NORTHERN TERRITORY

BUDGET 2023-24

Budget Paper No. 2

BUDGET STRATEGY AND OUTLOOK

Budget Strategy and Outlook

2023-24

Budget Paper No. 2

Contents

Under Treasurer's Certification

In accordance with provisions of the *Fiscal Integrity and Transparency Act 2001*, I certify that the financial projections included in the May 2023 Budget documentation are based on Northern Territory Government decisions that I was aware of or that were made available to me by the Treasurer before 2 May 2023. The projections presented here are in accordance with the Uniform Presentation Framework.

Craig Graham
Under Treasurer

2 May 2023

Chapter 1

Executive summary

Budget Paper No. 2 presents whole of government financial information and consolidates information from other budget papers. It also meets the requirements of the *Fiscal Integrity and Transparency Act 2001* (FITA) and the Uniform Presentation Framework (UPF) as agreed by all Australian jurisdictions.

Fiscal outlook

For the first time since the 2016-17 Budget, the Territory is projecting a fiscal balance surplus within the three-year forward estimates period as well as earlier and sustained net operating balance surpluses when compared with the 2022-23 Budget. The projected fiscal balance surplus in 2026-27, if achieved, will also meet government's key objective of returning the budget to balance, two years ahead of the Fiscal Strategy Panel's 2028-29 target.

Over recent years, the Territory's budget has been impacted by unprecedented reductions in GST revenue, and domestic and global demand and supply shocks related to COVID-19. However, the Territory's ongoing commitment to expenditure containment over the forward estimates should achieve improved financial sustainability.

GST revenue, the Territory's largest revenue source, is expected to improve by $923 million over the budget cycle to 2025-26 when compared to the 2022-23 Budget. This is primarily due to an increase in the national GST pool attributable to consumption patterns returning to normal following COVID-19-related demand and supply shocks. An increase in the Territory's GST relativity from 4.86988 in 2022-23 to 4.98725 in 2023-24 also contributes to the improvement.

The 2023-24 Budget includes new policy commitments for core government services as well as reducing cost of living pressures by limiting growth in regulated retail electricity tariffs to below inflation. The 2023-24 Budget also incorporates new initiatives aimed at investing for the future including justice reform, strengthening cybersecurity, domestic, family and sexual violence prevention, and record investment in capital works projects.

Key fiscal projections in the 2023-24 Budget include:

- general government net operating balance deficit of $200 million in 2023-24, and surpluses in every year over the forward estimates
- total revenue for the non financial public sector of $8.2 billion and total expenditure, including net capital investment, of $9.98 billion in 2023-24
- non financial public sector fiscal balance deficit of $1.13 billion in 2023-24, approximately halving each subsequent year before returning to a surplus of $67 million in 2026-27
- net debt for the non financial public sector of $9.23 billion in 2023-24, with a net debt to revenue ratio of 113%.

In accordance with section 9(1)(c) of the FITA, the government must specify the key fiscal indicators it considers important and against which fiscal policy will be assessed. The government's key fiscal indicators are the general government sector's net operating balance, and the non financial public sector's fiscal balance, net debt and the net debt to revenue ratio.

Table 1.1 provides the projections for these indicators for the 2023-24 Budget.

Table 1.1: Key fiscal indicators

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
General government sector					
Net operating balance	205	- 200	121	209	282
Non financial public sector					
Fiscal balance	- 498	- 1 134	- 574	- 181	67
Net debt	8 291	9 231	9 849	9 984	9 861
Net debt to revenue (%)	100	113	118	122	118

Further discussion explaining material differences between the updated financial projections in the 2023-24 Budget and those projected at the time of the 2022-23 Budget is provided in Chapter 2 *Fiscal outlook*. Assessment of expected outcomes for fiscal strategy objectives and targets is provided in Chapter 4 *Fiscal strategy statement*.

Economic outlook

The forecast profile for economic growth has changed since the 2022-23 Budget to reflect recent economic outcomes and fiscal and monetary policy developments.

Gross state product (GSP) is estimated to decrease by 5.1% in 2022-23, primarily due to lower export volumes as maintenance activity at the Ichthys liquefied natural gas (LNG) plant reduced LNG exports in the second half of 2022.

Exports are now estimated to reduce by 16.1% in 2022-23 compared to forecasts for modest growth in the 2022-23 Budget. Subsequently, exports are expected to rebound slightly over 2023-24 and 2024-25, before increasing substantially once the Barossa field comes online in 2025-26.

State final demand (SFD), which excludes trade, is expected to increase by 2.5% in 2022-23, reflecting strong growth in public investment and smaller contributions from private sector activity. Over the five years to 2026-27, GSP and SFD growth are expected to average 0.9% and 1%, respectively.

The changes to SFD in comparison with 2022-23 Budget forecasts are largely due to re-profiling of private and public investment. Data for the second half of 2022 indicates that private investment growth will be slower in 2022-23 than previously forecast, however, public investment is now expected to increase by 20% in 2022-23 and 12% in 2023-24 offsetting most of this decline.

Consumption growth is expected to slow to 0.4% in 2022-23 (down from 2.3% in 2021-22) as higher interest rates and cost of living pressures constrain household budgets. Consumption growth is forecast to increase slightly over subsequent years as inflation normalises and population increases.

In 2022-23, population is forecast to grow by 0.4%, increasing to 0.9% in 2023-24. Strong contributions from net overseas migration following the re-opening of international borders are expected to be offset by increased interstate migration outflows. Population growth is expected to return to long-run averages of around 1% over the forward estimates period as interstate migration outflows stabilise.

Employment in the Territory is at record highs and is forecast to increase by 4.1% in 2022-23 and a further 2.2% in 2023-24. Over the forward estimates period, employment is forecast to remain at high levels and grow in line with SFD growth. The unemployment rate is expected to remain at relatively low levels compared to historical rates.

Prices have risen more quickly over the past year than forecast in the 2022-23 Budget. Year-on-year growth in the consumer price index (CPI) is now estimated to be 6.4% for 2022-23, with the annual change in the December 2022 quarter being 7.1%, a 32-year high. As a result, inflation forecasts have been revised upwards across the forward estimates. However, price growth in Darwin is expected to subside more quickly than nationally as a result of smaller price increases for rents and utilities. Year-on-year growth in the CPI is forecast to fall to 3.5% in 2023-24 and 2.5% in 2024-25.

Forecasts for wages growth have also been revised upwards. The tight labour market locally and nationally has put upward pressure on private sector wages, and growth in private sector wages is now expected to exceed 4% for most of the forward estimates period. Forecasts for public sector wages growth have also been revised upwards to reflect the outlook for Commonwealth Government wages, recently agreed enterprise bargaining agreements and the revised Northern Territory Public Sector (NTPS) 2021–2024 Wages Policy.

Table 1.2 details the outlook for the Territory's key economic indicators for the 2023-24 Budget.

Table 1.2: Territory key economic indicators (%)

	2022-23e	2023-24f	2024-25f	2025-26f	2026-27f
Gross state product[1]	- 5.1	2.7	2.1	4.5	0.6
State final demand[1]	2.5	2.3	- 0.5	- 0.7	1.4
Population[2]	0.4	0.9	1.0	1.0	1.0
Employment[1]	4.1	2.2	0.0	0.3	1.1
Unemployment rate[3]	3.9	4.2	4.3	4.3	4.1
Consumer price index[1]	6.4	3.5	2.5	2.3	2.4
Wage price index[1]	3.0	3.6	3.5	3.3	3.1

e: estimate; f: forecast
1 Year-on-year percentage change.
2 June quarter compared with June quarter the previous year.
3 Year average.
Source: Department of Treasury and Finance, ABS

There is significant potential upside to the economic outlook, with a number of major projects on the horizon yet to reach final investment decision. The economic contributions arising from these projects are not included in the economic forecasts. Any projects that commence over the forward estimates will have a positive impact on the Territory's macroeconomic forecasts.

Further discussion explaining material differences between the updated key economic indicators contained in the 2023-24 Budget and those projected at the time of the 2022-23 Budget is provided in Chapter 3 *Economic outlook*.

Intergovernmental financial relations outlook

The Territory's GST revenue is expected to be $3.98 billion in 2022-23, an increase of $401 million or 11.2% than projected in the 2022-23 Budget. The increase is largely driven by improved national GST collections pool in 2022-23 due to a normalisation in consumption patterns following COVID-19-related demand and supply shocks and a $69 million balancing adjustment for the Territory, received in 2022-23 for underpaid GST revenue from 2021-22.

In 2023-24, the Territory expects to receive $3.8 billion in GST revenue, a decrease of 4.4% from the 2022-23 revised budget. The decline reflects an anticipated balancing adjustment of $166 million for overpaid GST revenue in 2022-23 that will be recovered by the Commonwealth in 2023-24. This is partially offset by forecast growth in the GST pool of 1.9% and the Territory's GST relativity increasing from 4.86988 in 2022-23 to 4.98725 in 2023-24.

Over the forward estimates, the Territory forecasts annual GST pool growth averaging 4.6%. The Territory's relativity is expected to decline modestly over the forward estimates period, in line with GST distribution reforms that commenced in 2021-22 and are expected to be fully implemented by 2026-27. Table 1.3 shows the projections for Territory GST revenue for the 2023-24 Budget.

Table 1.3: Territory GST revenue

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
Territory GST revenue ($M)	3 977	3 804	4 020	4 195	4 373
Annual change in Territory GST revenue (%)		- 4.4	5.7	4.4	4.2

Further details on the Territory's GST estimates are discussed in Chapter 5 *Intergovernmental financial relations issues*.

Territory taxes and royalties outlook

Taxation and mining royalties are expected to remain stable over the budget cycle, averaging $1.02 billion per annum. When compared with the 2022-23 Budget, taxation and mining royalty projections are higher in all years except 2025-26.

In 2023-24, total taxation and mining royalties are expected to increase by $32 million to $1.07 billion when compared with the 2022-23 revised budget, primarily due to an expected increase in mining royalties as a result of stronger commodity prices.

Mining royalties are expected to total $400 million in 2023-24 and average $292 million per annum over the forward estimates. Mining royalties are anticipated to contract over the forward estimates as mature mines approach end of life and inflationary pressures increase operating costs. There are no royalty revenues from new onshore gas developments included in the forward estimates. Consistent with economic forecasts in the budget, new mine developments are not factored into royalty forecasts until a final investment decision has been announced.

Payroll tax (a tax on employers) is forecast to strengthen and total $261 million in 2023-24. This is an $8 million increase compared with the 2022-23 revised budget, reflecting anticipated employment and wages growth. Payroll tax receipts are expected to maintain steady growth over the forward estimates in line with employment and wages growth forecasts.

Conveyance duty (a tax on property) is expected to peak in 2022-23 at $175 million and decline over the forward estimates, primarily due to large one-off commercial transactions in 2022-23 and a moderation in the residential property market following recent strong growth.

Table 1.4 provides the projections for Territory taxes and royalties for the 2023-24 Budget.

Table 1.4: Main tax and royalty category estimates

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Mining royalties	367	400	316	273	286
Taxes on employers	253	261	271	270	284
Taxes on property	175	155	146	143	146
Taxes on gambling	102	105	109	112	116
Motor vehicle taxes	83	87	89	92	94
Taxes on insurance	61	65	69	74	78
Total	1 040	1 073	1 001	963	1 005

Further discussion explaining material differences between the updated revenue projections contained in the 2023-24 Budget and those projected at the time of the 2022-23 Budget is provided in Chapter 6 *Territory taxes and royalties*.

Conclusion

The 2023-24 Budget demonstrates continued investment aimed at growing the Territory and supporting services for Territorians. The improved fiscal outlook over the forward estimates and medium term will provide capacity to more sustainably fund capital investment to support the Territory's economic and social development.

Chapter 2
Fiscal outlook

Overview

The information provided in this chapter meets the requirements of section 10(1)(a) of the FITA for each fiscal outlook report to contain updated financial projections for the budget year and following three financial years, along with the revised budget estimate for the year preceding the budget year for the general government and non financial public sectors.

The full set of financial statements is presented in Chapter 8 *Uniform Presentation Framework*, with this chapter providing a comparison of the projections in the 2023-24 Budget with those provided in the 2022-23 Budget and 2022-23 Mid-Year Report.

For 2023-24, the general government net operating balance is expected to be a deficit of $200 million and the non financial public sector fiscal balance a deficit of $1.13 billion. Net debt for the non financial public sector is estimated to be $9.23 billion in 2023-24, with the net debt to revenue ratio forecast to be 113%.

Total revenue in the non financial public sector is estimated to be $8.2 billion in 2023-24, increasing to $8.33 billion in 2026-27, with total expenditure (including net capital investment) estimated to be $9.98 billion in 2023-24 and moderating to $9.02 billion by 2026-27. This chapter discusses the 2023-24 Budget estimates and underlying assumptions.

General government sector net operating balance

The net operating balance represents total revenue less total operating expenses, with capital spending only recognised in the fiscal balance. The general government sector net operating balance is projected to be a deficit of $200 million in 2023-24 and forecast to return to surplus each year over the forward estimates period.

Table 2.1 highlights the movements in the general government sector net operating balance and compares the updated projections with those published in the 2022-23 Budget and 2022-23 Mid-Year Report.

