	- 8 816	- 9 360	- 14 948	- 10 583
Borrowing (net)	456 544	436 544	262 892	195 410	169 552
Deposits received (net)	- 12 260	- 506 906	7 384	7 591	9 889
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	435 468	- 79 178	260 916	188 053	168 858
NET INCREASE/DECREASE IN CASH HELD	- 116 644	- 249 252	- 9 862	- 5 548	20 838
Net cash flows from operating activities	74 568	155 809	178 437	248 897	249 489
Net cash flows from investments in non financial assets	- 611 324	- 677 214	- 440 104	- 423 084	- 377 347
CASH SURPLUS (+)/DEFICIT (-)	- 536 756	- 521 405	- 261 667	- 174 187	- 127 858
Future infrastructure and superannuation contributions/earnings[2]	- 20 147	- 20 147	- 21 358	- 22 640	- 23 997
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 556 903	- 541 552	- 283 025	- 196 827	- 151 855
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 536 756	- 521 405	- 261 667	- 174 187	- 127 858
Acquisitions under finance leases and similar arrangements	- 521 305	- 521 305			
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 1 058 061	- 1 042 710	- 261 667	- 174 187	- 127 858

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

Table 4.4

Public Non Financial Corporation Sector Comprehensive Operating Statement

		2013-14	2013-14	2014-15	2015-16	2016-17
		Budget	Revised	Forward Estimates		
		$000	$000	$000	$000	$000
	REVENUE					
	Current grants	144 599	144 406	146 611	149 327	152 596
	Capital grants	32 140	35 640	17 452	18 974	18 069
	Sales of goods and services	700 129	700 129	750 763	772 304	788 211
	Interest income	2 892	2 892	2 761	2 580	2 600
	Other	41 066	43 021	42 074	43 152	44 053
	TOTAL REVENUE	**920 826**	**926 088**	**959 661**	**986 337**	**1 005 529**
less	EXPENSES					
	Employee benefits expense	102 186	102 186	108 429	114 455	126 870
	Superannuation expenses	13 755	13 755	14 583	15 115	15 572
	Depreciation and amortisation	162 377	162 377	173 198	182 431	191 762
	Other operating expenses	499 710	499 513	507 484	508 311	508 215
	Interest expenses	89 255	90 023	93 102	97 629	101 615
	Other property expenses	9 814	9 814	29 209	36 947	34 926
	Current grants		50			
	Capital grants		3 500			
	Subsidies and personal benefit payments	17 154	17 154	14 790	16 681	18 690
	TOTAL EXPENSES	**894 251**	**898 372**	**940 795**	**971 569**	**997 650**
equals	NET OPERATING BALANCE	26 575	27 716	18 866	14 768	7 879
plus	Other economic flows – included in operating result	- 2 011	- 2 011	- 2 164	- 2 247	- 2 302
equals	OPERATING RESULT	**24 564**	**25 705**	**16 702**	**12 521**	**5 577**
plus	Other economic flows – other comprehensive income	132 711	132 711	162 863	172 219	181 659
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**157 275**	**158 416**	**179 565**	**184 740**	**187 236**
	NET OPERATING BALANCE	**26 575**	**27 716**	**18 866**	**14 768**	**7 879**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	273 510	276 800	208 789	199 270	193 768
	Sales of non financial assets	- 126	- 126	- 126	- 126	- 126
	less Depreciation	162 377	162 377	173 198	182 431	191 762
	plus Change in inventories	- 1 806	194	- 191	1 914	4 483
	plus Other movements in non financial assets	12 300	12 300	12 608	12 923	13 246
	equals **Total net acquisition of non financial assets**	**121 501**	**126 791**	**47 882**	**31 550**	**19 609**
equals	FISCAL BALANCE	- 94 926	- 99 075	- 29 016	- 16 782	- 11 730

