

2007-08

# Mid-Year Report

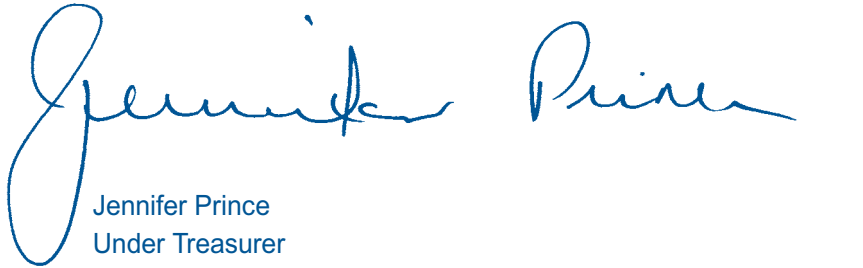


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# Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act*, I certify that the financial projections included in the 2007-08 Mid-Year Report are based on Government decisions that I was aware of, or that were made available to me by the Treasurer, before 20 November 2007. The projections are presented in accordance with the Uniform Presentation Framework.

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

Jennifer Prince  
Under Treasurer

22 November 2007

# Chapter 1 Overview

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

The updated Budget projections are in line with those presented in the May 2007 Budget and incorporate the 2006-07 outcome as presented in the 2006-07 Treasurer's Annual Financial Report (TAFR). The updated economic outlook reflects the effect of ongoing increased activity and associated confidence in the Territory economy.

The fiscal highlights in the Mid-Year Report include:

- cash targets for all years are unchanged compared with those included in the 2007 Budget;
- operating surplus is predicted for 2007-08 and all forward years and has improved since the 2007 Budget;
- fiscal balance continues on a trend towards surplus, in line with the fiscal strategy target of a balance by 2012-13;
- an increase to the significant investment in the Territory's infrastructure, including a record level of infrastructure expenditure expected for 2007-08 of \$697 million, an increase of \$68 million since the 2007 Budget;
- net debt of \$1545 million by 2010-11, a \$197 million decrease since May 2007;
- a net debt to revenue ratio of 39 per cent in 2007-08 reducing to 36 per cent by 2010-11, a significant improvement since the 2007 Budget when the comparable ratios were 45 per cent and 42 per cent;
- net debt plus employee liabilities to revenue ratio to fall to 104 per cent by 2010-11, a six per cent improvement on that projected in May 2007; and
- commitment of \$286 million over five years to implement initiatives associated with *Closing the Gap of Indigenous Disadvantage* (Closing the Gap).

From an economic perspective, the highlights for the 2007-08 year are:

- gross state product – estimated growth revised up to 4.6 per cent as compared with 3.7 per cent in the May 2007 Budget, primarily due to the extension of the timeline for the Alcan G3 refinery extension and stronger public sector consumption and investment associated with funding commitments relating to the Northern Territory Government's Closing the Gap and the Australian Government intervention;
- state final demand – estimated growth revised up to 1.4 per cent as compared with -2.1 per cent at the time of the 2007 Budget; variation due to the extension of the timeline for the Alcan refinery expansion and public sector expenditure;
- employment – stronger growth in resident employment of 5.8 per cent, revised up from 2.3 per cent published in the 2007 Budget;
- population – stronger than estimated net overseas migration and reduced net interstate migration outflows led to an upward revision in population growth from 1.4 per cent to 1.8 per cent; and

- consumer price index (CPI) – stronger CPI growth attributable to housing costs in Darwin led to an upward revision in year on year CPI growth to December 2007, from 3 per cent to 3.5 per cent.

Details on budget variations, including changes to revenue from the Australian Government and Territory taxation revenue since May 2007, are provided in Chapter 2, with the revised financial statements presented in Chapter 4. Chapter 3 includes a discussion on the updated economic estimates and the fiscal strategy outlook for 2007-08 and the forward years.

## Chapter 2 Fiscal Position and Outlook

This chapter presents the updated fiscal projections for the cash, operating and fiscal balance targets of the general government sector together with the assets and liabilities of both the general government and the non financial public sectors for 2007-08 through 2010-11, compared with the estimates provided in the May 2007 Budget papers.

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

**Fiscal Outlook** The 2007-08 Budget and forward estimates have been updated to reflect:

- the outcome for the 2006-07 financial year;
- Cabinet decisions since the 2007-08 Budget including \$286 million over five years to implement initiatives associated with Closing the Gap, the Northern Territory's plan of action aimed at reducing the gap in outcomes between Indigenous and non-Indigenous Territorians;
- revised Territory revenue estimates including updated goods and services tax (GST) and taxation revenue; and
- a range of other revenue-related adjustments, largely due to changes in specific purpose payments (SPPs) from the Australian Government.

The wage and price parameters are consistent with those used for the development of the 2007-08 Budget. In line with usual practice, these will be reviewed in the development of the 2008-09 Budget.

### Budget Targets – General Government

Table 2.1 presents the key fiscal aggregates for both the general government and non financial public sectors for the 2007-08 Budget and the 2007-08 Mid-Year Report. This highlights that the cash outcome remains unchanged, with additional receipts being matched by a corresponding change in payments. However, as some of these payments have been applied to capital spending, the operating result for 2007-08 and all forward years has improved.

Consistent with the May 2007 Budget, the fiscal balance remains in deficit for 2007-08 as a result of the Territory's capital contribution to the Darwin Waterfront Development. However, from 2008-09 the fiscal balance is again expected to move towards a surplus, with a small deficit of \$19 million projected for 2010-11.

Net debt for 2007-08 has reduced significantly since the May 2007 Budget due to the surplus achieved in 2006-07, as reported in the 2006-07 Treasurer's Annual Financial Report. This also flows through to the forward years with net debt expected to be \$1545 million at the non financial public sector in 2010-11, an improvement of \$197 million since May 2007, with a similar improvement for the general government sector.

Net debt plus employee liabilities is also set to decrease for both sectors compared with that recorded in May 2007 as a result of the improved net debt position, only partially offset by a small increase in the Territory's unfunded superannuation liability due to improved mortality rates.

Table 2.1: 2007-08 Budget and  
Mid-Year Report Targets

	2006-07 <sup>1</sup>	2007-08	Forward Estimates		
			2008-09	2009-10	2010-11
	\$M	\$M	\$M	\$M	\$M
<b>GENERAL GOVERNMENT</b>					
<b>Cash Outcome</b>					
2007-08 Budget	- 11	- 40	0	17	34
2007-08 Revised	33	- 40	0	17	34
<b>Operating Result</b>					
2007-08 Budget	31	29	8	15	38
2007-08 Revised	143	66	15	36	55
<b>Fiscal Balance</b>					
2007-08 Budget	- 71	- 96	- 41	- 32	- 10
2007-08 Revised	62	- 108	- 70	- 40	- 19
<b>Net Debt</b>					
2007-08 Budget	1 225	1 245	1 225	1 186	1 129
2007-08 Revised	1 075	1 089	1 061	1 016	951
<b>Net Debt + Employee Liabilities</b>					
2007-08 Budget	3 820	3 911	3 933	3 949	3 939
2007-08 Revised	3 547	3 787	3 837	3 860	3 857
<b>NON FINANCIAL PUBLIC SECTOR</b>					
<b>Net Debt</b>					
2007-08 Budget	1 578	1 693	1 748	1 749	1 742
2007-08 Revised	1 413	1 523	1 570	1 561	1 545
<b>Net Debt + Employee Liabilities</b>					
2007-08 Budget	4 196	4 382	4 481	4 537	4 578
2007-08 Revised	3 908	4 244	4 369	4 430	4 477

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

Table 2.2 summarises the key movements in the general government 2007-08 cash flow and operating statements since the 2007-08 Budget. Variations are categorised into policy and non-policy variations. Policy variations are the result of a Government decision 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 Australian Government, or changes in economic parameters.



Table 2.2: Variations to the  
Cash Flow and Operating  
Statements since May 2007

	2007-08	
	Accrual	Cash
	\$M	\$M
<b>2007-08 BUDGET</b>	<b>28.5</b>	<b>-40.1</b>
<b>REVENUE/RECEIPTS</b>		
<b>Revenue/Receipts – Non-policy</b>		
Taxation	19.9	19.9
GST Revenue	51.0	51.0
Specific Purpose Payments	66.2	66.2
Mining Royalties	27.4	27.4
Other	2.5	2.5
<b>Total Revenue/Receipts – Non-policy</b>	<b>167.0</b>	<b>167.0</b>
<b>TOTAL REVENUE/RECEIPTS</b>	<b>167.0</b>	<b>167.0</b>
<b>OPERATING EXPENSES/PAYMENTS</b>		
<b>Expenses/Payments – Policy</b>		
Closing the Gap	18.8	18.8
Cabinet Decisions	8.6	8.6
<b>Total Expenses/Payments – Policy</b>	<b>27.4</b>	<b>27.4</b>
<b>Expenses/Payments – Non-policy</b>		
Carryover from 2006-07	33.6	33.6
Superannuation Costs	7.0	-8.0
Specific Purpose Payments	58.8	58.8
Other	2.6	3.5
<b>Total Expenses/Payments – Non-policy</b>	<b>102.0</b>	<b>87.9</b>
<b>TOTAL OPERATING EXPENSES/PAYMENTS</b>	<b>129.4</b>	<b>115.3</b>
<b>Net Capital Payments</b>		
Remote Housing		20.0
Closing the Gap		18.0
Specific Purpose Payments		7.4
Carryover from 2006-07		3.3
Other		3.0
<b>Total Net Capital Payments</b>		<b>51.7</b>
<b>TOTAL EXPENSES/PAYMENTS</b>	<b>129.4</b>	<b>167.0</b>
<b>TOTAL VARIATION</b>	<b>37.6</b>	<b>0.0</b>
<b>2007-08 REVISED BUDGET</b>	<b>66.1</b>	<b>-40.1</b>

Source: Northern Territory Treasury

Although significant increases have occurred in both revenue/receipts and expenses/payments, there is no variation in the cash outcome. The accrual outcome has improved by \$37.6 million as some revenue has been applied to capital investment in the Territory's infrastructure. Variations in individual categories are described in more detail in the following section.