Table 2.1: General government sector – net operating balance

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2022-23 Budget	- 253	- 80	60	90	n/a
2022-23 Mid-Year Report	- 299	- 34	61	50	n/a
2023-24 Budget	205	- 200	121	209	282
Variation from 2022-23 Budget	458	- 120	61	119	n/a

n/a: not available at the time of publishing the 2022-23 Budget and 2022-23 Mid-Year Report

For 2022-23, the net operating balance is now estimated to be a surplus of $205 million, a $458 million improvement from the 2022-23 Budget. Over the budget cycle to 2025-26, the projected net operating balance has improved in aggregate by $518 million, with improvement expected in all years except for 2023-24. The estimated improvement in the net operating balance since the 2022-23 Budget is predominantly due to:

- improvements in the Territory's GST revenue as a result of upward revisions to forecast growth in the national GST pool and improvement in the Territory's GST relativity
- additional own-source revenue, mainly stamp duty on conveyances
- increased Commonwealth revenue for capital purposes where expenditure is recognised in the fiscal balance only, largely for road projects including Tanami Road, Mereenie Loop, Central Arnhem Road and Tiger Brennan Drive/Berrimah Road interchange projects
- partially offset by the effect of government policy decisions aimed at improving core government service delivery.

Further analysis of government policy and non-policy changes is provided later in this chapter.

Non financial public sector fiscal balance

The fiscal balance projections are influenced by the same factors affecting the general government sector net operating balance, however the fiscal balance includes net capital investment and excludes depreciation. The general government sector excludes the three government owned corporations: Power and Water Corporation, Territory Generation and Jacana Energy. To ensure the financial performance of these entities is incorporated in government's fiscal targets and outcomes, the fiscal balance measure is reported at the non financial public sector.

The fiscal balance deficit is expected to peak at $1.13 billion in 2023-24 and is forecast to decline each subsequent year over the forward estimates before returning to a projected surplus of $67 million in 2026-27. Table 2.2 highlights the movements in the non financial public sector fiscal balance and compares the updated projections with those published in the 2022-23 Budget and 2022-23 Mid-Year Report.

Table 2.2: Non financial public sector – fiscal balance

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2022-23 Budget	- 1 110	- 551	- 330	- 17	n/a
2022-23 Mid-Year Report	- 1 041	- 757	- 466	- 186	n/a
2023-24 Budget	- 498	- 1 134	- 574	- 181	67
Variation from 2022-23 Budget	612	- 583	- 244	- 164	n/a

n/a: not available at the time of publishing the 2022-23 Budget and 2022-23 Mid-Year Report

When compared with the 2022-23 Budget, the estimated fiscal balance deficit for 2022-23 is less than half. From 2023-24, fiscal balance deficits are projected to be higher in all years when compared with the 2022-23 Budget. This is largely due to the revised timing of expenditure commitments originally budgeted for 2022-23, now expected to be delivered in 2023-24 and across the forward estimates, combined with new policy commitments.

Medium-term fiscal outlook

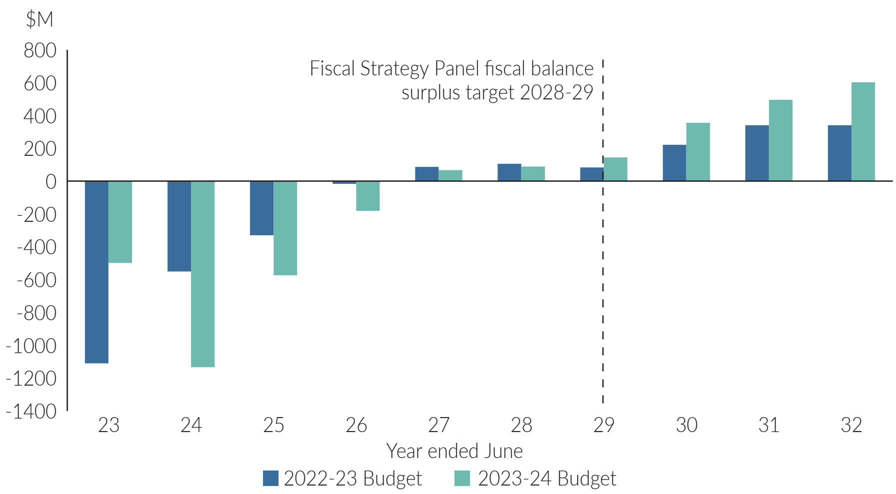
This section provides an assessment of the Territory's updated medium-term fiscal projections consistent with the Territory Government's *A plan to fix the budget*.

Chart 2.1 compares the projections for the non financial public sector's fiscal balance in the 2023-24 Budget with those reported in the 2022-23 Budget. As shown in Chart 2.1, the fiscal balance is projected to be in surplus from 2026-27, two years ahead of the 2028-29 target as per the Fiscal Strategy Panel's final report: *A plan for budget repair*.

The chart illustrates that when compared with the 2022-23 Budget, projected fiscal balance deficits are higher over 2023-24 to 2025-26 as a result of new recurrent and capital policy commitments and revised timing of expenditure from 2022-23, detailed later in this chapter. Over the three years to 2028-29, fiscal balance projections remain broadly consistent, before significantly improving from 2029-30. The projected improvement to the fiscal balance in the medium term is largely attributable to improved Territory GST revenue forecasts as a result of anticipated growth in the national GST pool combined with a higher relativity for the Territory.

Consistent with economic forecasts, the fiscal outlook does not factor in the impact of potential or planned private sector projects yet to reach final investment decision. To the extent that these projects proceed over the coming years, the fiscal outlook should improve through increased economic activity and additional own-source revenue.

Chart 2.1: Non financial public sector fiscal balance – medium-term outlook



Note: Given the uncertainty and difficulty associated with predicting domestic and national economic conditions combined with global events and impacts, there is a high degree of uncertainty associated with 10-year projections.

Based on current projections, net debt is estimated to be $7.7 billion by 2031-32, with the net debt to revenue ratio projected to decline to 82% over the period.

Reconciliation with previous fiscal projections

This section addresses the requirements of section 10(1)(f) of the FITA that each fiscal outlook report is to contain an explanation of the factors and considerations contributing to any material differences between the updated financial projections and equivalent projections published in the last fiscal outlook report.

The most recent budget fiscal outlook report published under the FITA is the 2022-23 Budget, although updated information was published in the 2022-23 Mid-Year Report. Accordingly, the analysis in the remainder of this chapter reflects policy and non-policy changes since the 2022-23 Budget. Policy variations are the result of government decisions to implement new or expand existing agency programs, and savings and revenue measures. Non-policy variations are the result of influences outside government's control, such as the timing of payments or changes in external economic conditions.

Policy and non-policy changes since 2022-23 Budget

Table 2.3 summarises the effect of policy and non-policy changes on the non financial public sector's fiscal balance since the 2022-23 Budget and 2022-23 Mid-Year Report.

Table 2.3: Non financial public sector fiscal balance – policy and non-policy changes since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
2022-23 Budget	- 1 110	- 551	- 330	- 17
Policy changes	- 34	- 116	- 124	- 119
Non-policy changes	103	- 90	- 12	- 51
2022-23 Mid-Year Report	- 1 041	- 757	- 466	- 186
Policy changes	- 232	- 456	- 149	- 53
Non-policy changes	775	78	41	59
2023-24 Budget	- 498	- 1 134	- 574	- 181

As shown in Table 2.3, the anticipated improvement in the fiscal balance in 2022-23 is largely attributable to non-policy changes totalling $878 million, notably increased GST revenue and the revised timing of leases and expenditure commitments from 2022-23 to forward years. In 2023-24, the fiscal balance deficit is expected to peak at $1.13 billion, largely relating to the effects of policy decisions totalling $572 million.

Details of policy and non-policy changes are discussed in further detail below.

Policy changes since 2022-23 Budget

Table 2.4 outlines the effect of policy changes on the non financial public sector's fiscal balance since the 2022-23 Budget and incorporates changes published in the 2022-23 Mid-Year Report. The policy changes over the budget and forward estimates largely relate to government's operational and capital commitments, partially offset by savings measures.

Table 2.4: Non financial public sector fiscal balance – policy changes since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Revenue measures	nil	- 3	- 3	- 3
Operational commitments	- 177	- 350	- 269	- 224
Savings measures	1	38	41	57
Net recurrent	- 176	- 316	- 231	- 170
Capital commitments	- 90	- 256	- 43	- 2
Total policy changes	- 266	- 572	- 273	- 172

The policy changes over the budget cycle largely relate to funding for core government service delivery, reducing cost of living pressures and infrastructure investment.

Revenue measures

Revenue measures reflect the abolition of stamp duty on the conveyance of non-land property, except for chattels conveyed with an interest in land. Duty will also be abolished on chattels conveyed with a lease that has nil or nominal dutiable value. Changes are estimated to result in revenue forgone of $3 million per annum from 2023-24.

Operational commitments

Total operational commitments of $1.02 billion over the budget cycle to 2025-26 are summarised below.

Operational commitments reflected in the 2022-23 Mid-Year Report:

- $245 million over 2022-23 to 2025-26 associated with the change to the NTPS 2021–2024 Wages Policy that replaced the non-cumulative lump sum payment policy with an annual 2% compounding pay increase
- $11 million in 2022-23 to fund various initiatives including antisocial behaviour activities, funding to support a temporary blitz in courts and correctional services, funding for Victims of Crime NT and capital grants to construct interim accommodation for displaced Wadeye residents
- $9.8 million in 2022-23 to meet additional COVID-19 expenditure pressures relating to St John Ambulance, pathology and hospital services
- $7.1 million in 2022-23 to provide a capital grant to Charles Darwin University to meet costs associated with relocating the NT Library to the Education and Community Precinct.

Key new funding initiatives approved in the 2023-24 Budget include:

- initiatives aimed at improving core government services for all Territorians:
  - $100 million over 2022-23 to 2024-25 to support hospitals, largely the Royal Darwin Hospital
  - $71.7 million over 2022-23 and 2023-24 to contain utility price increases to below inflation
  - $19.3 million in 2023-24 and $16.3 million in 2024-25 to re-energise tourism including for marketing activities, Aboriginal tourism industry development and visitor services across the Territory
  - $15.3 million in 2022-23 for repairs to damaged houses in Wadeye and $30 million in 2023-24 to increase the whole of government repairs and maintenance program with a focus on frontline service assets
  - $15 million in 2022-23, $30 million in 2023-24 and 2024-25 and $20 million per annum ongoing from 2025-26 for correctional services demand and cost pressures
  - $7.7 million additional in 2023-24 for antisocial behaviour reform initiatives
  - $5 million per annum ongoing from 2023-24 to recruit additional firefighters and implement a firefighter roster relief factor
  - $3 million per annum ongoing from 2023-24 to support implementation of a wellbeing strategy in Northern Territory Police, Fire and Emergency Services

- key initiatives aimed at investing for the future:
  - $65 million over 2022-23 to 2025-26 to progress Aboriginal Justice Agreement initiatives including community courts, anti-racism initiatives, community-based sentencing and reducing prisoner remand numbers as well as supporting courts and justice demand pressures
  - $17.3 million in 2022-23, $27.9 million in 2023-24 and $10 million per annum ongoing from 2024-25 in additional funding to support youth justice and out-of-home care demand pressures, and support an enhanced model of care
  - $10 million per annum in 2023-24 and 2024-25 to support the implementation of Domestic, Family and Sexual Violence Prevention Action Plan 2
  - $5 million per annum ongoing from 2023-24 combined with $2.5 million in reprioritised funding ongoing per annum across agencies to strengthen cybersecurity and protection of critical infrastructure
  - $4.5 million per annum over three years from 2023-24 to implement the Territory Water Plan
  - $2.7 million per annum in 2023-24 and 2024-25 to implement electricity market reforms
  - $2 million new funding combined with $2 million in reprioritised funding ongoing per annum from 2023-24 to support the Telecommunications Uplift Program for Territory schools.

Savings measures

The 2023-24 Budget incorporates savings measures totalling $137.3 million over 2022-23 to 2025-26 arising from a 1% savings measure applied to all agencies in 2023-24 and other savings.

Capital commitments

Total capital commitments over the budget cycle since the 2022-23 Budget of $391 million are summarised below.

Capital commitments reflected in the 2022-23 Mid-Year Report included:

- $112 million over 2024-25 and 2025-26 for additional capital works required for the Darwin ship lift facility
- $1.2 million in 2022-23 to facilitate equipment purchases to support biosecurity preparedness, and $0.5 million to implement a prisoner integrated learning system.

Key new capital commitments approved in the 2023-24 Budget include:

- $90 million in 2022-23 and $175 million in 2023-24 in additional funding to progress Territory-funded capital projects on the infrastructure program
- $3 million per annum from 2023-24 to 2025-26 to fund acquisition of major capital equipment in hospitals to improve patient outcomes
- $2 million across the budget cycle for various projects including small-scale renewables and energy storage, and to uplift telecommunication capabilities across Territory schools
- $1.7 million in 2023-24 for fitout costs related to the Northern Territory Art Gallery
- $1.3 million in 2023-24 to construct oval lights in Kalkarindji.

Non-policy changes since 2022-23 Budget

Table 2.5 highlights the effect of non-policy changes on the non financial public sector's fiscal balance since the 2022-23 Budget, and incorporates changes published in the 2022-23 Mid-Year Report.

Table 2.5: Non financial public sector fiscal balance – non-policy changes since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
GST revenue	401	121	187	214
Taxation and other regulatory fees	79	89	20	- 29
Interest variations[1]	51	16	- 20	- 29
Government owned corporations	87	36	- 148	- 97
Leases	93	- 108	nil	5
Revised timing of ship lift facility	52	51	- 54	- 49
Commonwealth and agency-related adjustments	114	- 216	44	- 9
Total non-policy changes	878	- 11	29	6

1 Excludes interest variations affecting government owned corporations as these are included with all other variations affecting government owned corporations.