Table 4.5

Public Non Financial Corporation Sector Balance Sheet

	2013-14	2013-14	2014-15	2015-16	2016-17
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	65 489	83 131	86 912	98 305	110 464
Advances paid					
Investments, loans and placements					
Receivables	102 753	146 988	152 751	156 538	158 653
Equity	3	3	3	3	3
Other financial assets					
Total financial assets	168 245	230 122	239 666	254 846	269 120
Non financial assets					
Inventories	102 102	109 959	109 768	111 682	116 165
Property, plant and equipment	3 986 893	3 903 348	4 107 873	4 306 517	4 500 191
Investment property	53 245	60 875	66 675	69 275	71 775
Other non financial assets	47 269	76 112	86 908	106 715	131 164
Total non financial assets	4 189 509	4 150 294	4 371 224	4 594 189	4 819 295
TOTAL ASSETS	4 357 754	4 380 416	4 610 890	4 849 035	5 088 415
LIABILITIES					
Deposits held	333	10 102	10 102	10 102	10 102
Advances received					
Borrowing	1 473 791	1 481 826	1 556 308	1 622 463	1 689 106
Superannuation					
Other employee benefits	52 797	55 099	56 913	58 981	61 342
Payables	76 351	84 156	71 719	71 124	71 817
Other liabilities	39 359	41 561	54 004	57 700	56 417
TOTAL LIABILITIES	1 642 631	1 672 744	1 749 046	1 820 370	1 888 784
NET ASSETS/(LIABILITIES)	2 715 123	2 707 672	2 861 844	3 028 665	3 199 631
Contributed equity	668 832	668 832	655 661	651 709	647 757
Accumulated surplus/(deficit)	625 595	739 580	744 060	742 614	735 873
Reserves	1 420 696	1 299 260	1 462 123	1 634 342	1 816 001
TOTAL EQUITY	2 715 123	2 707 672	2 861 844	3 028 665	3 199 631
NET FINANCIAL WORTH[1]	- 1 474 386	- 1 442 622	- 1 509 380	- 1 565 524	- 1 619 664
NET DEBT[2]	1 408 635	1 408 797	1 479 498	1 534 260	1 588 744

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

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

Table 4.6

Public Non Financial Corporation Sector Cash Flow Statement

	2013-14	2013-14	2014-15	2015-16	2016-17
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Receipts from sales of goods and services	692 403	692 403	747 777	772 229	790 420
Grants and subsidies received	176 739	180 046	164 063	168 301	170 665
Interest receipts	2 889	2 889	2 758	2 580	2 600
Other receipts	23 033	24 988	24 045	24 195	24 551
Total operating receipts	895 064	900 326	938 643	967 305	988 236
Cash payments for operating activities					
Income tax equivalents paid	- 3 249	- 3 374	- 23 931	- 35 188	- 34 556
Payments for employees	- 120 058	- 119 993	- 129 992	- 136 451	- 149 228
Payment for goods and services	- 483 378	- 483 921	- 521 017	- 520 985	- 526 690
Grants and subsidies paid	- 17 154	- 20 704	- 14 790	- 16 681	- 18 690
Interest paid	- 88 953	- 89 784	- 92 781	- 97 443	- 101 551
Other payments		- 1 200			- 445
Total operating payments	- 712 792	- 718 976	- 782 511	- 806 748	- 831 160
NET CASH FLOWS FROM OPERATING ACTIVITIES	182 272	181 350	156 132	160 557	157 076
Cash flows from investments in non financial assets					
Sales of non financial assets	126	126	126	126	126
Purchases of non financial assets	- 273 510	- 276 800	- 208 789	- 199 270	- 193 768
Net cash flows from investments in non financial assets	- 273 384	- 276 674	- 208 663	- 199 144	- 193 642
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 91 112	- 95 324	- 52 531	- 38 587	- 36 566
Net cash flows from investments in financial assets for policy purposes[1]					
Net cash flows from investments in financial assets for liquidity purposes					
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 273 384	- 276 674	- 208 663	- 199 144	- 193 642
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	88 908	88 908	74 482	66 155	66 643
Deposits received (net)					
Dividends paid	- 620	- 620	- 4 999	- 12 223	- 13 966
Other financing (net)	- 10 450	- 10 450	- 13 171	- 3 952	- 3 952
NET CASH FLOWS FROM FINANCING ACTIVITIES	77 838	77 838	56 312	49 980	48 725
NET INCREASE/DECREASE IN CASH HELD	- 13 274	- 17 486	3 781	11 393	12 159
Net cash flows from operating activities	182 272	181 350	156 132	160 557	157 076
Net cash flows from investments in non financial assets	- 273 384	- 276 674	- 208 663	- 199 144	- 193 642
Dividends paid	- 620	- 620	- 4 999	- 12 223	- 13 966
CASH SURPLUS (+)/DEFICIT (-)	- 91 732	- 95 944	- 57 530	- 50 810	- 50 532
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 91 732	- 95 944	- 57 530	- 50 810	- 50 532
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 91 732	- 95 944	- 57 530	- 50 810	- 50 532

