



COVID-19 Financial Report

July 2020

Supplementary explanatory information

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Basis for preparation of report

This report provides supplementary explanatory information to assist users to analyse and interpret data in the COVID-19 Financial Report of 29 July 2020. Supplementary information is provided regarding the estimates of potential COVID-19 infections, the calculation of estimated net debt and net debt to revenue, agency information, classification of entities in the Northern Territory, and a glossary of key terms used in the report and this supplementary publication.

Estimates of potential COVID-19 infections

As reported on page 8 of the COVID-19 Financial Report, in the absence of health measures such as border controls and business restrictions, it is estimated that the direct costs associated with dealing with 92 500 infections and an additional 5400 hospitalisations would have exceeded \$200 million. This cost figure is based on the potential additional number of patients infected, multiplied by the average occupied bed days and cost per bed day of the patients who have been infected in the Territory.

The estimate of potential infections was based on theoretical modelling undertaken by the Commonwealth. The impact of the COVID-19 paper released by the Commonwealth outlined the health implications and parameters of COVID-19 under four different scenarios.

Under Scenario 3, which assumed quarantine, isolation and some social distancing measures in place but not border controls and business restrictions, an infection rate of 37.7 per cent and a hospitalisation rate of 2.2 per cent was expected.

In applying these Commonwealth parameters to the Australian Bureau of Statistics' estimated resident population for the Territory of 245 562, an estimated 92 500 Territorians could have been infected and 5400 Territorians hospitalised.

The direct cost implications of these hospitalisations were calculated based on the average number of occupied bed days for the COVID-19 hospitalisations that had occurred in the Territory at the time, which was 23.4 days.

The estimated cost of more than \$200 million is calculated by multiplying the number of patients (5400) by the average occupied bed days (23.4 days) and the average cost of an occupied bed per day (\$1711) as provided by the Department of Health.

Key fiscal indicators – balance sheet

The following information is provided to support the calculation of net debt and net debt to revenue as reported in Table 10 on page 19 of the COVID-19 Financial Report.

Net debt is a fiscal measure as determined by the Australian Bureau of Statistics and accounting standards. It is reported consistently by all states and territories to provide a comparable debt measure for assessment.

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.

Table 1 below provides the elements of the non financial public sector net debt as reported in the COVID-19 Financial Report.

Table 1: Non financial public sector – net debt

	2019-20 Outcome ¹	2020-21 Estimate
	\$M	\$M
Liabilities		
Deposits held	1 058	151
Advances received	277	269
Borrowing	8 481	10 906
Less: Financial assets		
Cash and deposits	1 499	397
Advances paid	198	209
Investments, loans and placements	2 342	2 475
Net debt	5 777	8 245

¹ Preliminary unaudited outcome for 2019-20.

Table 2 below provides the calculation of the net debt to revenue fiscal measure.

Table 2: Non financial public sector – net debt to revenue

	2019-20 Outcome ¹	2020-21 Estimate
	\$M	\$M
Net debt	5 777	8 245
Total revenue	6 581	6 147
Net debt to revenue (%)	88	134

¹ Preliminary unaudited outcome for 2019-20.

2019-20 preliminary outcome – agency expenses

The information below provides clarification on the basis of preparation of Table 11 Total expenses by agency, as reported on page 20 of the COVID-19 Financial Report.

Table 11 Total expenses by agency is reproduced below in Table 3 with amended column headings and title to improve understanding of the data reported and clarity for the reader.

Table 3 below sets out total operating expenses by general government sector agencies excluding non-cash expenses. Excluded expenses comprise depreciation and amortisation, services free of charge, asset-related expenses such as write-offs and revaluations, and non-cash capital grants. Non-cash expenses were excluded from agency amounts as they represent non-discretionary expenditure and do not affect the calculation of the key fiscal measures of net debt and fiscal balance. Accordingly, figures reported in agency financial reports may not reconcile to the amounts reported in Table 11 because annual financial reports will include these non-cash items.

The final expense budget reflects the 2019-20 Mid-Year Report plus all known approved budget adjustments affecting 2019-20 since that publication. The disaggregated amounts by agency have not yet been published due to the postponement of the 2020-21 Budget that would, in usual circumstances, have occurred in May 2020. Final budgets will be reported in each agency's annual financial report.

Table 3 presents information for general government sector agencies that are funded through appropriations. Therefore, it does not include government business divisions, non budget sector entities and public non financial corporations. The exceptions are Top End Health Service and Central Australia Health Service, which, while determined as government business divisions, were included in the table given they are primarily funded from appropriations passed on by the Department of Health. A detailed classification of entities in the Territory is provided later in this supplementary publication.

It is important to note that while several agencies show a variation in excess of budget, many reflect expenditure incurred as a result of additional agency revenue. Accordingly, the preliminary net outcome for these agencies is either in line with or improved against budget.

Agencies with variations lower than budget largely relate to revised timing of Commonwealth and Territory-funded programs. Further information on timing variations will be provided in the 2019-20 Treasurer's Annual Financial Report and agency annual financial reports.

Comments have been provided for all agencies with variations in excess of budget that were not the result of additional revenue.

