

**2014-15
Mid-Year Report**

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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 2014-15 Mid-Year Report are based on Government decisions that I was aware of, or that were made available to me by the Treasurer, before 21 November 2014. The projections are presented in accordance with the Uniform Presentation Framework.

A handwritten signature in black ink that reads "Jodie Ryan". The signature is written in a cursive style with a large initial 'J' and 'R'.

Jodie Ryan
Under Treasurer

22 November 2014

Chapter 1 Overview

Fiscal Overview

The 2014-15 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 that updates current budget projections.

The May 2014 Budget was developed on Government's key fiscal objective of eliminating the fiscal balance deficit for the non financial public sector by 2017-18, and projected a small deficit of \$39 million for 2017-18.

The 2014-15 Mid-Year Report continues this focus on fiscal consolidation and incorporates updated revenue projections, variations to tied Commonwealth funds and Government decisions made since the May 2014 Budget. The report also incorporates the effect of the 2013-14 outcome on the 2014-15 Budget and Forward Estimates. The key effect of the 2013-14 outcome was an improvement of around \$300 million on the net debt position from that projected in May 2014.

Aside from the flow-on effect of reduced net debt, the projected outcome for 2014-15 is improved when compared to the May 2014 Budget. Increases in GST and own-source revenue have more than offset the carryover of expenditure from 2013-14, resulting in a revised fiscal balance deficit projection of \$660 million for 2014-15. From 2015-16 the revenue and expense variations are somewhat offsetting, however overall there are modest improvements in the fiscal balance position of about \$14 million in each year over the forward estimates period.

Table 1.1 sets out the key fiscal aggregates for the general government sector and non financial public sector including the 2013-14 outcome and the revised 2014-15 Budget and Forward Estimates.

Table 1.1: Key Fiscal Aggregates

	2013-14 ¹ Outcome	2014-15 Budget	2015-16	2016-17	2017-18
			Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
General government sector					
Net operating balance	119	137	149	121	24
Non financial public sector					
Fiscal balance	- 90	- 660	- 79	- 39	- 25
Net debt	3 091	3 698	3 735	3 742	3 748
Net debt to revenue (%)	53	59	59	58	58

¹ Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

The fiscal highlights in the Mid-Year Report include:

- a general government operating surplus of \$137 million in 2014-15 and remaining in a surplus position for all years;
- a non financial public sector fiscal balance deficit of \$660 million in 2014-15 with modest and reducing deficits projected over the forward estimate period; and
- net debt plateauing at \$3.7 billion from 2014-15 and net debt to revenue ratio for the non financial public sector below 60 per cent in all years.

Further information on the outcome and comparison between the estimates contained in this report and those projected at the time of the May 2014 Budget is provided in Chapter 2.

Economic Overview

The Territory economy grew by 6.5 per cent in 2013-14, continuing the above-trend growth of recent years. This was the highest economic growth rate of all jurisdictions and compares with 2.5 per cent nationally. Growth was supported by higher levels of business investment, dwelling investment, household consumption and net exports.

Strong investment in the Territory's resource sector in recent years is expected to continue to drive economic activity in 2014-15 when construction work related to the INPEX Ichthys liquefied natural gas (LNG) project is forecast to peak. Consequently, the Territory economy is forecast to expand at a robust pace of 6.0 per cent in 2014-15.

Economic growth in the Territory is forecast to ease to 3.0 per cent in 2015-16 and remain around historical trend levels in the outer years. From 2015-16, business investment is forecast to decline and return to long-term average levels. This is, however, expected to be offset by substantial increases in net exports as major resource projects transition to the production and export phase.

Conditions in the Territory's labour market are expected to remain positive in 2014-15 as economic activity remains buoyant. However, from 2015-16, employment conditions are expected to soften as the Ichthys LNG project transitions to the less labour-intensive phase. This is expected to lead to moderating employment growth and a rise in the unemployment rate. However, the Territory's unemployment rate is expected to remain low relative to other jurisdictions.

The Darwin consumer price index moderated during 2014, largely due to lower growth in the cost of housing, specifically rent, house purchase and utilities. Darwin inflationary pressures should continue to ease over the forward estimates period. This reflects an expected softening in labour market conditions and slower population growth as the Ichthys LNG project transitions from the construction to the production phase. Growth in house purchase prices and rents are also expected to slow due to increased supply of new dwellings combined with further housing developments in the Territory.

Table 1.2: Key Economic Forecasts (%)

	2013-14		2014-15	2015-16	2016-17	2017-18
	Budget	Actual	Estimate	Forecast		
Gross state product ¹	5.0	6.5	6.0	3.0	4.0	3.5
Population ²	2.0	1.6	1.6	2.6	1.0	1.0
Employment ³	3.7	4.3	3.5	2.1	0.7	0.7
Unemployment rate ⁴	4.4	4.4	4.0	4.2	4.7	4.7
Consumer price index ⁵	3.9	3.9	3.0	2.8	2.5	2.5
Wage price index ⁵	2.9	2.9	3.0	3.0	3.0	3.0

¹ Year ended June, year-on-year percentage change, inflation adjusted.

² As at December, annual percentage change.

³ Year-on-year percentage change.

⁴ Year average.

⁵ As at December, year-on-year percentage change.

Source: ABS; Department of Treasury and Finance

Further information on the comparison between the forecasts in this Report and those projected at the time of the May 2014 Budget is provided in Chapter 3.

Chapter 2 Fiscal Outlook

This chapter addresses the requirement under section 10(1)(a) of the *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 and non financial public sectors.

In addition this chapter also provides:

- a comparison with the estimates provided in the previous fiscal outlook report, which was the May 2014 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 2014 Budget and forward estimates have been updated to reflect:

- the outcome of the 2013-14 financial year;
- Government decisions since the May 2014 Budget;
- revised Territory revenue estimates including GST revenue; and
- a range of other revenue and expense-related adjustments, largely due to the revised timing of Commonwealth-funded programs.

At the time of printing, Government was considering the sale of the Territory Insurance Office. Given no final decision had been made before this Report was finalised, the potential financial implications have not been included in the Mid-Year Report projections.

Key Fiscal Indicators – Operating Statement

Table 2.1 presents the key general government and non financial public sector operating statement indicators for 2013-14 through to 2017-18, compared to the estimates provided in the May 2014 Budget.

Table 2.1: Key Fiscal Indicators – Operating Statement

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
General government sector					
Net operating balance					
2014-15 Budget	- 31	63	99	69	1
2014-15 Mid-Year Report	119	137	149	121	24
Variation	150	74	50	52	23
Non financial public sector					
Fiscal balance					
2014-15 Budget	- 394	- 723	- 92	- 53	- 39
2014-15 Mid-Year Report	- 90	- 660	- 79	- 39	- 25
Variation	304	63	14	14	14

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 be both in a surplus position and improved in all years when compared to the May 2014 Budget.

The improved operating result is primarily due to increased revenue, partly offset by the carryover of expenses from 2013-14 and new policy decisions. The revenue increases are largely related to additional GST revenue to the Territory. In 2014-15 the higher GST receipts includes a one-off adjustment of \$26 million relating to the 2013-14 year, which is to be received in 2014-15.

The improved position is further influenced by an increase in own-source revenue, largely payroll tax and stamp duty, offset by timing differences associated with tied Commonwealth funding received in 2013-14, and new policy decisions of Government.

Non Financial Public Sector Fiscal Balance

The fiscal balance is influenced by the same factors affecting the general government operating balance. However, the fiscal balance includes capital payments and receipts and excludes depreciation.

Due to minimal changes in net capital payments in 2014-15, the underlying improvement in the operating balance in 2014-15 has flowed through to the fiscal balance for the non financial public sector, resulting in an improvement of \$63 million when compared to the May 2014 Budget.

The change in the fiscal balance over the forward estimates period is less due to higher net capital payments in those years. This results in the fiscal balance being marginally improved by about \$14 million in all forward years when compared to the May 2014 Budget.

As shown in Table 2.1, the fiscal balance deficit is projected to peak at \$660 million in 2014-15 before reducing to a small deficit of \$25 million in 2017-18. 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

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Revenue					
2014-15 Budget	5 823	6 096	6 245	6 414	6 376
2014-15 Mid-Year Report	5 847	6 253	6 315	6 474	6 414
Variation	24	157	70	60	39

¹ Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

Since the May 2014 Budget, operating revenue has increased in all years, as shown in Table 2.2. The main changes relate to the upward revision to GST revenue, taxation revenue estimates and tied Commonwealth revenue. Total operating revenue is projected to grow on average by 2.4 per cent per annum from 2013-14 to 2017-18, consistent with that projected at the time of the May 2014 Budget, from \$5847 million in 2013-14 to \$6414 million in 2017-18.

GST Revenue

The parameters that influence the amount of GST revenue the Territory receives are national GST collections, the Territory's share of the national population and GST relativities as recommended by the Commonwealth Grants Commission (CGC).

It is estimated that in 2014-15, the Territory will receive \$3206 million in GST revenue, \$77 million higher than estimated at the time of the May 2014 Budget. This upward revision reflects an increase in actual national GST collections in 2013-14, than the Commonwealth had projected in its Budget. The Territory's share of this amount in 2014-15 is \$51 million, together with a \$26 million balancing adjustment that will be paid by the Commonwealth to the Territory in 2014-15.

