

2006-07

Mid-Year Report

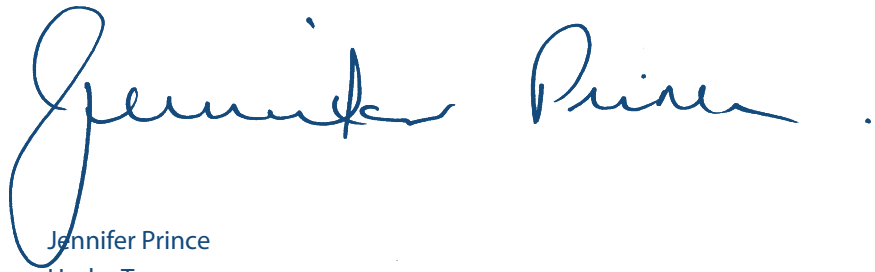


Table of Contents

Under Treasurer's Certification	ii
1. Overview	1
2. Fiscal Position and Outlook	3
3. Economic Outlook and Fiscal Strategy	11
4. Uniform Presentation Framework	21
General Government Sector Operating Statement	22
General Government Sector Balance Sheet	23
General Government Sector Cash Flow Statement	24
Public Non Financial Corporation Sector Operating Statement	25
Public Non Financial Corporation Sector Balance Sheet	26
Public Non Financial Corporation Sector Cash Flow Statement	27
Non Financial Public Sector Operating Statement	28
Non Financial Public Sector Balance Sheet	29
Non Financial Public Sector Cash Flow Statement	30
General Government Sector Taxes	31
2006-07 Loan Council Allocation	31

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 2006-07 Mid-Year Report are based on Government decisions that I was aware of, or that were made available to me by the Treasurer, before 20 November 2006. The projections are presented in accordance with the Uniform Presentation Framework.

A handwritten signature in blue ink that reads "Jennifer Prince". The signature is written in a cursive style with a large initial "J".

Jennifer Prince
Under Treasurer

22 November 2006

Overview

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

The updated Budget projections are largely in line with those presented in the May 2006 Budget and incorporate the 2005-06 outcome as presented in the 2005-06 Treasurer's Annual Financial Report (TAFR). The updated economic outlook highlights the effect of increased activity and associated confidence in the Territory economy on all indicators, when compared with the estimates prepared in May 2006.

The fiscal highlights in the Mid-Year Report include:

- cash targets unchanged for all years;
- operating surplus predicted for 2006-07 and all forward years;
- fiscal balance continues on a trend towards surplus, in line with the fiscal strategy target of a balance by 2012-13;
- an increase to the significant investment in the Territory's infrastructure at the non financial public sector in 2006-07 and all forward years, announced in May 2006;
- net debt of \$1681 million by 2009-10 representing an \$89 million improvement since May 2006;
- a net debt to revenue ratio of 48 per cent in 2006-07 reducing to 45 per cent by 2009-10; and
- net debt plus employee liabilities to revenue ratio continues to fall despite a further increase in superannuation liabilities.

From an economic perspective, the highlights are:

- gross state product growth revised up from 5.8 per cent to 6.2 per cent due to stronger exports of liquefied natural gas (LNG), extended timelines of investment for major projects and positive outlooks for both employment and population;
- state final demand retracting from historically high levels due to the near completion of major projects. However, due to extended timelines for investment in major projects, the decline has been revised from -9.1 per cent to -5.0 per cent;
- employment growth revised up from 2.3 per cent to 5.0 per cent due to stronger growth in resident employment across all sectors; and
- population growth revised up from 1.5 per cent to 1.7 per cent due to stronger than estimated net interstate migration to the Territory.

Details on budget variations, including changes to revenue from the Australian Government and Territory taxation revenue since May 2006, are provided in Chapter 2, with the revised financial statements presented in Chapter 4. Chapter 3 includes a discussion of the updated economic estimates and the fiscal strategy outlook for 2006-07 and the forward years.

Fiscal Position and Outlook

This chapter presents the updated fiscal projections for the cash targets and operating result of the general government sector and the assets and liabilities of the non financial public sector, compared with the estimates provided in the May 2006 Budget papers.

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

Fiscal Outlook

The 2006-07 Budget and forward estimates have been updated to reflect:

- the outcome for the 2005-06 financial year;
- Cabinet decisions since the 2006-07 Budget;
- revised Territory revenue estimates including updated goods and services tax (GST) and taxation revenue; and
- a range of other minor revenue-related adjustments, largely due to changes in specific purpose payments from the Australian Government.

The wage and price parameters are consistent with those used for the development of the 2006-07 Budget. In line with usual practice, these will be reviewed in the development of the 2007-08 Budget.

Budget Targets – General Government

Table 2.1 presents the key aggregates for general government for the 2006-07 Budget and the 2006-07 Mid-Year Report. This highlights that the cash outcome remains unchanged, with additional receipts being matched by a corresponding change in payments. The operating result also remains largely unchanged for 2006-07, but has improved on the original budget estimates for all forward years. This improvement predominantly results from the recognition of prior year capital payments from the Australian Government as revenue, in the year that the associated infrastructure payments are expected to occur.

Although the cash and operating results for 2006-07 are consistent with the Budget, the fiscal balance deficit has increased by \$15 million due to timing differences in capital spending between 2005-06 and 2006-07. However from 2007-08, the fiscal balance improves in line with the improvement in the operating result, albeit at a lower rate.

Table 2.1: 2006-07 Budget and Mid-Year Report Targets

	2005-06 ¹	2006-07	2007-08	2008-09	2009-10
	\$M	\$M	\$M	\$M	\$M
2006-07 Budget					
Cash Outcome	-47	-56	-40	0	17
Operating Result	-19	17	-18	-15	4
Fiscal Balance	-129	-105	-98	-56	-35
2006-07 Mid-Year Report					
Cash Outcome	40	-56	-40	0	17
Operating Result	27	16	7	9	12
Fiscal Balance	-51	-120	-97	-54	-27
Variation					
Cash Outcome	87	0	0	0	0
Operating Result	46	-1	25	24	8
Fiscal Balance	78	-15	1	2	8


Source: Northern Territory Treasury

1. Mid-Year Report reflects actual outcome.

Table 2.2 summarises the key movements in the 2006-07 cash flow and operating statements since the 2006-07 Budget. Variations are categorised into policy and non-discretionary variations. Policy variations are the result of a Government decision to implement or expand agency programs. Non-discretionary variations are either due to influences outside the Government's control, such as the timing of receipts from the Australian Government, or changes in economic parameters.

Table 2.2: Variations to the Cash Flow and Operating Statements since May 2006

	2006-07	
	Cash	Accrual
	\$M	\$M
2006-07 BUDGET	-56.4	17.0
RECEIPTS/REVENUE		
Receipts/Revenue - Non-discretionary		
Taxation	16.0	16.0
GST Revenue	3.1	3.1
Specific Purpose Payments	26.3	26.3
Interest Revenue	6.2	6.2
Mining Royalties	5.2	5.2
Other	2.7	4.7
Total Receipts/Revenue - Non-discretionary	59.5	61.5
TOTAL RECEIPTS/REVENUE	59.5	61.5
PAYMENTS/EXPENSES		
Payments/Expenses - Policy		
Cabinet Decisions	6.1	6.1
Total Payments/Expenses - Policy	6.1	6.1
Payments/Expenses - Non-discretionary		
Carry over from 2005-06	25.7	25.7
Increase in Superannuation Expenses	13.0	16.0
Specific Purpose Payments	10.8	10.8
Other	0.3	3.7
Total Payments/Expenses - Non-discretionary	49.8	56.2
TOTAL PAYMENTS/EXPENSES	55.9	62.3
NET CAPITAL PAYMENTS		
Specific Purpose Payments - Capital	7.0	
Carry over from 2005-06	7.0	
Sale of assets	-10.5	
TOTAL NET CAPITAL PAYMENTS	3.5	
TOTAL VARIATION	0.1	-0.8
2006-07 REVISED BUDGET	-56.3	16.2



Although the movements in both the cash and accrual outcomes are minimal, there are variations in individual categories that are described in more detail below.