Non-policy changes since the 2022-23 Budget result in significant improvement to the fiscal balance estimate in 2022-23, with minor variations to all other years over the budget cycle. Key variations include:

- an increase in GST revenue forecasts averaging $231 million per annum from 2022-23 compared with the 2022-23 Budget, largely a result of upward revisions to national GST pool growth estimates due to a normalisation of consumer spending patterns following cessation of COVID-19 restrictions, combined with an increase in the Territory's GST relativity
- increases in taxation and other regulatory fees estimates in all years, with the exception of 2025-26, largely attributable to higher stamp duty on conveyances in 2022-23, increases in payroll tax estimates in all years due to higher employment and stronger than anticipated economic activity, and revised royalty payer estimates
- a net improvement to estimated interest variations over the budget cycle to 2025-26, with higher returns on investments partially offset by increased interest expenses due to upward revisions to interest rate expectations and higher borrowing requirements over the forward estimates
- revised operating cost and capital investment assumptions for government owned corporations in their updated statements of corporate intent (SCIs), largely reflecting revised timing of capital projects from 2022-23 and 2023-24 to forward years, combined with new capital projects
- the revised timing and valuation assumptions relating to lease renewals of office accommodation, now anticipated to occur in 2023-24
- the revised timing of payments for the ship lift facility in line with estimated construction milestones

- Commonwealth and agency-related adjustments, resulting in a projected net worsening of $67 million over the budget cycle to 2025-26. Key variations include:
  - the carryover of unspent funds from 2021-22 into 2022-23 and forward years
  - the revised timing of expenditure commitments including milestone payments for information and communications technology (ICT) systems to reflect funding delivery schedules and contractual payments to suppliers; domestic, family and sexual violence initiatives; employment and training programs and tourism support activities. These timing variations have no net effect on the projected fiscal balance over the budget cycle
  - partially offset by improved income tax and dividend income expected to be received from the Northern Territory Treasury Corporation (NTTC).

2023-24 Budget and forward estimates

The analysis in this section addresses the requirements of section 10(1)(b) of the FITA that each fiscal outlook report is to provide an account of the fiscal and economic assumptions on which the updated financial projections are based. Accordingly, this section provides a summary of the assumptions used and material variations by revenue and expenditure categories.

Operating revenue – 2023-24 Budget and forward estimates

Table 2.6 shows the composition of Territory revenue for the non financial public sector for the 2022-23 revised estimate, 2023-24 Budget and forward estimates. Territory revenue is projected to decline between 2022-23 and 2023-24, predominantly due to an anticipated reduction in GST revenue as a result of a balancing adjustment for overpaid GST revenue in 2022-23 that will be recovered by the Commonwealth in 2023-24. Over the forward estimates, total revenue is projected to remain largely stable averaging $8.29 billion per annum.

Table 2.6: Non financial public sector – revenue

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Revenue					
Taxation revenue	674	673	685	690	720
GST revenue	3 977	3 804	4 020	4 195	4 373
Current grants	1 339	1 319	1 076	1 015	979
Capital grants	543	503	624	397	287
Sales of goods and services	1 156	1 243	1 340	1 369	1 407
Interest income	134	119	122	125	128
Dividend and income tax equivalent income	53	54	48	51	52
Mining royalties	367	400	316	273	286
Other revenue	87	83	96	94	95
Total revenue	8 330	8 198	8 327	8 209	8 327

Table 2.7 compares the revised revenue projections for 2023-24 and the forward estimates with those published in the 2022-23 Budget, and the 2022-23 Mid-Year Report.

Table 2.7: Non financial public sector – variation in revenue since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2022-23 Budget	7 599	7 701	7 783	7 719	n/a
2022-23 Mid-Year Report	7 756	7 829	7 906	7 804	n/a
2023-24 Budget	8 330	8 198	8 327	8 209	8 327
Variation from 2022-23 Budget	731	497	544	490	n/a

n/a: not available at the time of publishing the 2022-23 Budget and 2022-23 Mid-Year Report

As shown in Table 2.7, when compared with the 2022-23 Budget, total revenue is projected to be on average $566 million per annum higher. Table 2.8 identifies the variations in revenue components since the 2022-23 Budget.

Table 2.8: Non financial public sector – variations in revenue components since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Taxation revenue	48	31	34	30
GST revenue	401	121	187	214
Current grants	102	166	36	28
Capital grants	80	91	202	158
Sales of goods and services	35	10	70	89
Interest income	42	26	26	26
Dividend and income tax equivalent income	5	6	4	7
Mining royalties	22	54	- 17	- 62
Other revenue	- 3	- 9	3	nil
Total variation	731	497	544	490

Taxation revenue

Taxation revenue represents the Territory's primary source of income that government can directly influence. It comprises payroll tax, stamp duty on conveyances, taxes on gambling, taxes on insurance, and motor vehicle fees and taxes, and represents about 8% of total revenue over 2022-23 to 2025-26.

Table 2.6 shows that taxation revenue is expected to grow from $674 million in 2022-23 to $720 million by 2026-27 and represents average growth of 1.7% per annum in line with expected economic activity.

As shown in Table 2.8, taxation revenue is projected to increase by $48 million in 2022-23, and then increase by an average of $32 million per annum from 2023-24 compared with the 2022-23 Budget. This increase is largely attributable to higher payroll tax estimates averaging $22 million per annum over 2022-23 to 2025-26 due to higher than expected employment growth and economic activity. Stamp duty on conveyances also contributed $26 million to the estimated increase in 2022-23, as a result of improvement in the residential property market and several large one-off commercial transactions.

Refer to Chapter 6 *Territory taxes and royalties* for detailed information on the economic and other assumptions used to forecast taxation revenue.

GST revenue

GST revenue is the Territory's largest revenue transfer from the Commonwealth and represents about 49% of total revenue over the budget cycle. The factors that influence the amount of GST revenue the Territory receives are: growth in national GST collections pool; GST relativities as assessed by the Commonwealth Grants Commission (CGC); and the Territory's share of the national population.

As shown in Table 2.6, GST revenue is projected to increase from $3.98 billion in 2022-23 to $4.37 billion in 2026-27, an average growth of 2.5% per annum.

When compared with the 2022-23 Budget, the Territory's GST revenue in 2022-23 is expected to increase by $401 million largely driven by improved national GST collections due to national household consumption remaining more resilient to rising interest rates than expected and a $69 million balancing adjustment received in 2022-23 for underpaid GST revenue from 2021-22. From 2023-24, GST revenue is expected to increase on average by $174 million per annum compared with 2022-23 Budget projections, reflecting higher forecast growth in the GST pool of 1.9% and an increased Territory GST relativity from 4.86988 in 2022-23 to 4.98725 in 2023-24.

Refer to Chapter 5 *Intergovernmental financial relations issues* for detailed information on the economic and other assumptions used to forecast GST revenue in the Territory budget.

Current and capital grants

During each year there are significant changes in tied Commonwealth funding estimates as the timing of delivery is revised or as funding agreements commence, are renewed or cease. Similar to the approach with major projects, tied funding is generally not included in the estimates unless a funding agreement has been signed with the Commonwealth. Tied funding agreements generally do not affect the Territory's fiscal balance as the revenues are matched with corresponding expenditure. Current and capital grant revenue estimates for the Territory do not include recently announced Commonwealth funding totalling $298 million for Central Australia and the $2.5 billion in infrastructure projects included in the Commonwealth's 2022-23 October Budget.

As shown in Table 2.6, current grant revenue in 2022-23 and 2023-24 is expected to average $1.33 billion per annum. This is elevated when compared with the forward estimates. The higher revenue is due to the conclusion of a number of Commonwealth funding agreements from 2024-25 including the National Partnership on Northern Territory Remote Aboriginal Investment (NTRAI) ($100 million per annum) and remote housing repairs and maintenance ($35 million per annum), combined with finalisation of new time-limited funding agreed since the 2022-23 Budget as detailed below. From 2024-25, current grants revenue is expected to remain largely stable averaging $1.02 billion per annum.

When compared with the 2022-23 Budget, Table 2.8 shows that current grants revenue has increased notably in 2022-23 and 2023-24 by a total of $268 million largely due to new Commonwealth funding for homelands housing and infrastructure upgrades ($100 million), National Network road repairs and maintenance ($60 million) and for the National Critical Care and Trauma Response Centre ($43 million).

As shown in Table 2.6, capital grants revenue averages $471 million per annum over 2022-23 to 2026-27, with annual fluctuations reflecting the timing of capital projects including the Manton Dam return to service project peaking in 2024-25.

As shown in Table 2.8, estimated capital grants revenue is $531 million higher over 2022-23 to 2025-26 compared with the 2022-23 Budget, mainly attributable to Commonwealth funding of $25 million for the Alice Springs Hospital ambulatory care centre and a net increase in funding for road projects of around $400 million.

Sales of goods and services

Sales of goods and services includes fees and charges, rent and tenancy income collected by various government agencies and represents around 16% of total revenue over the budget cycle. The most significant component relates to gas sales, and electricity, water and sewerage charges collected by government owned corporations.

As shown in Table 2.6, sales of goods and services revenue is expected to increase from $1.16 billion in 2022-23 to $1.41 billion by 2026-27. Sales of goods and services is expected to grow by an average 7.6% per annum over 2022-23 to 2024-25 mostly due to forecast gas sales by the Power and Water Corporation before returning to annual growth of 2.5% from 2025-26 largely in line with CPI forecasts. When compared with the 2022-23 Budget, variations in sales of goods and services estimates largely reflect revised revenue assumptions in government owned corporations.

Interest income

Interest income includes returns on short-term and fixed interest investments combined with realised gains on Conditions of Service Reserve investments, and represents around 2% of total revenue over the budget cycle. Table 2.6 shows that over the budget cycle to 2026-27, interest income is expected to remain relatively stable, averaging $125 million per annum. As shown in Table 2.8, interest income is projected to increase by $42 million in 2022-23 and then by an average $26 million per annum from 2023-24 when compared with the 2022-23 Budget, mainly due to higher than expected interest rates on investments.

Dividend and income tax equivalent income

Dividend and income tax equivalent income recognised in the non financial public sector comprises estimated payments by NTTC, and are expected to remain largely stable at an average $52 million per annum over the budget cycle to 2026-27. The variations outlined in Table 2.8 largely anticipate improved NTTC profitability in line with higher than expected interest rates on loans to government owned corporations and higher overall government borrowings.

Mining royalties

Mining and petroleum royalty forecasts are largely based on advice from mining companies and petroleum producers for estimated liability and related company estimates of commodity price movements, production levels and the value of the Australian dollar. Mining and petroleum royalties represent around 4% of total revenue.

As Table 2.6 shows, mining royalties are expected to be higher over 2022-23 and 2023-24, averaging $384 million per annum due to stronger than expected commodity prices. From 2024-25, mining royalties are expected to soften as a result of increasing costs and declining production in line with mine life cycle projections, and average $292 million per annum.

Other revenue

Other revenue is miscellaneous revenue, including reimbursements and research funding from non-government organisations, and is expected to remain relatively stable at an average $91 million per annum over the budget cycle.

Expenditure – 2023-24 Budget and forward estimates

Agency budgets vary in line with the application of parameters (inflators and deflators) to the budget year and forward estimates on a no-policy-change basis. New policy and funding decisions linked to demand or cost growth also add to each agency's budget and forward estimates. The main parameters used to adjust forward estimates are:

- wages – inflator
- CPI – inflator
- efficiency dividend – deflator.

In October 2022, government revised the NTPS 2021–2024 Wages Policy from a non-cumulative lump sum payment policy, as reflected in the 2022-23 Budget, to an annual 2% compounding pay increase. Employees covered by enterprise agreements finalised under the previous lump-sum-based wages policy (such as those under the General NTPS agreement) will retain the first two lump sum payments and receive compounding increases of the greater of the previously agreed lump sum amounts or 2% per annum in the final two years of the agreement.

The budget impact of this policy change was $245 million over 2022-23 to 2025-26 when compared with the 2022-23 Budget. As part of the 2023-24 Budget, a nil wages inflator was maintained from 2023-24 to 2024-25, with agencies receiving additional lump sum funding to reflect revisions to the NTPS 2021–2024 Wages Policy, less a savings offset of $35 million over the period. The wages inflator from 2025-26 was maintained at 2%.

The CPI parameter for the budget year is generally adjusted to match the year-on-year change in the Darwin CPI for the latest December quarter to better reflect actual price trends. While the Darwin CPI increased by 7.1% in the December 2022 quarter, representing a 32-year high, a partial CPI factor of 2.7% has been applied to agency operational cost budgets in 2023-24 consistent with the factor applied to retail electricity price growth. CPI parameters were adjusted to 3.3% in 2024-25, 2.5% in 2025-26, 2.3% in 2026-27, and 2.2% per annum thereafter.

An additional growth parameter of 1.4% is applied to wage and non-wage expenditure for all health expenditure in recognition of the growth in demand for health services.

An efficiency dividend is applied to budgets for operational costs, employee costs, and recurrent grants and subsidies premised on improving processes and technology, and delivering services more efficiently over time, as is the case with private sector enterprises. An efficiency dividend of 1% per annum has been applied in all years.

For the following departments, a two-thirds discount is applied to the efficiency dividend in recognition that a majority of their costs relate to frontline services, which are substantially fixed in nature:

- Department of Education
- Northern Territory Police, Fire and Emergency Services
- the correctional services component of the Department of the Attorney-General and Justice
- the children and families component of the Department of Territory Families, Housing and Communities
- the hospital services component of the Department of Health.

For Territory-funded operating grants and subsidies budgets, a composite indexation factor is applied based on 75% of the wages factor and 25% of the CPI factor, less the applicable efficiency dividend for that year.

The 2023-24 Budget also incorporates a 1% savings measure in 2023-24 applied to all agencies.

Government owned corporation forward estimates are based on forecasts provided by the corporations during the development of their SCIs. The forecasts reflect future expectations in revenue, contracted and regulated costs, capital investments, operational efficiencies and other factors agreed by a corporation's shareholding minister and the board. Due to the concurrent development of the Territory budget and SCIs, the final approved SCIs for 2023-24 may differ from the estimates contained in the 2023-24 Budget.

Final SCIs will be tabled in the Legislative Assembly within six sitting days after 2023-24 commences.