In addition, while estimates of growth in national GST collections for 2014-15 and forward years remain unchanged from the May 2014 Budget, growth rates will be off the higher 2013-14 base, resulting in increased GST revenue estimates of around \$50 million in all years. However from 2015-16 this is partly offset by a marginally lower estimated share of the national pool than predicted in May 2014.

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 2014 Budget projections.

This increase in taxation revenue 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 2014-15, collections to date have been higher than anticipated and revised upwards by \$14 million, with some flow-on across forward years anticipated.

Year-to-date collections in stamp duty on conveyances (\$7.8 million) and gambling taxes (\$2.6 million) have also contributed to an upward revision of revenue estimates. Collections are expected to maintain their forecast level of growth, resulting in a flow-on increase across the forward years.

Tied Commonwealth Funding

The remaining change in revenue estimates since the May 2014 Budget predominantly relates to tied Commonwealth funding, which has increased by \$30.7 million in 2014-15. The increase in 2014-15 is due to the revised timing of, and additional funding for, the following programs: National Banana Freckle Eradication; National Disability; Essential Vaccines; Treating More Public Dental Patients; and Education for Immigration Detainee Children.

The main contributors to the variation in tied funding over the forward estimates include additional funding for the Northern Territory Solar Energy Transformation Program, Essential Vaccines and National Disability programs, partially offset by the cessation of funding for NT Jobs package and revised timing of Stronger Futures funding. 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 2013-14.

Operating Expenses and Net Capital Payments

Table 2.3: Non Financial Public Sector – Operating Expenses and Net Capital Payments

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Operating expenses					
2014-15 Budget	5 896	6 026	6 114	6 296	6 311
2014-15 Mid-Year Report	5 783	6 116	6 137	6 307	6 327
Variation	- 112	91	23	11	15
Net capital payments					
2014-15 Budget	322	793	223	172	103
2014-15 Mid-Year Report	154	797	257	206	112
Variation	- 168	4	33	34	9

¹ Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

Total operating expenses in 2013-14 was \$5783 and is projected to grow on average by 2.3 per cent per annum over the forward estimates to \$6327 million in 2017-18. This compares to 1.8 per cent annual growth at the time of the May 2014 Budget, however that was calculated off a higher 2013-14 base. Despite this, expenditure growth remains below revenue growth over the same period. In all years the growth in operating expenses incorporates the effect of parameters that are unchanged from the May 2014 Budget and are:

- wages – inflator;
- consumer price index (CPI) – inflator; and
- efficiency dividend – deflator.

The increase in operating expenses since the May 2014 Budget is largely reflective of adjustments to match the increases in tied Commonwealth funding. For 2014-15, the increase is more pronounced due to the carryover of expenditure from 2013-14 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 2014 Budget. Although offset by additional revenue, these decisions primarily relate to additional funding for the Northern and Central Australia Development Offices; Strategic Oil and Gas Project; Domestic and Family Violence Reduction Strategy; and the Strategic Defence Advisory Committee.

Net capital payments have increased in all forward years since the May 2014 Budget primarily due to the joint Territory and Commonwealth-funded \$60 million Solar Energy Transformation Program in remote and regional areas of the Territory.

Consolidated Table of Changes since May 2014

Table 2.4 sets out changes in the fiscal balance for 2014-15 for the non financial public sector since the May 2014 Budget. Variations are categorised into policy and non policy variations. Policy variations are the result of Government decisions to implement or expand agency programs. Non policy variations are either due to influences outside the Government's control, such as the timing of receipts from the Commonwealth, or changes in economic parameters.

Table 2.4: Variations to the Non Financial Public Sector's Fiscal Balance since May 2014

	2014-15
	\$M
2014-15 BUDGET FISCAL BALANCE	- 722.6
REVENUE	
Revenue – non policy	
Stamp duty	7.8
Payroll tax	14.4
Other taxes	2.6
GST revenue	77.0
Tied Commonwealth revenue	30.7
Interest income	8.5
Other revenue	16.2
Total revenue – non policy	157.2
OPERATING EXPENSES	
Expenses – policy	
New and expanded policy decisions	20.0
Total expenses – policy	20.0
Expenses – non policy	
Commonwealth expenses and transfers between years and to capital	86.7
Interest expense	- 8.7
Other	- 7.3
Total expenses – non policy	70.7
TOTAL OPERATING EXPENSES	90.7
Net Capital	
Net acquisitions of non-financial assets	3.6
TOTAL NET CAPITAL PAYMENTS	3.6
TOTAL EXPENSES	94.3
TOTAL VARIATION	62.9
2014-15 REVISED FISCAL BALANCE OUTCOME	- 659.7

Source: Department of Treasury and Finance

Since May 2014, a number of policy and non policy-related changes to revenue and expenses in 2014-15 have resulted in a \$62.9 million improvement in the fiscal balance outcome since May 2014.

The non financial public sector revenue has increased by \$157.2 million since the May 2014 Budget and total expenses have increased by \$94.3 million. The main revenue variations since the May 2014 Budget are:

- an increase in taxation revenue of \$24.8 million, which is largely attributed to increased payroll tax (\$14.4 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 (\$7.8 million);
- an additional \$77 million in GST revenue compared to the May 2014 Budget due to a one-off \$26 million payment being made in 2014-15 related to the 2013-14 final national GST collections, and \$51 million related to the higher GST pool base in 2014-15;
- revised timing of Commonwealth National Partnership (NP) and Commonwealth Own Purpose Expenditure (COPE) revenue (\$30.7 million higher);
- increase in interest revenue of \$8.5 million, reflecting higher returns on investments; and
- a one-off increase in other revenue totalling \$16.2 million.

Non financial public sector operating expenses have increased since the May 2014 Budget by \$90.7 million.

The key policy and non policy expense variations in 2014-15 are:

- policy decisions approved by Government since the May 2014 Budget totalling \$20 million;
- Commonwealth payments and transfers between years and to capital of \$86.7 million related to additional funding and revised timing of the delivery of Commonwealth-funded programs including the NP agreements on Remote Indigenous Housing and Improving Public Hospitals, and various programs under the Stronger Futures package; and
- reduction in interest expenses of \$8.7 million reflecting the better than expected 2013-14 outcome and the Government's revised borrowing program.

Key Fiscal Indicators – Balance Sheet

Table 2.5: Non Financial Public Sector – Net Debt and Net Debt to Revenue Ratio

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
	Outcome	Budget	Forward Estimates		
Net debt (\$M)					
2014-15 Budget	3 406	4 066	4 117	4 139	4 159
2014-15 Mid-Year Report	3 091	3 698	3 735	3 742	3 748
Variation	- 315	- 368	- 383	- 397	- 411
Net debt to revenue (%)					
2014-15 Budget	58	67	66	65	65
2014-15 Mid-Year Report	53	59	59	58	58
Variation	- 5	- 8	- 7	- 7	- 7

¹ Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

As shown in Table 2.5, net debt and net debt to revenue have improved in all years when compared to the May 2014 Budget.

The improvement in 2013-14 reflects the \$304 million better outcome for the 2013-14 fiscal balance than projected in the May 2014 Budget. The improved outcome has flowed through to the forward estimates and together with other changes since May 2014 net debt is now projected to be \$3748 million at the end of 2017-18, \$411 million lower than the May 2014 Budget. As a result, the net debt to revenue ratio in 2017-18 is now estimated at 58 per cent, compared to 65 per cent in the May 2014 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 of returning 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 2014-15 Mid-Year Report against the Government's fiscal strategy, medium-term objectives and key fiscal indicators as set out in the May 2014 Budget.

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

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 2.6: Non Financial Public Sector – Fiscal Balance

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Fiscal balance					
2014-15 Budget	- 394	- 723	- 92	- 53	- 39
2014-15 Mid-Year Report	- 90	- 660	- 79	- 39	- 25
Variation	304	63	14	14	14

¹ Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

Table 2.6 shows the \$304 million improvement in the 2013-14 outcome from the \$394 million fiscal deficit projection in the May 2014 Budget. It also shows that the deficit is reducing over the forward years and is less than projected in the May 2014 Budget.

The improvement is largely the result of increases in GST and own-source revenue, although from 2015-16 these increases are partially offset by increases in net capital payments. Notwithstanding the improvement in all years, the 2017-18 fiscal balance is still projected to be a small deficit of \$25 million. As such, continued focus on fiscal restraint is required to achieve the elimination of the deficit by the end of 2017-18.

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

The net operating balance is measured by the general government sector's total annual revenues less total operating expenses including annual depreciation, a non cash expense. A net operating deficit indicates that total annual operating expenses exceed total annual revenues.

Table 2.7: General Government Sector – Net Operating Balance

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Net operating balance					
2014-15 Budget	- 31	63	99	69	1
2014-15 Mid-Year Report	119	137	149	121	24
Variation	150	74	50	52	23

¹ Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

As shown in Table 2.7, the general government sector operating balance is projected to be in surplus and improved in all years when compared to the May 2014 Budget, with a surplus of \$24 million projected at the end of 2017-18.