Operating revenue increased by \$61.5 million and cash receipts by \$59.5 million due to:

- an upward revision to Territory taxation revenue of \$16 million due to increased economic activity resulting in higher payroll tax (\$8 million) and non-residential conveyancing stamp duty (\$8 million);
- increase in GST estimate of \$3.1 million due to increased population growth;
- increased specific purpose payments (SPP) from the Australian Government of \$26.3 million due to several agreements being finalised along with the recognition as revenue of SPPs received from the Australian Government in 2005-06 that were treated as deposits held;
- increased interest revenue of \$6.2 million due to higher cash holdings across government and interest rate rises; and
- an upward revision to mining royalties of \$5.2 million associated with increased mining production and rises in commodity prices.

Operating expenses increased by \$62.3 million and payments by \$55.9 million due to:

- policy decisions of \$6.1 million approved by Government, including the costs associated with implementing the road safety initiatives;
- carryover of expense obligations from 2005-06 of \$25.7 million, largely related to receipts from the Australian Government late in that financial year;
- increased superannuation expenses following revised actuarial assessment at 30 June 2006 of \$12 million and the expected introduction of the Death and Invalidity scheme of \$4 million; and
- expenses of \$10.8 million related to specific purpose payments from the Australian Government in line with increased revenue.

In addition to the above operating variations, there have been some changes to capital spending and receipts. These are reflected in the Cash Flow Statement, but not the Operating Statement. The key variations are:

- the carryover of capital obligations from 2005-06 of \$7 million, related to receipts from the Australian Government late in that financial year; and
- capital payments of \$7 million as a result of new specific purpose payments from the Australian Government; offset by
- one-off sale of assets of \$10.5 million associated with the transfer to a new desktop service provider for which payment of a corresponding amount was made in 2005-06.

Operating Statement Forward Estimates – General Government

Table 2.3: Operating Statement – 2006-07 Budget and Mid-Year Report

	2006-07	2007-08	2008-09	2009-10
	\$M	\$M	\$M	\$M
2006-07 Budget				
Operating Revenue	3 030	3 135	3 175	3 227
Operating Expenses	3 013	3 153	3 190	3 223
Operating Result	17	- 18	- 15	4
2006-07 Mid-Year Report				
Operating Revenue	3 092	3 162	3 213	3 240
Operating Expenses	3 076	3 155	3 204	3 229
Operating Result	16	7	9	12
Variation				
Operating Revenue	62	27	38	13
Operating Expenses	63	2	14	6
Operating Result	- 1	25	24	8

Source: Northern Territory Treasury

Operating revenue is projected to rise by an average of 1.6 per cent in the forward years from \$3092 million in 2006-07 to \$3240 million by 2009-10. Operating expenses are also projected to rise by an average of 1.6 per cent from \$3076 million in 2006-07 to \$3229 million by 2009-10, representing marginal increases in total operating expenses since Budget time.


The most significant movements within individual revenue and expense categories are explained in more detail in the following paragraphs.

Operating Revenue

Total taxation revenue is estimated to increase by around \$16 million in all years since the 2006-07 Budget, largely as a result of the expected continued growth in economic activity and employment. The increases largely relate to anticipated increases in payroll tax collections of \$8 million across most industries, in line with recent estimates of both employment and wages growth across the Territory. The remaining \$8 million increase per annum relates to the continuance of several large non-residential conveyance duty transactions. These increased estimates are despite incorporating the Government's commitment to increasing stamp duty rebates and payroll tax thresholds.

GST revenue has been revised up marginally by \$3 million for 2006-07. However, GST revenue from 2007-08 is estimated to fall by about \$17 million since Budget-time estimates. This is due to a forecast decline in relativities relating to anticipated revisions in the Commonwealth Grants Commission's assessments which are based on known changes in property and mining sector revenue for all states and territories.

Specific purpose funding from the Australian Government has also been revised upwards, mainly in 2006-07, subsequent to a number of agreements being finalised, which will have matching expenditure commitments.



In addition, as outlined in the 2005-06 Treasurer's Annual Financial Report (TAFR), the Australian Bureau of Statistics recently confirmed a change in accounting treatment of certain grants received from the Australian Government where the funds will not be committed until future years. Accordingly, \$60 million of Australian Government grant monies received late in the 2005-06 year that would previously have been recognised as revenue in that year, were instead treated as deposits held on the balance sheet. These amounts will be recognised as revenue in 2006-07 through 2008-09 (\$27 million 2006-07, \$12 million 2007-08 and \$21 million 2008-09) in line with the timing of expenditure commitments.

Other revised revenue projections include an upward revision of \$5 million to mining royalties resulting from increased mining activity across the Territory and an upward revision to interest revenue of \$6 million for 2006-07 due to higher than estimated cash holdings across government and interest rate rises. The increase in interest revenue is not expected to flow through to forward years.

Operating Expenses

Operating Expenses have varied since the 2006-07 Budget, largely resulting from the flow on effect of the 2005-06 outcome. The key component of this was the carry over from 2005-06 of \$26 million, predominantly related to Australian Government funding received late in the financial year, and results in increased expenditure across all categories.

Superannuation expenses have also increased from the original Budget estimates, resulting in increased employee expenses in all years. The higher superannuation costs are due to the updated actuarial reviews reported in the 2005-06 TAFR, together with the introduction of the Territory's Death and Invalidity scheme for employees in choice of fund superannuation schemes.

As reported in the 2005-06 TAFR, the Commonwealth Superannuation Scheme (CSS) triennial review was in progress at the time of publication. Although this review is still underway, the forward estimates have been updated to account for the likely outcome of the review, including the allocation to the Territory of financial responsibility for additional CSS members that have recently been identified by the scheme administrators. These factors, together with the additional liability as a result of the expected introduction of the Territory's Death and Invalidity scheme, have resulted in an average increase in expenses of \$10 million per annum over the forward estimates period.

In addition to the above, expenses have also increased in line with additional specific purpose payments from the Australian Government identified since the 2006-07 Budget. This increase generally affects the current and capital transfers categories, along with some minor changes to both employee and other operating expenses.

Assets and Liabilities – Non Financial Public Sector

Table 2.4 presents the key measures for the non financial public sector Balance Sheet as presented in the May 2006-07 Budget Papers and the 2006-07 Mid-Year Report.

Table 2.4: Balance Sheet – 2006-07 Budget and Mid-Year Report

	2006-07	2007-08	2008-09	2009-10
	\$M	\$M	\$M	\$M
2006-07 Budget				
Assets	7 373	7 431	7 517	7 589
Liabilities	4 871	4 913	4 981	5 021
Net Worth	2 503	2 519	2 535	2 567
Net Debt	1 776	1 804	1 794	1 770
Net Debt and Employee Liabilities	3 943	4 028	4 069	4 091
2006-07 Mid-Year Report				
Assets	7 786	7 862	7 947	8 018
Liabilities	5 110	5 165	5 230	5 263
Net Worth	2 676	2 697	2 717	2 755
Net Debt	1 683	1 712	1 703	1 681
Net Debt and Employee Liabilities	3 993	4 096	4 156	4 172
Variation				
Assets	413	431	430	429
Liabilities	239	252	249	242
Net Worth	173	178	182	188
Net Debt	-93	-92	-91	-89
Net Debt and Employee Liabilities	50	68	87	81

Source: Northern Territory Treasury

The estimate of net worth has improved since the 2006-07 Budget by \$173 million in 2006-07, rising to \$2755 million in 2009-10. This is largely due to the flow on effect of the improved cash surplus and an upward revision to the Territory's assets in 2005-06, offset by the increase in the Territory's unfunded superannuation liability as reported in the 2005-06 TAFR.