Table 2.9 sets out the Territory's expenditure projections for the non financial public sector for the 2022-23 revised estimate, 2023-24 Budget and forward estimates. Total expenditure comprises the day-to-day running costs of government including salaries, supplies and services consumed, and grants to non-government organisations, combined with net capital investment including the construction of assets and capital purchases, such as vehicles, ICT and equipment, offset by asset sales.

Table 2.9: Non financial public sector – expenditure

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Expenses					
Employee expenses	2 896	2 867	2 812	2 781	2 811
Superannuation expenses	493	501	503	508	508
Depreciation and amortisation	799	811	800	803	798
Other operating expenses	2 224	2 357	2 256	2 186	2 208
Interest expenses	429	474	536	580	603
Current grants	1 083	1 114	1 054	1 026	1 005
Capital grants	114	126	33	27	27
Subsidies and personal benefit payments	65	61	61	62	62
Total expenses	8 103	8 312	8 055	7 973	8 021
Net capital investment	1 402	1 673	1 623	1 152	1 000
Total expenditure	9 505	9 985	9 678	9 126	9 020

As shown in Table 2.9, total expenditure is projected to peak in 2023-24 at $9.98 billion before reducing over the forward estimates to 2026-27 in line with the conclusion of Commonwealth funding agreements and finalisation of a number of major Territory-funded capital projects including the ship lift facility.

Table 2.10 compares the revised expenditure projections for the 2023-24 Budget with those published in the 2022-23 Budget and 2022-23 Mid-Year Report.

Table 2.10: Non financial public sector – variation in expenditure since the 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Total expenses					
2022-23 Budget	7 861	7 717	7 647	7 617	n/a
2022-23 Mid-Year Report	8 063	7 798	7 762	7 742	n/a
2023-24 Budget	8 103	8 312	8 055	7 973	8 021
Variation from 2022-23 Budget	242	595	408	356	n/a
Net capital investment					
2022-23 Budget	1 412	1 288	1 204	818	n/a
2022-23 Mid-Year Report	1 361	1 500	1 352	948	n/a
2023-24 Budget	1 402	1 673	1 623	1 152	1 000
Variation from 2022-23 Budget	- 10	385	419	334	n/a

n/a: not available at the time of publishing the 2022-23 Budget and 2022-23 Mid-Year Report

The projected increase in total expenses over the budget cycle when compared with 2022-23 Budget, reflects new government policy decisions as detailed earlier in this chapter, government owned corporation expense assumptions, and expenditure associated with delivering new tied Commonwealth funding agreements.

Employee and related expenses

Table 2.9 shows that estimated employee and related expenses, including superannuation, continues to account for about 41% of total expenses and is expected to remain largely constant over 2022-23 to 2026-27 at an average $3.34 billion per annum. The relatively constant expenditure reflects the conclusion of a number of Commonwealth funding agreements and time-limited Territory-funded initiatives over 2022-23 to 2023-24, offset by Territory-funded wages parameter growth over the forward estimates.

Depreciation and amortisation

Depreciation and amortisation expenses represent the consumption of physical and intangible asset values over their expected useful life. These expenses will vary over the budget cycle as new assets are purchased or constructed and as assets reach the end of their useful life or are revalued in line with accounting standards. For the 2023-24 Budget, depreciation and amortisation expenses are expected to remain relatively constant and average $802 million per annum across the budget cycle.

Other operating expenses

As shown in Table 2.9, other operating expenses are expected to peak in 2023-24 and remain largely stable over the forward estimates at an estimated average $2.22 billion per annum. Operating expenses are influenced by the same factors affecting employee and related expenses as detailed earlier, and largely comprise government's repairs and maintenance program, property-related costs, medical supplies, ICT and communication charges, and motor accident compensation and related payments.

Interest expenses

In the 2023-24 Budget, interest expenses are projected to increase over the budget cycle in line with borrowing requirements to fund projected fiscal balance deficits. Table 2.11 shows projected interest expenses are higher in all years, with the exception of 2022-23, when compared with the 2022-23 Budget due to expected interest rate increases and higher borrowing requirements in line with the cumulative increase in fiscal balance deficits across the budget cycle.

Table 2.11: Non financial public sector – interest expenses

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2022-23 Budget	436	462	482	504	n/a
2022-23 Mid-Year Report	429	460	496	517	n/a
2023-24 Budget	429	474	536	580	603
Variation from 2022-23 Budget	- 7	12	54	76	n/a

n/a: not available at the time of publishing the 2022-23 Budget and 2022-23 Mid-Year Report

Current grants

Table 2.9 shows current grant expenses are projected to peak in 2023-24 at $1.11 billion, due to the same factors affecting both employee and other operating expenses. Over the forward estimates, current grants are projected to remain constant at around $1.03 billion per annum, and primarily comprise Territory and Commonwealth-funded grants to schools, non government health service providers, cultural and sporting organisations, local government councils, and delivery of children and family programs by non-government organisations.

Capital grants

Capital grants comprise payments to recipients, such as local government councils and non-government organisations, for the purpose of acquiring or constructing a new physical asset or upgrading an existing physical asset. As highlighted in Table 2.9, capital grant expenses are projected to peak in 2023-24 at $126 million, before moderating to an annual average of $29 million per annum over the forward estimates. The moderation largely reflects the conclusion of Commonwealth funding agreements for Remote Housing and NTRAI programs.

Net capital investment

Net capital investment comprises purchases and sales of non financial assets, such as vehicles, ICT and equipment, and includes the construction of assets under the capital works program. As shown in Table 2.9, net capital investment is expected to remain elevated in both 2023-24 and 2024-25, averaging $1.65 billion per annum before declining from 2025-26 to an average $1.08 billion per annum.

The expected increase in net capital investment over the budget cycle, as shown in Table 2.10, largely reflects increased Territory funding of $112 million over 2024-25 and 2025-26 for additional capital works required for the Darwin ship lift facility, $90 million in 2022-23 and $175 million in 2023-24 to progress Territory-funded capital projects on the infrastructure program and $142 million in capital projects in government owned corporations. The increase is also supported by new Commonwealth funding for roads of around $400 million over the budget cycle including Tanami Road, Mereenie Loop, Central Arnhem Road and Tiger Brennan Drive/Berrimah Road interchange projects.

Key fiscal indicators – balance sheet

The key measures for the balance sheet are net debt and the resulting net debt to revenue ratio. As shown in Table 2.12, net debt is projected to be $9.23 billion in 2023-24, increasing to $9.86 billion by 2026-27. The net debt to revenue ratio is projected to be 113% in 2023-24, increasing to a peak of 122% in 2025-26 before declining to 118% in 2026-27, largely reflecting projected fiscal balance outcomes.

When compared with the 2022-23 Budget, net debt is projected to improve in 2022-23 and 2023-24, largely in line with the flow-on effect of improved fiscal balance outcomes in 2021-22 and 2022-23. From 2024-25, net debt is projected to increase consistent with fiscal balance projections.

The variations to the net debt to revenue ratio since the 2022-23 Budget are similarly affected by variations in the fiscal balance combined with the impact of higher revenue estimates across the budget cycle.

Table 2.12: Non financial public sector – net debt and net debt to revenue ratio

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Net debt					
2022-23 Budget	8 712	9 242	9 443	9 366	n/a
2022-23 Mid-Year Report	8 666	9 441	9 808	9 906	n/a
2023-24 Budget	8 291	9 231	9 849	9 984	9 861
Variation from 2022-23 Budget	- 421	- 11	406	618	n/a
Net debt to revenue (%)					
2022-23 Budget	115	120	121	121	n/a
2022-23 Mid-Year Report	112	121	124	127	n/a
2023-24 Budget	100	113	118	122	118
Variation from 2022-23 Budget	- 15	- 7	- 3	1	n/a

n/a: not available at the time of publishing the 2022-23 Budget and 2022-23 Mid-Year Report

Factors affecting net debt are the net result of policy and non-policy changes. Policy changes outlined earlier in this chapter include government's operational, revenue and capital commitments, partially offset by new savings measures. Non-policy changes include increased GST, taxation and other regulatory fee revenue, the effect of renewed and extended leases of office accommodation, operating and capital results of government owned corporations, and timing of Commonwealth and agency payments. Table 2.13 summarises the effect of policy and non-policy changes on net debt since the 2022-23 Budget and demonstrates that non-policy changes are the main contributor to the projected variation.

Table 2.13: Non financial public sector – cumulative changes to net debt since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Policy changes	266	838	1 111	1 283
Non-policy changes	- 687	- 849	- 705	- 665
Net cumulative change	- 421	- 11	406	618

Note: (+) reflects a worsening, (-) reflects an improvement.

Table 2.14 provides details on the cumulative factors that have contributed to the projected variation in net debt over the forward estimates since the 2022-23 Budget.

Table 2.14: Non financial public sector – detailed cumulative changes to net debt since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
2021-22 net debt outcome	- 63	- 63	- 63	- 63
Revenue measures	nil	3	6	9
Operational commitments	177	527	797	1 019
Savings measures	- 1	- 39	- 80	- 137
Capital commitments	90	346	389	391
GST revenue	- 401	- 522	- 709	- 923
Taxation and other regulatory fees	- 79	- 168	- 188	- 159
Interest variations[1]	- 51	- 67	- 47	- 18
Government owned corporations	- 87	- 123	25	122
Leases	- 93	15	14	10
Revised timing of ship lift facility	- 52	- 103	- 49	nil
Commonwealth and agency-related adjustments[2]	139	183	311	367
Net cumulative change	- 421	- 11	406	618

1 Excludes interest variations affecting government owned corporations as these are included with all other variations affecting government owned corporations.
2 Includes revised timing of payments under the Local Jobs Fund, which do not affect the fiscal balance as per Table 2.5.
Note: (+) reflects a worsening, (-) reflects an improvement.

Chapter 3

Economic outlook

Overview

The information provided in this chapter meets the requirements of sections 10(1)(b) and 10(1)(c) of the FITA that each fiscal outlook report contains an account of the economic assumptions and analysis of the effects of their changes on the updated financial projections.

This chapter provides a summarised assessment of the Territory economy, including a description of recent economic performance and the outlook for economic growth, population, employment, prices and wages, as well as a description of the structure of the economy and the external economic environment. More detailed commentary is in the *Northern Territory Economy* book, the online Industry Outlook publication and on the website at nteconomy.nt.gov.au. The website content is updated regularly as new data becomes available and should be read in conjunction with budget papers.

The Territory's key economic forecasts for the 2023-24 Budget are detailed in Table 3.1.

Table 3.1: Territory key economic indicators (%)

	2021-22a	2022-23e	2023-24f	2024-25f	2025-26f	2026-27f
Gross state product[1]	4.7	- 5.1	2.7	2.1	4.5	0.6
State final demand[1]	7.7	2.5	2.3	- 0.5	- 0.7	1.4
Population[2]	0.6	0.4	0.9	1.0	1.0	1.0
Employment[1]	1.8	4.1	2.2	0.0	0.3	1.1
Unemployment rate[3]	4.0	3.9	4.2	4.3	4.3	4.1
Consumer price index[1]	6.0	6.4	3.5	2.5	2.3	2.4
Wage price index[1]	2.1	3.0	3.6	3.5	3.3	3.1

a: actual; e: estimate; f: forecast
1 Year-on-year percentage change.
2 June quarter compared with June quarter the previous year.
3 Year average.
Source: Department of Treasury and Finance, ABS

The Northern Territory economy performed strongly in 2021-22 as economic conditions continued to normalise following the disruptions brought about by COVID-19. In 2021-22, Territory GSP increased by 4.7% and SFD increased by 7.7%. Growth was driven by private investment, which increased by 26% in 2021-22, following a 17.3% increase in 2020-21.

However, as pandemic disruptions have ebbed, a number of new economic challenges have emerged, including:

- labour shortages, which have constrained many local businesses from operating at full capacity. The number of job vacancies in the Territory remains more than double pre-pandemic levels
- high inflation, which has increased costs for households and businesses
- higher interest rates, which are likely to constrain spending and investment going forward.

GSP is estimated to decrease by 5.1% in 2022-23, primarily as a result of lower export volumes. Maintenance activity at the Ichthys LNG plant reduced LNG export volumes in the second half of 2022. SFD, which excludes trade, is expected to increase by 2.5%, a result of strong growth in public investment with smaller contributions from private sector activity. Over the five years to 2026-27, GSP and SFD growth are expected to average 0.9% and 1%, respectively.

Household consumption is expected to provide a modest contribution to economic growth over the forecast period. Consumption growth is expected to slow to 0.4% in 2022-23 (down from 2.3% in 2021-22) as higher interest rates and cost of living increases constrain household budgets. Consumption growth is forecast to increase slightly over subsequent years as inflation normalises and the population increases.

Private investment in 2022-23 is estimated to increase by 1.9%, and by 3.4% in 2023-24. Following completion of the construction phase of the Barossa project, private investment is expected to decline in 2024-25 and 2025-26. Public consumption is expected to steadily increase over the forecast period, while public investment has been revised upwards over the forecast period, with particularly strong growth in 2022-23 and 2023-24.

In 2022-23, the population is forecast to grow by 0.4%. Strong contributions from net overseas migration following the re-opening of international borders will be offset by increased interstate migration outflows. Population growth is expected to return to its long-run average of around 1% over the forecast period as interstate migration outflows stabilise.

Employment is at record highs and is forecast to increase by 4.1% in 2022-23. Over the forecast period employment is expected to remain at high levels, and grow in line with SFD growth. The unemployment rate is expected to remain below the long-term average for the duration of the forecast period.

Headline inflation nationally and in the Territory peaked in the December quarter 2022 at 7.8% and 7.1%, respectively. Inflationary pressures in the Territory have softened in recent quarters and inflation is forecast to fall to 3.8% by the end of 2023 and to 2.6% in the June quarter 2024.