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

Table 4.7

Non Financial Public Sector Comprehensive Operating Statement

		2013-14	2013-14	2014-15	2015-16	2016-17
		Budget	Revised	Forward Estimates		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	476 300	502 522	522 394	538 811	555 288
	Current grants	3 584 243	3 627 501	3 685 287	3 888 197	4 004 801
	Capital grants	217 113	240 113	156 135	150 368	118 575
	Sales of goods and services	914 804	909 986	967 238	992 938	1 012 240
	Interest income	54 529	59 138	51 762	52 309	53 507
	Dividend and income tax equivalent income	52 071	56 571	56 983	60 603	61 827
	Other	204 584	230 738	190 020	191 293	192 856
	TOTAL REVENUE	**5 503 644**	**5 626 569**	**5 629 819**	**5 874 519**	**5 999 094**
less	EXPENSES					
	Employee benefits expense	2 001 185	2 038 979	2 055 468	2 086 035	2 122 305
	Superannuation expenses					
	Superannuation interest cost	106 400	129 076	120 270	142 840	164 260
	Other superannuation expenses	226 725	206 448	222 975	214 543	195 014
	Depreciation and amortisation	413 141	458 715	480 421	495 226	510 336
	Other operating expenses	1 752 807	1 742 389	1 739 222	1 767 115	1 818 370
	Interest expenses	291 555	294 610	359 440	375 678	390 451
	Other property expenses					
	Current grants	745 438	749 454	698 529	745 041	760 321
	Capital grants	73 027	75 774	37 404	25 334	15 598
	Subsidies and personal benefit payments	101 820	109 732	117 606	116 026	119 234
	TOTAL EXPENSES	**5 712 098**	**5 805 177**	**5 831 335**	**5 967 838**	**6 095 889**
equals	NET OPERATING BALANCE	- 208 454	- 178 608	- 201 516	- 93 319	- 96 795
plus	Other economic flows – included in operating result	18 901	17 601	24 135	19 679	20 703
equals	**OPERATING RESULT**	**- 189 553**	**- 161 007**	**- 177 381**	**- 73 640**	**- 76 092**
plus	Other economic flows – other comprehensive income	587 336	276 172	644 954	416 236	239 366
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**397 783**	**115 165**	**467 573**	**342 596**	**163 274**
	NET OPERATING BALANCE	**- 208 454**	**- 178 608**	**- 201 516**	**- 93 319**	**- 96 795**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	948 712	1 014 092	718 196	679 147	626 158
	Sales of non financial assets	- 70 804	- 67 004	- 69 429	- 56 919	- 55 169
	less Depreciation	413 141	458 715	480 421	495 226	510 336
	plus Change in inventories	- 1 806	194	- 191	1 914	4 483
	plus Other movements in non financial assets	513 605	513 605	- 20 592	12 923	13 246
	equals **Total net acquisition of non financial assets**	**976 566**	**1 002 172**	**147 563**	**141 839**	**78 382**
equals	FISCAL BALANCE	- 1 185 020	- 1 180 780	- 349 079	- 235 158	- 175 177