Net debt is estimated to decrease by \$89 million in 2009-10 from Budget-time forecasts, to \$1681 million, also largely due to the flow on effect of the improved cash outcome in 2005-06.

This also represents a reduction of \$72 million on the \$1753 million recorded in 2001-02. As a percentage to revenue, net debt is estimated to fall from the 48 per cent recorded in 2005-06 to 45 per cent in 2009-10, a 3 per cent reduction on that projected in the May 2006 Budget.

Net debt plus employee liabilities is expected to rise to \$4172 million by 2009-10, \$81 million over that estimated at Budget time. This is due largely to the actuarial reassessment as reported in the 2005-06 TAFR and the estimated outcome of the CSS triennial review, which is currently in progress as mentioned in the previous section. These factors, together with the expected introduction of the Territory's Death and Invalidity scheme have resulted in an increase of \$131 million to the superannuation liability for 2006-07 rising to \$159 million in 2009-10.

Statement of Risks

Despite this, when measured as a percentage of revenue it is expected that net debt plus employee liabilities will remain constant at around 113-114 per cent through the forward years. This represents a significant improvement on the 134 per cent recorded in 2001-02 and is still on a downward trend, albeit at a slower rate.

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

The risks identified and explained in detail at the time of the 2006-07 Budget remain appropriate, with the following providing a summary of these risks.

Revenue

Goods and Services Tax – The most significant risk to the revenue projections is the GST revenue. GST revenue accounts for 65 per cent of the Northern Territory Budget and therefore even minimal changes to the components has a significant effect on the Government's funding capacity and budget outcomes.

Historically, the Territory's relativity has been the most volatile of the three parameters affecting the amount of GST to be received, the other components being growth in the national GST pool available for distribution and the Territory's share of national population. Due to the sensitivity that even a small variation in relativities can have on the final GST amount to be received, this represents a significant risk to the forward estimates.

Other Australian Revenue Grants and Subsidies – Specific purpose payment agreements pose a potential risk to the Territory's Budget due to inadequate indexation of grants and raised community expectations from fixed-term agreements leaving the Territory to meet the financial burden when the original agreements expire.

Own Source Revenue – The amount of revenue received from Territory taxes and royalties is dependent upon the performance of the Territory's economy and other external factors.

Expenditure

Parameters – Increased cost and demand influences on the forward estimates pose a risk in increasing budget pressures.

Enterprise Bargaining Agreements – The outcome of future enterprise bargaining agreements over and above amounts currently factored into the forward estimates increases budgetary pressures.

Contingent Liabilities

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

For more information on Statement of Risks, refer to Chapter 2 of the 2006-07 Budget Paper 2: Fiscal and Economic Outlook.

Economic Outlook and Fiscal Strategy

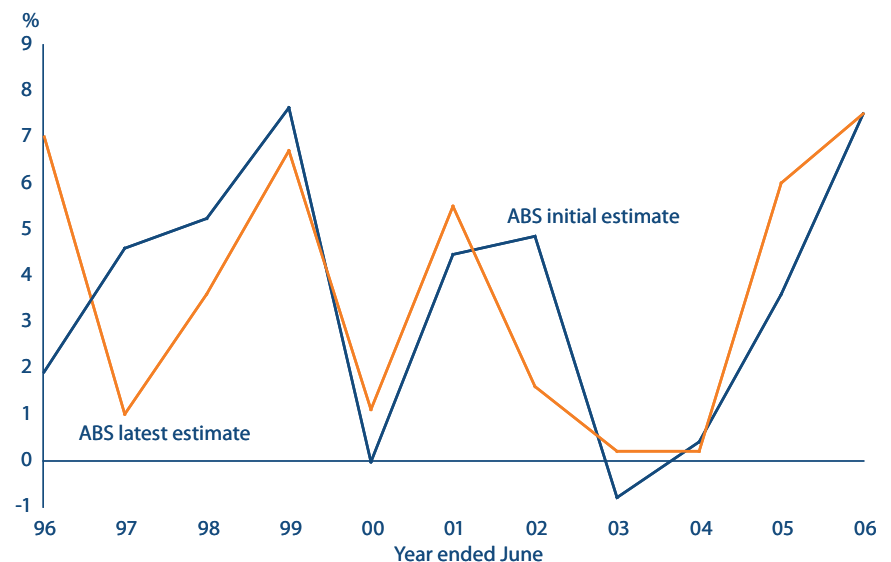
This chapter meets the *Fiscal Integrity and Transparency Act* requirement for the Mid-Year Report to provide updated information on both the economic assumptions and Fiscal Strategy as set out in the May 2006-07 Budget Papers.

Structure of the Economy

The structure of the Northern Territory economy is markedly different to other Australian jurisdictions, reflecting its abundance of natural resources, its comparatively large public sector, and the importance of the large defence presence. Territory Gross State Product (GSP), at around \$11.6 billion, accounts for approximately 1.1 per cent of national Gross Domestic Product (GDP).

Economic growth in the Northern Territory can be volatile from year to year. The small economy means large, typically resource based projects can have a substantial impact on investment and income streams, resulting in volatile growth patterns. Another source of volatility in reported annual economic growth comes from data revisions, which in the Territory can be significant.

Figure 3.1: Northern Territory Real Gross State Product



Source: ABS Catalogue No. 5220.0

Recent Economic Performance

For the 2006-07 Budget GSP growth was estimated at 6.7 per cent in 2005-06, reflecting stronger employment and population growth, with output also boosted by the commencement of liquefied natural gas (LNG) production and Bayu-Undan condensate output doubling as production reaches design capacity. The latest Australian Bureau of Statistics (ABS) published estimate of GSP growth for 2005-06 released in early November 2006 is 7.5 per cent, stronger than estimated, but broadly consistent with estimates across the consumption and investment components.

Table 3.1: Summary of Economic Parameters

% Change	2002-03	2003-04	ABS	ABS	ABS			Revised Forecast
			Initial Estimate	Latest Estimate	Budget Estimate	Latest Estimate	Budget Forecast	
GSP	0.2	0.2	3.6	6.0	6.7	7.5	5.8	6.2
SFD	2.3	6.2	4.2	5.3	6.3	6.5	-9.1	-5.0
Employment	-0.1	-2.2	-2.0	-2.0	2.1	4.0	2.3	5.0
Population*	0.1	0.3	1.1	1.2	1.7	2.0	1.5	1.7
CPI**	2.2	2.1	1.6	1.6	2.6	2.6	2.9	4.0

* Based on middle of the financial year, December estimates

** Year on year ended December percentage change

Source: Northern Territory Treasury, Australian Bureau of Statistics

The onshore economy continued to strengthen in 2005-06, with many indicators reporting growth consistent with what was estimated in the Budget. State Final Demand (SFD), a measure of consumption and investment, increased by 6.5 per cent, closely in line with the 6.3 per cent estimated at the time of the Budget. The main contributor to reported economic growth was investment, which increased by 11.9 per cent in 2005-06, and contributed 4.1 percentage points. Total consumption increased by 4.3 per cent in 2005-06, contributing 3.6 percentage points to growth.