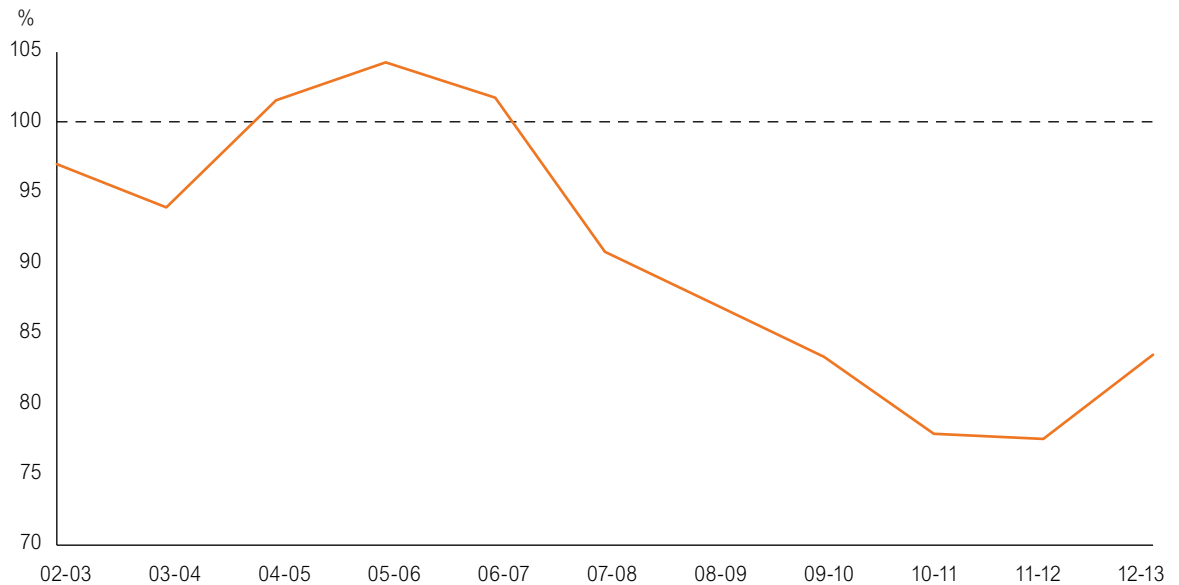
The improvement since the May Budget is driven by the same factors influencing the fiscal balance outcome with the exception of the increase in capital spending.

The surplus position predicted in all years, combined with the \$119 million surplus achieved in 2013-14, means this element of the strategy has been achieved a full three years ahead of the 2016-17 target.

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 as the Commonwealth Grants Commission updates the information annually in February based on financial data from two years ago. Therefore, the Territory's taxation effort remains at 84 per cent as presented in the May 2014 Budget. The policy changes of re-targeting home assistance stamp duty measures, together with increases in motor vehicle registration fees implemented in 2012-13, has increased taxation effort from 78 per cent in 2011-12. It is expected that when the full year effect flows through, the assessed taxation effort in future years will be even closer to being on par with the average of the states (that is, 100 per cent).

Figure 2.1: Revenue Raising Effort – General Government Sector



Source: 2002-03 to 2006-07 from CGC 2009 Update; 2007-08 from CGC 2012 Update; 2008-09 from CGC 2013 Update; 2009-10 to 2012-13 from CGC 2014 Update

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

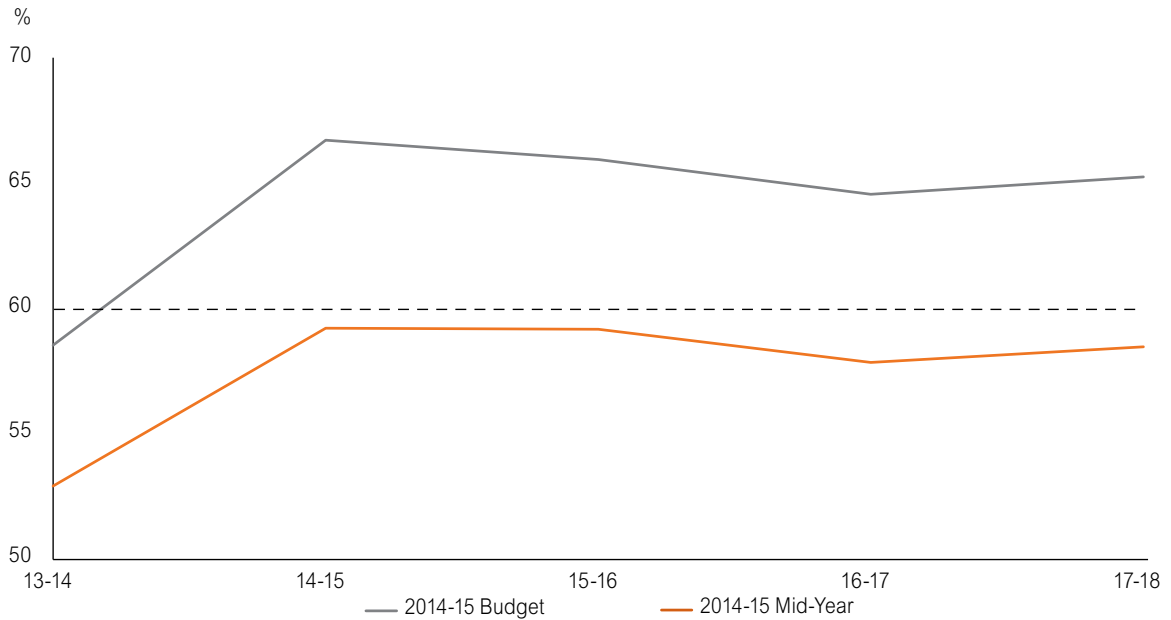
Estimates contained in Power and Water Corporation's (PWC's) 2014-15 Statement of Corporate Intent remain largely unchanged since the May 2014 Budget, however as reported in the Treasurer's Annual Financial Report (TAFR), improving revenues and operating efficiencies has resulted in an improved return on assets (2.32 per cent) when compared to the 2013-14 estimate of 0.88 per cent.

As foreshadowed in the TAFR, work is continuing on the Government's utility reform agenda, which includes regulatory reform of the sector along with structural separation of PWC into three distinct government owned corporations. While the entities (Territory Generation, Jacana Energy and PWC) have commenced operations, elements of the restructure are yet to be finalised, therefore a further update on this component of the Government's fiscal strategy will be provided as part of the 2015-16 Budget. Based on the 2013-14 outcome, 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

As shown in Figure 2.2, the net debt to revenue ratio for the non financial public sector at the end of 2013-14 was 53 per cent, an improvement of 5 percentage points from that projected in the May 2014 Budget.

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



Net debt and net debt to revenue are still projected to increase over the forward estimate period, largely related to the recognition of the finance lease liability associated with the \$521 million Darwin Correctional Facility in 2014-15. However the projections have improved significantly since the May 2014 Budget, reflective of the better than expected 2013-14 outcome, combined with the improved fiscal balance position in this Report. The net debt to revenue ratio in 2017-18 is now expected to be 58 per cent compared to 65 per cent projected in the May 2014 Budget.

Therefore the Government is projected to achieve this element of the fiscal strategy well before the 2020 stated target. The challenge now will be for Government to maintain the net debt to revenue ratio below 60 per cent.

Conclusion

Overall, despite ongoing demand for increased services, the Mid-Year Report highlights improvements in all measures when compared to the May 2014 Budget. 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 2013-14 outcome and that two of the associated fiscal outcomes have been achieved well before their target dates as summarised in the table below.

Despite the improvement in all measures, achieving a fiscal balance by 2017-18 will require a continued focus on sound financial management.

Table 2.8: Fiscal Strategy Outcomes

Fiscal Target/Outcome	2014-15 Mid-Year Report	Assessment
By 2017-18 the fiscal imbalance in the Territory's non-financial public sector is to be eliminated	\$660M deficit in 2014-15 reducing to \$25 million by 2017-18	When compared to the May 2014 Budget, the fiscal balance has improved by \$63 million and only a modest fiscal deficit of \$25 million is projected in 2017-18.
By 2016-17, the Territory's general government sector is achieving a net operating surplus	\$119 million surplus achieved in 2013-14	The operating balance returned to surplus in 2013-14, three years ahead of the fiscal strategy target. Operating balance in surplus in all forward years and by 2016-17 is projected to be a \$121 million surplus.
By 2016-17, taxation effort in the Territory's general government sector is more on par with the average of the states	84%	The Territory's taxation effort improved in 2012-13 from 78% (the latest year assessed by the CGC), following increases in tax collections as well as mining royalties.
By 2016-17, the Territory's government owned corporation is moving towards commercial rates of return on capital employed	3.5%	The 2014-15 estimate of 3.5% demonstrates a trend towards a commercial rate of return (estimated to be 6% of capital employed). The estimates are largely unchanged since the May 2014 Budget.
By 2020, the Territory's non financial public sector net debt as a percentage of revenue is returning towards 60%	Net debt to peak at 59% in 2014-15	The improved 2014-15 projection is consistent with the improved fiscal balance position and is now, in all forward years, below the 60% target by 2020.

Source: Department of Treasury and Finance

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 is apparent since the May 2014 Budget are also identified.