General government operating revenue and receipts have increased by \$167 million due to:

- increase to Territory taxation revenue of \$19.9 million due to increased economic activity resulting in higher stamp duty revenue;
- GST revenue has been revised up by \$51 million, primarily due to rebased population estimates from the 2006 Census, which increased the Territory's estimated resident population by 3906. In addition, increases in the estimate of the national GST pool also contributed, though to a lesser extent. The increased population and pool size estimates flow through to outer years;
- an increase in SPPs of \$66.2 million, as new agreements were finalised or re-negotiated, largely related to education, health and public safety; and
- increased mining royalty revenue of \$27.4 million associated with increased mining production and rises in commodity prices.

General government expenses increased by \$129.4 million and payments increased by \$115.3 million due to:

- policy decisions of \$27.4 million approved by Government, including commitments in 2007-08 resulting from the \$286 million approved over five years for implementing initiatives associated with Closing the Gap;
- the carryover of expense obligations from 2006-07 of \$33.6 million, largely related to timing of delivery of Australian Government funded programs;
- slightly increased superannuation expenses of \$7 million due to improving mortality rates affecting the overall liability. The reduction in superannuation cash payments of \$8 million results from benefit payments brought forward to 2006-07 associated with recently identified Commonwealth Superannuation Scheme members; and
- increased expenses of \$58.8 million related to additional SPPs revenue from the Australian Government.

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

- the carryover of capital obligations from 2006-07 of \$3.3 million, related to receipts from the Australian Government late in that financial year;
- capital payments of \$7.4 million as a result of new SPPs from the Australian Government; and
- other capital payments of \$41 million largely as a result of an increased housing demand in remote areas of the Territory as part of Closing the Gap.

## Operating Statement Forward Estimates – General Government

Operating revenue is projected to rise by an average of 3 per cent in the forward years from \$3506 million in 2007-08 to \$3791 million by 2010-11. This is largely a result of increased GST revenue and continuing economic activity in the Territory resulting in higher mining royalties and conveyancing stamp duty.

Operating expenses are also projected to rise by an average of 3 per cent in the forward years from \$3440 million in 2007-08 to \$3737 million by 2010-11. This significant increase in operating expenses together with increases in net capital payments since Budget time is mainly due to the \$286 million over five years to implement initiatives associated with Closing the Gap.

Overall the operating result remains in surplus in all years and the fiscal balance, which includes the effect of both capital and operating transactions, continues to improve over the forward estimates period in line with that projected in the 2007-08 Budget.

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

	2007-08	2008-09	2009-10	2010-11
	\$M	\$M	\$M	\$M
<b>2007-08 Budget</b>				
Operating Revenue	3 339	3 445	3 509	3 632
Operating Expenses	3 311	3 438	3 494	3 595
Operating Result	29	8	15	38
Net Capital	124	49	47	48
Fiscal Balance	-96	-41	-32	-10
<b>2007-08 Mid-Year Report</b>				
Operating Revenue	3 506	3 589	3 650	3 791
Operating Expenses	3 440	3 574	3 614	3 737
Operating Result	66	15	37	55
Net Capital	174	85	77	74
Fiscal Balance	-108	-70	-40	-19
<b>Variation</b>				
Operating Revenue	167	144	141	159
Operating Expenses	130	137	120	142
Operating Result	37	7	21	17
Net Capital	50	37	29	26
Fiscal Balance	- 12	- 29	- 8	- 9

Source: Northern Territory Treasury

### Operating Revenue

The majority of the Territory's revenue is from the Australian Government in the form of GST and SPP revenue (around 80 per cent).

GST revenue is expected to grow by around 6 per cent over the forward estimates period, an increase of \$51 million for 2007-08 since the 2007-08 Budget rising in absolute terms to \$2564 million by 2010-11. This is due to rebased population estimates from the Australian Bureau of Statistics (ABS) 2006 Census, stronger than anticipated population growth and higher national GST collections, as reported in the Australian Government's *Mid-Year Economic and Fiscal Outlook 2007-08*.

The Territory's increased share of national population accounts for two-thirds or \$34 million of the upwards revision in GST. The Territory's share of national population is estimated at 1.0215 per cent, up from 1.00526 per cent at the time of the 2007-08 Budget.

Upward revisions of national GST collections by the Australian Government from \$41.9 billion to \$42.2 billion account for the remaining \$17 million increase in the 2007-08 GST estimate. The increased population share and pool size flow through to increased GST estimates for the forward estimates.

SPP funding and other agency arrangements from the Australian Government have also been revised upwards since the 2007-08 Budget. These adjustments tend not to affect the fiscal outcome as increases in revenue are generally matched by a corresponding increase in expenditure, although timing differences may occur. The main increase is in 2007-08 of around \$66 million, as a result of a number of agreements being finalised. Further negotiations are also under way as a result of the Australian Government Indigenous Intervention and, once finalised, will be incorporated into the 2008-09 Budget. The increase in 2007-08 predominantly relates to:

- education-related increase of \$15 million, largely due to Clever Networks, Investing in Our Schools, and vocational and education training;
- health-related increase of \$30 million, largely due to the National Vaccination Program, Tiwi Islands Primary Health Care Services, NT Health Connect and expansion of safe houses and child protection; and
- public safety-related increase of \$11 million, largely due to the Australian Government intervention including the provision of temporary police stations.

Estimates for SPPs decline by 8 per cent over the forward estimates period. This is not unusual as many agreements are for fixed periods and are not included in the forward estimates beyond the life of the agreement. It is expected however that new agreements will be reached and revenue and expenses associated with SPPs will continue at similar levels.

Taxation revenue is the most significant component of the Territory's own-source revenue and is expected to grow by 3 per cent over the forward estimates period. This represents an increase of around \$20 million in all years since the 2007-08 Budget and is the result of continued increases in economic activity in the residential property market affecting conveyance stamp duty collections. The Government responded to increases in the residential property market through a significant commitment to increase the first home owner stamp duty concession to the first \$350 000 of a home's value in the 2007-08 Budget.

Other Territory own-source revenue projections include an upward revision of \$27 million for mining royalties for 2007-08, rising in absolute terms to \$121 million in 2010-11. This increase of 10 per cent over the forward estimates period is due to continuing increased mining activity and commodity prices.

## Operating and Net Capital Expenses

Operating expenses are projected to increase in all years following the 2007-08 Budget, largely a result of:

- the Territory Government's commitment of \$286 million towards five year actions to implement Closing the Gap initiatives;
- an increase in expenditure commitments tied to Australian Government funding in 2007-08 and future years. The \$66 million in revenue in 2007-08 largely relates to education grants of \$15 million, health grants of \$30 million, and public safety grants of \$11 million, as indicated earlier in the operating revenue section; and
- the carryover of unspent items from 2006-07, mostly attributable to the timing of expenses related to Australian Government funding.

Some major components of the initiatives for Closing the Gap include \$79 million for child protection, \$70 million for education, \$48 million for public safety, alcohol and drug management, \$23 million for health care and \$42 million for remote housing.

Net capital spending has also increased in all years predominantly relating to Closing the Gap and an associated increased commitment to remote housing.

## Assets and Liabilities – General Government Sector and Non Financial Public Sector

Table 2.4 presents the key measures for the general government sector and the non financial public sector Balance Sheet as presented in the 2007-08 Budget and the 2007-08 Mid-Year Report.

Table 2.4: Balance Sheet – 2007-08 Budget and Mid-Year Report

	2007-08	2008-09	2009-10	2010-11
<b>GENERAL GOVERNMENT</b>				
<b>2007-08 Budget</b>				
Net Worth (\$M)	2 434	2 496	2 557	2 641
Net Debt (\$M)	1 245	1 225	1 186	1 129
Net Debt to Revenue (%)	37	36	34	31
Net Debt and Employee Liabilities (\$M)	3 911	3 933	3 949	3 939
Net Debt + Employee Liabilities to Revenue (%)	117	114	113	108
<b>2007-08 Mid-Year Report</b>				
Net Worth (\$M)	2 699	2 774	2 859	2 963
Net Debt (\$M)	1 089	1 061	1 016	951
Net Debt to Revenue (%)	31	30	28	25
Net Debt and Employee Liabilities (\$M)	3 787	3 837	3 860	3 857
Net Debt + Employee Liabilities to Revenue (%)	108	107	106	102
<b>Variation</b>				
Net Worth (\$M)	266	278	302	323
Net Debt (\$M)	- 156	- 163	- 171	- 178
Net Debt to Revenue (%)	- 6	- 6	- 6	- 6
Net Debt and Employee Liabilities (\$M)	- 124	- 96	- 90	- 82
Net Debt + Employee Liabilities to Revenue (%)	- 9	- 7	- 7	- 7
<b>NON FINANCIAL PUBLIC SECTOR</b>				
<b>2007-08 Budget</b>				
Net Worth (\$M)	2 434	2 496	2 557	2 641
Net Debt (\$M)	1 693	1 748	1 749	1 742
Net Debt to Revenue (%)	45	45	44	42
Net Debt and Employee Liabilities (\$M)	4 382	4 481	4 537	4 578
Net Debt + Employee Liabilities to Revenue (%)	116	115	114	110
<b>2007-08 Mid-Year Report</b>				
Net Worth (\$M)	2 699	2 774	2 859	2 963
Net Debt (\$M)	1 523	1 570	1 561	1 545
Net Debt to Revenue (%)	39	39	38	36
Net Debt and Employee Liabilities (\$M)	4 244	4 369	4 430	4 477
Net Debt + Employee Liabilities to Revenue (%)	107	108	107	104
<b>Variation</b>				
Net Worth (\$M)	266	278	302	323
Net Debt (\$M)	- 170	- 178	- 188	- 197
Net Debt to Revenue (%)	- 6	- 6	- 6	- 6
Net Debt and Employee Liabilities (\$M)	- 138	- 112	- 107	- 101
Net Debt + Employee Liabilities to Revenue (%)	- 8	- 7	- 7	- 6

Source: Northern Territory Treasury

The estimate of net worth for the non financial public sector has improved since the 2007-08 Budget by \$266 million in 2007-08, rising to \$2963 million in 2010-11 with a similar increase for the general government sector. This is largely due to the flow on effect of the improved cash surplus and upward revision to the Territory's assets in 2006-07, as reported in the 2006-07 Treasurer's Annual Financial Report. This is offset by a small increase in the Territory's unfunded superannuation liability.

Net debt at the non financial public sector is also estimated to decrease by \$197 million in 2010-11 from Budget-time forecasts, to \$1545 million, again largely due to the flow-on effect of the improved cash outcome in 2006-07, with a similar result for the general government sector.