Private consumption increased by 5.7 per cent in 2005-06, supported by low interest rates, strong employment and population growth while growth in public sector consumption moderated, increasing by 2.2 per cent.

Economic Outlook

All major economic parameters reported in the 2006-07 Budget have been revised for the Mid-Year Report (Table 3.1). Revisions reflect new and/or revised data and latest information regarding the status of projects.

Strong Gross State Product growth in 2006-07 reflects positive outlooks for both employment and population, as well as the continuation of the cyclical expansion across a range of industries. Output will be boosted by a full year of LNG production, as well as manganese from the new Bootu Creek mine, and increased alumina production from the Alcan refinery.

Gross State Product (GSP)

Northern Territory GSP is forecast to increase by 6.2 per cent in 2006-07, higher than the 5.8 per cent reported at the time of the Budget. The major influence on the upward revision is the later completion date for the Alcan G3 refinery expansion, as well as Alcan reporting a significant increase in construction costs over the life of the project. In addition, LNG export levels from Wickham Point have been stronger than expected.

Output growth in the mining and energy sector is forecast to be a major contributor to growth in 2006-07.

State Final Demand (SFD)

Another broad measure of economic activity is SFD which is forecast to decrease by 5 per cent in 2006-07, revised from an expected decline of 9.1 per cent reported in the Budget. Like GSP, Territory SFD has been volatile in recent years, influenced by the timing of investment for major projects. The extension of the Alcan completion date has been the major influence on the revision to SFD growth in 2006-07.

Consumption

The growth in total consumption forecast for 2006-07 has been revised up to 3.5 per cent, from 2.9 per cent reported in the Budget. The outlook for private consumption is unchanged from the time of the Budget, forecast to grow by 4.3 per cent in 2006-07, moderating from the 5.7 per cent growth reported for 2005-06. The moderation in growth for 2006-07 incorporates the anticipated dampening effect of the three interest rate rises in calendar year 2006. The forecast strength in demand drivers such as population and employment growth in 2006-07, may act to temper the impact of interest rate increases on private consumption in 2006-07. Growth in public sector consumption in 2006-07 is revised up to 2.4 per cent, stronger than growth estimated at the time of the Budget.

Dwellings Investment

The ABS reports a decline of 0.4 per cent in dwellings investment for 2005-06, based on a revision to public sector dwellings investment in 2004-05. The reported decline in dwellings investment for 2005-06 does not accord with estimates at the time of the Budget nor with other information regarding the level of residential building activity in the Territory. Treasury has estimated dwellings investment at high levels in 2005-06, with strong growth. This view was supported by other published ABS data sources up until the date of the GSP release in November 2006. Dwellings investment is forecast to moderate from high levels in 2006-07, declining by 5.5 per cent.

Business Investment

Business investment is forecast to fall by 34 per cent in 2006-07, more modest than the decline of 50 per cent forecast at the time of the Budget. This revision is due to the extension of Alcan's timeline for the completion of the G3 refinery expansion.

Goods and Services Exports

External demand for Territory goods and service exports is expected to improve in the short term as demand for commodities remains strong and as LNG exports are scheduled to reach full capacity in early 2006-07, along with the export of manganese from the new Bootu Creek mine. Service exports are expected to continue to improve in 2006-07 as the solid global economic outlook, lower fuel prices and increased airline capacity combine to support international visitor arrivals.

Employment

The ABS reports Territory employment increased by 4.0 per cent in 2005-06, stronger than the 2.1 per cent rise in employment estimated for the Budget. Employment growth is forecast to strengthen to 5.0 per cent in 2006-07, revised up from 2.3 per cent reported for the Budget. The major influence on the upward revision is the broadly based economic growth reported across many industries. The economic expansion has extended beyond the construction and mining industries, and includes employment growth in tourism related industries, property and business, finance and insurance, transport and storage, manufacturing and wholesale and retail trade. Sampling variability and higher standard errors than exist in other jurisdictions continue to be a factor affecting ABS labour force data in the Territory.

Population

Annual population growth to December 2005 was 2 per cent and is forecast to remain strong at 1.7 per cent to December 2006. The forecast of 1.7 per cent incorporates an upward adjustment of 0.2 percentage points, made by ABS to the preliminary December 2005 figure. Further out, population growth is forecast to average around 1.2 per cent for the remainder of the decade. While construction activity is currently strong and is continuing to support the robust population growth seen in recent quarters, there are no new major projects confirmed beyond 2007. Major employment-creating projects are the main determinant of net migration to the Territory.

Consumer Price Index

The inflation outlook reported at the time of the Budget was that strengthening demand for goods and services combined with continuing labour and skills shortages would put upward pressure on inflation over 2006 and 2007. Although this broad outlook remains unchanged, the rate of growth in the Consumer Price Index over 2006 has been stronger than estimated at the time of the Budget. At the time of the Budget, year on year inflation to December 2006 was estimated to increase to 2.9 per cent. This is revised in the Mid-Year Report to 4.0 per cent.

Three factors have driven the stronger inflation outlook: the strength of residential construction and property markets; increasing fuel prices; and large increases in fruit prices, namely bananas, as a result of the destruction caused by Cyclone Larry in Queensland. While banana and fuel prices are expected to fall in line with supply and demand conditions, the outlook is that the impact of housing on inflation growth will persist in the short term, consistent with the strong construction prospects and ongoing labour and skills constraints.

In the period from September 1997 to March 2005, the Darwin Consumer Price Index consistently tacked below that of the eight capital city weighted average. However since then this has reversed with the Darwin Consumer Price Index now being consistently above the eight capital city weighted average, primarily reflecting that Darwin is in a different stage of the economic cycle to many other Australian jurisdictions.

Economy and the Budget

In terms of the Budget and Mid-Year Report, economic parameters are used in developing Government revenue (both own-source and Australian Government grants) and expenditure estimates and forecasts. Australian Government grants make up approximately 80 per cent of Territory Government revenues and are based, in part, on population estimates. As such, population growth forecasts are important in estimating goods and services tax revenues. Own-source revenue is dominated by payroll tax and taxes on property, which combined typically account for around 60 per cent of these revenues. Key drivers of payroll tax receipts are employment and wages growth, while property tax receipts are influenced by the value and number of property transactions, all of which are influenced by the economic circumstances of the Territory.

Fiscal Strategy

The *Fiscal Integrity and Transparency Act* requires the Mid-Year Report to provide updated information to allow an assessment of the Government's fiscal performance against Fiscal Strategy targets, as set out in the 2006-07 Budget papers.

In this Mid-Year Report, there have been no changes to the targets and the revised forward estimates reflect minimal variations in the projected trends. The Government's medium-term fiscal objectives and targets as laid out in the 2006-07 Budget papers are listed below:

Sustainable Service Provision

Target: General Government Net Operating Balance by 2012-13

Infrastructure for Economic and Community Development

Target: Maintain Total Public Sector Infrastructure Investment at Appropriate Levels and Achieve a General Government Fiscal Balance by 2012-13

Competitive Tax Environment

Target: Ensure Territory Taxes and Charges are Competitive with the Average of the States

Prudent Management of Liabilities

Target: Net Debt plus Employee Liabilities as a Proportion of Total Revenue to Fall

The purpose of the Mid-Year Report is to provide updated estimates for the Budget and three forward years. Many of the Fiscal Strategy targets provide both absolute measures for the Territory as well as comparative state measures. Although information for the states is generally available for the 2005-06 outcome, updated state estimates for 2006-07 are not yet available. Thus the comparisons that follow provide updated information for the Territory and, only where possible, updated comparative state data.