Revenue

GST Revenue

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

The Territory's GST entitlement is determined by three parameters: national GST collections, the Territory's share of the national population and GST relativities as recommended by the CGC. Each of these parameters is influenced by many variables, adding to the complexity of forecasting GST revenue to the Territory over the forward estimates period.

Risks regarding fluctuations in the parameters that effect the Territory's GST revenue remain unchanged from those included in the May 2014 Budget.

Other Commonwealth Grants and Subsidies

Commonwealth funding is provided under either the Intergovernmental Agreement on Federal Financial Relations (IGA) through specific purpose payments (SPPs), National Health Reform (NHR) payments, Students First – A Fairer Funding Agreement (Students First) payments and NP payments, or through Commonwealth Own Purpose Expenses (COPE) provided directly to agencies. These arrangements provide a degree of certainty for the Territory's budgeting, although continuation of funding and adequacy of indexation in terms of capturing cost growth remains an ongoing risk.

For example, the Commonwealth's 2014-15 Budget included key decisions to modify or terminate a number of payments to states that were considered unsustainable or ineffective, resulting in a decrease of funding to the Territory. In 2014-15 the impact of these decisions on the Territory was a \$22.5 million reduction in Commonwealth funding. 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. The Territory is set to face increased ongoing uncertainty if the Commonwealth continues to make unilateral decisions to reverse earlier Commonwealth funding commitments.

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.

The risks in forecasting the various elements of the Territory's own-source revenue remains unchanged from those included in the May 2014 Budget.

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 and CPI is 2.5 per cent, these have remained unchanged since the May 2014 Budget. The efficiency dividend also remains unchanged in 2014-15 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 2014 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 those already factored into the forward estimates.

In accordance with FITA, the May 2014 Budget included forward estimates up to 2017-18. 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 2014-15 Statement of Corporate Intent, were factored into the May 2014 Budget and forward estimates. The extent to which PWC is unable to successfully implement these improvement measures represents an ongoing risk to the Budget. In addition, PWC has now been restructured into three distinct government owned corporations. While it is expected that this reform will result in additional operational efficiencies, there is a risk that there may be an initial impact on the estimates already factored into 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 2014 Budget.

For more information on contingent liabilities, refer to Chapter 2 in the May 2014 Budget Paper No. 2: Budget Strategy and Outlook and the 2013-14 Treasurer's Annual Financial Report.

Chapter 3 Economic Outlook

Key Economic Indicators

Economic conditions in the Territory are generally consistent with forecasts in the May 2014 Budget with the main exception being gross state product (GSP), which was stronger than anticipated. However, revisions have been made to growth in employment and the wage price index (WPI) in the early part of the forecast period based on trends in recent data. The forecasts for the outer years remain the same.

Table 3.1 compares the forecasts for key economic indicators for the Territory in the May 2014 Budget and Mid-Year Report. Commentary on the changes to forecasts and recent trends in the key economic indicators are provided in this chapter.

Table 3.1: Key Economic Forecasts (%)

	2013-14		2014-15		2015-16		2016-17		2017-18	
	Budget	Actual	Budget	MYR	Budget	MYR	Budget	MYR	Budget	MYR
Gross state product ¹	5.0	6.5	6.0	6.0	3.0	3.0	4.0	4.0	3.5	3.5
Population ²	2.0	1.6	1.6	1.6	2.6	2.6	1.0	1.0	1.0	1.0
Employment ³	3.7	4.3	3.8	3.5	2.1	2.1	0.7	0.7	0.7	0.7
Unemployment rate ⁴	4.4	4.4	4.0	4.0	4.2	4.2	4.7	4.7	4.7	4.7
Consumer price index ⁵	3.9	3.9	3.0	3.0	2.8	2.8	2.5	2.5	2.5	2.5
Wage price index ⁵	2.9	2.9	3.5	3.0	3.7	3.0	3.0	3.0	3.0	3.0

1 Year ended June, year-on-year percentage change, inflation adjusted.

2 As at December, annual percentage change.

3 Year-on-year percentage change.

4 Year average.

5 As at December, year-on-year percentage change.

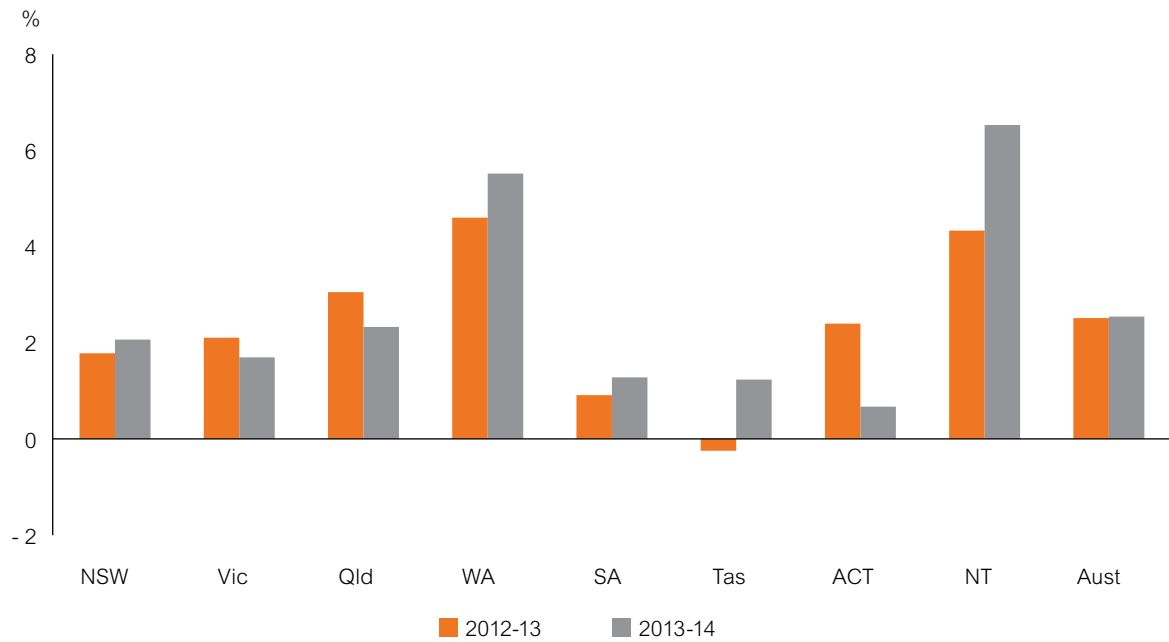
Source: ABS; Department of Treasury and Finance.

Economic Growth

The Territory's strong economic performance continued in 2013-14, with GSP increasing by 6.5 per cent. This result was driven by growth in business investment, dwelling investment, household consumption and net exports.

In 2013-14, the Territory recorded the highest GSP growth rate among the jurisdictions (Figure 3.1). The increase in GSP in 2013-14 in other jurisdictions ranged from 0.7 per cent in the Australian Capital Territory to 5.5 per cent in Western Australia. Nationally, gross domestic product grew by 2.5 per cent over the same period.

Figure 3.1: Change in Gross State Product and Gross Domestic Product



Source: ABS, Australian National Accounts: State Accounts, Cat. No. 5220.0

The outlook for the Territory economy is broadly consistent with expectations in the May 2014 Budget.

The forecast profile of economic growth for the Territory over the medium term is influenced by the timing of activity related to major resource projects, in particular the INPEX Ichthys liquefied natural gas (LNG) project. Onshore construction activity related to the Ichthys LNG project is expected to peak in 2014-15 and underpin solid growth in employment and population in the Territory until that time. Consequently, economic conditions in the Territory are expected to remain robust in 2014-15, with a growth forecast of 6.0 per cent.

Growth in Territory GSP is forecast to ease and return to historical trend levels from 2015-16 as spending on major resource projects slows, causing business investment to taper off from record levels. This is expected to lead to softening labour market conditions and slower population growth.

The contraction in business investment is forecast to be offset by a rise in net exports as resource projects transition to the operational phase and production and export volumes increase substantially. As a result, net exports are expected to lift Territory economic growth to around historical trend levels from 2015-16.

Household Consumption

Household consumption in the Territory grew by 3.4 per cent in 2013-14, lower than the 3.9 per cent forecast in the May 2014 Budget. Growth was primarily supported by an increase in net expenditure interstate, as well as higher spending on rent and other dwelling services and health.

Household consumption growth is expected to moderate to 3.2 per cent in 2014-15. This is consistent with recent retail trade data, which shows that real annual growth in retail trade in the Territory has been relatively stable over the past year. Household consumption is expected to grow by 5.2 per cent in 2015-16, supported by strengthening population growth. From 2016-17, household consumption growth is forecast to be relatively flat consistent with the expected slowdown in economic activity in the Territory.

Dwelling Investment

Dwelling investment in the Territory rose by 39.4 per cent in 2013-14, nearly double the growth rate anticipated in the May 2014 Budget. Growth was supported primarily by record levels of residential unit construction in Palmerston and the Darwin central business district and adjacent suburbs.

A number of leading indicators point toward an easing in the level of dwelling investment in the Territory. The value of residential work in the pipeline and the number of dwelling units under construction in the Territory declined throughout 2013-14. Similarly, the number of residential building approvals in the Territory has fallen since October 2013, albeit from record levels. Despite this, the number of dwelling units under construction and the number of building approvals in the Territory remain well above historical levels.