Wages growth is expected to increase in the near term in response to the tight labour market. Private sector wage price index (WPI) growth is expected to exceed 4% per annum for much of the forecast period, while public sector WPI growth (inclusive of Commonwealth funded wages) is forecast to increase to 2.5% in 2023-24 and remain around that level for each year to 2026-27.

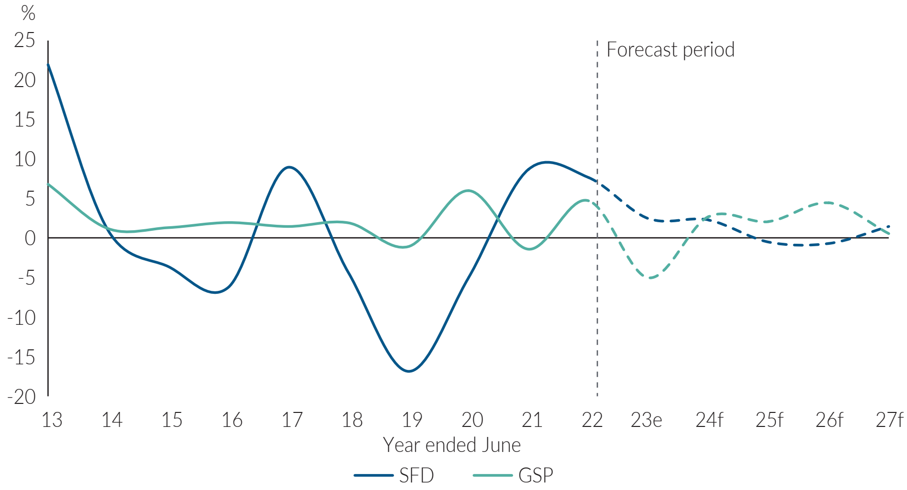
There is significant potential upside to the economic outlook, with a number of major projects on the horizon yet to reach final investment decision. The economic contributions arising from these projects are not included in the economic forecasts. Projects that commence over the forward estimates will have a positive impact on the forecasts.

The forecasts for all years have changed materially since the 2022-23 Budget in response to the changed economic environment and outcomes reported over the past year. Explanations for material variations are provided in the relevant sections that follow.

Economic growth

GSP is estimated to decrease by 5.1% in 2022-23, before increasing by 2.7% in 2023-24 (Chart 3.1). The estimate for 2022-23 is lower than the 2022-23 Budget forecast of 3.7% growth. The difference is primarily the result of maintenance activity at the Ichthys LNG plant disrupting LNG production and exports in the second half of 2022 (Chart 3.2). In addition, production from Darwin LNG has also been lower than anticipated in the 2022-23 Budget, as the Bayu-Undan gas field nears depletion. GSP is forecast to recover over the rest of the forecast period.

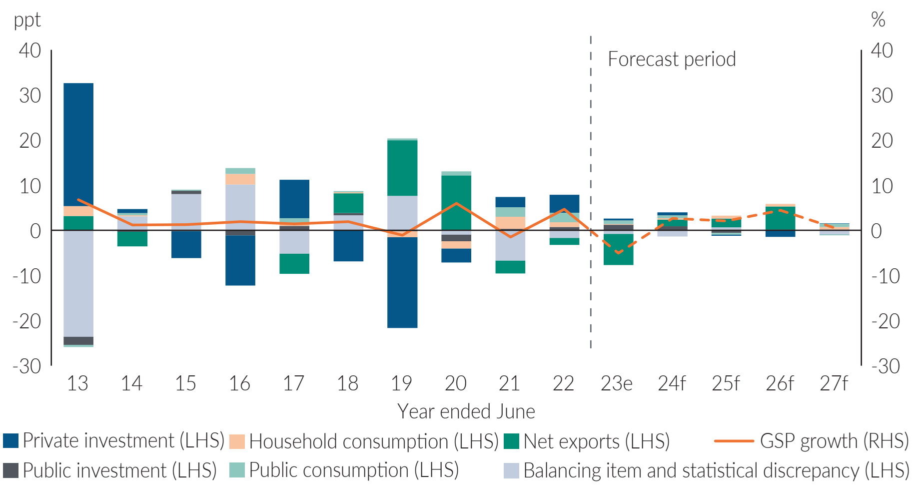
Chart 3.1: Year-on-year change to Territory gross state product and state final demand



e: estimate; f: forecast; GSP: gross state product; SFD: state final demand
Source: ABS, *Australian National Accounts: State Accounts*, Cat. No. 5220.0; Department of Treasury and Finance

SFD, which excludes trade, is estimated to increase by 2.5% in 2022-23 and by 2.3% in 2023-24. This is a more even profile than forecast in the 2022-23 Budget. The changes primarily result from a re-profiling of private and public investment. Data for the second half of 2022 indicates that private investment growth will be slower in 2022-23 than previously forecast, however, public investment is now expected to increase by 20% in 2022-23 and 12% in 2023-24, offsetting most of this decline. Household consumption is also expected to make a smaller contribution to SFD and GSP growth following the sharp increase in interest rates seen over the past year.

Chart 3.2: Contributions to Territory gross state product growth



e: estimate; f: forecast; GSP: gross state product; LHS: left-hand side; ppt: percentage points; RHS: right-hand side
Source: Department of Treasury and Finance; ABS, *Australian National Accounts*: *State Accounts*, Cat. No. 5220.0

There is a range of major projects proposed that are not included in the forecasts as they are yet to reach final investment decision and, if they proceed during the forecast period, will contribute to stronger economic growth. These projects are outlined in Chapter 2 of the *Northern Territory Economy* publication.

Investment

The forecasts for investment have been adjusted in light of recent data and developments relating to the Barossa project. Private investment is expected to grow modestly in 2022-23 and 2023-24 following strong growth over the past two years. Private investment is then expected to fall in 2024-25 and 2025-26 as construction work on the Barossa project is completed. This differs from the forecasts in the 2022-23 Budget, in which strong private investment growth was expected to continue in 2022-23. The changes reflect private investment data in the year to date and a re-profiling of spending on the Barossa project in light of recent regulatory decisions as well as announcements from Santos that work on the project was 56% complete at March 2023. Other projects that will contribute to private investment activity in the coming years include the Tanami mine expansion and the Vocus Darwin-Jakarta-Singapore cable.

There remains uncertainty around the timing of construction activity relating to the Barossa project. Drilling operations were suspended in the third quarter of 2022 following decisions from the Federal Court, and the National Offshore Petroleum Safety and Environmental Management Authority. However, activity relating to the floating production storage and off-loading fabrication, subsea hardware manufacture and the planning of the gas pipeline and subsea campaigns are progressing and are not impacted by the decision. Applications for remaining approvals are proceeding in accordance with the guidance provided by the Court.

Forecasts for the level of public investment have been revised up across the forecast period. Public investment is expected to average $2.1 billion per annum over 2022-23 to 2026-27, growing by 20% in 2022-23 and 12% in 2023-24 before falling in 2024-25. The upgrades to the public investment forecasts in the near-term reflect increased expenditure on housing projects, road infrastructure works and defence facility upgrades. Spending associated with the Darwin ship lift and Marine Industry Park, as well as for the Darwin region water supply infrastructure program will also contribute to public investment growth.

Consumption

Household consumption growth is forecast to slow to 0.4% in 2022-23 before increasing to 0.7% in 2023-24 and 1.4% in 2024-25 once inflation normalises and the economy has adjusted to higher interest rates. The forecasts for 2022-23 and 2023-24 are weaker than previously forecast, with weaker growth expected due to the sharp increase in interest rates over the past year.

Public consumption has been revised up in the near term as a result of higher demand for government services. This includes additional Territory funding to support hospitals, correctional services, youth justice, courts, domestic, family and sexual violence initiatives, and antisocial behaviour activities. Beyond 2023-24, public consumption growth is expected to decline due to the cessation of time-limited funding and the conclusion of a number of Commonwealth funding agreements, such as the National Partnership on NTRAI, that are yet to be renegotiated.

External economic environment

National and international factors influence the Territory economy through exchange rates, commodity prices, population flows, trade flows, tourist visitation and the availability of workers to meet the Territory's labour requirements. Monetary policy set by the Reserve Bank of Australia (RBA) also influences household consumption, business confidence and investment.

Nationally, the RBA forecasts economic growth to slow from the high levels seen during the post-COVID-19 recovery. Annual growth of 1.4% is forecast for the year to June 2024 and 1.7% for the year to June 2025. Slower growth is expected partly due to the increase in interest rates over the past year, which is expected to constrain household spending.

Following strong growth of 3.4% in 2022, the International Monetary Fund forecasts the global economy to grow by 2.8% in 2023 and 3% in 2024 as higher interest rates constrain global growth. Growth among the Territory's major trading partners is expected to be slightly slower than global growth, reaching 2.7% in 2023 and 2.6% in 2024.

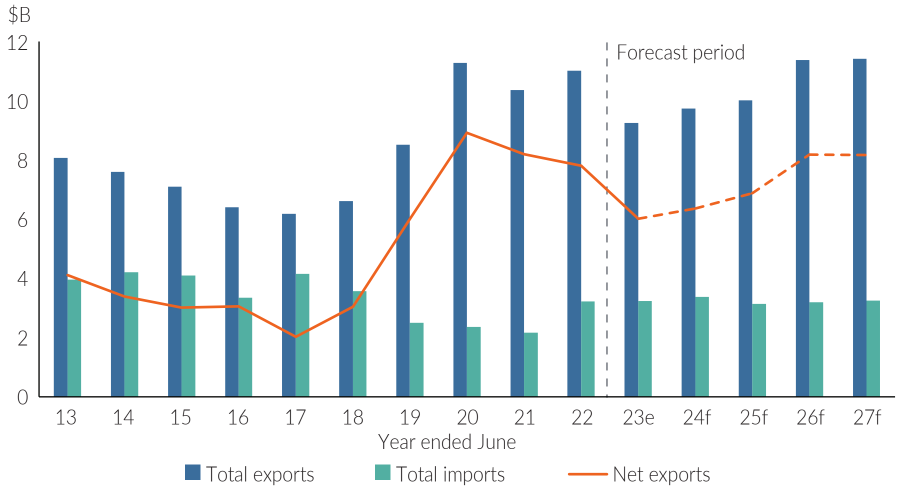
International trade

The Territory's trade profile has been revised substantially in the near term. Maintenance activity at Ichthys LNG, which disrupted LNG production in the second half of 2022, has resulted in fewer exports over 2022-23. Production from the Darwin LNG plant has also been lower than anticipated in the 2022-23 Budget, as the Bayu-Undan gas field nears depletion. As a result, exports are estimated to fall by 16.1% in 2022-23 in comparison to forecasts for modest growth in the 2022-23 Budget. Exports are then expected to grow gradually over 2023-24 and 2024-25 as a result of increased production from Ichthys LNG and Core Lithium ramping up production (Chart 3.3). Export growth is expected to increase further once the Barossa field comes on line in 2025-26.

After increasing by almost 50% in 2021-22, imports are now expected to remain relatively flat in 2022-23, in contrast to the 20% growth forecast in the 2022-23 Budget. This reflects data for the year to date, and weaker expectations for private investment growth. Higher private investment is generally associated with stronger imports as the Territory must source materials for large investment projects from overseas. Imports are forecast to grow by 4.2% in 2023-24, before falling by 7.1% in 2024-25 as construction work on the Barossa project nears completion.

As a result of these changes, net exports are forecast to decline by 23% in 2022-23 before returning to growth in 2023-24. Net exports are expected to average $7.1 billion per annum over the forecast period.

Chart 3.3: Territory net exports



e: estimate; f: forecast
Source: ABS, *Australian National Accounts: State Accounts*, Cat. No. 5220.0; Department of Treasury and Finance

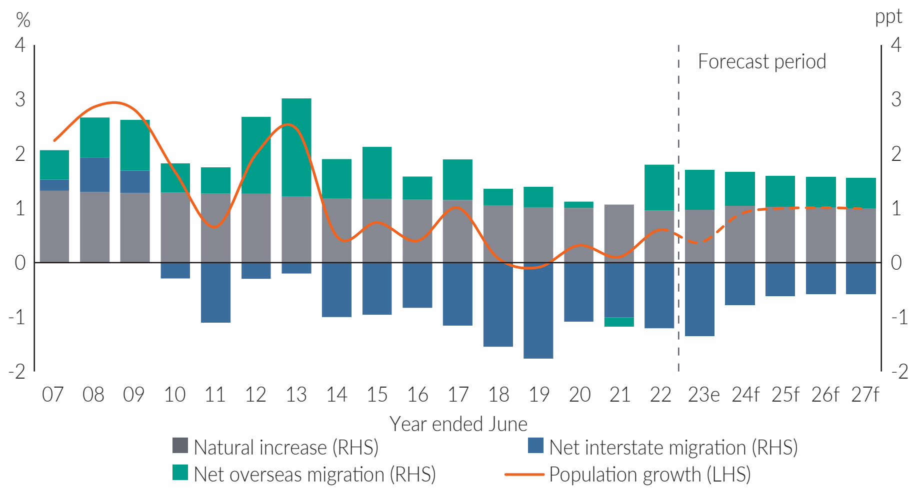
Population

The Territory's population is forecast to grow by 0.9% in 2023-24, increasing to 1% over the rest of the forecast period (Chart 3.4). This is 0.1 percentage points higher in each year than forecast in the 2022-23 Budget. However, population growth for 2022-23 is estimated to be 0.4%, slightly lower than the 0.6% growth forecast in the 2022-23 Budget.

Following the re-opening of international borders in early 2022, the Territory saw a surge in international arrivals. International departures have been slower to return to pre-pandemic levels, meaning net overseas migration outcomes are expected to be relatively strong in the near term. Offsetting these gains, interstate migration outflows are likely to remain higher than previously anticipated as pent-up demand to migrate out of the Territory and into other jurisdictions unfolds throughout 2022-23.