Sustainable Service Provision

Target: General Government Net Operating Balance by 2012-13

The net operating balance for 2006-07 and the forward years is now projected to be in surplus in all years and represents an improved position on the original Budget estimates. This improvement largely relates to the recognition of revenue received from the Australian Government that was recorded as deposits held in 2005-06.

The cash targets set by Government for 2006-07 and the forward years at Budget time remain unchanged, with the budget expected to return to a balance by 2008-09 and move into surplus by 2009-10.

This unchanged cash position and the improved operating balance, would indicate that the accrual target of an operating balance by 2012-13 remains realistic.

Table 3.2: General Government Net Operating Balance

	2005-06 ¹	2006-07	2007-08	2008-09	2009-10
2006-07 Budget					
Net Operating Balance (\$M)	-19	17	-18	-15	4
As a Proportion of Total Revenue (%)	-0.6	0.6	-0.6	-0.5	0.1
Cash Outcome (\$M)	-47	-56	-40	0	17
2006-07 Mid-Year Report					
Net Operating Balance (\$M)	27	16	7	9	12
As a Proportion of Total Revenue (%)	0.9	0.5	0.2	0.3	0.4
Cash Outcome (\$M)	40	-56	-40	0	17
Variation					
Net Operating Balance (\$M)	46	-1	25	24	8
As a Proportion of Total Revenue (%)	1.5	-0.1	0.8	0.8	0.3
Cash Outcome (\$M)	87	0	0	0	0

Source: Northern Territory Treasury

1. Mid-Year Report reflects actual outcome.

Infrastructure for Economic and Community Development

Target: Maintain Infrastructure Investment at Appropriate Levels and Achieve Fiscal Balance by 2012-13

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

The fiscal balance provides a measure of the Territory's investment balance (that is, as a lender or a borrower). The fiscal balance includes the effect of both capital and operating transactions, after excluding the effect of depreciation.

Table 3.3: General Government Fiscal Balance

	2005-06 ¹	2006-07	2007-08	2008-09	2009-10
2006-07 Budget					
Fiscal Balance(\$M)	-129	-105	-98	-56	-35
As a Proportion of Total Revenue (%)	-4.3	-3.5	-3.1	-1.8	-1.1
2006-07 Mid-Year Report					
Fiscal Balance (\$M)	-51	-120	-97	-54	-27
As a Proportion of Total Revenue (%)	-1.7	-3.9	-3.1	-1.7	-0.8
Variation					
Fiscal Balance (\$M)	78	-15	1	2	8
As a Proportion of Total Revenue (%)	2.6	-0.4	0	0.1	0.3

Source: Northern Territory Treasury

1. Mid-Year Report reflects actual outcome.

Consistent with the operating result, the fiscal balance represents an improvement on that reported at Budget time for all forward years, albeit at a lower rate. For 2006-07, the \$15 million increase in the fiscal balance deficit reflects the timing of capital investment in the Territory's infrastructure.

As with the net operating balance, the trend of improvement over the forward estimates of both the cash and fiscal balance targets indicate that the Territory's aim of a balanced position by 2012-13 remains achievable. This is despite significant investment in the Territory's infrastructure in all years.

When considering capital investment in the Northern Territory, it is more appropriate to use the non financial public sector as this better reflects the complete picture of Government spending on significant infrastructure projects.

Table 3.4 presents the estimated level of infrastructure investment from the 2006-07 original Budget to 2009-10 and includes the Darwin Waterfront Development. The Government's infrastructure investment comprises purchases of non financial assets (including construction and capital items), capital grants to non government organisations and assets acquired under finance leases.

Table 3.4 : Capital Investment – Non Financial Public Sector

	2005-06 ¹	2006-07	2007-08	2008-09	2009-10
	\$M	\$M	\$M	\$M	\$M
2006-07 Budget					
Purchases of Non Financial Assets	404	382	350	325	327
Capital Grants	90	74	68	65	59
Leases	23	63	15	1	1
Total	517	519	433	391	387
2006-07 Mid-Year Report					
Purchases of Non Financial Assets	395	406	368	347	328
Capital Grants	82	87	74	65	59
Leases	15	63	21	1	1
Total	492	556	463	413	388
Variation					
Purchases of Non Financial Assets	-9	24	18	22	1
Capital Grants	-8	13	6	0	0
Leases	-8	0	6	0	0
Total	-25	37	30	22	1

Source: Northern Territory Treasury

1. Mid-Year Report reflects actual outcome.

The increase in capital investment since the May 2006 Budget is a result of the revised timing of infrastructure spending projects funded by the Australian Government together with an increase in capital grant estimates. The peak in 2005-06 through 2007-08 remains attributable to the Waterfront project, with capital expenditure forecast to return to more historic levels from 2008-09.

Competitive Tax Environment

Target: Ensure Territory Taxes and Charges are Competitive with the Average of the States

The Government is committed to maintaining taxation at levels that are competitive with other states and to encourage increased levels of business activity in the Territory. Comparisons of relative tax competitiveness are complex due to inherent differences in respective economies and in taxation regimes.

In assessing the competitiveness of the Territory's tax system, the following measures are utilised:

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

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

The Territory's taxation revenue per capita for 2006-07 is forecast to decrease by \$167 per capita from the 2005-06 outcome. This reduction is due to one-off stamp duty receipts in 2005-06. The Territory's 2006-07 forecast of \$1662 per capita remains the second lowest nationally.

Table 3.5: Comparison of Taxation Revenue Per Capita – General Government

	2005-06 Estimate	2005-06 Outcome	2006-07 Budget	2006-07 Revised
	\$ per capita	\$ per capita	\$ per capita	\$ per capita
State Average	2 094	2 096	2 191	2 191
Northern Territory	1 857	1 829	1 602	1 662

Source: ABS Catalogue 5501.0, State Budget Papers, State Outcome Reports and Northern Territory Treasury

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

A more sophisticated measure of tax competitiveness is the Commission's analysis of 'tax effort', which adjusts for the extent to which a particular state's capacity to raise revenue is above or below average. Table 3.6 details the Territory's revenue-raising capacity and effort expressed as a percentage of the Australian average in 2004-05, the latest year assessed by the Commission.

Table 3.6: Northern Territory Revenue-Raising Capacity and Effort 2004-05

	Capacity ¹	Effort ²
	%	%
Total taxation	76	102
Total own source revenue	88	103
Total taxation plus royalties and public safety user charges	85	96

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

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

Source: Commonwealth Grants Commission 2006 Update

Prudent Management of Liabilities

The Commission's assessment shows that the Territory's tax effort is slightly above the Australian average. However a better comparative measure, on a cross-jurisdictional basis, is taxation combined with mining royalties and public safety user charges. On this basis, the Territory's tax effort (96 per cent) remains slightly below the Australian average and the second lowest of the states and territories.

This combined with the per capita measure of taxation revenue indicates that the Government continues to provide a competitive tax environment for all Territorians.

The effective management of liabilities gives considerable focus to targeting, monitoring and maintaining net debt at prudent levels.

For benchmarking the Territory against other jurisdictions, the broader non financial public sector scope is used, rather than the general government sector. This broader focus is appropriate because of substantial differences between the states in the allocation of assets and liabilities between general government and the non financial public sector.

Target: Net Debt and Employee Liabilities as a Proportion of Total Revenue to Fall

Net debt is defined as gross borrowings less certain financial assets. Debt finance is an important source of funding for publicly-provided infrastructure, which is needed to promote social wellbeing and economic growth. This is particularly true in the case of the Territory due to its greater infrastructure requirements relative to other jurisdictions, resulting in the Territory having higher levels of debt than the states.