The growth forecast for dwelling investment in the Territory has been revised down to incorporate the higher than anticipated 2013-14 result. However, despite the downward revision, forecast values of dwelling investment are relatively unchanged from the May 2014 Budget. Accordingly, the value of dwelling investment in the Territory is expected to ease over coming years and return to long-term trend levels by the end of the forecast period.

Business Investment

In recent years, business investment has been the largest contributor to growth in Territory GSP, reflecting the number and size of major projects, particularly in the resource sector.

In 2013-14, business investment increased by 6.0 per cent to \$10.6 billion, the highest level on record. This result was higher than anticipated in the May 2014 Budget (2.5 per cent) and builds on exceptionally strong growth of 108.9 per cent in 2011-12 and 82.7 per cent in 2012-13.

A key driver of growth in business investment in the Territory has been the Ichthys LNG project. The Ichthys LNG project is expected to continue to heavily influence the outlook for business investment over the forward estimates period.

Business investment in the Territory is expected to decline sharply in coming years. This is partly due to the timing of progress payments for pre-assembled modules constructed overseas for the Ichthys project with the bulk of the payments having been made and incorporated in previous year's business investment figures. Latest data on engineering construction activity, which has underpinned the recent surge in business investment, also shows a substantial moderation in growth over the past year.

Public Final Demand

Public final demand in the Territory increased by 0.7 per cent in 2013-14, compared with the estimate of a 1.5 per cent decrease in the May 2014 Budget.

Public investment declined by 11.4 per cent in 2013-14, while public consumption increased by 3.3 per cent. This trend is expected to continue over the forward estimates period. Public investment is forecast to retract from the high levels observed between 2009-10 and 2011-12, while growth in public consumption is expected to be relatively flat. As a result, public final demand is expected to decline at moderate rates over the budget and forward estimates period, reflecting the fiscal consolidation occurring at the Commonwealth and Territory government levels.

International Trade

The outlook for net exports is unchanged from the May 2014 Budget. Net exports are expected to decline in 2014-15 due to the arrival of machinery and equipment imports related to the Ichthys project. This is forecast to change from 2015-16 with net exports estimated to grow strongly, coinciding with the commencement of LNG production from the Ichthys plant.

Population

Population growth moderated to 1.6 per cent in 2013 following strong growth of 2.8 per cent in 2012. Growth in 2012 was boosted by record net overseas migration flows (4691 people), which have since moderated in 2013 (3196 people). Net overseas migration estimates for 2013 are, however, preliminary with further revisions by the Australian Bureau of Statistics expected to increase overseas migration numbers and result in some upward revision of population growth estimates for the Territory in 2013.

The population growth estimate for 2014 remains unchanged from the May 2014 Budget at 1.6 per cent. In the March quarter 2014, population growth was constrained with inflows from net overseas migration partly offset by strong outflows from net interstate migration. Interstate migration outflows are expected to be heightened in 2014 by departures associated with the curtailment of operations at the Gove alumina refinery. This is, however, expected to be balanced by inflows as employment opportunities from major projects draw workers to the Territory.

In the May 2014 Budget, Territory population growth over the period 2015 to 2017 was forecast to strengthen in 2015 (to 2.6 per cent) as the demand for labour associated with the Ichthys project peaked, then moderate in subsequent years (to 1.0 per cent) as the Ichthys project moves to the production phase. While it is expected that the pattern of growth will remain the same over this period, it is possible that levels of growth could be lower than forecast at budget time as some of the population benefits from the Ichthys LNG project may have occurred earlier than anticipated.

Labour Market

Employment

Resident employment in the Territory grew by 4.3 per cent in 2013-14, stronger than the 3.7 per cent estimate in the May 2014 Budget. Employment growth was driven by a 5.5 per cent rise in full-time employment, partly offset by a 1.0 per cent decline in part-time employment.

Recent trends indicate a softening in employment growth led by a marked slowdown in growth in full-time employment. Reflecting the recent trends and higher than anticipated growth in 2013-14, employment growth in 2014-15 has been revised down from 3.8 per cent to 3.5 per cent.

From 2015-16 onwards, employment growth is expected to moderate to 2.1 per cent in 2015-16 and to 0.7 per cent in 2016-17 and 2017-18, in line with the expected timing of the transition of the Ichthys LNG project to the less labour-intensive production phase.

Unemployment

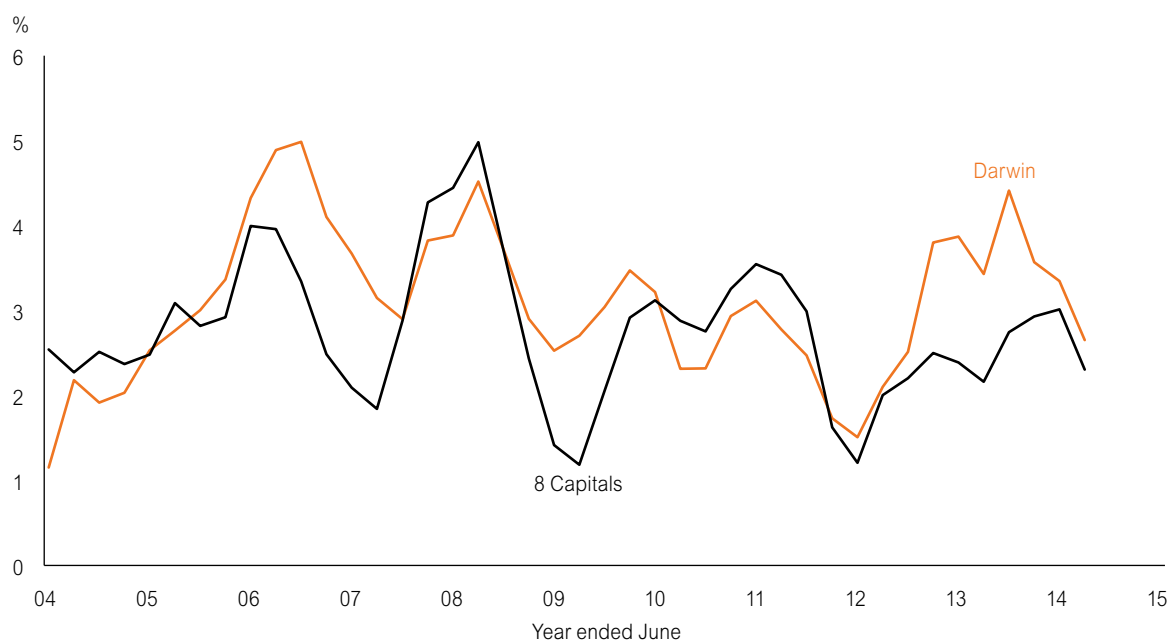
The Territory's unemployment rate averaged 4.4 per cent in 2013-14, in line with expectations in the May 2014 Budget.

In the first quarter of 2014-15, the Territory's unemployment rate has continued to trend down, driven by a fall in the participation rate, and is expected to average 4.0 per cent in 2014-15. Consistent with the forecast softening in domestic economic activity and slowdown in employment growth, the Territory's unemployment rate is expected to drift higher to 4.7 per cent in the subsequent years.

Consumer Price Index

Consistent with the forecast in the May 2014 Budget, the annual growth in the Darwin consumer price index (CPI) moderated throughout 2014 (Figure 3.2). This was largely due to a slowdown in growth in housing costs, in particular rents, purchases for owner-occupier dwellings and utilities.

Figure 3.2: Annual Change in Consumer Price Index, Darwin and Eight Capital Cities



Source: ABS, Consumer Price Index, Australia, Cat. No. 6401.0

The outlook for the Darwin CPI remains unchanged from the May 2014 Budget. Growth in the Darwin CPI is expected to moderate from 3.9 per cent in 2013 to 3.0 per cent in 2014, 2.8 per cent in 2015 and 2.5 per cent in 2016 and 2017. This reflects a forecast softening in labour market conditions and slower population growth as the Ichthys LNG project transitions from the construction to the production phase. Additionally, the increase in supply of new dwellings combined with further housing developments in the Territory is expected to ease growth in house purchase prices and rents.

The outlook for the Darwin CPI may also vary due to fuel prices. In the first nine months of 2014, Darwin fuel prices were relatively stable, with the price of unleaded petrol averaging around 173 cents per litre. Since September 2014, unleaded petrol prices in Darwin have fallen by about 18 cents per litre. If lower fuel prices are sustained, this will detract from Darwin CPI growth in the short term. On the other hand, a lower exchange rate and increases in tobacco and fuel excises are likely to add to inflation.

Wage Price Index

Wage growth in the Territory in 2014 is trending below expectations. Data on the Territory's WPI for the first three quarters of 2014 point towards growth of about 3.0 per cent in 2014, compared with the forecast of 3.5 per cent in the May 2014 Budget.

Robust employment conditions in the Territory have not resulted in strong wages growth, particularly in the private sector. This would indicate that private sector demand for labour is being met through local, interstate and overseas sources.

In line with recent data, the growth in the Territory WPI has been revised down in 2014 and 2015 since the May 2014 Budget. The Territory's WPI is expected to increase by 3.0 per cent per annum from 2014.