Table 3: Expenses by agency

	2019-20 Final expense budget	2019-20 Preliminary actual expenses	Variation
	\$000	\$000	\$000
Auditor-General's Office	4 924	5 248	324
Department of the Chief Minister	100 107	100 297	190
Department of the Legislative Assembly	24 300	22 686	- 1 614
Northern Territory Electoral Commission	2 524	2 907	383
Office of the Independent Commissioner Against Corruption	5 622	4 319	- 1 303
Ombudsman's Office	2 482	2 377	- 105
Department of Trade, Business and Innovation	239 920	233 763	- 6 157
Department of Treasury and Finance	162 249	144 771	- 17 478
Office of the Commissioner for Public Employment	6 476	6 213	- 263
Northern Territory Police, Fire and Emergency Services	403 973	409 207	5 234
Territory Families	312 256	307 316	- 4 940
Department of the Attorney-General and Justice	371 430	373 565	2 135
Department of Health	1 614 585	1 635 023	20 438
Top End Health Service	1 065 503	1 074 709	9 206
Central Australia Health Service	431 806	427 909	- 3 897
Department of Local Government, Housing and Community Development	417 022	420 073	3 051
Department of Tourism, Sport and Culture	203 575	201 869	- 1 706
Department of Corporate and Information Services	279 754	279 791	37
Department of Environment and Natural Resources	54 519	54 242	- 277
Aboriginal Areas Protection Authority	5 272	5 329	57
Department of Infrastructure, Planning and Logistics	354 893	332 234	- 22 659
Department of Education	1 003 365	988 774	- 14 591
Department of Primary Industry and Resources	88 815	82 287	- 6 528

Variations in excess of budget include:

- \$20.4 million within the Department of Health largely relating to the Territory's contribution towards the National Disability Insurance Scheme in excess of funded levels
- \$9.2 million within the Top End Health Service relating to frontline service pressures in the Royal Darwin and Palmerston hospitals
- \$5.2 million within the Northern Territory Police, Fire and Emergency Services largely relating to COVID-19 border and quarantine expenditure in excess of funded levels, and additional frontline resourcing pressures
- \$3.1 million within the Department of Local Government, Housing and Community Development largely relating to disaster relief payments
- \$2.1 million within the Department of the Attorney-General and Justice largely reflecting frontline pressures in correctional services
- \$0.4 million within the Northern Territory Electoral Commission reflecting the timing of expenses relating to the 2020 Legislative Assembly general election.

In addition to the above, infrastructure and capital-related expenditure within general government sector agencies was underspent by \$57.8 million in 2019-20, largely relating to the revised timing of Commonwealth-funded housing and road programs and major information and communications technology projects, in line with revised milestone payments.

Classification of entities in the Northern Territory

Total public sector

Non financial public sector

General government

Aboriginal Areas Protection Authority
Auditor-General's Office
AustralAsia Railway Corporation¹
Batchelor Institute of Indigenous Tertiary Education¹
Central Australia Health Service²
Central Holding Authority
Darwin Waterfront Corporation¹
Data Centre Services²
Department of the Attorney-General and Justice
Department of the Chief Minister
Department of Corporate and Information Services
Department of Education
Department of Environment and Natural Resources
Department of Health
Department of Infrastructure, Planning and Logistics
Department of the Legislative Assembly
Department of Local Government, Housing and Community Development
Department of Primary Industry and Resources
Department of Tourism, Sport and Culture
Department of Trade, Business and Innovation
Department of Treasury and Finance
Desert Knowledge Australia¹
Motor Accidents (Compensation) Commission¹
Museums and Art Gallery of the Northern Territory¹
Nominal Insurer's Fund¹
Northern Territory Electoral Commission
Northern Territory Legal Aid Commission¹
Northern Territory Major Events Company Pty Ltd¹
Northern Territory Police, Fire and Emergency Services
NT Build Statutory Corporation¹
NT Fleet²
NT Home Ownership²
Office of the Commissioner for Public Employment
Office of the Independent Commissioner Against Corruption
Ombudsman's Office
Territory Families
Territory Wildlife Parks²
Top End Health Service²

Public non financial corporations

Indigenous Essential Services Pty Ltd¹
Jacana Energy^{1,3}
Land Development Corporation²
Power and Water Corporation^{1,3}
Territory Generation^{1,3}

Public financial corporation

Northern Territory Treasury Corporation²

¹ Non-budget sector entity.

² Government business division.

³ Government owned corporation.

Glossary

Advances/advances paid

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

Agency

A unit of government administration, office or statutory corporation, nominated in an Administrative Arrangements Order for the purposes of the *Financial Management Act 1995* and including, where the case requires, a part or division (by whatever name called) of an agency.

Appropriation

An authority given by the Legislative Assembly to make payments, now or at some future time, for the purposes stated, up to the limit of the amount in the particular Act.

Borrowings

Debt instruments used to fund government requirements.

Cash and deposits

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

Deposits held

Consists of the net increase in cash held by public sector entities as a result of deposits received.

Fiscal balance

Fiscal balance, also referred to as net lending/borrowing, is an operating statement measure that differs from the net operating balance as it includes spending on capital items but excludes depreciation. A net lending (or fiscal surplus) balance indicates 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.

General government sector

Defined by the Australian Bureau of Statistics' Government Finance Statistics as an entity or group of entities 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.

Government business division

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

Government owned corporation

An entity that has objectives to operate at least as efficiently as any corporate business and maximise sustainable returns to government. The *Government Owned Corporations Act 2001* adopts the shareholder model of corporate governance. The Territory has three government owned corporations: Power and Water Corporation, Territory Generation (a power generation corporation), and Jacana Energy (a power retail corporation).

Investments, loans and placements

Financial instruments entered into with the goal of generating income or future return on investment.

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 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.

Non-budget sector entity

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

Non financial public sector

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

Operating result

A government business division operating account or an agency operating account established under section 6(1) of the *Financial Management Act 1995*.

Public financial corporation

A government-controlled entity that performs central bank functions, and or has the authority to incur liabilities and acquire financial assets in the market on its own behalf.