This represents a reduction of \$208 million on the \$1753 million recorded in 2001-02. As a percentage to revenue, net debt at the non financial public sector is estimated to fall from 39 per cent in 2007-08 to 36 per cent in 2010-11, a 6 per cent reduction on that projected in the May 2007 Budget, with a similar reduction for the general government sector.

Net debt plus employee liabilities at the non financial public sector is expected to rise to \$4477 million by 2010-11, \$101 million less than that estimated at Budget time. This is due to the improvement of the net debt position, offset by an increase in the Territory's superannuation liability due to revised mortality rates.

During 2006-07 the Government was able to contribute \$150 million towards the Territory's long-term superannuation liability. The level of ongoing contribution during 2007-08 and forward years will be decided as part of the development of future budgets.

When measured as a percentage of revenue it is expected that net debt plus employee liabilities will remain at around 107 to 108 per cent through the forward years and reducing to 104 per cent by 2010-11, an improvement of 6 per cent on that projected in the May 2007 Budget. This also represents a significant improvement on the 134 per cent recorded in 2001-02.

## Statement of Risks

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

The risks identified and explained in detail at the time of the 2007-08 Budget remain appropriate, with the following providing a summary of these risks.

### Revenue

**Goods and Services Tax** – The most significant risk to the revenue projections is GST revenue changes. GST revenue accounts for around two-thirds of the Territory's budget and therefore even small variations in key parameters can have a significant impact on Government's funding capacity and budget outcomes.

The three components affecting the amount of GST to be received are: the Territory's relativity; the national GST pool; and the Territory's share of the national population.

Of these, the most volatile is the Territory's relativity and any change will impact significantly on the Territory's GST receipts.

Revisions to the Territory and national populations are also likely to impact on GST receipts over the coming year. The ABS has advised that it is likely to reduce its estimates of intercensal error in the coming months. Based on preliminary estimates, this would result in a downward revision to both the Territory's population and the Territory's share of national population, impacting on the level of GST receipts over the forward years.

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

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

### Expenditure

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

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

**Closing the Gap of Indigenous Disadvantage** – The Northern Territory Government is committed to overcoming Indigenous disadvantage through a long-term inter-generational approach. Any additional amounts approved over and above the \$286 million already committed over the next five years will increase budgetary pressures.

### Contingent Liabilities

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

For more information on Statement of Risks, refer to Chapter 2 of 2007-08 Budget Paper No. 2: Fiscal and Economic Outlook.



# Chapter 3 Economic Outlook and Fiscal Strategy

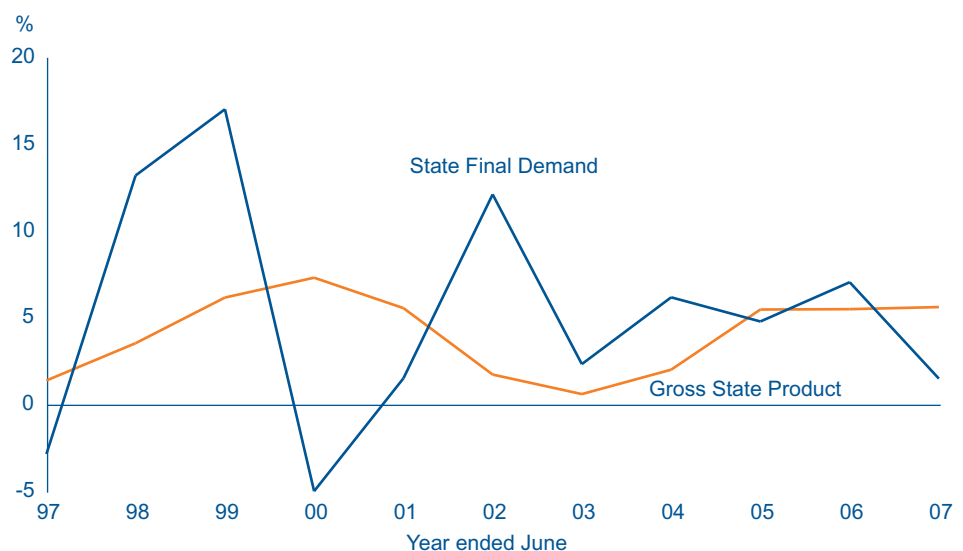
This chapter meets the *Fiscal Integrity and Transparency Act* requirement for the Mid-Year Report to provide updated information on both the economic assumptions and Fiscal Strategy as set out in the May 2007-08 Budget Papers.

## Structure of the Economy

The structure of the Northern Territory economy is markedly different to other Australian jurisdictions, reflecting its abundance of natural resources, its comparatively large public sector, and the importance of the large defence presence. Territory Gross State Product (GSP), at around \$14.5 billion (in current prices), accounts for approximately 1.4 per cent of national Gross Domestic Product (GDP).

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

Figure 3.1: Northern Territory Real Gross State Product and State Final Demand (year on year percentage change)



## Recent Economic Performance

For the 2007-08 Budget, released in May 2007, GSP growth was estimated at 7.2 per cent in 2006-07, driven by a full year of liquefied natural gas (LNG) exports contributing to growth in the manufacturing industry, and supported by strengthening export volumes of alumina, oil and minerals. The latest Australian Bureau of Statistics (ABS) published estimate of GSP growth for 2006-07 released in mid November 2007 is 5.6 per cent, lower than estimated by Treasury in May 2007, but broadly consistent with estimates across the consumption and investment components.

The lower than forecast outcome in Territory GSP for 2006-07 is largely due to higher than anticipated imports. In the Budget, the value of imported engineering components for the Alcan G3 refinery expansion at Gove was expected to decline substantially with the completion of the expansion. Increases in the scale and timing of this very large project meant that imports were higher than expected, acting as a slight drag on output.

ABS has also introduced a new measure of GSP which has led to significant changes in the way GSP is reported. The headline measure of GSP growth now reported and published by the ABS is GSP (Average), the average growth rate of the three different measures of GSP: income, expenditure and production. This methodology was incorporated in the state accounts released in November 2007. The methodological change introduced by the ABS in 2006-07 may have also contributed to some of the difference between reported GSP growth and Treasury's May 2007 estimate.

Table 3.1: Summary of Economic Parameters

% Change	2003-04	2004-05	2005-06	Budget	ABS	Budget	Revised
				Estimate	Latest Estimate	Forecast	Forecast
				2006-07	2006-07	2007-08	2007-08
GSP	2.0	5.5	5.5	7.2	5.6	3.7	4.6
SFD	6.2	4.8	7.0	0.3	1.5	-2.1	1.4
Employment	-2.9	-1.3	3.0	4.4	5.3	2.3	5.8
Population <sup>1</sup>	0.7	1.6	2.3	1.6	2.0	1.4	1.8
CPI <sup>2</sup>	2.1	1.6	2.6	4.4	4.4	3.0	3.5

Source: Northern Territory Treasury, Australian Bureau of Statistics

1. Based on middle of the financial year, December estimates.

2. Year on year ended December percentage change.

The onshore economy continued to strengthen in 2006-07, with many indicators reporting growth consistent with what was estimated in the Budget. State Final Demand, a measure of consumption and investment, increased by 1.5 per cent, stronger than the 0.3 per cent estimated at the time of the Budget. The main contributor to growth was consumption, which increased by 3.9 per cent in 2006-07, and contributed 2.9 percentage points. Private consumption increased by 3.3 per cent in 2006-07, supported by relatively low interest rates, strong employment and population growth. Public sector consumption increased by 4.7 per cent primarily reflecting higher defence force expenditure on salaries. While the proportion of the total defence-related expenditure attributed to the Territory is small, it can nevertheless have a significant impact on a small economy.

Total investment decreased by 3.8 per cent in 2006-07, subtracting 1.3 percentage points from growth. This is a more modest decline than estimated in the May 2007 Budget but is nevertheless due to declining levels of business investment in the Territory as major engineering projects are completed. Even with this decline, investment remains at historically high levels.

## Economic Outlook

All major economic parameters reported in the 2007-08 Budget have been revised for the Mid-Year Report (Table 3.1). Revisions reflect new and/or revised data and latest information regarding the status of projects.

## Gross State Product (GSP)

Economic growth in the Territory is forecast to increase by 4.6 per cent in 2007-08. With a number of mega projects in the Territory finished or nearing completion, the drivers of economic growth will increasingly shift from the capital and labour intensive construction phase of large commodity-based projects to the less intensive, export-orientated operational phase. Full production of gas from the LNG plant, higher alumina production from Alcan's G3 investment in Gove and increased manganese exports from the Bootu Creek mine near Tennant Creek and the Gemco mine at Groote Eylandt, along with iron ore exports from Frances Creek, will contribute to strong export growth. Construction activity, employment growth and population growth are expected to remain strong. Investment expenditure will remain near historically high levels, with the Darwin Waterfront Development, the Bonaparte Gas Pipeline project and a sizeable defence infrastructure schedule in place for 2007-08. The retail sector is expected to continue reporting strong growth in the year supported by low unemployment levels, strong wages growth and an expanding population.

## State Final Demand (SFD)

Another broad measure of economic activity is SFD, which is forecast to increase by 1.4 per cent in 2007-08, revised up from a forecast decline of 2.1 per cent reported in the Budget. Like GSP, Territory SFD has been volatile in recent years, influenced by the timing of investment for major projects. The extension of the Alcan completion date has been a major influence on the revision to SFD growth in 2007-08, as well as additional public expenditure associated with defence weapons systems, the Territory's Closing the Gap initiative and the Australian Government intervention.

## Consumption

The growth in total consumption forecast for 2007-08 has been revised up to 4.0 per cent, from 2.3 per cent reported in the Budget. The outlook for private consumption is not significantly different from the time of the Budget, with growth of 3.1 per cent forecast in 2007-08, moderating from the 3.9 per cent growth reported for 2006-07. The moderation in growth for 2007-08 incorporates the dampening effect of two interest rate rises in calendar year 2007, as well as the anticipated impact of further rate rises in 2008. Nevertheless, the forecast strength in demand drivers such as population and employment growth in 2007-08, may act to partially offset the impact of interest rate increases on private consumption in 2007-08, as they did in 2006-07. Growth in public sector consumption in 2007-08 is revised up to 5.4 per cent, significantly stronger than growth estimated at the time of the Budget. This substantial upward revision reflects additional Northern Territory Government funds committed to Closing the Gap as well as the impact of the Australian Government intervention.