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 2014 Budget for 2014-15, revised 2014-15 Estimate and 2015-16 to 2017-18 Forward Estimates.

Also included are supplementary tables presenting general government sector taxes and the revised 2014-15 Loan Council Allocation.

Table 4.1

General Government Sector Comprehensive Operating Statement

	2014-15 Budget	2014-15 Revised	2015-16	2016-17	2017-18
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	568 607	593 205	607 062	619 091	635 514
Current grants	3 929 810	4 031 407	4 054 629	4 180 215	4 217 132
Capital grants	239 678	243 636	231 932	235 949	115 692
Sales of goods and services	261 750	265 152	275 446	274 523	271 779
Interest income	54 826	63 313	61 871	63 114	64 904
Dividend and income tax equivalent income	103 224	103 224	132 824	136 649	128 536
Other	212 054	233 587	209 235	208 733	207 647
TOTAL REVENUE	5 369 949	5 533 524	5 572 999	5 718 274	5 641 204
<i>less</i> EXPENSES					
Employee benefits expense	1 993 375	2 027 016	2 056 300	2 107 733	2 114 259
Superannuation expenses					
Superannuation interest cost	120 270	120 270	142 840	164 260	165 045
Other superannuation expenses	218 472	220 667	220 270	213 373	194 218
Depreciation and amortisation	316 222	318 431	327 464	333 283	339 559
Other operating expenses	1 325 471	1 338 414	1 353 957	1 435 190	1 437 598
Interest expenses	261 507	239 123	258 814	261 367	267 272
Other property expenses					
Current grants	797 126	851 164	800 460	825 289	848 837
Capital grants	81 722	85 772	70 864	59 592	51 358
Subsidies and personal benefit payments	192 841	195 617	193 173	197 139	199 522
TOTAL EXPENSES	5 307 006	5 396 474	5 424 142	5 597 226	5 617 668
<i>equals</i> NET OPERATING BALANCE	62 943	137 050	148 857	121 048	23 536
<i>plus</i> Other economic flows – included in operating result	20 999	20 999	22 530	23 659	24 585
<i>equals</i> OPERATING RESULT	83 942	158 049	171 387	144 707	48 121
<i>plus</i> Other economic flows – other comprehensive income	547 432	529 977	377 986	211 877	232 491
<i>equals</i> COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	631 374	688 026	549 373	356 584	280 612
NET OPERATING BALANCE	62 943	137 050	148 857	121 048	23 536
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	637 342	651 598	582 283	570 445	430 732
Sales of non financial assets	- 74 779	- 74 779	- 54 917	- 73 024	- 71 562
<i>less</i> Depreciation	316 222	318 431	327 464	333 283	339 559
<i>plus</i> Change in inventories					
<i>plus</i> Other movements in non financial assets	483 757	483 757			
<i>equals</i> Total net acquisition of non financial assets	730 098	742 145	199 902	164 138	19 611
<i>equals</i> FISCAL BALANCE	- 667 155	- 605 095	- 51 045	- 43 090	3 925

Table 4.2

General Government Sector Balance Sheet

	2014-15	2014-15	2015-16	2016-17	2017-18
	Budget	Revised	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	186 960	232 542	294 272	258 961	240 918
Advances paid	220 602	201 554	190 554	183 554	179 426
Investments, loans and placements	1 245 840	1 501 903	1 543 950	1 584 522	1 674 654
Receivables	184 899	267 526	272 974	279 414	279 611
Equity					
Investments in other public sector entities	2 939 875	2 929 188	3 117 222	3 325 147	3 553 686
Investments – other	100				
Other financial assets					
Total financial assets	4 778 276	5 132 713	5 418 972	5 631 598	5 928 295
Non financial assets					
Inventories	10 560	11 288	11 288	11 288	11 288
Property, plant and equipment	11 770 253	11 643 875	11 856 794	12 034 059	12 066 907
Investment property	84 578	85 786	82 379	79 222	76 065
Other non financial assets	123 021	122 370	122 358	122 346	122 334
Total non financial assets	11 988 412	11 863 319	12 072 819	12 246 915	12 276 594
TOTAL ASSETS	16 766 688	16 996 032	17 491 791	17 878 513	18 204 889
LIABILITIES					
Deposits held	185 031	182 287	172 573	171 035	172 798
Advances received	360 096	345 095	305 147	294 564	286 578
Borrowing	3 770 950	3 773 065	3 918 475	3 938 027	3 983 900
Superannuation	3 040 806	3 239 056	3 078 003	3 091 784	3 095 895
Other employee benefits	579 787	597 641	603 641	607 641	608 641
Payables	153 480	188 548	189 239	189 365	190 368
Other liabilities	176 591	231 777	236 777	241 577	241 577
TOTAL LIABILITIES	8 266 741	8 557 469	8 503 855	8 533 993	8 579 757
NET ASSETS/(LIABILITIES)	8 499 947	8 438 563	8 987 936	9 344 520	9 625 132
Contributed equity					
Accumulated surplus/(deficit)	1 218 993	1 141 416	1 498 803	1 643 510	1 691 631
Reserves	7 280 954	7 297 147	7 489 133	7 701 010	7 933 501
NET WORTH	8 499 947	8 438 563	8 987 936	9 344 520	9 625 132
NET FINANCIAL WORTH¹	- 3 488 465	- 3 424 756	- 3 084 883	- 2 902 395	- 2 651 462
NET FINANCIAL LIABILITIES²	6 428 340	6 353 944	6 202 105	6 227 542	6 205 148
NET DEBT³	2 662 675	2 364 448	2 367 419	2 376 589	2 348 278

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

	2014-15 Budget	2014-15 Revised	2015-16 Forward Estimates	2016-17 Forward Estimates	2017-18 Forward Estimates
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	568 332	592 963	606 912	619 091	635 514
Receipts from sales of goods and services	306 811	310 245	320 507	319 584	316 840
Grants and subsidies received	4 169 488	4 275 043	4 286 561	4 416 164	4 332 824
Interest receipts	54 826	63 313	61 871	63 114	64 904
Dividends and income tax equivalents	66 042	66 042	127 526	130 209	128 339
Other receipts	428 204	450 086	425 960	425 458	424 372
Total operating receipts	5 593 703	5 757 692	5 829 337	5 973 620	5 902 793
Cash payments for operating activities					
Payments for employees	- 2 284 642	- 2 320 572	- 2 385 212	- 2 464 334	- 2 465 160
Payment for goods and services	- 1 584 387	- 1 600 470	- 1 613 910	- 1 695 243	- 1 701 697
Grants and subsidies paid	- 1 033 761	- 1 091 772	- 1 064 497	- 1 082 020	- 1 099 717
Interest paid	- 248 604	- 226 284	- 258 218	- 261 436	- 267 218
Other payments					
Total operating payments	- 5 151 394	- 5 239 098	- 5 321 837	- 5 503 033	- 5 533 792
NET CASH FLOWS FROM OPERATING ACTIVITIES	442 309	518 594	507 500	470 587	369 001
Cash flows from investments in non financial assets					
Sales of non financial assets	74 779	74 779	54 917	73 024	71 562
Purchases of non financial assets	- 637 342	- 651 598	- 582 283	- 570 445	- 430 732
Net cash flows from investments in non financial assets	- 562 563	- 576 819	- 527 366	- 497 421	- 359 170
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 120 254	- 58 225	- 19 866	- 26 834	9 831
Net cash flows from investments in financial assets for policy purposes ¹	15 171	15 518	14 952	10 952	8 080
Net cash flows from investments in financial assets for liquidity purposes	61 799	55 799	- 29 104	- 26 860	- 75 604
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 485 593	- 505 502	- 541 518	- 513 329	- 426 694
Net cash flows from financing activities					
Advances received (net)	5 640	5 640	- 39 948	- 10 583	- 7 986
Borrowing (net)	172 892	172 892	145 410	19 552	45 873
Deposits received (net)	- 409 797	- 610 149	- 9 714	- 1 538	1 763
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 231 265	- 431 617	95 748	7 431	39 650
NET INCREASE/DECREASE IN CASH HELD	- 274 549	- 418 525	61 730	- 35 311	- 18 043
Net cash flows from operating activities	442 309	518 594	507 500	470 587	369 001
Net cash flows from investments in non financial assets	- 562 563	- 576 819	- 527 366	- 497 421	- 359 170
CASH SURPLUS (+)/DEFICIT (-)	- 120 254	- 58 225	- 19 866	- 26 834	9 831
Future infrastructure and superannuation contributions/earnings ²	- 23 046	- 23 046	- 24 429	- 25 895	- 27 448
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 143 300	- 81 271	- 44 295	- 52 729	- 17 617
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 120 254	- 58 225	- 19 866	- 26 834	9 831
Acquisitions under finance leases and similar arrangements	- 521 305	- 521 305			
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 641 559	- 579 530	- 19 866	- 26 834	9 831