Despite this, the Territory's commitment to improvement of its fiscal performance over time will contribute to ongoing reductions to the burden of debt. This is borne out by the fact that net debt has improved significantly from the forecast at the time of the 2006-07 Budget. This results from the improved cash outcome published in the 2005-06 TAFR which has flowed through to the forward estimates.

The estimate of \$1681 million in 2009-10 is now forecast to be lower than the \$1753 million recorded in 2001-02 despite the significant investment in infrastructure projects across the Territory and increased funding provided to the core service provision areas of health, education and public safety in recent years.

Over the forward estimates period, the ratio of net debt to revenue is set to improve from 48 per cent in 2006-07 to 45 per cent by 2009-10 and is significantly below the 67 per cent recorded in 2001-02.

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

Since 2001-02 the level of net debt plus employee liabilities as a percentage of revenue has dropped from 134 per cent at 30 June 2002 to 112 per cent at 30 June 2006. However, updated actuarial assessments and superannuation scheme revaluations in 2006 have resulted in increases in the Territory's employee liabilities, as shown in Table 3.7, since the 2006-07 Budget.

Accordingly, the Territory's forecast net debt plus employee liabilities as a proportion of total revenue is expected to remain at around 113-114 per cent through the forward years, still well below the 134 per cent recorded in 2001-02.

Table 3.7: Net Debt and Employee Liabilities – Non Financial Public Sector

	2005-06 ¹	2006-07	2007-08	2008-09	2009-10
2006-07 Budget					
Net Debt (\$M)	1 708	1 776	1 804	1 794	1 770
Net Debt to Revenue (%)	50	52	51	50	48
Net Debt + Employee Liabilities (\$M)	3 814	3 943	4 028	4 069	4 091
Net Debt + Employee Liabilities to Revenue (%)	113	115	113	113	111
2006-07 Mid-Year Report					
Net Debt (\$M)	1 594	1 683	1 712	1 703	1 681
Net Debt to Revenue (%)	48	48	48	47	45
Net Debt + Employee Liabilities (\$M)	3 753	3 993	4 096	4 156	4 172
Net Debt + Employee Liabilities to Revenue (%)	112	114	114	114	113
Variation					
Net Debt (\$M)	- 114	- 93	- 92	- 91	- 89
Net Debt to Revenue (%)	- 2	- 4	- 3	- 3	- 3
Net Debt + Employee Liabilities (\$M)	- 61	50	68	87	81
Net Debt + Employee Liabilities to Revenue (%)	- 1	- 1	1	1	2

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

Conclusion

Overall the Territory continues to maintain its trend towards the medium-term fiscal objectives and targets as set out in the fiscal strategy. The unchanged cash targets, projected to be in surplus by 2009-10, together with the improving net operating balance and fiscal balance suggest that the target of balance on an accrual basis by 2012-13 remains achievable.

Net debt has improved significantly since the 2006-07 Budget and although a recent actuarial reassessment of the Territory's superannuation liability has resulted in an upward movement in employee liabilities, net debt plus employee liabilities as a proportion of revenue continues to fall and at an estimated 113 per cent in 2009-10 is significantly below the 134 per cent recorded in 2001-02.

Uniform Presentation Framework

Under the Uniform Presentation Framework (UPF), jurisdictions have agreed to publish information in a standard format in their Budget Papers, Outcome and Mid-Year reports. The format of the UPF is based on the reporting standards of the Australian Bureau of Statistics' Government Finance Statistics (GFS). The UPF has been adopted by all governments to facilitate a basis for meaningful comparisons of each government's financial results and projections.

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

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

Also included are tables presenting general government sector taxes and the revised 2006-07 Loan Council allocation.

Table 4.1

General Government Sector Operating Statement

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	326 258	342 258	347 954	352 707	354 635
Current grants and subsidies	2 365 777	2 394 781	2 457 164	2 518 496	2 549 128
Capital grants	75 177	75 610	87 896	79 748	80 016
Sales of goods and services	112 004	112 313	114 430	115 185	116 535
Interest income	15 700	21 924	15 785	15 876	15 910
Other	135 529	145 060	138 364	130 809	124 251
TOTAL REVENUE	3 030 445	3 091 946	3 161 593	3 212 821	3 240 475
EXPENSES					
Gross operating expenses	2 130 455	2 164 124	2 236 302	2 293 630	2 320 244
Depreciation	143 025	143 345	144 848	147 798	151 133
Employee expenses	1 236 763	1 254 323	1 285 057	1 307 266	1 326 090
Other operating expenses	750 667	766 456	806 397	838 566	843 021
Nominal superannuation interest expense	99 220	106 220	110 675	113 949	115 949
Other interest expenses	111 873	111 935	119 444	119 298	119 547
Other property expenses					
Current transfers	586 532	594 652	604 425	599 452	601 021
Capital transfers	85 375	98 779	84 075	77 865	72 155
TOTAL EXPENSES	3 013 455	3 075 710	3 154 921	3 204 194	3 228 916
NET OPERATING BALANCE	16 990	16 236	6 672	8 627	11 559
<i>less</i>					
Net acquisition of non financial assets					
Purchases of non financial assets	234 699	248 916	256 003	238 174	217 593
Sales of non financial assets	- 28 397	- 38 935	- 28 362	- 28 582	- 28 832
<i>less</i> Depreciation	143 025	143 345	144 848	147 798	151 133
<i>plus</i> Change in inventories					
<i>plus</i> Other movements in non financial assets	58 937	69 265	21 161	720	720
Total net acquisition of non financial assets	122 214	135 901	103 954	62 514	38 348
<i>equals</i>					
NET LENDING/BORROWING (Fiscal balance)	- 105 224	- 119 665	- 97 282	- 53 887	- 26 789

Table 4.2

General Government Sector Balance Sheet

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	79 016	53 661	52 062	51 488	50 300
Advances paid	63 188	30 973	30 973	30 973	30 973
Investments, loans and placements	464 506	654 674	612 513	620 451	637 174
Other non equity assets	107 695	124 135	119 071	110 260	103 919
Equity	2 055 746	2 248 640	2 269 287	2 286 997	2 300 114
Total financial assets	2 770 151	3 112 083	3 083 906	3 100 169	3 122 480
Non financial assets					
Land and fixed assets	3 814 831	3 875 890	3 977 440	4 037 400	4 073 194
Other non financial assets					
Total non financial assets	3 814 831	3 875 890	3 977 440	4 037 400	4 073 194
TOTAL ASSETS	6 584 982	6 987 973	7 061 346	7 137 569	7 195 674
LIABILITIES					
Deposits held	111 206	199 360	180 054	179 383	167 801
Advances received	22 591	7 867	7 814	7 785	7 785
Borrowing	1 724 144	1 719 217	1 720 141	1 712 113	1 705 327
Superannuation liability	1 787 877	1 918 280	1 986 346	2 048 365	2 079 384
Other employee entitlements and provisions	365 971	379 688	382 290	385 363	391 973
Other non equity liabilities	70 450	87 500	87 789	88 034	87 973
TOTAL LIABILITIES	4 082 239	4 311 912	4 364 434	4 421 043	4 440 243
NET WORTH	2 502 743	2 676 061	2 696 912	2 716 526	2 755 431
NET FINANCIAL WORTH (a)	-1 312 088	-1 199 829	-1 280 528	-1 320 874	-1 317 763
NET DEBT (b)	1 251 231	1 187 136	1 212 461	1 196 369	1 162 466

(a) Net financial worth equals total financial assets minus total liabilities.