### Dwellings Investment

The ABS reports an increase of 1.1 per cent in dwellings investment for 2006-07. Dwellings investment is forecast to maintain high levels in 2007-08, increasing by a further 3.3 per cent. This reflects the strength in the 'other dwellings' market, primarily units and apartments, which have continued to maintain both high sales levels and prices growth throughout 2006-07 and into 2007-08. Currently, activity in the 'other dwellings' market accounts for about half of all property market activity in the Northern Territory, and has reported particularly robust growth. Nevertheless, growth in this sector of the economy continues to be constrained by ongoing skilled labour shortages.

### Business Investment

Business investment is forecast to fall by 9.7 per cent in 2007-08, more modest than the decline of 22.2 per cent forecast at the time of the Budget. This revision is due to the extension of Alcan's timeline for the completion of the G3 refinery expansion. In addition, cost increases have impacted on projects in the Territory.

### Goods and Services Exports

External demand for Territory commodities is expected to remain strong in the short term, but moderate somewhat in value in the medium term as commodity prices retreat from current highs, with a predicted decline in global demand (especially from the United States (US)) and increased global supply. Service exports are expected to continue to improve in 2007-08 as the solid global economic outlook and increased airline capacity combine to support international visitor arrivals. The strong value of the Australian dollar is expected to contribute to higher import volumes (for both goods and services) in the short term.

### Employment

The ABS reports Territory employment increased by 5.3 per cent in 2006-07, stronger than the 4.4 per cent rise in employment estimated for the Budget. Employment growth is forecast to strengthen to 5.8 per cent in 2007-08, revised up from 2.3 per cent reported for the Budget. Although acute skills shortages have been reported across a broad range of industries in the Territory, strong employment growth has continued throughout 2006-07 and early 2007-08. Despite declining levels of engineering construction due to the completion of the Alcan refinery expansion, business investment will remain at historically high levels and, combined with ongoing strength in the retail and tourism-related industries will continue to drive strong demand for labour. Sampling variability and higher standard errors than exist in other jurisdictions continue to be a factor affecting ABS labour force data in the Territory.

### Population

Population estimates at 31 December each year are a key determinant of the allocation of the national GST revenue pool. Accurate population estimates are therefore very important to the Territory. The Territory's small but dispersed population and its high annual turnover of population make population estimation very difficult, more so than in any other jurisdiction, and figures can be volatile from year to year.

Following the 2006 Census, the ABS produced an Estimated Resident Population (ERP) figure for the Territory for June 2006 of 210 674. This was considerably higher than the ABS estimate of 206 688 produced prior to the availability of results of the 2006 Census. This upward revision in ERP included a sizeable adjustment for Census undercount, estimated by ABS to be 15 900 people, or 7.6 per cent of ERP, nearly twice the 2001 Census estimate of 4.0 per cent. The increase in undercount reflects a more thorough approach to checking the completeness of the Census via a Post Enumeration Survey (PES), which was extended to remote areas of the Territory for the first time in 2006.

The very high level of undercount in the 2006 Census (as revealed by the improved PES), combined with an increasing tendency for respondents to not indicate Indigenous status, makes interpreting Census output a challenging exercise. Raw counts from the Census are of less use than what is desirable as they exclude a sizeable proportion of the population. More emphasis needs to be placed on estimated resident population figures, especially when it relating to small areas.

At the time of the 2006-07 Budget, population growth of 1.6 per cent was estimated for the year to 31 December 2006 reflecting ABS estimates based on pre 2006 Census analysis. ABS has subsequently published population estimates which indicate a growth rate of 2.0 per cent for that period. Taking forward recent observations about population growth, especially higher rates of overseas migration and a smaller net outflow of migrants interstate, the Budget forecast for the year to December 2007 has been revised from 1.4 per cent to 1.8 per cent.

The ABS will publish final 2006 Census based ERP figures for June 2006 in June 2008 which may incorporate revisions. Any revision would flow through to the December 2007 population figures and hence GST allocations.

### Consumer Price Index

The inflation outlook reported at the time of the Budget was that moderating growth in housing prices and declining prices for crude oil and bananas would lead to a significant fall in the Darwin inflation rate. Although this broad outlook remains unchanged, the rate of growth in the CPI over 2007 has been stronger than estimated at the time of the Budget. At the time of the Budget, year on year inflation to December 2007 was estimated to increase to 3.0 per cent. This is revised in the Mid-Year Report to 3.5 per cent. In annual terms the Darwin inflation rate has been revised up from 2.2 per cent to December 2007 to 3.1 per cent.

Although growth in house prices has moderated and banana prices have declined as expected over this period, crude oil prices have not tracked lower as originally forecast. Nevertheless, the appreciation of the Australian dollar relative to the US dollar over the year has significantly offset the effects of this on fuel prices and the inflation rate.

Year on year inflation to December 2008 is revised upwards from 2.6 per cent to 3.1 per cent in the Mid-Year Report. Although growth in housing prices is expected to continue moderating over the year, the ongoing drought in most of Australia, tight rental conditions in the Darwin property market and continuing tightness in the labour market, especially for skilled labour, are expected to support the inflation rate at this level over the year. In annual terms, the Darwin inflation rate forecast is revised up from 2.6 per cent reported in the Budget to 2.8 per cent.

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

## Fiscal Strategy

The *Fiscal Integrity and Transparency Act* requires the Mid-Year Report to provide updated information to allow an assessment of the Government's fiscal performance against Fiscal Strategy targets, as set out in the 2007-08 Budget papers.

In this Mid-Year Report, there have been no changes to the targets and the revised forward estimates reflect minimal variations in the projected trend. The Government's medium-term fiscal objectives and likely achievements against targets as laid out in the 2007-08 Budget papers are listed below.

### Sustainable Service Provision

Target: General government net operating balance by 2012-13

*Assessment: Operating surplus predicted for all years*

### Infrastructure for Economic and Community Development

Target: Maintain total public sector infrastructure investment at appropriate levels and achieve a general government net lending balance by 2012-13

*Assessment: Record infrastructure spending in 2007-08 of \$697 million and continuing high levels of investment over forward years*

*Assessment: Fiscal balance trending towards surplus with a small net deficit of \$19 million in 2010-11*

### Competitive Tax Environment

Target: Ensure Territory taxes and charges are competitive with the average of the States

*Assessment: Tax revenue per capita second lowest in Australia*

### Prudent Management of Liabilities

Target: Net debt plus employee liabilities as a proportion of total revenue to fall

*Assessment: Ratio reducing over the forward estimates period to 104 per cent by 2010-11*

The purpose of the Mid-Year Report is to provide updated estimates for the Budget and three forward years. Many of the fiscal strategy targets provide both absolute measures for the Territory as well as comparative state measures. Although information for the states is generally available for the 2006-07 outcome, updated state estimates for 2007-08 are not yet available. Thus the comparisons that follow provide updated information for the Territory and, only where possible, updated comparative state data.



## Sustainable Service Provision

### Target: General Government Net Operating Balance by 2012-13

The net operating balance for 2007-08 and the forward years is projected to be in surplus in all years and represents an improved position on the original Budget estimates. This improvement largely relates to increased GST revenue, continued growth in economic activity and increasing mining royalties and stamp duty on conveyancing. These increases have been partially offset by new initiatives approved since Budget time, including the Territory's response to Closing the Gap.

The need for a positive operating result is consistent with the objective of all governments as this provides capacity for investment in capital infrastructure without the need for additional borrowing.

The cash targets set by Government for 2007-08 and the forward years at Budget time remain unchanged, with the Budget expected to return to a balance by 2008-09 and move into surplus by 2009-10.

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

Table 3.2: General Government Net Operating Balance

	2006-07 <sup>1</sup>	2007-08	2008-09	2009-10	2010-11
<b>2007-08 Budget</b>					
Net Operating Balance (\$M)	31	29	8	15	38
As a Proportion of Total Revenue (%)	1.0	0.9	0.2	0.4	1.0
Cash Outcome (\$M)	- 11	- 40	0	17	34
<b>2007-08 Mid-Year Report</b>					
Net Operating Balance (\$M)	143	66	15	37	55
As a Proportion of Total Revenue (%)	4.4	1.9	0.4	1.0	1.4
Cash Outcome (\$M)	33	- 40	0	17	34
<b>Variation</b>					
Net Operating Balance (\$M)	112	38	7	21	17
As a Proportion of Total Revenue (%)	3.4	1.0	0.2	0.6	0.4
Cash Outcome (\$M)	44	0	0	0	0

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

## Infrastructure for Economic and Community Development

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

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

The provision of adequate levels of infrastructure remains an ongoing challenge for the Territory due to its remoteness and the stage of development, relative to other states.

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

Table 3.3: General Government  
Fiscal Balance

	2006-07 <sup>1</sup>	2007-08	2008-09	2009-10	2010-11
<b>2007-08 Budget</b>					
Fiscal Balance (\$M)	- 71	- 96	- 41	- 32	- 10
As a Proportion of Total Revenue (%)	-2.2	-2.9	-1.2	-0.9	-0.3
<b>2007-08 Mid-Year Report</b>					
Fiscal Balance (\$M)	62	- 108	- 70	- 40	- 19
As a Proportion of Total Revenue (%)	1.9	-3.1	-1.9	-1.1	-0.5
<b>Variation</b>					
Fiscal Balance (\$M)	133	- 12	- 29	- 8	- 9
As a Proportion of Total Revenue (%)	4.1	-0.2	-0.7	-0.1	-0.2

Source: Northern Territory Treasury

1. Mid-Year Report reflects actual outcome.

The Territory's fiscal balance is slightly higher on that reported at Budget time for all forward years, while still trending downward towards a balanced position. This increase is largely due to the additional investment in the Territory's infrastructure over five years resulting from implementing initiatives associated with Closing the Gap and an increased commitment to remote housing. The peak in 2007-08 remains attributable to the Darwin Waterfront Development.

As with the net operating balance, the trend of improvement over the forward estimates indicates that the Territory's aim of a balanced position by 2012-13 remains achievable. This is despite significant investment in the Territory's infrastructure in all years including a record estimated expenditure for 2007-08 of \$697 million at the non financial public sector.

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

Table 3.4 presents the latest estimated level of infrastructure investment through to 2010-11 compared to the original 2007-08 Budget. The Government's infrastructure investment comprises purchases of non financial assets (including construction and capital items), capital grants to non government organisations and assets acquired under finance leases. The increase in capital investment since the May 2007 Budget is mainly a result of additional infrastructure requirements for Closing the Gap and the associated increased commitment to remote housing.