Natural increase is expected to contribute 1 percentage point to population growth in each year of the forecast period. Growth in the Territory's population over the five years to 2026-27 is estimated to be 0.9% per annum on average.

Chart 3.4: Population growth



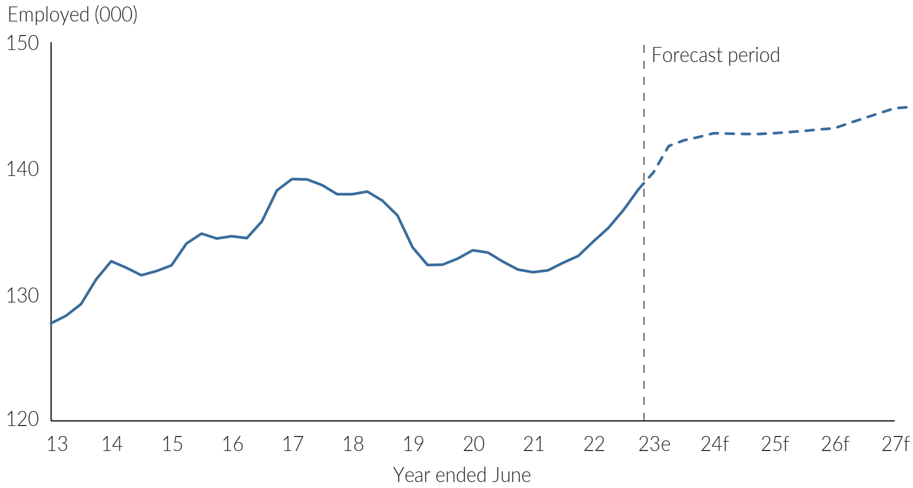
e: estimate; f: forecast; LHS: left-hand side; ppt: percentage point; RHS: right-hand side
Source: ABS, *Australian Demographic Statistics*, Cat. No. 3101.0; Department of Treasury and Finance

Labour market

Year to date employment outcomes in 2022-23 have been stronger than forecast in the 2022-23 Budget. The level of employment now sits above the levels seen during the peak of the Ichthys LNG project construction phase (Chart 3.5). Employment is now estimated to increase by 4.1% in 2022-23, before slowing to 2.2% in 2023-24. From 2024-25 onwards, employment growth is expected to be slower than previously forecast, consistent with the forecasts for state final demand.

Unemployment is expected to be lower over the forecast period than in the 2022-23 Budget, reflecting strength in employment. The unemployment rate is forecast to average 4.2% in 2023-24 and remain around that level over the forecast period. The participation rate forecasts have also been upgraded in the near term, but the participation rate is now forecast to fall in the outer years as employment growth slows.

Chart 3.5: Territory employment



e: estimate; f: forecast
Source: ABS, *Labour Force, Australia*, Cat. No. 6202.0; Department of Treasury and Finance

Prices and wages

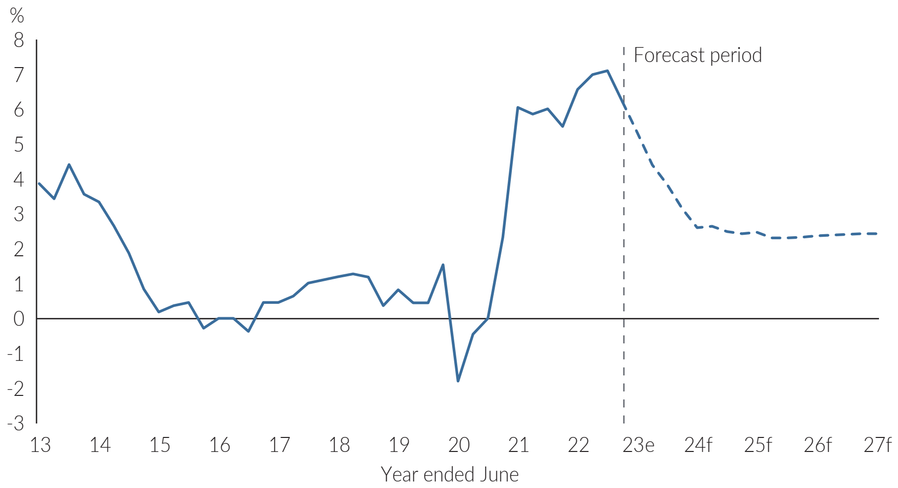
Inflation has been higher over the past year than forecast in the 2022-23 Budget, peaking in the December quarter 2022 at a 32-year high of 7.1% (Chart 3.6). As a result, the inflation forecasts have been revised upwards across the forecast period. Year-on-year growth in the CPI is estimated to be 6.4% in 2022-23, before falling to 3.5% in 2023-24 and settling around 2.4% over the forecast period. These revisions reflect outcomes to date, as well as expectations that inflation will be more persistent than previously thought.

Nevertheless, inflation in Darwin is expected to subside more quickly than nationally. Residential property rents are forecast to grow more slowly in the Territory than nationally and utility price increases, which are largely regulated by the Territory Government, have been capped at 2.7% for 2023-24.

Forecasts for wages growth have also been revised upwards. The tight labour market locally and nationally has put upward pressure on private sector wages. The decision by the Fair Work Commission to increase minimum and award wages by 5.2% and 4.6%, respectively, has also contributed to stronger wage outcomes over the past year than previously expected. Private sector wages growth is now expected to exceed 4% for most of the forecast period.

Forecasts for public sector wages growth have also been revised upwards to reflect expected Commonwealth Government wages growth, the revised NTPS 2021–2024 Wages Policy and recent enterprise agreements with teachers and corrections officers. As a result, year-on-year growth in the WPI for the Territory is expected to be 3.0% in 2022-23, 3.6% in 2023-24 and 3.5% in 2024-25.

Chart 3.6: Darwin inflation



e: estimate; f: forecast
Source: Department of Treasury and Finance; ABS, *Consumer Price Index, Australia*, Cat. No. 6401.0

Chapter 4

Fiscal strategy statement

Overview

Information provided in this chapter addresses requirements under sections 9(1)(d) and 9(1)(e) of the FITA to provide an assessment of expected outcomes for key fiscal indicators and explain how government's fiscal objectives and strategic priorities relate to principles of sound fiscal management. This section also complies with section 10(1)(g) of the FITA that states each fiscal outlook report is to contain an explanation of the factors and considerations contributing to any material differences between updated financial projections and government's fiscal objectives and targets.

Government's fiscal strategy

A fiscal strategy is an essential element of budget planning and accountability, and provides the basis against which policy decisions can be assessed.

Section 5(1) of the FITA requires the Territory Government to publish a fiscal strategy based on principles of sound fiscal management, where government must:

- formulate and apply spending and taxing policies, having regard to the effect of these policies on employment, economic development and growth of the Territory economy
- formulate and apply spending and taxing policies to give rise to a reasonable degree of stability and predictability
- ensure funding for services is provided by the current generation
- prudently manage financial risks faced by the Territory (having regard to economic circumstances), including the maintenance of Territory debt at prudent levels.

These financial management principles underpin the Territory's fiscal strategy objectives and consist of the following five strategic priorities on which the budget is based:

- sustainable service provision
- infrastructure for economic and community development
- competitive tax environment
- prudent management of debt and liabilities
- commercial management of government owned corporations.

Section 9(1)(c) of the FITA requires government to specify the key fiscal indicators it considers important and against which fiscal policy will be set and assessed. The key fiscal indicators on which the fiscal strategy is premised include the general government sector's net operating balance and the non financial public sector's fiscal balance, net debt and net debt to revenue ratio. The fiscal strategy also comprises other fiscal measures that support the key fiscal indicators.

2023-24 Budget fiscal strategy

The fiscal strategy objectives and targets in the 2023-24 Budget remain unchanged from those established in the 2019-20 Budget and reported in subsequent budgets. Detailed assessment of expected outcomes for fiscal strategy objectives and key fiscal targets follows.

Assessment of the fiscal strategy

Principle 1: Sustainable service provision

The principle of sustainable service provision satisfies the FITA principles of formulating and applying spending and taxing policies to give rise to a reasonable degree of stability and predictability, and ensure funding for current services is provided by the current generation.

Operating surpluses indicate government can finance services from revenue generated in that financial year. Conversely, operating deficits indicate revenues are insufficient to fund current operations. While in the short term cyclical operating deficits may be appropriate during periods of economic downturn, persistent or structural operating deficits subsequently pass debt relating to current services to future generations. Operating deficits also provide no capacity for investment in infrastructure beyond depreciation levels, without further borrowings.

Due to a relatively small own-source revenue base, the Territory has limited ability to influence the level of revenue it can generate, however, it is able to directly influence expenditure. Accordingly, the fiscal strategy objectives in pursuit of sustainable service provision aim to contain expenditure growth, maintain a financially sustainable public sector and achieve general government net operating surpluses.

While there is no explicit time period in the definition of a generation, the Territory's fiscal strategy adopts a medium-term target of 10 years to achieve an operating surplus and reduce debt to ensure current services are met by the current generation. Consequently, the overarching principle within each fiscal strategy objective is to achieve fiscal balance surpluses to reduce debt within 10 years.

Ongoing objective and target: Territory-funded expense growth to be lower than total own-source and untied revenue growth in the general government sector over the budget cycle from the budget year

This objective targets Territory-controllable expenditure growth and excludes time-limited external funding that can distort growth rates over the forward estimates and tends not to affect the fiscal outcome as increases in revenue are generally matched by a corresponding increase in expenditure. Lower growth in Territory-funded expenses than growth in total Territory own-source and untied revenues indicates the budget is on a path to achieving a general government operating balance surplus.

As shown in Table 4.1, Territory-funded expenses, excluding depreciation, are projected to decline by 2.2% in aggregate over the budget and forward estimates compared to anticipated growth in own-source and untied revenue of 9.1% over the same period. As a result, this fiscal strategy objective and target is projected to be achieved over the budget cycle.

The decline in estimated Territory-funded expenses over the budget cycle is largely driven by time-limited government operational commitments over 2023-24 and 2024-25, including for hospital and correctional services, repairs and maintenance, youth justice, tourism activities, and domestic, family and sexual violence prevention. Projected growth in own-source and untied revenue of 9.1% reflects improvements in GST revenue since the 2022-23 Budget.

Table 4.1: General government sector – Territory-funded expense growth, and own-source and untied revenue growth

	2023-24	2024-25	2025-26	2026-27		Target
	Budget	Forward estimate			Growth	on track
	$M	$M	$M	$M	%	
Territory-funded expenses[1]	5 669	5 519	5 481	5 544	- 2.2	yes
Own-source and untied revenue	5 603	5 752	5 882	6 115	9.1	

1 Excludes depreciation and unspent funds carried over from prior years.

Ongoing objective and target: Maintain a sustainable public service by ensuring annual growth in general government sector Territory-funded employee expenses does not exceed the wages policy parameter (net of efficiency dividends) plus the Territory's long-term annual population growth in any year over the budget and forward estimates period

The Territory's public service employee expenses account for about 40% of the general government sector's total expenses. Accordingly, maintaining a financially sustainable public service is critical in containing expenditure growth. However, as the Territory Government is a major contributor to the Territory economy and the single largest employer in the Territory, this fiscal strategy objective takes a balanced approach premised on ensuring outlays for service provision does not outpace population growth.

The target requires general government sector Territory-funded employee expense growth not to exceed the wages policy parameter, net of efficiency dividends, plus the Territory's long-term annual population growth in any year over the budget and forward estimates.

Since the 2022-23 Budget, all the factors influencing the target for Territory-funded employee expense growth have changed. As discussed earlier in Chapter 2 *Fiscal outlook*, the NTPS 2021–2024 Wages Policy was changed from a nil annual growth with non-cumulative lump sum payments policy, to a 2% compounding annual pay increase from 2023-24 (backdated for some agreements). Furthermore, while the efficiency dividend used to adjust Territory-funded expenses remained unchanged at 1% ongoing, a 1% savings measure was applied to all agencies in 2023-24. Consequently, as frontline expenditure equates to about 65% of total Territory-funded expenditure, this has resulted in a net efficiency dividend factor (inclusive of the savings measure), of 1.5% in 2023-24 and 0.5% ongoing from 2024-25 offsetting the wages policy parameter.

Following the release of preliminary population data by the Australian Bureau of Statistics (ABS) from the 2021 Census, the Territory's long-term annual population growth has declined from 1.4%, as previously reported, to 1.1%. While final population data is not expected until June 2023, the preliminary results have been used to update this fiscal strategy target. Accordingly, the 1.6% wages policy parameter in 2023-24 for the purposes of this assessment reflects the 2% wages policy, less an efficiency dividend of 1.5% (inclusive of the 1% saving measure), plus 1.1% long-term annual population growth.

Table 4.2 highlights that estimated Territory-funded employee expense growth is well below the sum of the wages policy parameter (net of efficiency dividends) and the Territory's 1.1% long-term annual population growth. It also demonstrates that government is containing growth in the general government sector's single largest expenditure item.

The projected growth profile in Territory-funded employee expenses over the budget cycle largely reflects time-limited policy commitments affecting 2023-24 and 2024-25, and a return to the long-term wages indexation factor of 2% from 2025-26.

Table 4.2: General government sector – Territory-funded employee expense growth

	2023-24	2024-25	2025-26	2026-27
	Budget	Forward estimate		
	%	%	%	%
Territory-funded employee expense growth	0.9	0.5	0.7	1.5
Wages policy parameter[1] plus long-term annual population growth	1.6	2.6	2.6	2.6
Target on track	yes	yes	yes	yes

1 Net of efficiency dividends.

Medium-term objective: Achieve a net operating balance surplus in the general government sector and maintain an improving net operating balance over the budget cycle

Target: Achieve a general government net operating balance surplus by 2027-28

Table 4.3 shows that the net operating balance is projected to be in surplus and improving from 2024-25. Accordingly, the fiscal strategy objective and target are on track to be met, with a net operating balance surplus projected three years ahead of the target.