(b) 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

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	325 758	341 758	347 954	352 707	354 635
Receipts from sales of goods and services	111 975	113 289	115 798	117 053	118 524
Grants and subsidies received	2 440 954	2 470 391	2 545 060	2 598 244	2 629 144
Other receipts	140 092	152 845	151 332	147 096	137 982
Total operating receipts	3 018 779	3 078 283	3 160 144	3 215 100	3 240 285
Cash payments for operating activities					
Payment for goods and services	-2 026 177	-2 060 526	-2 143 676	-2 207 885	-2 240 911
Grants and subsidies paid	- 668 157	- 689 681	- 688 500	- 677 317	- 673 176
Interest paid	- 111 817	- 111 870	- 119 438	- 119 336	- 119 608
Other payments					
Total operating payments	-2 806 151	-2 862 077	-2 951 614	-3 004 538	-3 033 695
NET CASH FLOWS FROM OPERATING ACTIVITIES	212 628	216 206	208 530	210 562	206 590
Net cash flows from investments in non financial assets					
Sales of non financial assets	28 397	38 935	28 362	28 582	28 832
Purchases of non financial assets	- 234 699	- 248 916	- 256 003	- 238 174	- 217 593
Net cash flows from investments in non financial assets	-206 302	-209 981	-227 641	-209 592	-188 761
Net cash flows from investments in financial assets for policy purposes (a)					
Net cash flows from investments in financial assets for liquidity purposes	2 358	2 358	57 107	7 905	71
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 203 944	- 207 623	- 170 534	- 201 687	- 188 690
Net cash flows from financing activities					
Advances received (net)	- 329	- 329	- 53	- 29	
Borrowing (net)	1 507	4 802	- 20 237	- 8 748	- 7 506
Deposits received (net)	21 321	- 15 332	- 19 306	- 671	- 11 582
Distributions paid					
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	22 499	- 10 859	- 39 596	- 9 448	- 19 088
NET INCREASE/DECREASE IN CASH HELD	31 183	- 2 275	- 1 599	- 574	- 1 188
Net cash from operating activities and investments in non financial assets	6 326	6 225	- 19 111	970	17 829
Finance leases and similar arrangements	- 62 687	- 62 520	- 21 161	- 720	- 720
SURPLUS (+)/DEFICIT (-)	- 56 361	- 56 295	- 40 272	250	17 109

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

Table 4.4

Public Non Financial Corporation Sector Operating Statement

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Current grants and subsidies	127 533	128 023	128 178	130 550	131 885
Capital grants	11 497	11 497	10 904	14 217	14 217
Sales of goods and services	419 013	417 693	430 525	434 338	440 101
Interest income	15 103	15 103	15 771	16 470	17 170
Other	46 353	46 353	43 268	43 898	44 224
TOTAL REVENUE	619 499	618 669	628 646	639 473	647 597
EXPENSES					
Gross operating expenses	527 801	528 285	549 088	574 579	597 994
Depreciation	84 485	84 485	96 049	98 071	98 928
Employee expenses	60 526	62 526	63 452	63 955	64 457
Other operating expenses	382 790	381 274	389 587	412 553	434 609
Other interest expenses	54 179	53 580	53 598	53 494	54 044
Other property expenses	31 217	31 217	28 523	16 405	4 974
Current transfers	992	10 998	917	917	917
Capital transfers	1 070	1 070	1 085	1 085	1 085
TOTAL EXPENSES	615 259	625 150	633 211	646 480	659 014
NET OPERATING BALANCE	4 240	-6 481	-4 565	-7 007	-11 417
<i>less</i>					
Net acquisition of non financial assets					
Purchases of non financial assets	147 258	157 208	111 661	108 916	110 342
Sales of non financial assets	-35 020	-35 020	-25 120	-25 120	-25 120
<i>less</i> Depreciation	84 485	84 485	96 049	98 071	98 928
<i>plus</i> Change in inventories	- 151	151	158	160	164
<i>plus</i> Other movements in non financial assets	9 550	9 550	5 800	5 800	5 800
Total net acquisition of non financial assets	37 152	47 404	-3 550	-8 315	-7 742
<i>equals</i>					
NET LENDING/BORROWING (Fiscal balance)	-32 912	-53 885	-1 015	1 308	-3 675

Table 4.5

Public Non Financial Corporation Sector Balance Sheet

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	39 307	72 030	62 794	62 165	44 327
Investments, loans and placements	203 894	199 171	199 562	199 953	200 344
Other non equity assets	84 072	70 070	71 500	72 965	74 455
Equity					
Total financial assets	327 273	341 271	333 856	335 083	319 126
Non financial assets					
Land and fixed assets	2 434 436	2 635 057	2 622 117	2 604 099	2 586 654
Other non financial assets					
Total non financial assets	2 434 436	2 635 057	2 622 117	2 604 099	2 586 654
TOTAL ASSETS	2 761 709	2 976 328	2 955 973	2 939 182	2 905 780
LIABILITIES					
Deposits held	1 806	1 723	1 723	1 723	1 723
Advances received	375 558	368 587	368 587	368 587	348 150
Borrowing	390 546	396 647	391 413	398 287	412 832
Superannuation liability					
Other employee entitlements and provisions	50 783	49 388	47 856	40 232	33 218
Other non equity liabilities	43 498	85 541	85 907	86 576	87 200
TOTAL LIABILITIES	862 191	901 886	895 486	895 405	883 123
Shares and other contributed capital	1 899 518	2 074 442	2 060 487	2 043 777	2 022 657
NET FINANCIAL WORTH (a)	- 534 918	- 560 615	- 561 630	- 560 322	- 563 997
NET DEBT (b)	524 709	495 756	499 367	506 479	518 034

(a) Net financial worth equals total financial assets minus total liabilities.

(b) 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

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Receipts from sales of goods and services	417 790	416 470	429 155	432 935	438 673
Grants and subsidies received	63 704	64 194	64 218	68 655	68 655
Other receipts	127 232	127 232	128 103	130 680	133 041
Total operating receipts	608 726	607 896	621 476	632 270	640 369
Cash payments for operating activities					
Payment for goods and services	-443 055	-443 539	-452 122	-475 560	-498 110
Grants and subsidies paid	-2 062	-12 068	-2 002	-2 002	-2 002
Interest paid	-54 016	-53 198	-53 973	-53 590	-54 192
Other payments					
Total operating payments	-499 133	-508 805	-508 097	-531 152	-554 304
NET CASH FLOWS FROM OPERATING ACTIVITIES	109 593	99 091	113 379	101 118	86 065
Net cash flows from investments in non financial assets					
Sales of non financial assets	35 020	35 020	25 120	25 120	25 120
Purchases of non financial assets	-147 258	-157 208	-111 661	-108 916	-110 342
Net cash flows from investments in non financial assets	-112 238	-122 188	-86 541	-83 796	-85 222
Net cash flows from investments in financial assets for policy purposes (a)	-10 000	-10 000	-391	-391	-391
Net cash flows from investments in financial assets for liquidity purposes					
NET CASH FLOWS FROM INVESTING ACTIVITIES	-122 238	-132 188	-86 932	-84 187	-85 613
Net cash flows from financing activities					
Advances received (net)	20 000	20 000			-20 437
Borrowing (net)	20 919	25 919	-5 234	6 874	14 545
Deposits received (net)					
Distributions paid	-23 259	-23 259	-30 449	-24 434	-12 398
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	17 660	22 660	-35 683	-17 560	-18 290
NET INCREASE/DECREASE IN CASH HELD	5 015	-10 437	-9 236	-629	-17 838
Net cash from operating activities and investments in non financial assets	-2 645	-23 097	26 838	17 322	843
Distributions paid	-23 259	-23 259	-30 449	-24 434	-12 398
Finance leases and similar arrangements					
SURPLUS (+)/DEFICIT (-)	-25 904	-46 356	-3 611	-7 112	-11 555