Table 3.4: Capital Investment –  
Non Financial Public Sector

	2006-07 <sup>1</sup>	2007-08	2008-09	2009-10	2010-11
	\$M	\$M	\$M	\$M	\$M
<b>2007-08 Budget</b>					
Purchases of Non Financial Assets	419	506	426	390	405
Capital Grants	83	89	115	105	103
Assets Acquired under Finance Lease	48	34	1	1	1
<b>Total</b>	<b>549</b>	<b>629</b>	<b>542</b>	<b>495</b>	<b>509</b>
<b>2007-08 Mid-Year Report</b>					
Purchases of Non Financial Assets	410	566	469	424	435
Capital Grants	109	97	110	99	97
Assets Acquired under Finance Lease	48	34	1	1	1
<b>Total</b>	<b>567</b>	<b>697</b>	<b>581</b>	<b>524</b>	<b>532</b>
<b>Variation</b>					
Purchases of Non Financial Assets	-9	60	43	34	30
Capital Grants	27	8	-5	-6	-6
Assets Acquired under Finance Lease	0	0	0	0	0
<b>Total</b>	<b>17</b>	<b>68</b>	<b>38</b>	<b>29</b>	<b>23</b>

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

## Competitive Tax Environment

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

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

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

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

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

The Territory's taxation revenue per capita for 2007-08 is forecast to increase by \$93 per capita from the 2007-08 Budget. This increase continues to reflect high levels of economic activity in the Territory. Overall the Territory's 2007-08 forecast of \$1807 per capita remains the second lowest nationally.

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

	2006-07 Estimate	2006-07 Outcome <sup>1</sup>	2007-08 Budget	2007-08 Revised <sup>2</sup>
	\$ per capita	\$ per capita	\$ per capita	\$ per capita
State Average	2 319	2 338	2 357	2 357
Northern Territory	1 675	1 721	1 714	1 807

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

1. Actual 2006-07 data not available for SA and ACT. (Budget estimate used.)

2. 2007-08 Revised reflects original Budget for State Average.

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

A more sophisticated measure of tax competitiveness is the Commission's analysis of 'tax effort', which adjusts for the extent to which a particular state's capacity to raise revenue is above or below average. Table 3.6 details the Territory's revenue-raising capacity and effort expressed as a percentage of the Australian average in 2005-06, the latest year assessed by the Commission.

Table 3.6: Northern Territory Revenue-Raising Capacity and Effort 2005-06

	Capacity <sup>1</sup>	Effort <sup>2</sup>
	%	%
Total taxation	82	111
Total own-source revenue	94	99
Total taxation plus royalties and public safety user charges	92	101

Source: Commonwealth Grants Commission 2007 Update

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

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

The Commission's assessment shows that the Territory's tax effort (111 per cent) is slightly above the Australian average, reflecting a large number of one-off stamp duty transactions in 2005-06. However a better comparative measure, on a cross-jurisdictional basis, is taxation combined with mining royalties and public safety user charges. On this basis, the Territory's tax effort (101 per cent) is only slightly above the Australian average and the third lowest of the states and territories.

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

## Prudent Management of Liabilities

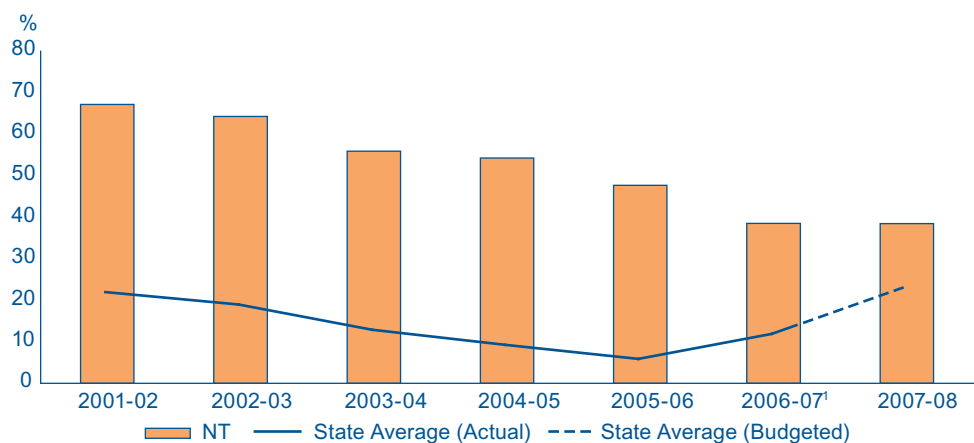
### Target: Net Debt and Employee Liabilities as a Proportion of Total Revenue to Fall

This element of the fiscal strategy aims to ensure that debt is prudently managed, taking into consideration service delivery needs and investment in infrastructure to promote sustainable social wellbeing and economic growth.

This is particularly true in the case of the Territory due to its greater infrastructure requirements relative to other jurisdictions, resulting in the Territory having higher levels of debt than the states.

Figure 3.2 compares the ratio of Territory debt with the average of the states for 2001-02 to 2007-08 and shows the Territory continues to improve relative to the states.

Figure 3.2: Historical State and Territory Net Debt to Revenue – Non Financial Public Sector



Source: State and territory budget and outcome reports.

1. 2006-07 estimate used for ACT and SA.

The Territory's commitment to improvement of its fiscal performance over time has already contributed to ongoing reductions to the burden of debt. The level of net debt has improved significantly from that recorded in 2001-02 and that forecast at the time of the 2007-08 Budget. This results from five successive cash surpluses which has flowed through to the forward estimates.

The estimate of \$1545 million in 2010-11 is forecast to be significantly lower than the \$1753 million recorded in 2001-02 despite the record levels of investment in infrastructure projects across the Territory and increased funding provided to the core service provision areas of health, education and public safety in recent years, including Closing the Gap.

Over the forward estimates period, the ratio of net debt to revenue is set to improve from 39 per cent in 2007-08 to 36 per cent by 2010-11 and is significantly below the 67 per cent recorded in 2001-02.

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

Since 2001-02 the level of net debt plus employee liabilities as a percentage of revenue has dropped from 134 per cent at 30 June 2002 to 106 per cent at 30 June 2007. This is despite updated actuarial assessments over past years that have increased the estimates of the Territory's superannuation liabilities. The Territory's forecast net debt plus employee liabilities as a proportion of total revenue is expected to remain at around 107 to 108 per cent through the forward years reducing to 104 per cent in 2010-11, and remains on a downward trend.

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

	2006-07 <sup>1</sup>	2007-08	2008-09	2009-10	2010-11
<b>2007-08 Budget</b>					
Net Debt (\$M)	1 578	1 693	1 748	1 749	1 742
Net Debt to Revenue (%)	44	45	45	44	42
Net Debt + Employee Liabilities (\$M)	4 196	4 382	4 481	4 537	4 578
Net Debt + Employee Liabilities to Revenue (%)	116	116	115	114	110
<b>2007-08 Mid-Year Report</b>					
Net Debt (\$M)	1 413	1 523	1 570	1 561	1 545
Net Debt to Revenue (%)	39	39	39	38	36
Net Debt + Employee Liabilities (\$M)	3 908	4 244	4 369	4 430	4 477
Net Debt + Employee Liabilities to Revenue (%)	106	107	108	107	104
<b>Variation</b>					
Net Debt (\$M)	- 165	- 170	- 178	- 188	- 197
Net Debt to Revenue (%)	- 5	- 6	- 6	- 6	- 6
Net Debt + Employee Liabilities (\$M)	- 288	- 138	- 112	- 107	- 101
Net Debt + Employee Liabilities to Revenue (%)	- 10	- 8	- 7	- 7	- 6

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

## Conclusion

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

Net debt has improved significantly since the 2007-08 Budget due to the improved result in 2006-07, which has flowed through to the forward estimates. This is despite record levels of investment in the Territory's infrastructure base. Although recent actuarial reassessment of the Territory's superannuation liability has resulted in a slight upward movement in employee liabilities, net debt plus employee liabilities as a proportion of revenue continues to fall and, at an estimated 104 per cent in 2010-11, is significantly below the 134 per cent recorded in 2001-02.

The Territory Government is also continuing its commitment to maintain taxation at competitive levels to encourage increased levels of business activity.

## Chapter 4 **Uniform Presentation Framework**

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

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

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

Also included are tables presenting general government sector taxes and the revised 2007-08 Loan Council Allocation.

Table 4.1

## General Government Sector Operating Statement

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>NET OPERATING BALANCE</b>					
<b>REVENUE</b>					
Taxation revenue	366 562	386 451	399 514	403 813	422 015
Current grants and subsidies	2 529 156	2 633 364	2 736 311	2 806 666	2 928 375
Capital grants	123 927	136 897	105 594	88 598	87 698
Sales of goods and services	131 019	134 016	131 195	130 632	131 528
Interest income	38 046	38 046	38 412	39 218	39 293
Other	150 397	177 333	178 284	181 266	182 173
<b>TOTAL REVENUE</b>	<b>3 339 107</b>	<b>3 506 107</b>	<b>3 589 310</b>	<b>3 650 193</b>	<b>3 791 082</b>
<b>EXPENSES</b>					
Gross operating expenses	2 347 828	2 453 811	2 579 887	2 641 050	2 752 005
Depreciation	171 591	173 523	176 563	179 108	181 701
Employee expenses	1 333 484	1 379 270	1 413 320	1 442 130	1 474 183
Other operating expenses	842 753	901 018	990 004	1 019 812	1 096 121
Nominal superannuation interest expense	126 675	126 675	130 949	134 949	138 949
Other interest expenses	141 785	141 785	141 087	141 229	142 649
Other property expenses					
Current transfers	591 990	611 465	607 276	596 042	605 288
Capital transfers	105 891	115 225	124 430	110 491	108 257
<b>TOTAL EXPENSES</b>	<b>3 314 169</b>	<b>3 448 961</b>	<b>3 583 629</b>	<b>3 623 761</b>	<b>3 747 148</b>
GFS NET OPERATING BALANCE	24 938	57 146	5 681	26 432	43 934
Superannuation earnings (a)	3 600	8 940	9 476	10 044	10 647
<b>UNDERLYING NET OPERATING BALANCE</b>	<b>28 538</b>	<b>66 086</b>	<b>15 157</b>	<b>36 476</b>	<b>54 581</b>
<b>NET LENDING/BORROWING (Fiscal balance)</b>					
GFS NET OPERATING BALANCE	24 938	57 146	5 681	26 432	43 934
<i>less</i>					
<b>Net acquisition of non financial assets</b>					
Purchases of non financial assets	329 854	385 560	332 013	313 999	312 740
Sales of non financial assets	- 65 420	- 69 440	- 71 033	- 58 993	- 58 038
<i>less</i> Depreciation	171 591	173 523	176 563	179 108	181 701
<i>plus</i> Change in inventories					
<i>plus</i> Other movements in non financial assets	31 587	31 587	720	720	720
<b>Total net acquisition of non financial assets</b>	<b>124 430</b>	<b>174 184</b>	<b>85 137</b>	<b>76 618</b>	<b>73 721</b>
<i>equals</i>					
GFS NET LENDING/BORROWING (Fiscal balance)	- 99 492	- 117 038	- 79 456	- 50 186	- 29 787
Superannuation earnings (a)	3 600	8 940	9 476	10 044	10 647
<b>UNDERLYING NET LENDING/BORROWING (Fiscal balance)</b>	<b>- 95 892</b>	<b>- 108 098</b>	<b>- 69 980</b>	<b>- 40 142</b>	<b>- 19 140</b>

(a) Represents investment earnings on financial assets held to meet future defined benefit superannuation liabilities.