Table 4.3: General government sector – net operating balance

	2023-24	2024-25	2025-26	2026-27	Target on track
	Budget	Forward estimate			
	$M	$M	$M	$M	
2023-24 Budget	- 200	121	209	282	yes

Long-term objective: Ensure new general government capital investment is funded through revenues rather than borrowings

The achievement of short and medium-term objectives of limiting expenditure growth and net operating balance surpluses will also facilitate the fulfilment of the long-term fiscal strategy objective of ensuring new general government capital investment is funded through revenues rather than borrowings.

Borrowing (net), as reported in financing activities on the cash flow statement, shows the amount of cash received from new loans, net of repayments and leases, that is used to fund operating and capital activities. Positive values indicate the Territory has insufficient cash to fund its operating and capital requirements and is relying on borrowings to meet these requirements, while negative values indicate repayment of debt or surplus cash available to fund new capital investment.

As shown in Table 4.4, general government sector borrowing (net) are projected to decline across the budget cycle, with cash surpluses now projected from 2026-27. Accordingly, while the fiscal balance is projected to remain in deficit until 2026-27, the requirement for new borrowings is expected to decline.

Table 4.4: General government sector – borrowing (net)

	2023-24	2024-25	2025-26	2026-27
	Budget	Forward estimate		
	$M	$M	$M	$M
2023-24 Budget	1 154	629	189	- 61

Principle 2: Infrastructure for economic and community development

The government's principle of infrastructure for economic and community development directly satisfies the FITA principle of economic development and growth of the Territory economy.

Capital investment is essential to meet the Territory's economic and social needs. This is particularly relevant in periods of economic downturn, where short-term counter-cyclical increases in infrastructure spending provide a stimulus to support economic recovery and sustain jobs in the Territory.

Ongoing objective and target: Average general government sector infrastructure investment not to fall below the level of average depreciation over the budget cycle and Territory-funded investment not to exceed twice the level of depreciation in any year

This fiscal strategy objective aims to strike an appropriate balance between maintaining public assets, supporting the economy and restraining expenditure growth.

As shown in Table 4.5, projected general government infrastructure investment, including Commonwealth-funded projects (comprising capital works, minor works, and repairs and maintenance expenses) is consistent with the first element of this objective, with annual average infrastructure investment over the budget cycle of $1.14 billion, well above annual average depreciation of $580 million.

This measure differs from total infrastructure payments of $2.11 billion for 2023-24, as reported in Budget Paper No. 4 *The Infrastructure Program*, as it excludes capital-related grants and is presented for the general government sector only.

The second element of this objective supports government's budget repair agenda by restraining growth and ensuring Territory-funded infrastructure investment does not exceed twice the level of depreciation in any single year. Table 4.5 highlights that this element of the strategy is also on track to being achieved, with the ratio of Territory-funded infrastructure to depreciation peaking at 1.6 in 2023-24 and averaging 1.3 over the budget cycle.

Table 4.5: General government sector – infrastructure investment to depreciation ratio

	2023-24	2024-25	2025-26	2026-27		Target
	Budget	Forward estimate			Average	on track
Total infrastructure investment ($M)	1 437	1 300	962	863	1 140	
Depreciation ($M)	591	581	577	571	580	yes
Territory-funded infrastructure investment ($M)	948	821	569	574	728	
Depreciation ($M)	591	581	577	571	580	
Territory-funded infrastructure investment to depreciation ratio	1.6	1.4	1.0	1.0	1.3	
Target on track	yes	yes	yes	yes	yes	

Further information on infrastructure investment is included in Chapter 2 *Fiscal outlook* and Budget Paper No. 4 *The Infrastructure Program*.

Short to medium-term objective: General government sector debt-funded infrastructure to be limited to projects with a positive economic return on investment

Target: 100% of general government capital works projects (excluding ICT) with a value exceeding $30 million progressed in accordance with the Northern Territory Project Development Framework

This fiscal strategy objective links the FITA principles of prudent debt management and economic development, and growth of the Territory economy by restricting new borrowings in the short to medium term to projects with demonstrated positive economic return on investment.

This will be achieved through ensuring all infrastructure investments with a Territory contribution exceeding $30 million are progressed in accordance with the Northern Territory Project Development Framework. The framework aims to ensure government-facilitated and funded projects are developed, evaluated and progressed through a consistent framework that enhances transparency and public accountability, and maximises the outcomes and public benefit of government expenditure.

Since the 2022-23 Budget, there have been no new Territory-funded capital works projects exceeding $30 million to progress through the framework.

Principle 3: Competitive tax environment

While the Territory's own-source revenue base is relatively small compared to other jurisdictions, taxation and own-source revenues provide the government with a reasonable degree of stability and predictability, which are key principles of the FITA. This stability provides consistent revenue streams to fund service delivery in contrast to more volatile GST revenue outcomes in recent years.

Furthermore, taxing policies can significantly influence private business investment and employment decisions. Consequently, competitive taxing policies play a critical role in pursuing the FITA principle of maintaining employment, economic development and growing the Territory economy.

Ongoing objective: Maintain a competitive tax environment that encourages investment, creates jobs and attracts business to the Territory, while raising sufficient revenue to contribute to funding government's service delivery requirements

Target: Territory taxation effort for the last assessed year by the Commonwealth Grants Commission at least 90% of the state average of 100%

This fiscal strategy objective aims to maintain taxation at levels that are competitive with other jurisdictions to encourage increased levels of business activity in the Territory while also ensuring sufficient levels of own-source revenue are generated to contribute to funding government's service delivery.

Relative tax competitiveness is complex to assess due to the inherent differences in respective economies and taxation regimes across jurisdictions. A nationally recognised measure of the competitiveness of each jurisdiction's tax system is taxation effort, as assessed by the CGC. This measure is a lagging indicator as the CGC updates the information annually based on the actual outcome of the previous year.

Taxation effort assesses the extent to which a jurisdiction's actual revenue collections are above or below its assessed capacity to raise revenue if it imposed national average tax settings. A ratio above 100 indicates a state is collecting more revenue than it would if it applied state average policy settings, whereas a ratio below 100 indicates that it collects less revenue than it would if it applied state average policies. The fiscal strategy aims to achieve an assessed taxation effort of at least 90% to maximise revenue generation while remaining competitive with other states.

Table 4.6 shows the Territory is the lowest taxing jurisdiction with an assessed taxation effort of 86.2% for 2021-22, the latest year assessed by the CGC. Accordingly, this fiscal strategy target has not been achieved as the Territory's taxation effort is below the target of 90%. The Territory generally demonstrates below-average taxation effort as it does not impose land tax and levies lower than average motor vehicle taxes.

Table 4.6: 2021-22 Taxation effort by jurisdiction

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average	Target met
	%	%	%	%	%	%	%	%	%	
Total taxation effort	96.8	106.9	94.6	102.1	96.3	87.9	139.3	86.2	100	no

Source: CGC 2023 Update

Despite a below-average taxation effort for 2021-22, the Territory's taxation effort has significantly increased from 76.1% in 2020-21. The increase in taxation effort is largely due to increases in stamp duty on conveyances relating to several large one-off commercial transactions in 2021-22 compared with 2020-21.

Ongoing objective: Generate own-source revenue efficiently

Target: Territory Revenue Office expenditure as a percentage of non financial public sector taxes and royalties less than 1%

As discussed earlier, own-source revenue generation improves financial stability and predictability. However, to maximise capacity for service delivery, the collection of own-source revenue must be efficient. Accordingly, the fiscal strategy aims for the Territory Revenue Office's operating expenditure to be less than 1% of total taxes and royalties collected.

Table 4.7 demonstrates this element of the fiscal strategy is expected to be achieved with the Territory Revenue Office's operating expenditure projected to be below the 1% target across the budget and forward estimates. Elevated operating expenditure in 2023-24 and 2024-25 reflects additional costs associated with developing a new revenue management system.

Table 4.7: Territory Revenue Office expenditure to taxation revenue raised

	2023-24	2024-25	2025-26	2026-27
	Budget	Forward estimate		
Territory Revenue Office expenditure ($M)	7	8	6	6
Territory taxes and royalties ($M)	1 073	1 001	963	1 005
Expenditure to revenue (%)	0.7	0.8	0.6	0.6
Target on track	yes	yes	yes	yes

Principle 4: Prudent management of debt and liabilities

The fiscal strategy principle of prudent management of debt and liabilities directly satisfies the FITA principles of managing financial risks faced by the Territory (having regard to economic circumstances), including maintaining Territory debt at prudent levels and ensuring funding for services is provided by the current generation.

During periods of low economic growth and constrained revenues, it may be prudent to raise higher levels of debt to maintain government expenditure and support services to the economy. When economic growth and own-source revenues are strong, lower borrowings are justified as they present an opportunity to reduce debt while there is strong revenue growth and private sector investment. Consequently, prudent debt management is difficult to explicitly define and requires borrowings to be assessed in the context of prevailing economic and fiscal conditions.

Ongoing objective: Maintain or improve the Territory's credit rating

Target: Territory's credit rating of Aa2 (negative) or better

Excessive debt can restrict government's capacity to maintain appropriate service levels through increased borrowing costs and impact investor confidence resulting in negative effects on the Territory economy.

Moody's Investors Service (Moody's) assigns long-term issuer and debt ratings to the NTTC, the entity that issues debt on behalf of the Territory and its government owned corporations. NTTC's debt is guaranteed by the Territory and the rating reflects the Territory's credit quality.

Credit ratings provide an independent assessment of a government's fiscal strength and ability to fulfil its financial commitments and repay debt. Higher ratings indicate a strong fiscal and economic position, and result in the ability to borrow at lower interest rates. Lower ratings indicate credit challenges, such as revenue or policy weaknesses and increasing debt levels, and result in higher interest rates on borrowings to compensate investors for elevated credit risk. Negative outlooks reflect a potential downgrade within the next six months to two years.

The Territory's credit rating was last assessed by Moody's on the 2022-23 Budget in June 2022, which resulted in an unchanged credit rating for the Territory at Aa3 with a stable outlook. Accordingly, this fiscal strategy target has not yet been met.

Long-term objective and target: The Territory's non financial public sector net debt to revenue ratio at or below 50%

The net debt to revenue ratio is a recognised measure of a jurisdiction's ability to repay borrowings, with a higher ratio indicating a lower ability to repay debt and a lower ratio indicating a stronger ability to repay debt. The net debt to revenue ratio is calculated as gross debt liabilities less select liquid financial assets as a proportion of total revenue for the non financial public sector. Historically, the Territory maintained a long-term average net debt to revenue ratio of 40%. Due to the implementation of revised accounting standards on leases, this long-term average has been adjusted to 50% and retained as a long-term objective of the fiscal strategy.

As shown in Table 4.8, the non financial public sector's net debt to revenue ratio is projected to be 113% in 2023-24, increasing to 118% by 2026-27. It is anticipated that the net debt to revenue ratio will peak at 122% in 2025-26 before declining over the medium term, in line with projected fiscal balance surpluses, and fall below 100% by 2030-31. Despite the projected decline in the net debt to revenue ratio over the medium term, the ratio is not expected to be at or below 50% and therefore this fiscal strategy objective and target is not likely to be met.

Table 4.8: Non financial public sector – net debt to revenue ratios

	2023-24	2024-25	2025-26	2026-27	Target on track
	Budget	Forward estimate			
	%	%	%	%	
2023-24 Budget	113	118	122	118	no

Since July 2021, the FITA incorporates a cap on assessable debt at the non financial public sector of $15 billion (the debt ceiling). The legislated debt ceiling increases accountability for financial performance and supports improving the Territory's credit rating and net debt to revenue ratio.

Assessable debt is defined as total borrowings less lease liabilities. Lease liabilities are excluded from the debt ceiling as their valuation is subject to changes in discount rates and does not correlate with actual cash proceeds sought from financial markets to fund the operating and capital activities of government.

Net debt is a fiscal measure determined by the ABS and accounting standards and can be influenced by valuations of leases and returns on investments. Targeting borrowings is an indirect means of controlling net debt, as government can directly control and influence its level of borrowings, exclusive of leases. Total borrowings will always be greater than reported net debt as borrowings represent gross debt liabilities, while net debt comprises gross debt liabilities less select liquid financial assets.

Table 4.9 presents the assessable debt for the 2023-24 Budget in accordance with the FITA debt ceiling. The table shows that total borrowings, excluding leases, are projected to be below the $15 billion cap in all years over the budget cycle.

Table 4.9: Non financial public sector – debt ceiling assessment

	2023-24	2024-25	2025-26	2026-27
	Budget	Forward estimate		
	$M	$M	$M	$M
Total borrowings	12 371	13 153	13 486	13 502
Less: leases	1 736	1 624	1 551	1 458
Total assessable debt	10 635	11 529	11 935	12 044
Target on track	yes	yes	yes	yes

Principle 5: Commercial management of government owned corporations

Government owned corporations operate on a commercial basis with the ability to recover most of their costs through charging consumers for the use of services. The Territory's government owned corporations are Power and Water Corporation, Territory Generation and Jacana Energy. Government owned corporations are governed under the *Government Owned Corporations Act 2001* and make up most of the public non financial corporation sector.

The Territory's debt levels and fiscal targets are materially impacted by the financial performance of government owned corporations. Consequently, this fiscal strategy principle aims to strengthen their commercial sustainability, increasing accountability for financial and non-financial performance, and reducing their reliance on government support. It directly satisfies the FITA principles of ensuring funding for services is provided by the current generation and prudent debt management, and assists in the overarching principle that government owned corporations as commercial entities should be self-supporting and largely autonomous.