Table 4.8

Non Financial Public Sector Balance Sheet

	2013-14	2013-14	2014-15	2015-16	2016-17
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	123 406	173 311	163 449	157 901	178 739
Advances paid	234 262	216 602	199 602	192 602	185 602
Investments, loans and placements	789 611	953 613	1 004 262	1 046 667	1 090 539
Receivables	263 006	292 184	301 959	307 827	312 678
Equity					
Investments in other public sector entities	401 451	442 306	494 397	552 414	610 121
Investments – other	103	103	103	103	103
Other financial assets					
Total financial assets	1 811 839	2 078 119	2 163 772	2 257 514	2 377 782
Non financial assets					
Inventories	111 377	120 673	120 482	122 396	126 879
Property, plant and equipment	15 520 699	15 515 023	15 838 292	16 160 543	16 426 418
Investment property	148 738	149 560	151 253	150 446	149 789
Other non financial assets	112 539	199 146	209 929	229 723	254 159
Total non financial assets	15 893 353	15 984 402	16 319 956	16 663 108	16 957 245
TOTAL ASSETS	17 705 192	18 062 521	18 483 728	18 920 622	19 335 027
LIABILITIES					
Deposits held	73 357	93 999	97 602	93 800	91 530
Advances received	369 456	369 456	360 096	345 148	334 565
Borrowing	5 121 105	5 139 884	5 477 258	5 738 823	5 975 018
Superannuation	3 454 287	3 436 762	3 042 806	2 881 753	2 895 534
Other employee benefits	615 215	627 142	636 956	645 024	653 385
Payables	214 023	211 570	213 462	212 890	213 737
Other liabilities	170 722	199 789	204 056	209 096	213 896
TOTAL LIABILITIES	10 018 165	10 078 602	10 032 236	10 126 534	10 377 665
NET ASSETS/(LIABILITIES)	7 687 027	7 983 919	8 451 492	8 794 088	8 957 362
Contributed equity					
Accumulated surplus/(deficit)	1 418 667	1 244 556	1 497 175	1 609 535	1 533 443
Reserves	6 268 360	6 739 363	6 954 317	7 184 553	7 423 919
NET WORTH	7 687 027	7 983 919	8 451 492	8 794 088	8 957 362
NET FINANCIAL WORTH[1]	- 8 206 326	- 8 000 483	- 7 868 464	- 7 869 020	- 7 999 883
NET FINANCIAL LIABILITIES[2]	8 607 777	8 442 789	8 362 861	8 421 434	8 610 004
NET DEBT[3]	4 416 639	4 259 813	4 567 643	4 780 601	4 946 233

1 Net financial worth equals total financial assets minus total liabilities.
2 Net financial liabilities equals the sum of total liabilities less total financial assets excluding investments in other public sector entities.
3 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 4.9

Non Financial Public Sector Cash Flow Statement

	2013-14	2013-14	2014-15	2015-16	2016-17
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	476 300	502 522	522 394	538 811	555 288
Receipts from sales of goods and services	952 139	947 321	1 009 313	1 037 924	1 059 510
Grants and subsidies received	3 801 356	3 867 614	3 841 422	4 038 565	4 123 376
Interest receipts	54 501	59 138	51 765	52 312	53 507
Dividends and income tax equivalents	51 189	54 689	52 965	58 519	59 091
Other receipts	405 036	431 180	391 129	391 552	392 570
Total operating receipts	**5 740 521**	**5 862 464**	**5 868 988**	**6 117 683**	**6 243 342**
Cash payments for operating activities					
Payments for employees	- 2 286 457	- 2 318 637	- 2 351 989	- 2 409 648	- 2 458 722
Payment for goods and services	- 2 006 452	- 1 996 834	- 2 020 824	- 2 048 892	- 2 106 038
Grants and subsidies paid	- 900 190	- 914 865	- 820 294	- 886 356	- 895 108
Interest paid	- 291 202	- 294 389	- 346 311	- 375 556	- 390 430
Other payments		- 1 200			- 445
Total operating payments	**- 5 484 301**	**- 5 525 925**	**- 5 539 418**	**- 5 720 452**	**- 5 850 743**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**256 220**	**336 539**	**329 570**	**397 231**	**392 599**
Cash flows from investments in non financial assets					
Sales of non financial assets	64 004	60 204	69 429	56 919	55 169
Purchases of non financial assets	- 948 712	- 1 014 092	- 718 196	- 679 147	- 626 158
Net cash flows from investments in non financial assets	**- 884 708**	**- 953 888**	**- 648 767**	**- 622 228**	**- 570 989**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 628 488**	**- 617 349**	**- 319 197**	**- 224 997**	**- 178 390**
Net cash flows from investments in financial assets for policy purposes[1]	4 000	14 000	17 000	7 000	7 000
Net cash flows from investments in financial assets for liquidity purposes	- 29 806	326 881	- 39 282	- 30 366	- 31 114
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 910 514	- 613 007	- 671 049	- 645 594	- 595 103
Net cash flows from financing activities					
Advances received (net)	- 8 816	- 8 816	- 9 360	- 14 948	- 10 583
Borrowing (net)	545 452	525 452	337 374	261 565	236 195
Deposits received (net)	1 014	- 489 420	3 603	- 3 802	- 2 270
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	537 650	27 216	331 617	242 815	223 342
NET INCREASE/DECREASE IN CASH HELD	- 116 644	- 249 252	- 9 862	- 5 548	20 838
Net cash flows from operating activities	256 220	336 539	329 570	397 231	392 599
Net cash flows from investments in non financial assets	- 884 708	- 953 888	- 648 767	- 622 228	- 570 989
CASH SURPLUS (+)/DEFICIT (-)	- 628 488	- 617 349	- 319 197	- 224 997	- 178 390
Future infrastructure and superannuation contributions/ earnings[2]	- 20 147	- 20 147	- 21 358	- 22 640	- 23 997
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 648 635	- 637 496	- 340 555	- 247 637	- 202 387
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 628 488	- 617 349	- 319 197	- 224 997	- 178 390
Acquisitions under finance leases and similar arrangements	- 521 305	- 521 305			
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 1 149 793	- 1 138 654	- 319 197	- 224 997	- 178 390