Table 4.2

## General Government Sector Balance Sheet

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and deposits	76 061	100 861	101 556	108 825	109 769
Advances paid	197 035	185 544	185 935	186 326	186 717
Investments, loans and placements	678 448	817 143	816 072	854 444	914 594
Other non equity assets	114 510	125 158	119 944	118 893	116 558
Equity	1 085 953	1 099 779	1 126 196	1 155 702	1 184 845
<b>Total financial assets</b>	<b>2 152 007</b>	<b>2 328 485</b>	<b>2 349 703</b>	<b>2 424 190</b>	<b>2 512 483</b>
<b>Non financial assets</b>					
Land and fixed assets	5 243 821	5 370 007	5 470 353	5 547 860	5 622 470
Other non financial assets					
<b>Total non financial assets</b>	<b>5 243 821</b>	<b>5 370 007</b>	<b>5 470 353</b>	<b>5 547 860</b>	<b>5 622 470</b>
<b>TOTAL ASSETS</b>	<b>7 395 828</b>	<b>7 698 492</b>	<b>7 820 056</b>	<b>7 972 050</b>	<b>8 134 953</b>
<b>LIABILITIES</b>					
Deposits held	148 354	144 255	128 497	142 775	149 499
Advances received	323 529	295 275	295 251	294 790	294 343
Borrowing	1 725 021	1 753 123	1 741 241	1 727 601	1 718 172
Superannuation liability	2 288 346	2 303 346	2 371 365	2 429 384	2 479 403
Other employee entitlements and provisions	385 788	405 557	412 158	420 768	432 701
Other non equity liabilities	91 247	97 626	97 605	97 534	97 532
<b>TOTAL LIABILITIES</b>	<b>4 962 285</b>	<b>4 999 182</b>	<b>5 046 117</b>	<b>5 112 852</b>	<b>5 171 650</b>
<b>NET WORTH</b>	<b>2 433 543</b>	<b>2 699 310</b>	<b>2 773 939</b>	<b>2 859 198</b>	<b>2 963 303</b>
<b>NET FINANCIAL WORTH (a)</b>	<b>-2 810 278</b>	<b>-2 670 697</b>	<b>-2 696 414</b>	<b>-2 688 662</b>	<b>-2 659 167</b>
<b>NET DEBT (b)</b>	<b>1 245 360</b>	<b>1 089 105</b>	<b>1 061 426</b>	<b>1 015 571</b>	<b>950 934</b>

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

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

Table 4.3

## General Government Sector Cash Flow Statement

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>Cash receipts from operating activities</b>					
Taxes received	366 562	386 451	399 514	403 813	422 015
Receipts from sales of goods and services	131 387	133 984	131 563	131 521	132 517
Grants and subsidies received	2 653 083	2 770 261	2 841 905	2 895 264	3 016 073
Other receipts	173 385	200 719	213 852	212 631	214 457
<b>Total operating receipts</b>	<b>3 324 417</b>	<b>3 491 415</b>	<b>3 586 834</b>	<b>3 643 229</b>	<b>3 785 062</b>
<b>Cash payments for operating activities</b>					
Payment for goods and services	-2 228 891	-2 315 342	-2 452 010	-2 522 313	-2 639 012
Grants and subsidies paid	- 695 336	- 724 145	- 731 661	- 706 488	- 713 500
Interest paid	- 141 778	- 141 778	- 141 117	- 141 290	- 142 641
Other payments					
<b>Total operating payments</b>	<b>-3 066 005</b>	<b>-3 181 265</b>	<b>-3 324 788</b>	<b>-3 370 091</b>	<b>-3 495 153</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>258 412</b>	<b>310 150</b>	<b>262 046</b>	<b>273 138</b>	<b>289 909</b>
<b>Net cash flows from investments in non financial assets</b>					
Sales of non financial assets	65 420	69 440	71 033	58 993	58 038
Purchases of non financial assets	- 329 854	- 385 560	- 332 013	- 313 999	- 312 740
<b>Net cash flows from investments in non financial assets</b>	<b>- 264 434</b>	<b>- 316 120</b>	<b>- 260 980</b>	<b>- 255 006</b>	<b>- 254 702</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>- 6 022</b>	<b>- 5 970</b>	<b>1 066</b>	<b>18 132</b>	<b>35 207</b>
Net cash flows from investments in financial assets for policy purposes (a)	109	109	109	-391	-391
Net cash flows from investments in financial assets for liquidity purposes	77 107	77 107	27 905	- 9 929	- 30 000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>- 187 218</b>	<b>- 238 904</b>	<b>- 232 966</b>	<b>- 265 326</b>	<b>- 285 093</b>
Net cash flows from financing activities					
Advances received (net)	-53	-53	-24	-461	-447
Borrowing (net)	- 26 680	- 26 680	- 12 602	- 14 360	- 10 149
Deposits received (net)	- 15 530	- 17 204	- 15 758	14 278	6 724
Distributions paid					
Other financing (net)					
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>- 42 263</b>	<b>- 43 937</b>	<b>- 28 384</b>	<b>-543</b>	<b>- 3 872</b>
<b>NET INCREASE/DECREASE IN CASH HELD</b>	<b>28 932</b>	<b>27 312</b>	<b>695</b>	<b>7 269</b>	<b>944</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>- 6 022</b>	<b>- 5 970</b>	<b>1 066</b>	<b>18 132</b>	<b>35 207</b>
Finance leases and similar arrangements	- 34 087	- 34 087	-720	-720	-720
GFS SURPLUS (+)/DEFICIT (-)	- 40 109	- 40 057	346	17 412	34 487
less Superannuation contributions (b)					
<b>UNDERLYING SURPLUS (+)/DEFICIT (-)</b>	<b>- 40 109</b>	<b>- 40 057</b>	<b>346</b>	<b>17 412</b>	<b>34 487</b>

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

(b) Contributions to meet future defined benefit superannuation liabilities.



Table 4.4

## Public Non Financial Corporation Sector Operating Statement

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>NET OPERATING BALANCE</b>					
<b>REVENUE</b>					
Current grants and subsidies	97 064	97 784	97 938	97 673	95 698
Capital grants	14 294	15 794	14 217	11 217	11 217
Sales of goods and services	469 214	469 180	483 710	501 888	522 663
Interest income	1 312	1 312	1 370	1 381	1 393
Other	36 119	36 119	31 256	28 908	29 577
<b>TOTAL REVENUE</b>	<b>618 003</b>	<b>620 189</b>	<b>628 491</b>	<b>641 067</b>	<b>660 548</b>
<b>EXPENSES</b>					
Gross operating expenses	559 587	559 989	575 254	585 332	605 175
Depreciation	77 749	77 749	81 882	78 387	78 099
Employee expenses	58 152	58 152	60 800	63 455	66 387
Other operating expenses	423 686	424 088	432 572	443 490	460 689
Other interest expenses	30 174	30 050	35 829	40 337	44 576
Other property expenses	20 838	20 838	13 735	8 862	4 563
Current transfers					
Capital transfers					
<b>TOTAL EXPENSES</b>	<b>610 599</b>	<b>610 877</b>	<b>624 818</b>	<b>634 531</b>	<b>654 314</b>
GFS NET OPERATING BALANCE	7 404	9 312	3 673	6 536	6 234
Superannuation earnings (a)					
<b>UNDERLYING NET OPERATING BALANCE</b>	<b>7 404</b>	<b>9 312</b>	<b>3 673</b>	<b>6 536</b>	<b>6 234</b>
<b>NET LENDING/BORROWING (Fiscal balance)</b>					
GFS NET OPERATING BALANCE	7 404	9 312	3 673	6 536	6 234
<i>less</i>					
<b>Net acquisition of non financial assets</b>					
Purchases of non financial assets	176 327	180 046	136 511	110 285	122 678
Sales of non financial assets	- 66	- 66	- 126	- 186	- 126
<i>less</i> Depreciation	77 749	77 749	81 882	78 387	78 099
<i>plus</i> Change in inventories	-1 492	-1 492	366	376	385
<i>plus</i> Other movements in non financial assets	10 302	10 302	7 997	8 197	8 402
<b>Total net acquisition of non financial assets</b>	<b>107 322</b>	<b>111 041</b>	<b>62 866</b>	<b>40 285</b>	<b>53 240</b>
<i>equals</i>					
GFS NET LENDING/BORROWING (Fiscal balance)	-99 918	-101 729	-59 193	-33 749	-47 006
Superannuation earnings (a)					
<b>UNDERLYING NET LENDING/BORROWING (Fiscal balance)</b>	<b>-99 918</b>	<b>-101 729</b>	<b>-59 193</b>	<b>-33 749</b>	<b>-47 006</b>

(a) Represents investment earnings on financial assets held to meet future defined benefit superannuation liabilities.