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

Table 4.7

Non Financial Public Sector Operating Statement

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	321 349	337 349	342 874	347 563	349 474
Current grants and subsidies	2 365 777	2 394 775	2 457 164	2 518 496	2 549 128
Capital grants	75 177	75 610	87 896	79 748	80 016
Sales of goods and services	499 103	501 111	515 994	520 897	528 010
Interest income	29 416	35 640	30 183	30 958	31 675
Other	147 571	155 102	148 011	153 184	158 372
TOTAL REVENUE	3 438 393	3 499 587	3 582 122	3 650 846	3 696 675
EXPENSES					
Gross operating expenses	2 618 339	2 653 511	2 746 251	2 829 321	2 879 322
Depreciation	227 510	227 830	240 897	245 869	250 061
Employee expenses	1 292 357	1 309 917	1 341 573	1 364 265	1 383 580
Other operating expenses	1 098 472	1 115 764	1 163 781	1 219 187	1 245 681
Nominal superannuation interest expense	99 220	106 220	110 675	113 949	115 949
Other interest expenses	164 665	164 128	171 669	171 404	172 186
Other property expenses					
Current transfers	461 091	478 721	477 164	469 819	470 053
Capital transfers	73 848	87 252	74 256	64 733	59 023
TOTAL EXPENSES	3 417 163	3 489 832	3 580 015	3 649 226	3 696 533
NET OPERATING BALANCE	21 230	9 755	2 107	1 620	142
<i>less</i>					
Net acquisition of non financial assets					
Purchases of non financial assets	381 957	406 124	367 664	347 090	327 935
Sales of non financial assets	- 63 417	- 73 955	- 53 482	- 53 702	- 53 952
<i>less</i> Depreciation	227 510	227 830	240 897	245 869	250 061
<i>plus</i> Change in inventories	- 151	151	158	160	164
<i>plus</i> Other movements in non financial assets	68 487	78 815	26 961	6 520	6 520
Total net acquisition of non financial assets	159 366	183 305	100 404	54 199	30 606
<i>equals</i>					
NET LENDING/BORROWING (Fiscal balance)	- 138 136	- 173 550	- 98 297	- 52 579	- 30 464

Table 4.8

Non Financial Public Sector Balance Sheet

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	78 635	52 364	48 556	48 117	47 014
Advances paid	267 082	230 144	230 535	230 926	231 317
Investments, loans and placements	464 506	654 674	612 513	620 451	637 174
Other non equity assets	157 617	163 658	161 953	162 637	165 210
Equity	156 228	174 198	208 800	243 220	277 457
Total financial assets	1 124 068	1 275 038	1 262 357	1 305 351	1 358 172
Non financial assets					
Land and fixed assets	6 249 267	6 510 947	6 599 557	6 641 499	6 659 848
Other non financial assets					
Total non financial assets	6 249 267	6 510 947	6 599 557	6 641 499	6 659 848
TOTAL ASSETS	7 373 335	7 785 985	7 861 914	7 946 850	8 018 020
LIABILITIES					
Deposits held	73 324	127 756	115 477	115 570	121 911
Advances received	398 149	376 454	376 401	376 372	355 935
Borrowing	2 114 690	2 115 864	2 111 554	2 110 400	2 118 159
Superannuation liability	1 787 877	1 918 280	1 986 346	2 048 365	2 079 384
Other employee entitlements and provisions	389 442	404 131	407 129	410 606	417 627
Other non equity liabilities	107 110	167 439	168 095	169 011	169 573
TOTAL LIABILITIES	4 870 592	5 109 924	5 165 002	5 230 324	5 262 589
NET WORTH	2 502 743	2 676 061	2 696 912	2 716 526	2 755 431
NET FINANCIAL WORTH (a)	-3 746 524	-3 834 886	-3 902 645	-3 924 973	-3 904 417
NET DEBT (b)	1 775 940	1 682 892	1 711 828	1 702 848	1 680 500

(a) Net financial worth equals total financial assets minus total liabilities.

(b) 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

	2006-07 Budget	2006-07 Revised	2007-08	2008-09	2009-10
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	320 849	336 849	342 874	347 563	349 474
Receipts from sales of goods and services	497 851	500 864	515 992	521 362	528 571
Grants and subsidies received	2 440 954	2 470 385	2 545 060	2 598 244	2 629 144
Other receipts	167 308	180 061	172 696	175 791	179 723
Total operating receipts	3 426 962	3 488 159	3 576 622	3 642 960	3 686 912
Cash payments for operating activities					
Payment for goods and services	-2 432 365	-2 470 217	-2 561 704	-2 649 624	-2 705 184
Grants and subsidies paid	- 531 189	- 562 223	- 551 420	- 534 552	- 529 076
Interest paid	- 164 446	- 163 681	- 172 038	- 171 538	- 172 395
Other payments					
Total operating payments	-3 128 000	-3 196 121	-3 285 162	-3 355 714	-3 406 655
NET CASH FLOWS FROM OPERATING ACTIVITIES	298 962	292 038	291 460	287 246	280 257
Net cash flows from investments in non financial assets					
Sales of non financial assets	63 417	73 955	53 482	53 702	53 952
Purchases of non financial assets	- 381 957	- 406 124	- 367 664	- 347 090	- 327 935
Net cash flows from investments in non financial assets	- 318 540	- 332 169	- 314 182	- 293 388	- 273 983
Net cash flows from investments in financial assets for policy purposes (a)	- 10 000	- 10 000	- 391	- 391	- 391
Net cash flows from investments in financial assets for liquidity purposes	2 358	2 358	57 107	7 905	71
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 326 182	- 339 811	- 257 466	- 285 874	- 274 303
Net cash flows from financing activities					
Advances received (net)	19 671	19 671	- 53	- 29	- 20 437
Borrowing (net)	22 426	30 721	- 25 471	- 1 874	7 039
Deposits received (net)	13 513	- 7 688	- 12 279	93	6 341
Distributions paid					
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	55 610	42 704	- 37 803	- 1 810	- 7 057
NET INCREASE/DECREASE IN CASH HELD	28 390	- 5 068	- 3 808	- 439	- 1 103
Net cash from operating activities and investments in non financial assets	- 19 578	- 40 131	- 22 722	- 6 142	6 274
Distributions paid					
Finance leases and similar arrangements	- 62 687	- 62 520	- 21 161	- 720	- 720
SURPLUS (+)/DEFICIT (-)	- 82 265	- 102 651	- 43 883	- 6 862	5 554

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

Table 4.10

General Government Sector Taxes

	2006-07	2006-07	2007-08	2008-09	2009-10
	Budget	Revised	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE	119	127	132	132	135
Payroll taxes	119	127	132	132	135
TAXES ON PROPERTY	87	95	92	94	89
Stamp duties on financial and capital transactions	87	95	92	94	89
TAXES ON THE PROVISION OF GOODS AND SERVICES	82	82	85	88	91
Taxes on gambling	60	60	62	65	68
Taxes on insurance	22	22	23	23	23
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES	38	38	39	39	39
Motor vehicle registration fees	38	38	39	39	39
TOTAL TAXES	326	342	348	353	355

Table 4.11

2006-07 Loan Council Allocation

	Budget-time Estimate	Mid-Year Estimate
	\$M	\$M
General government sector cash deficit (+)/surplus (-)	56	56
Public non financial corporations sector cash deficit (+)/surplus (-)	26	46
Non financial public sector cash deficit (+)/surplus (-)	82	102
<i>less</i>		
Net cash flows from investments in financial assets for policy purposes	- 10	- 10
<i>plus</i>		
Memorandum items	-	-
LOAN COUNCIL NOMINATION	92	112