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

Table 4.10

General Government Sector Taxes

	2013-14 Budget	2013-14 Revised	2014-15 Forward Estimate
	$M	$M	$M
Taxes on employers' payroll and labour force	200	215	225
Payroll taxes	200	215	225
Taxes on property	130	130	134
Stamp duties on financial and capital transactions	130	130	134
Taxes on the provision of goods and services	91	97	101
Taxes on gambling	53	53	54
Taxes on insurance	38	44	46
Taxes on the use of goods and performance of activities	64	70	72
Motor vehicle registration fees	64	70	72
TOTAL TAXES	485	511	532

Table 4.11

2013-14 Loan Council Allocation

		Budget-time Estimate	Mid-Year Estimate
		$M	$M
General government sector cash deficit (+)/surplus (-)		537	521
Public non financial corporations sector cash deficit (+)/surplus (-)		92	96
Non financial public sector cash deficit (+)/surplus (-)		629	617
less	Acquisitions under finance leases and similar arrangements	521	521
equals	ABS GFS cash deficit (+)/surplus (-)	1 150	1 138
less	Net cash flows from investments in financial assets for policy purposes	4	14
plus	Memorandum Items		
2013-14 LOAN COUNCIL ALLOCATION		1 146	1 124

Appendix A Classification of Entities in the Northern Territory

Non Financial Public Sector

General Government

Aboriginal Areas Protection Authority
Auditor-General's Office
AustralAsia Railway Corporation[1]
Batchelor Institute of Indigenous Tertiary Education[1]
Central Australian Health Service[2]
Central Holding Authority
Construction Division[2]
Darwin Waterfront Corporation[1]
Data Centre Services[2]
Department of Arts and Museums
Department of the Attorney-General and Justice
Department of Business
Department of the Chief Minister
Department of Children and Families
Department of Community Services
Department of Corporate and Information Services
Department of Correctional Services
Department of Education
Department of Health
Department of Housing
Department of Infrastructure
Department of Land Resource Management
Department of Lands, Planning and the Environment
Department of the Legislative Assembly
Department of Local Government and Regions
Department of Mines and Energy
Department of Primary Industry and Fisheries
Department of Sport, Recreation and Racing
Department of Transport
Department of Treasury and Finance
Desert Knowledge Australia[1]
Government Printing Office[2]
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, Fire and Emergency Services
NT Build Statutory Corporation[1]
NT Fleet[2]
NT Home Ownership[2]
Office of the Commissioner for Public Employment
Ombudsman's Office
Parks and Wildlife Commission of the Northern Territory
Territory Discoveries[2]
Territory Wildlife Parks[2]
Top End Health Service[2]
Tourism NT

Public Non Financial Corporations

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

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

Appendix B Glossary

Advances/Advances Paid Loans acquired for policy rather than liquidity management purposes. Included are long-term and short-term loans, non-marketable debentures and long and short-term promissory agreements (bonds and bills) issued to public sector units for achieving government policy objectives.