Table 4.5

## Public Non Financial Corporation Sector Balance Sheet

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and deposits	38 237	53 793	58 579	72 212	87 728
Investments, loans and placements					
Other non equity assets	83 953	67 764	70 030	71 793	73 773
Equity					
<b>Total financial assets</b>	<b>122 190</b>	<b>121 557</b>	<b>128 609</b>	<b>144 005</b>	<b>161 501</b>
<b>Non financial assets</b>					
Land and fixed assets	1 373 159	1 347 221	1 410 207	1 450 672	1 504 032
Other non financial assets					
<b>Total non financial assets</b>	<b>1 373 159</b>	<b>1 347 221</b>	<b>1 410 207</b>	<b>1 450 672</b>	<b>1 504 032</b>
<b>TOTAL ASSETS</b>	<b>1 495 349</b>	<b>1 468 778</b>	<b>1 538 816</b>	<b>1 594 677</b>	<b>1 665 533</b>
<b>LIABILITIES</b>					
Deposits held					
Advances received					
Borrowing	485 742	488 081	566 884	617 775	681 312
Superannuation liability					
Other employee entitlements and provisions	53 087	40 916	37 375	36 023	34 395
Other non equity liabilities	59 292	79 843	70 826	70 431	73 025
<b>TOTAL LIABILITIES</b>	<b>598 121</b>	<b>608 840</b>	<b>675 085</b>	<b>724 229</b>	<b>788 732</b>
Shares and other contributed capital	897 228	859 938	863 731	870 448	876 801
<b>NET FINANCIAL WORTH (a)</b>	<b>- 475 931</b>	<b>- 487 283</b>	<b>- 546 476</b>	<b>- 580 224</b>	<b>- 627 231</b>
<b>NET DEBT (b)</b>	<b>447 505</b>	<b>434 288</b>	<b>508 305</b>	<b>545 563</b>	<b>593 584</b>

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

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

Table 4.6

## Public Non Financial Corporation Sector Cash Flow Statement

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>Cash receipts from operating activities</b>					
Receipts from sales of goods and services	456 566	456 793	481 497	500 178	520 739
Grants and subsidies received	111 358	113 578	112 155	108 890	106 915
Other receipts	27 123	27 123	24 625	22 089	22 564
<b>Total operating receipts</b>	<b>595 047</b>	<b>597 494</b>	<b>618 277</b>	<b>631 157</b>	<b>650 218</b>
<b>Cash payments for operating activities</b>					
Payment for goods and services	-471 325	-471 718	-501 842	-506 706	-523 991
Grants and subsidies paid					
Interest paid	-29 959	-30 095	-35 704	-40 255	-44 309
Other payments					
<b>Total operating payments</b>	<b>-501 284</b>	<b>-501 813</b>	<b>-537 546</b>	<b>-546 961</b>	<b>-568 300</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>93 763</b>	<b>95 681</b>	<b>80 731</b>	<b>84 196</b>	<b>81 918</b>
<b>Net cash flows from investments in non financial assets</b>					
Sales of non financial assets	66	66	126	186	126
Purchases of non financial assets	-176 327	-180 046	-136 511	-110 285	-122 678
<b>Net cash flows from investments in non financial assets</b>	<b>-176 261</b>	<b>-179 980</b>	<b>-136 385</b>	<b>-110 099</b>	<b>-122 552</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>-82 498</b>	<b>-84 299</b>	<b>-55 654</b>	<b>-25 903</b>	<b>-40 634</b>
Net cash flows from investments in financial assets for policy purposes (a)					
Net cash flows from investments in financial assets for liquidity purposes					
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-176 261</b>	<b>-179 980</b>	<b>-136 385</b>	<b>-110 099</b>	<b>-122 552</b>
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	88 751	99 595	78 802	50 892	63 537
Deposits received (net)					
Distributions paid	-11 548	-11 557	-18 363	-11 356	-7 386
Other financing (net)					
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>77 203</b>	<b>88 038</b>	<b>60 439</b>	<b>39 536</b>	<b>56 151</b>
<b>NET INCREASE/DECREASE IN CASH HELD</b>	<b>-5 295</b>	<b>3 739</b>	<b>4 786</b>	<b>13 633</b>	<b>15 516</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>-82 498</b>	<b>-84 299</b>	<b>-55 654</b>	<b>-25 903</b>	<b>-40 634</b>
Distributions paid	-11 548	-11 557	-18 363	-11 356	-7 386
Finance leases and similar arrangements					
GFS SURPLUS (+)/DEFICIT (-)	-94 046	-95 856	-74 017	-37 259	-48 020
less Superannuation contributions (b)					
<b>UNDERLYING SURPLUS (+)/DEFICIT (-)</b>	<b>-94 046</b>	<b>-95 856</b>	<b>-74 017</b>	<b>-37 259</b>	<b>-48 020</b>

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

(b) Contributions to meet future defined benefit superannuation liabilities.

Table 4.7

## Non Financial Public Sector Operating Statement

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>NET OPERATING BALANCE</b>					
<b>REVENUE</b>					
Taxation revenue	361 762	381 651	394 442	398 507	416 481
Current grants and subsidies	2 529 156	2 633 358	2 736 311	2 806 666	2 928 375
Capital grants	123 927	136 897	105 594	88 598	87 698
Sales of goods and services	579 250	582 213	594 092	611 539	633 037
Interest income	38 073	38 073	38 440	39 246	39 322
Other	154 733	184 169	189 528	194 698	200 233
<b>TOTAL REVENUE</b>	<b>3 786 901</b>	<b>3 956 361</b>	<b>4 058 407</b>	<b>4 139 254</b>	<b>4 305 146</b>
<b>EXPENSES</b>					
Gross operating expenses	2 873 187	2 982 066	3 122 979	3 193 481	3 323 538
Depreciation	249 340	251 272	258 445	257 495	259 800
Employee expenses	1 385 741	1 431 527	1 467 893	1 499 021	1 533 666
Other operating expenses	1 238 106	1 299 267	1 396 641	1 436 965	1 530 072
Nominal superannuation interest expense	126 675	126 675	130 949	134 949	138 949
Other interest expenses	170 674	170 550	175 574	180 213	185 861
Other property expenses					
Current transfers	494 926	513 681	509 338	498 369	509 590
Capital transfers	89 097	96 931	110 213	99 274	97 040
<b>TOTAL EXPENSES</b>	<b>3 754 559</b>	<b>3 889 903</b>	<b>4 049 053</b>	<b>4 106 286</b>	<b>4 254 978</b>
GFS NET OPERATING BALANCE	32 342	66 458	9 354	32 968	50 168
Superannuation earnings (a)	3 600	8 940	9 476	10 044	10 647
<b>UNDERLYING NET OPERATING BALANCE</b>	<b>35 942</b>	<b>75 398</b>	<b>18 830</b>	<b>43 012</b>	<b>60 815</b>
<b>NET LENDING/BORROWING (Fiscal balance)</b>					
GFS NET OPERATING BALANCE	32 342	66 458	9 354	32 968	50 168
<i>less</i>					
<b>Net acquisition of non financial assets</b>					
Purchases of non financial assets	506 181	565 606	468 524	424 284	435 418
Sales of non financial assets	- 65 486	- 69 506	- 71 159	- 59 179	- 58 164
<i>less</i> Depreciation	249 340	251 272	258 445	257 495	259 800
<i>plus</i> Change in inventories	- 1 492	- 1 492	366	376	385
<i>plus</i> Other movements in non financial assets	41 889	41 889	8 717	8 917	9 122
<b>Total net acquisition of non financial assets</b>	<b>231 752</b>	<b>285 225</b>	<b>148 003</b>	<b>116 903</b>	<b>126 961</b>
<i>equals</i>					
GFS NET LENDING/BORROWING (Fiscal balance)	- 199 410	- 218 767	- 138 649	- 83 935	- 76 793
Superannuation earnings (a)	3 600	8 940	9 476	10 044	10 647
<b>UNDERLYING NET LENDING/BORROWING (Fiscal balance)</b>	<b>- 195 810</b>	<b>- 209 827</b>	<b>- 129 173</b>	<b>- 73 891</b>	<b>- 66 146</b>

(a) Represents investment earnings on financial assets held to meet future defined benefit superannuation liabilities.

Table 4.8

## Non Financial Public Sector Balance Sheet

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and deposits	77 819	103 431	105 969	118 015	124 620
Advances paid	197 035	185 544	185 935	186 326	186 717
Investments, loans and placements	678 448	817 143	816 072	854 444	914 594
Other non equity assets	179 815	169 433	171 105	174 306	176 771
Equity	188 725	239 841	262 465	285 255	308 044
<b>Total financial assets</b>	<b>1 321 842</b>	<b>1 515 392</b>	<b>1 541 546</b>	<b>1 618 346</b>	<b>1 710 746</b>
<b>Non financial assets</b>					
Land and fixed assets	6 616 980	6 717 228	6 880 560	6 998 532	7 126 502
Other non financial assets					
<b>Total non financial assets</b>	<b>6 616 980</b>	<b>6 717 228</b>	<b>6 880 560</b>	<b>6 998 532</b>	<b>7 126 502</b>
<b>TOTAL ASSETS</b>	<b>7 938 822</b>	<b>8 232 620</b>	<b>8 422 106</b>	<b>8 616 878</b>	<b>8 837 248</b>
<b>LIABILITIES</b>					
Deposits held	111 875	93 032	74 331	79 753	76 622
Advances received	323 529	295 276	295 252	294 789	294 343
Borrowing	2 210 763	2 241 203	2 308 124	2 345 377	2 399 484
Superannuation liability	2 288 346	2 303 346	2 371 365	2 429 384	2 479 403
Other employee entitlements and provisions	424 945	428 763	436 450	446 201	459 330
Other non equity liabilities	145 821	171 690	162 645	162 176	164 763
<b>TOTAL LIABILITIES</b>	<b>5 505 279</b>	<b>5 533 310</b>	<b>5 648 167</b>	<b>5 757 680</b>	<b>5 873 945</b>
<b>NET WORTH</b>	<b>2 433 543</b>	<b>2 699 310</b>	<b>2 773 939</b>	<b>2 859 198</b>	<b>2 963 303</b>
<b>NET FINANCIAL WORTH (a)</b>	<b>-4 183 437</b>	<b>-4 017 918</b>	<b>-4 106 621</b>	<b>-4 139 333</b>	<b>-4 163 199</b>
<b>NET DEBT (b)</b>	<b>1 692 865</b>	<b>1 523 393</b>	<b>1 569 731</b>	<b>1 561 134</b>	<b>1 544 518</b>