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

	2014-15	2014-15	2015-16	2016-17	2017-18
	Budget	Revised	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Current grants	146 611	146 611	149 327	152 596	153 096
Capital grants	17 452	19 552	28 674	27 169	27 269
Sales of goods and services	771 083	756 185	796 040	812 866	819 020
Interest income	1 800	1 758	2 088	2 108	2 138
Other	42 486	43 189	41 871	43 136	44 873
TOTAL REVENUE	979 432	967 295	1 018 000	1 037 875	1 046 396
<i>less</i> EXPENSES					
Employee benefits expense	113 581	110 635	116 709	128 016	132 147
Superannuation expenses	14 583	14 401	14 840	15 297	15 497
Depreciation and amortisation	204 500	203 584	188 777	178 821	172 158
Other operating expenses	489 467	492 553	492 715	489 913	487 439
Interest expenses	90 581	87 062	87 846	88 665	91 158
Other property expenses	26 431	26 431	36 033	30 484	19 907
Current grants					
Capital grants					
Subsidies and personal benefit payments	15 191	15 191	16 713	18 086	19 570
TOTAL EXPENSES	954 334	949 857	953 633	949 282	937 876
<i>equals</i> NET OPERATING BALANCE	25 098	17 438	64 367	88 593	108 520
<i>plus</i> Other economic flows – included in operating result	- 2 998	- 12 825	- 2 592	- 2 501	- 2 484
<i>equals</i> OPERATING RESULT	22 100	4 613	61 775	86 092	106 036
<i>plus</i> Other economic flows – other comprehensive income	110 202	110 202	107 341	105 107	107 279
<i>equals</i> COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	132 302	114 815	169 116	191 199	213 315
NET OPERATING BALANCE	25 098	17 438	64 367	88 593	108 520
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	244 922	241 168	225 372	197 573	240 318
Sales of non financial assets	- 6	- 6 864			
<i>less</i> Depreciation	204 500	203 584	188 777	178 821	172 158
<i>plus</i> Change in inventories	6 277	7 511	3 613	6 075	6 950
<i>plus</i> Other movements in non financial assets	16 230	16 197	16 636	17 052	17 478
<i>equals</i> Total net acquisition of non financial assets	62 923	54 428	56 844	41 879	92 588
<i>equals</i> FISCAL BALANCE	- 37 825	- 36 990	7 523	46 714	15 932

Table 4.5

Public Non Financial Corporation Sector Balance Sheet

	2014-15 Budget	2014-15 Revised	2015-16 Forward Estimates	2016-17 Forward Estimates	2017-18 Forward Estimates
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	80 796	108 202	103 417	104 898	106 873
Advances paid					
Investments, loans and placements					
Receivables	116 373	119 106	129 739	132 966	134 580
Equity	3	3	3	3	3
Other financial assets					
Total financial assets	197 172	227 311	233 159	237 867	241 456
Non financial assets					
Inventories	123 247	171 190	174 803	180 878	187 828
Property, plant and equipment	3 565 554	3 657 752	3 796 160	3 919 877	4 094 032
Investment property	60 175				
Other non financial assets	190 234	66 987	89 796	107 633	127 116
Total non financial assets	3 939 210	3 895 929	4 060 759	4 208 388	4 408 976
TOTAL ASSETS	4 136 382	4 123 240	4 293 918	4 446 255	4 650 432
LIABILITIES					
Deposits held	9 315	10 002	10 002	10 002	10 002
Advances received					
Borrowing	1 474 975	1 431 705	1 460 777	1 460 787	1 496 548
Superannuation					
Other employee benefits	49 204	50 074	51 864	53 933	56 096
Payables	59 002	48 357	51 429	49 736	50 872
Other liabilities	87 883	82 580	89 146	96 549	96 734
TOTAL LIABILITIES	1 680 379	1 622 718	1 663 218	1 671 007	1 710 252
NET ASSETS/(LIABILITIES)					
Contributed equity	655 661	670 414	666 462	662 510	658 558
Accumulated surplus/(deficit)	680 925	569 271	596 060	639 453	701 058
Reserves	1 119 417	1 260 837	1 368 178	1 473 285	1 580 564
TOTAL EQUITY	2 456 003	2 500 522	2 630 700	2 775 248	2 940 180
NET FINANCIAL WORTH¹	- 1 483 207	- 1 395 407	- 1 430 059	- 1 433 140	- 1 468 796
NET DEBT²	1 403 494	1 333 505	1 367 362	1 365 891	1 399 677

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

	2014-15 Budget	2014-15 Revised	2015-16	2016-17	2017-18
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Receipts from sales of goods and services	771 263	748 510	788 029	812 369	819 963
Grants and subsidies received	164 063	166 163	178 001	179 765	180 365
Interest receipts	1 797	1 761	2 088	2 108	2 138
Other receipts	21 786	26 584	20 201	20 902	22 404
Total operating receipts	958 909	943 018	988 319	1 015 144	1 024 870
Cash payments for operating activities					
Income tax equivalents paid	- 6 625	- 6 343	- 47 576	- 31 436	- 22 171
Payments for employees	- 136 762	- 134 396	- 138 490	- 150 158	- 154 395
Payment for goods and services	- 485 795	- 485 863	- 484 659	- 488 649	- 483 299
Grants and subsidies paid	- 15 191	- 15 191	- 16 713	- 18 086	- 19 570
Interest paid	- 90 420	- 86 942	- 87 786	- 88 834	- 92 251
Other payments					
Total operating payments	- 734 793	- 728 735	- 775 224	- 777 163	- 771 686
NET CASH FLOWS FROM OPERATING ACTIVITIES	224 116	214 283	213 095	237 981	253 184
Cash flows from investments in non financial assets					
Sales of non financial assets	6	6 864			
Purchases of non financial assets	- 244 922	- 241 168	- 225 372	- 197 573	- 240 318
Net cash flows from investments in non financial assets	- 244 916	- 234 304	- 225 372	- 197 573	- 240 318
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 20 800	- 20 021	- 12 277	40 408	12 866
Net cash flows from investments in financial assets for policy purposes ¹		- 9 837			
Net cash flows from investments in financial assets for liquidity purposes					
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 244 916	- 244 141	- 225 372	- 197 573	- 240 318
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	8 149	10 149	29 072	10	35 761
Deposits received (net)					
Dividends paid	- 9 731	- 9 731	- 17 628	- 34 985	- 42 700
Other financing (net)	- 13 171	- 13 518	- 3 952	- 3 952	- 3 952
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 14 753	- 13 100	7 492	- 38 927	- 10 891
NET INCREASE/DECREASE IN CASH HELD	- 35 553	- 42 958	- 4 785	1 481	1 975
Net cash flows from operating activities	224 116	214 283	213 095	237 981	253 184
Net cash flows from investments in non financial assets	- 244 916	- 234 304	- 225 372	- 197 573	- 240 318
Dividends paid	- 9 731	- 9 731	- 17 628	- 34 985	- 42 700
CASH SURPLUS (+)/DEFICIT (-)	- 30 531	- 29 752	- 29 905	5 423	- 29 834
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 30 531	- 29 752	- 29 905	5 423	- 29 834
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 30 531	- 29 752	- 29 905	5 423	- 29 834

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

Table 4.7

Non Financial Public Sector Comprehensive Operating Statement

	2014-15 Budget	2014-15 Revised	2015-16	2016-17	2017-18
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	559 465	584 224	598 151	610 180	626 603
Current grants	3 930 575	4 032 172	4 054 774	4 180 215	4 217 632
Capital grants	239 932	245 990	242 978	245 049	124 892
Sales of goods and services	1 000 602	994 550	1 047 358	1 062 998	1 066 193
Interest income	54 826	63 313	61 871	63 114	64 934
Dividend and income tax equivalent income	59 165	59 165	61 805	63 466	64 198
Other	251 604	273 914	248 319	249 073	249 715
TOTAL REVENUE	6 096 169	6 253 328	6 315 256	6 474 095	6 414 167
<i>less</i> EXPENSES					
Employee benefits expense	2 106 956	2 137 651	2 173 009	2 235 749	2 246 406
Superannuation expenses					
Superannuation interest cost	120 270	120 270	142 840	164 260	165 045
Other superannuation expenses	230 417	232 530	232 580	226 140	207 185
Depreciation and amortisation	520 722	522 015	516 241	512 104	511 717
Other operating expenses	1 773 267	1 794 842	1 813 376	1 891 535	1 891 245
Interest expenses	350 288	324 427	344 572	347 924	356 322
Other property expenses					
Current grants	741 199	795 237	743 069	766 395	789 943
Capital grants	64 524	68 607	53 236	41 523	33 289
Subsidies and personal benefit payments	118 113	120 889	118 095	121 523	125 390
TOTAL EXPENSES	6 025 756	6 116 468	6 137 018	6 307 153	6 326 542
<i>equals</i> NET OPERATING BALANCE	70 413	136 860	178 238	166 942	87 625
<i>plus</i> Other economic flows – included in operating result	18 001	8 174	19 938	21 158	22 101
<i>equals</i> OPERATING RESULT	88 414	145 034	198 176	188 100	109 726
<i>plus</i> Other economic flows – other comprehensive income	542 960	542 992	351 197	168 484	170 886
<i>equals</i> COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	631 374	688 026	549 373	356 584	280 612
NET OPERATING BALANCE	70 413	136 860	178 238	166 942	87 625
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	882 264	892 766	807 655	768 018	671 050
Sales of non financial assets	- 74 785	- 81 643	- 54 917	- 73 024	- 71 562
<i>less</i> Depreciation	520 722	522 015	516 241	512 104	511 717
<i>plus</i> Change in inventories	6 277	7 511	3 613	6 075	6 950
<i>plus</i> Other movements in non financial assets	499 987	499 954	16 636	17 052	17 478
<i>equals</i> Total net acquisition of non financial assets	793 021	796 573	256 746	206 017	112 199
<i>equals</i> FISCAL BALANCE	- 722 608	- 659 713	- 78 508	- 39 075	- 24 574