Agency A unit of government administration, or office or statutory corporation, nominated in an Administrative Arrangements Order for the purposes of the *Financial Management Act* and including, where the case requires, a part or division (by whatever name called) of an agency.

Australian Accounting Standards Statements of accounting standards that can be applied in preparation and presentation of financial statements.

Capital Grants Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset, or in which the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.

Cash Surplus/Deficit Reported in the Cash Flow Statement that measures the net impact of cash flows during the period. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non financial assets, less distributions paid less value of assets acquired under finance leases and similar arrangements.

Commonwealth Own-Purpose Expenses Payments by the Commonwealth for goods and services and associated transfer payments for the conduct of its general government activities.

Comprehensive Result The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other movements in equity, other than transactions with owners as owners.

Consumer Price Index A general indicator of the prices paid by household consumers for a specific basket of goods and services.

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 nonoccurrence of one or more uncertain future events.

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

Finance Lease Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset).

Financial Asset

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Fiscal Balance

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

Generally Accepted Accounting Principles

Term used to describe broadly the body of principles that governs the accounting for financial transactions underlying the preparation of a set of financial statements.

General Government Sector

Defined in Government Finance Statistics as an entity or group of entities that are mainly engaged in the production of goods and/or services outside the normal market mechanism. Goods and services are provided free of charge or at nominal charges well below costs of production.

Goods and Services Tax Revenue

On 1 July 2000, the Commonwealth introduced the goods and services tax (GST). Payments from the Commonwealth return the GST revenue to the states and territories, replacing the previous general purpose grants.

Government Business Division

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

Government Finance Statistics

Refers to statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. Government Finance Statistics in Australia are developed by the Australian Bureau of Statistics in conjunction with all governments and are mainly based on international statistical standards developed, in consultation with member countries, by the International Monetary Fund.

Government Owned Corporation An entity whose objectives are to operate at least as efficiently as any corporate business and maximise sustainable return to government. The *Government Owned Corporations Act* adopts the shareholder model of corporate governance. The Power and Water Corporation became the Territory's first government owned corporation on 1 July 2002.

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

While grants to government may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly, benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for On-Passing All grants paid to one institutional sector (for example, a state general government) to be passed on to another institutional sector (for example, local government or a non-profit institution).

Gross Domestic Product The total value of goods and services produced in Australia over the period for final consumption. Intermediate goods, or those used in the production of other goods, are excluded. Gross domestic product can be calculated by summing total output, total income or total expenditure.

Gross State Product Similar to gross domestic product, except that it measures the total value of goods and services produced in a jurisdiction. It is the sum of all income, namely wages, salaries and profits, plus indirect taxes less subsidies. It can also 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 answer for the debt or obligations of another person or entity.

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

Loan Council The Australian Loan Council coordinates borrowing by Commonwealth and state governments. Current arrangements seek to emphasise transparency of public sector finances, through financial market scrutiny of proposed borrowing to restrict borrowing to prudent levels.

Loan Council Allocation The nomination to the Loan Council of the level of financing required.

Memorandum Items – Loan Council	Memorandum items are used to adjust the cash surplus/deficit to include in the Loan Council Allocation certain transactions that may have the characteristics of public sector borrowings but do not constitute formal borrowings.
National Partnership Agreements	National Partnership (NP) agreements are agreements between the Commonwealth, states and territories with defined objectives, outcomes, outputs and performance measures related to the delivery of projects, of national significance or to facilitate reforms.
Net Acquisition/(Disposal) of Non Financial Assets from Transactions	Purchases (or acquisitions) of non financial assets less sales (or disposals) of non financial assets less depreciation plus changes in inventories and other movements in non financial assets. Purchases and sales (or net acquisitions) of non financial assets generally include accrued expenses and payables for capital items. Purchases exclude non-produced assets and valuables, which are included in other movements in non financial assets.
Net Actuarial Gains	Includes actuarial gains and losses on defined benefit superannuation plans.
Net Cash Flows from Investments in Financial Assets (Liquidity Management Purposes)	Cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.
Net Cash Flows from Investments in Financial Assets (Policy Purposes)	Cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disasters.
Net Debt	Net debt measures a government's net stock of selected gross financial liabilities less financial assets. Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements.
Net Financial Liabilities	Total liabilities less financial assets, other than equity in public non financial corporations and public financial corporations. This measure is broader than net debt, in that it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). For the public non financial corporation and public financial corporation sectors, it is equal to negative net financial worth.