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

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

Table 4.9

## Non Financial Public Sector Cash Flow Statement

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>Cash receipts from operating activities</b>					
Taxes received	361 762	381 651	394 442	398 507	416 481
Receipts from sales of goods and services	566 970	569 794	592 247	610 718	632 102
Grants and subsidies received	2 653 083	2 770 255	2 841 905	2 895 264	3 016 073
Other receipts	185 119	214 953	218 730	221 966	228 224
<b>Total operating receipts</b>	<b>3 766 934</b>	<b>3 936 653</b>	<b>4 047 324</b>	<b>4 126 455</b>	<b>4 292 880</b>
<b>Cash payments for operating activities</b>					
Payment for goods and services	-2 671 871	-2 761 218	-2 927 921	-3 002 684	-3 136 264
Grants and subsidies paid	- 583 978	- 610 567	- 619 506	- 597 598	- 606 585
Interest paid	- 170 458	- 170 594	- 175 483	- 180 195	- 185 590
Other payments					
<b>Total operating payments</b>	<b>-3 426 307</b>	<b>-3 542 379</b>	<b>-3 722 910</b>	<b>-3 780 477</b>	<b>-3 928 439</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>340 627</b>	<b>394 274</b>	<b>324 414</b>	<b>345 978</b>	<b>364 441</b>
<b>Net cash flows from investments in non financial assets</b>					
Sales of non financial assets	65 486	69 506	71 159	59 179	58 164
Purchases of non financial assets	- 506 181	- 565 606	- 468 524	- 424 284	- 435 418
<b>Net cash flows from investments in non financial assets</b>	<b>- 440 695</b>	<b>- 496 100</b>	<b>- 397 365</b>	<b>- 365 105</b>	<b>- 377 254</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>- 100 068</b>	<b>- 101 826</b>	<b>- 72 951</b>	<b>- 19 127</b>	<b>- 12 813</b>
Net cash flows from investments in financial assets for policy purposes (a)	109	109	109	-391	-391
Net cash flows from investments in financial assets for liquidity purposes	77 107	77 107	27 905	- 9 929	- 30 000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>- 363 479</b>	<b>- 418 884</b>	<b>- 369 351</b>	<b>- 375 425</b>	<b>- 407 645</b>
Net cash flows from financing activities					
Advances received (net)	-52	-52	-25	-462	-446
Borrowing (net)	62 070	72 914	66 201	36 533	53 387
Deposits received (net)	- 9 814	- 20 522	- 18 701	5 422	- 3 131
Distributions paid					
Other financing (net)					
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>52 204</b>	<b>52 340</b>	<b>47 475</b>	<b>41 493</b>	<b>49 810</b>
<b>NET INCREASE/DECREASE IN CASH HELD</b>	<b>29 353</b>	<b>27 733</b>	<b>2 538</b>	<b>12 046</b>	<b>6 605</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>- 100 068</b>	<b>- 101 826</b>	<b>- 72 951</b>	<b>- 19 127</b>	<b>- 12 813</b>
Distributions paid					
Finance leases and similar arrangements	- 34 087	- 34 087	-720	-720	-720
GFS SURPLUS (+)/DEFICIT (-)	- 134 155	- 135 913	- 73 671	- 19 847	- 13 533
less Superannuation contributions (b)					
<b>UNDERLYING SURPLUS (+)/DEFICIT (-)</b>	<b>- 134 155</b>	<b>- 135 913</b>	<b>- 73 671</b>	<b>- 19 847</b>	<b>- 13 533</b>

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

(b) Contributions to meet future defined benefit superannuation liabilities.

Table 4.10

## General Government Sector Taxes

	2007-08 Budget	2007-08 Revised	2008-09	2009-10	2010-11
			Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
<b>TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE</b>	<b>129</b>	<b>137</b>	<b>142</b>	<b>147</b>	<b>155</b>
Payroll taxes	129	137	142	147	155
<b>TAXES ON PROPERTY</b>	<b>103</b>	<b>117</b>	<b>120</b>	<b>113</b>	<b>116</b>
Stamp duties on financial and capital transactions	103	117	120	113	116
<b>TAXES ON THE PROVISION OF GOODS AND SERVICES</b>	<b>95</b>	<b>91</b>	<b>97</b>	<b>103</b>	<b>109</b>
Taxes on gambling	73	69	74	79	84
Taxes on insurance	22	22	23	24	25
<b>TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES</b>	<b>40</b>	<b>41</b>	<b>41</b>	<b>42</b>	<b>42</b>
Motor vehicle registration fees	40	41	41	42	42
<b>TOTAL TAXES</b>	<b>367</b>	<b>386</b>	<b>400</b>	<b>404</b>	<b>422</b>

Table 4.11

## 2007-08 Loan Council Allocation

	Budget-time Estimate	Mid-Year Estimate
	\$M	\$M
General government sector cash deficit (+)/surplus (-)	40	40
Public non financial corporation sector cash deficit (+)/surplus (-)	94	96
Non financial public sector cash deficit (+)/surplus (-)	134	136
<i>Less</i>		
Net cash flows from investments in financial assets for policy purposes		
<i>plus</i>		
Memorandum items		
<b>2007-08 LOAN COUNCIL NOMINATION</b>	<b>134</b>	<b>136</b>

# Appendix: Classification of Entities in the Northern Territory Public Sector

## Non Financial Public Sector

### General Government

Aboriginal Areas Protection Authority  
Auditor-General's Office  
AustralAsia Railway Corporation<sup>1</sup>  
Batchelor Institute of Indigenous Tertiary Education<sup>1</sup>  
Central Holding Authority  
Construction Division<sup>2</sup>  
Darwin Waterfront Corporation<sup>1</sup>  
Data Centre Services<sup>2</sup>  
Department of Business, Economic and Regional Development  
Department of the Chief Minister  
Department of Corporate and Information Services  
Department of Employment, Education and Training  
Department of Health and Community Services  
Department of Justice  
Department of the Legislative Assembly  
Department of Local Government, Housing and Sport  
Department of Natural Resources, Environment and the Arts  
Department of Planning and Infrastructure  
Department of Primary Industry, Fisheries and Mines  
Desert Knowledge Australia<sup>1</sup>  
Government Printing Office<sup>2</sup>  
Land Development Corporation  
Nominal Insurer's Fund<sup>1</sup>  
Northern Territory Electoral Commission  
Northern Territory Legal Aid Commission<sup>1</sup>  
Northern Territory Major Events Company Pty Ltd<sup>1</sup>  
Northern Territory Police, Fire and Emergency Services  
Northern Territory Treasury  
NT Build<sup>1</sup>  
NT Fleet<sup>2</sup>  
Office of the Commissioner for Public Employment  
Ombudsman's Office  
Territory Discoveries<sup>2</sup>  
Territory Housing<sup>2</sup>  
Territory Motor Sports Board Pty Ltd<sup>1</sup>  
Territory Wildlife Parks<sup>2</sup>  
Tourism NT

### Public Non Financial Corporations

Darnor Pty Ltd<sup>1</sup>  
Darwin Bus Service<sup>2</sup>  
Darwin Port Corporation<sup>2</sup>  
Gasgo Pty Ltd<sup>1</sup>  
Indigenous Essential Services Pty Ltd<sup>1</sup>  
Power and Water Corporation<sup>1,3</sup>

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



# Glossary

## Cash Surplus/Deficit

The Government Finance Statistics cash surplus or deficit is used. It is reported in the cash flow statement and measures the net impact of cash flows during the period.

## Census undercount

The difference between the actual Census count and an estimate of the number of people who should have been counted in the Census.

## Consumer Price Index

A general indicator of the prices paid by household consumers for a specific basket of goods and services in one period relative to the cost of the same basket in a base period.

## 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.

## Estimated resident population

The official measure of the usual resident population of Australia and the states and territories. It is generated by the Australian Bureau of Statistics every quarter by adding natural increase (the excess of births over deaths), net overseas migration and (for the jurisdictions) net interstate migration occurring during the period to the population at the beginning of each period.

## 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).

## General Government

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

## Goods and Services Tax Revenue

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

## Government Business Divisions

Government business divisions are Territory-controlled trading entities that follow commercial practices and are 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

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

## Gross Domestic Product

The total value of goods and services produced in Australia during a period. Gross Domestic Product (GDP) can be calculated by either summing the total value of production, total income or total expenditure.

### Gross State Product

Similar to GDP except that it measures the total value of goods and services produced in a jurisdiction. Gross State Product (GSP) can also be measured by summing total production, total income or total expenditure. In the latter case, GSP equals the sum of state final demand and international and interstate trade, changes in the level of stocks, and a balancing item.

### Gross State Product (Average)

The headline measure of GSP as reported by the Australian Bureau of Statistics, and equal to the average of the three measures of GSP: production, income and expenditure.

### 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 endorses Australian and state government borrowing levels. 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.

### Net Debt

Net debt measures a government's net stock of selected gross financial liabilities less financial assets. It is calculated from the Uniform Presentation Framework (UPF) balance sheet as the sum of cash and deposits, advances paid and investments, loans and placements minus the sum of deposits held, advances received and borrowing.

### Net Financial Worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the UPF balance sheet as financial assets minus liabilities. Net financial worth is a broader measure than net debt, in that 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 Lending/Borrowing

Net lending/borrowing, also referred to as the fiscal balance, is an operating statement measure that differs from the net operating balance in that it includes spending on capital items but excludes depreciation. This measure more accurately reflects the cash requirements of a government in any given year. 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.

### Net Operating Balance

The net operating balance is calculated from the UPF operating statement as the excess of revenue over expenditure. This measure, which excludes capital expenditure, provides a good measure of a government's position over time and an indication of the sustainability of the existing level of government service provision.

### Net Worth

The UPF net worth measure 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 Public Sector

Defined in Government Finance Statistics as the sector formed through a consolidation of the general government and public non financial corporation subsectors.

### Public Non Financial Corporation

Defined in Government Finance Statistics as public enterprises primarily engaged in the production of goods or services of a non financial nature, for sale in the market place, at prices which aim to recover most of the costs involved.

### Specific Purpose Payments

Specific purpose payments are tied grants received from the Australian Government, which are earmarked for specific purposes.

### 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.

### Uniform Presentation Framework

A uniform reporting framework agreed by the Australian Loan Council in 2000, which is a revision of the agreement reached at the 1991 Premiers' Conference. It specifies that the Australian, 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.