Table 4.8

Non Financial Public Sector Balance Sheet

	2014-15 Budget	2014-15 Revised	2015-16 Forward Estimates	2016-17 Forward Estimates	2017-18 Forward Estimates
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	195 941	241 569	303 299	267 988	249 945
Advances paid	220 602	201 554	190 554	183 554	179 426
Investments, loans and placements	1 245 840	1 501 903	1 543 950	1 584 522	1 674 654
Receivables	244 676	321 135	331 261	334 172	336 518
Equity					
Investments in other public sector entities	483 872	428 666	486 522	549 899	613 506
Investments – other	103	3	3	3	3
Other financial assets					
Total financial assets	2 391 034	2 694 830	2 855 589	2 920 138	3 054 052
Non financial assets					
Inventories	133 807	182 478	186 091	192 166	199 116
Property, plant and equipment	15 335 807	15 301 627	15 652 954	15 953 936	16 160 939
Investment property	144 753	85 786	82 379	79 222	76 065
Other non financial assets	313 255	189 357	212 154	229 979	249 450
Total non financial assets	15 927 622	15 759 248	16 133 578	16 455 303	16 685 570
TOTAL ASSETS	18 318 656	18 454 078	18 989 167	19 375 441	19 739 622
LIABILITIES					
Deposits held	122 531	93 114	88 185	85 166	84 954
Advances received	360 096	345 095	305 147	294 564	286 578
Borrowing	5 245 925	5 204 770	5 379 252	5 398 814	5 480 448
Superannuation	3 040 806	3 239 056	3 078 003	3 091 784	3 095 895
Other employee benefits	628 991	647 715	655 505	661 574	664 737
Payables	201 340	227 168	230 931	229 367	231 505
Other liabilities	219 020	258 597	264 208	269 652	270 373
TOTAL LIABILITIES	9 818 709	10 015 515	10 001 231	10 030 921	10 114 490
NET ASSETS/(LIABILITIES)	8 499 947	8 438 563	8 987 936	9 344 520	9 625 132
Contributed equity					
Accumulated surplus/(deficit)	1 899 918	1 710 687	2 094 863	2 282 963	2 392 689
Reserves	6 600 029	6 727 876	6 893 073	7 061 557	7 232 443
NET WORTH	8 499 947	8 438 563	8 987 936	9 344 520	9 625 132
NET FINANCIAL WORTH ¹	- 7 427 675	- 7 320 685	- 7 145 642	- 7 110 783	- 7 060 438
NET FINANCIAL LIABILITIES ²	7 911 547	7 749 351	7 632 164	7 660 682	7 673 944
NET DEBT³	4 066 169	3 697 953	3 734 781	3 742 480	3 747 955

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

	2014-15	2014-15	2015-16	2016-17	2017-18
	Budget	Revised	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	559 465	584 224	598 151	610 180	626 603
Receipts from sales of goods and services	1 045 843	1 031 062	1 084 408	1 107 562	1 112 197
Grants and subsidies received	4 170 507	4 278 162	4 297 752	4 425 264	4 342 524
Interest receipts	54 829	63 316	61 874	63 114	64 934
Dividends and income tax equivalents	50 082	50 082	62 309	63 782	63 466
Other receipts	449 692	476 346	445 904	446 094	446 501
Total operating receipts	6 330 418	6 483 192	6 550 398	6 715 996	6 656 225
Cash payments for operating activities					
Payments for employees	- 2 412 776	- 2 446 240	- 2 514 931	- 2 605 578	- 2 610 641
Payment for goods and services	- 2 037 810	- 2 058 419	- 2 074 181	- 2 159 232	- 2 160 116
Grants and subsidies paid	- 885 908	- 943 919	- 914 400	- 929 441	- 948 622
Interest paid	- 337 230	- 311 468	- 343 919	- 348 162	- 357 361
Other payments					
Total operating payments	- 5 673 724	- 5 760 046	- 5 847 431	- 6 042 413	- 6 076 740
NET CASH FLOWS FROM OPERATING ACTIVITIES	656 694	723 146	702 967	673 583	579 485
Cash flows from investments in non financial assets					
Sales of non financial assets	74 785	81 643	54 917	73 024	71 562
Purchases of non financial assets	- 882 264	- 892 766	- 807 655	- 768 018	- 671 050
Net cash flows from investments in non financial assets	- 807 479	- 811 123	- 752 738	- 694 994	- 599 488
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 150 785	- 87 977	- 49 771	- 21 411	- 20 003
Net cash flows from investments in financial assets for policy purposes ¹	2 000	- 7 837	11 000	7 000	4 128
Net cash flows from investments in financial assets for liquidity purposes	61 799	55 799	- 29 104	- 26 860	- 75 604
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 743 680	- 763 161	- 770 842	- 714 854	- 670 964
Net cash flows from financing activities					
Advances received (net)	5 640	5 640	- 39 948	- 10 583	- 7 986
Borrowing (net)	181 041	183 041	174 482	19 562	81 634
Deposits received (net)	- 374 244	- 567 193	- 4 929	- 3 019	- 212
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 187 563	- 378 512	129 605	5 960	73 436
NET INCREASE/DECREASE IN CASH HELD	- 274 549	- 418 527	61 730	- 35 311	- 18 043
Net cash flows from operating activities	656 694	723 146	702 967	673 583	579 485
Net cash flows from investments in non financial assets	- 807 479	- 811 123	- 752 738	- 694 994	- 599 488
CASH SURPLUS (+)/DEFICIT (-)	- 150 785	- 87 977	- 49 771	- 21 411	- 20 003
Future infrastructure and superannuation contributions/earnings ²	- 23 046	- 23 046	- 24 429	- 25 895	- 27 448
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 173 831	- 111 023	- 74 200	- 47 306	- 47 451
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 150 785	- 87 977	- 49 771	- 21 411	- 20 003
Acquisitions under finance leases and similar arrangements	- 521 305	- 521 305			
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 672 090	- 609 282	- 49 771	- 21 411	- 20 003

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

² Contributions for future infrastructure and superannuation requirements.

Table 4.10

General Government Sector Taxes

	2014-15 Budget	2014-15 Revised	2015-16 Forward Estimate
	\$M	\$M	\$M
Taxes on employers' payroll and labour force	245	259	262
Payroll taxes	245	259	262
Taxes on property	142	150	153
Stamp duties on financial and capital transactions	142	150	153
Taxes on the provision of goods and services	111	113	118
Taxes on gambling	64	66	69
Taxes on insurance	47	47	49
Taxes on the use of goods and performance of activities	71	72	74
Motor vehicle registration fees	71	72	74
TOTAL TAXES	569	593	607

Table 4.11

2014-15 Loan Council Allocation

	Budget-Time Estimate	Mid-Year Estimate
	\$M	\$M
General government sector cash deficit (+)/surplus (-)	120	58
Public non financial corporations sector cash deficit (+)/surplus (-)	31	30
Non financial public sector cash deficit (+)/surplus (-)	151	88
<i>less</i> Acquisitions under finance leases and similar arrangements	- 521	- 521
<i>equals</i> ABS GFS cash deficit (+)/surplus (-)	672	609
<i>less</i> Net cash flows from investments in financial assets for policy purposes	2	- 8
<i>plus</i> Memorandum items		
2014-15 LOAN COUNCIL ALLOCATION	670	617

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 Corporation¹
Batchelor Institute of Indigenous Tertiary Education¹
Central Australia Health Service²
Central Holding Authority
Darwin Waterfront Corporation¹
Data Centre Services²
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 Australia¹
Museums and Art Galleries Board 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
Ombudsman's Office
Parks and Wildlife Commission of the Northern Territory
Territory Wildlife Parks²
Top End Health Service²
Tourism NT

Public Non Financial Corporations

Darwin Bus Service^{2,3}
Darwin Port Corporation²
Indigenous Essential Services Pty Ltd¹
Land Development Corporation²
Power and Water Corporation^{1,4}
Territory Generation^{1,4}
Jacana Energy^{1,4}

¹ Non budget sector entity.

² Government business division.

³ Will cease operating as a Government business division in 2014-15.

⁴ 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 non-occurrence 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 as 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.

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.

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.

GST Revenue

On 1 July 2000, the Commonwealth introduced the GST. Payments from the Commonwealth return 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 of which its 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 Territory has three government owned corporations namely Power and Water Corporation, Power Generation Corporation (Territory Generation) and Power Retail Corporation (Jacana Energy).

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).

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 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 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 as 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 that perform central bank functions, and/or have the authority to incur liabilities and acquire financial assets in the market on their own account.

Public Non Financial 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 that 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 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 Equivalent 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 re-issued 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.