Net Financial Worth	A measure of a government's net holdings of financial assets. It is calculated from the Uniform Presentation Framework Balance Sheet as financial assets minus liabilities. Net financial worth is a broader measure than net debt as it incorporates provisions (such as superannuation, but excludes depreciation and doubtful debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities.
Net Operating Balance	The revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.
Net Worth	Provides a relatively comprehensive picture of a government's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. It includes a government's non financial assets such as land and other fixed assets, which may be sold and used to repay debt, as well as its financial assets and liabilities including debtors, creditors and superannuation liabilities. Net worth also shows asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.
Non Financial Assets	Assets that are not financial assets, predominantly land and other fixed assets.
Non Financial Public Sector	The sector formed through a consolidation of the general government and public non financial corporation subsectors.
Other Economic Flows	Changes in the volume or value of an asset or liability that do not result from transactions (such as revaluations and other changes in the volume of assets).
Other Superannuation Expense	Includes all superannuation expenses from transactions except superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.
Payables	Includes short-term and long-term trade debt and accounts payable, grants and interest payable.
Public Financial Corporations	Government-controlled entities which perform central bank functions, and/or have the authority to incur liabilities and acquire financial assets in the market on their own account.
Public Non Financial Corporations	Public enterprises primarily engaged in the production of goods or services of a non financial nature, for sale in the market place, at prices which aim to recover most of the costs involved.
Receivables	Includes short-term and long-term trade credit and accounts receivable, grants, taxes and interest receivable.

Sale of Goods and Services	Revenue from the direct provision of goods and services and includes fees and charges for services rendered, sale of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rental income from the use of non-produced assets such as land. User charges include sale of goods and services revenue.
Specific Purpose Payments	A Commonwealth financial contribution to support state delivery of services in a particular sector. Payments are made from the Commonwealth Treasury to state treasuries, and are appropriated to the relevant Northern Territory agency.
State Final Demand	Final consumption expenditure plus gross fixed capital formation in each jurisdiction. It represents the total expenditure on consumption and investment in a jurisdiction.
Superannuation Interest Cost	The expense resulting from the increase in the liability due to the fact that, for all participants in the scheme, retirement (and death) is one year nearer, and so one fewer discount factors must be used to calculate the present value of the benefits for each future year. Interest cost is the increase during a period in the present value of a defined benefit obligation that arises because the benefits are one period closer to settlement, as per the relevant accounting standard. The cost is measured net of the actuarial return on plan assets of defined benefit schemes calculated using an actuarially determined long-term rate of return.
Tax Equivalents Regime	The mechanism to ensure that Government Business Divisions and Government Owned Corporations incur similar tax liabilities to privately owned organisations. Thus, greater parity exists between the cost structures of government-controlled trading entities and the private sector, aiding in the achievement of competitive neutrality.
Treasurer's Advance	An appropriation purpose of that name as specified in an *Appropriation Act*, which provides a pool of funds specifically set aside in each Budget to meet operational contingencies that arise during the year.
Uniform Presentation Framework	A uniform framework agreed by the Australian Loan Council in 2000, which is a revision of the agreement reached at the 1991 Premiers' Conference. The Uniform Presentation Framework (UPF) was further updated and reissued in April 2008 to incorporate accounting standard AASB 1049 Whole of Government and General Government Sector Financial Reporting. The UPF specifies that the Commonwealth, state and territory governments will present a minimum set of budget and financial outcome information on the Government Finance Statistics basis according to an agreed format and specified Loan Council reporting arrangements.

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