As detailed earlier in Chapter 2 *Fiscal outlook*, given the concurrent development of the Territory budget and the SCIs, the fiscal strategy targets reported in final SCIs may differ from those reported in this chapter. At the time of writing, not all SCIs were finalised.

Ongoing objective and target: Ensure government owned corporation operating expenditure growth does not increase at a rate greater than operating revenue growth

Similar to the general government sector's fiscal strategy principle of sustainable service provision, this fiscal strategy objective aims to improve profitability and restrain expenditure growth specifically in government trading entities.

Table 4.10 shows that all three government owned corporations are expected to meet this element of the fiscal strategy. Power and Water Corporation's high growth rate for revenue is driven by a forecast increase in recoverable electricity network revenue from 2023-24. The decline in Territory Generation's revenue over the SCI period reflects decreasing electricity sales due to expected higher behind-the-meter solar generation and commencement of large scale competitor solar farms. The decline in Territory Generation's expenditure growth is more pronounced as it reflects a reduction in energy costs associated with lower electricity sales and more efficient generation, and cessation of one-off project costs in 2023-24.

Table 4.10: Government owned corporation growth rates over 2023-24 to 2026-27

	Power and Water Corporation	Territory Generation	Jacana Energy
	%	%	%
Revenue	18.1	- 2.8	7.2
Operating expenses[1]	5.4	- 8.5	6.5
Target on track	yes	yes	yes

1 Excludes depreciation, impairments, interest and tax expenses.

Ongoing objective: Adopt agreed commercial operational benchmarks in the statement of corporate intent

Target: 100% of appropriate targets as agreed with the shareholding minister reported

An SCI represents an annual performance agreement between the shareholding minister and the government owned corporation's board, and includes financial and non-financial performance targets. SCIs also provide updated projections for the budget year and forward estimates period. SCIs are prepared annually and form part of the Territory's budget development process. Agreed targets must be reported in each respective SCI.

This element of the fiscal strategy is expected to be achieved with each government owned corporation reporting their respective agreed targets in their 2023-24 SCIs.

Ongoing objective: Debt ratios should improve annually

Target: Debt to equity ratio (where applicable) maintained or improved over the statement of corporate intent period

The debt to equity ratio measures the relative proportion of shareholder equity and debt used to finance a corporation's assets. Lower ratios are more favourable and indicate less risk, while higher ratios indicate government owned corporations rely more on debt finance and therefore present higher risk. This fiscal strategy objective aims to improve these ratios over the SCI period to support the principle of prudent management of debt and liabilities.

As demonstrated in Table 4.11, Power and Water Corporation's estimated debt to equity ratio is maintained over the SCI period. Territory Generation's debt to equity ratio is expected to increase over the SCI period driven by increased borrowings to finance its capital replacement of aging generator assets.

Table 4.11: Government owned corporation 2023-24 statements of corporate intent debt to equity ratios

	2023-24	2024-25	2025-26	2026-27	Target on track
	Budget	Forward estimate			
Power and Water Corporation	1.0	1.0	1.0	1.0	yes
Territory Generation	1.8	1.9	2.0	2.0	no
Jacana Energy[1]	n/a	n/a	n/a	n/a	n/a

n/a: not applicable
1 Jacana Energy does not have any borrowings and therefore this fiscal measure is not reportable.

Ongoing objective: Reduce controllable costs and improve operating efficiencies

Target: Operating costs (less cost of sales) maintained or reduced over the statement of corporate intent period

This measure requires the corporations to continue improving operational efficiency by reducing costs that they are able to directly influence, such as personnel, professional fees, ICT, training, travel and property expenses, to improve profitability and increase returns to government.

Table 4.12 shows the government owned corporations, with the exception of Power and Water Corporation, are estimating they will meet this fiscal strategy objective and reduce or maintain controllable costs over the SCI period. The increase in controllable costs in the Power and Water Corporation reflects expected increases in repairs and maintenance and personnel costs over the SCI period, while the reduction in Territory Generation is driven by one-off project costs in 2023-24 and declining maintenance costs over the forward estimates.

Table 4.12: Government owned corporation 2023-24 statements of corporate intent controllable costs[1]

	2023-24	2024-25	2025-26	2026-27	Target on track
	Budget	Forward estimate			
	$M	$M	$M	$M	
Power and Water Corporation	232	229	238	249	no
Territory Generation	97	86	87	87	yes
Jacana Energy	20	19	18	18	yes

1 Controllable costs exclude cost of sales, depreciation, impairments, interest and tax expenses.

Medium-term objective: Increased returns for government in the form of dividends

Target: Dividends paid/payable greater than zero

Returns to government from the corporations support the delivery of essential social services including health, education and community safety. Increased returns also indicate a corporation's profitability has improved, increasing capacity to retire debt and subsequently leading to improvements in government debt targets.

Table 4.13 shows the government owned corporations, with the exception of Territory Generation, are expected to meet this element of the fiscal strategy with dividends projected to be paid across the SCI period.

Table 4.13: Government owned corporation 2023-24 statements of corporate intent dividends paid

	2023-24	2024-25	2025-26	2026-27	Target on track
	Budget	Forward estimate			
	$M	$M	$M	$M	
Power and Water Corporation	2.0	8.1	26.8	28.7	yes
Territory Generation	0.0	0.0	0.0	0.0	no
Jacana Energy	3.3	6.5	6.6	7.6	yes

The Power and Water Corporation is projecting to pay smaller dividends in 2023-24 and 2024-25 as a result of lower projected profits for 2022-23 and 2023-24. The reduced profitability for these years is largely the result of lower gas and recoverable electricity network revenue forecasts. No dividends are projected to be paid by Territory Generation over the budget cycle with profits used to finance Territory Generation's capital replacement program.

Chapter 5

Intergovernmental financial relations issues

The information provided in this chapter meets the requirements of sections 10(1)(b), 10(1)(c) and 10(1)(f) of the FITA in respect of Commonwealth revenues, both tied and untied. It includes forecasts of Commonwealth revenues and the assumptions on which they are based, explanations of material differences between the revised forecasts and those published in the 2022-23 Budget, and an analysis of the changes in the forecasts.

Overview

The Territory expects to receive $5.6 billion in Commonwealth revenue in 2023-24, which represents about 68% of total Territory revenue as detailed in Table 5.1. Commonwealth revenue comprises two types of funding: untied revenue of $3.8 billion and tied revenue of $1.79 billion in 2023-24.

The Territory's only untied revenue source from the Commonwealth is GST revenue, which is also the largest revenue transfer from the Commonwealth. In 2022-23 the Territory expects to receive $3.98 billion in GST revenue, consistent with the Commonwealth 2022-23 October Budget estimate for the Territory. This is an increase of $401 million (11.2%) compared with the forecast in the 2022-23 Budget. The higher estimate is largely driven by more resilient than expected household consumption and a $69 million balancing adjustment received in 2022-23 for underpaid GST revenue in 2021-22.

In 2023-24 the Territory expects to receive $3.8 billion in GST revenue, a decrease of 4.4% from the 2022-23 revised budget. The estimate reflects the combined impacts of an expected balancing adjustment, partially offset by an anticipated moderate increase to the GST pool of 1.9% and a higher relativity.

Tied revenue is estimated to contribute $1.79 billion in 2023-24, a decrease of $37 million compared with the 2022-23 revised budget. The decrease is attributable to program completion, agreement expiry, expected delivery and payment schedules.

Table 5.1: Non financial public sector – components of total revenue, 2022-23 to 2023-24

	2022-23 Budget	2022-23 Revised	2023-24 Budget
	$M	$M	$M
Untied Commonwealth revenue	3 576	3 977	3 804
GST revenue	3 576	3 977	3 804
Tied Commonwealth revenue	1 645	1 828	1 791
National funding agreements	868	868	880
Federation Funding Agreement payments	682	808	776
Specific purpose payments	15	15	15
Other Commonwealth payments	81	138	120
Total Commonwealth revenue	**5 221**	**5 805**	**5 595**
Other non-Commonwealth grants[1]	55	55	31
Total grants revenue	**5 276**	**5 860**	**5 626**
Territory own-source revenue	2 323	2 470	2 572
Total revenue	**7 599**	**8 330**	**8 198**

1 Includes grants from the private sector, non-government entities and other states, territories and local governments.

GST revenue

Overview

GST revenue is the largest revenue transfer from the Commonwealth, estimated to account for 68% of Commonwealth payments to the Territory or 46% of total Territory revenue in 2023-24.

GST revenue is dependent on four parameters: the national GST collections pool, the Territory's share of the national population, the Territory's GST relativity as determined by the Commonwealth Treasurer based on the recommendation of the CGC, and the impact of Commonwealth-legislated GST distribution reforms that commenced in 2021-22.

GST is paid to states and territories in line with Commonwealth GST forecasts. Actual GST entitlements are determined in the Commonwealth *Final Budget Outcome* and differences are reconciled through a balancing adjustment in the following financial year.

The Territory's GST revenue forecast across 2022-23 to 2026-27 is detailed in Table 5.2 below.

Table 5.2: Territory GST revenue

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
Territory GST revenue ($M)	3 977	3 804	4 020	4 195	4 373
Annual change in Territory GST revenue (%)		- 4.4	5.7	4.4	4.2

In 2022-23, the Territory's GST revenue of $3.98 billion reflects payments in accordance with the Commonwealth 2022-23 October Budget GST estimate, and includes a $69 million balancing adjustment payment relating to 2021-22 GST underpayments and a no-worse-off guarantee payment of $11 million. However, the Territory anticipates actual GST entitlements in 2022-23 to be $166 million lower than Commonwealth 2022-23 October Budget forecasts, which will be recoverable by the Commonwealth through a balancing adjustment in 2023-24. Actual Commonwealth payments may differ in the Commonwealth 2023-24 Budget.

In 2023-24, the Territory expects to receive $3.8 billion in GST revenue, a decrease of 4.4% from the 2022-23 revised budget. This reflects the combined impacts of the expected balancing adjustment and a no-worse-off guarantee payment of $26 million, partially offset by an anticipated moderate increase to the GST pool of 1.9% and a higher relativity of 4.98725 in 2023-24 from 4.86988 in 2022-23.

Table 5.3 shows how each of the GST parameters have contributed to the differences in the Territory's GST revenue estimates between 2022-23 and 2023-24.

Table 5.3: Estimated GST parameter drivers of change to GST revenue from 2022-23 to 2023-24

	$M
GST revenue for 2022-23	3 977
Change caused by:	
– GST pool	71
– GST relativities	97
– population share	- 25
– payment timing and interaction between GST parameters[1]	- 316
Total change	- 173
GST revenue for 2023-24	3 804

1 Payment timing reflects differences between Commonwealth budget forecasts and final entitlements, reconciled through balancing adjustments, as well as no-worse-off guarantee payments. Interactions are the combined impacts of GST pool, population and relativity being different to these changes in isolation.

Table 5.4 illustrates GST revenue estimate changes by parameter between the 2022-23 Budget and 2023-24 Budget.

Table 5.4: GST revenue estimate changes by parameter since 2022-23 Budget

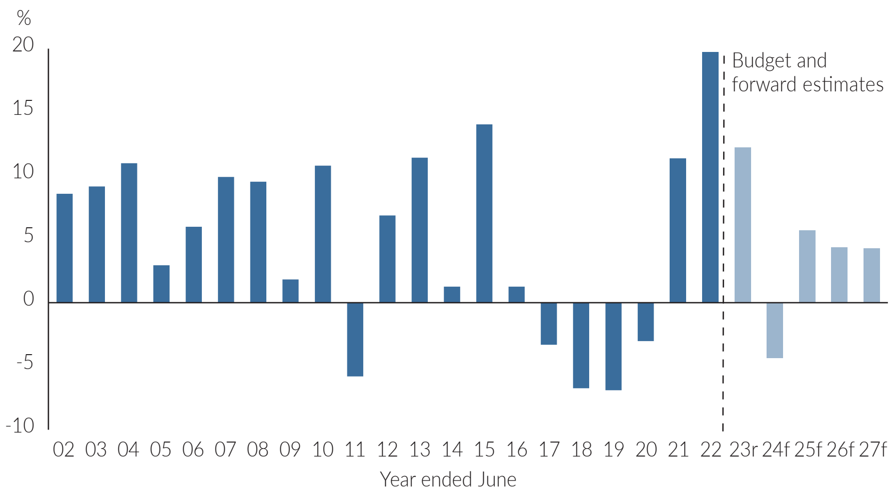
	2022-23	2023-24
	$M	$M
GST revenue		
As at 2022-23 Budget	3 576	3 683
As at 2023-24 Budget	3 977	3 804
Difference	401	121
Change caused by:		
– GST pool	148	58
– GST relativities		120
– population share	52	54
– payment timing and interactions between GST parameters[1]	202	- 110
Total change	401	121

1 Payment timing reflects differences between Commonwealth budget forecasts and final entitlements, reconciled through balancing adjustments, as well as no-worse-off guarantee payments. Interactions are the combined impacts of GST pool, population and relativity being different to these changes in isolation.

Across the forward estimates, the Territory's GST revenue estimate is $786 million lower than the Commonwealth 2022-23 October Budget estimate, predominantly due to differences in forecasts of GST pool growth and relativity.

Chart 5.1 shows annual GST growth for the Territory from 2001-02 and estimates across the budget cycle to 2026-27. It demonstrates that Territory GST revenue can be highly volatile due to fluctuations in the GST pool and Territory relativity, with actual annual growth rates ranging from -6.9% to 19.7% across 2001-02 to 2026-27. Since the introduction of GST, the Territory's GST revenue has averaged annual growth of about 5%.

Chart 5.1: Territory GST revenue annual growth, 2001-02 to 2026-27[1]



f: forecast; r: revised

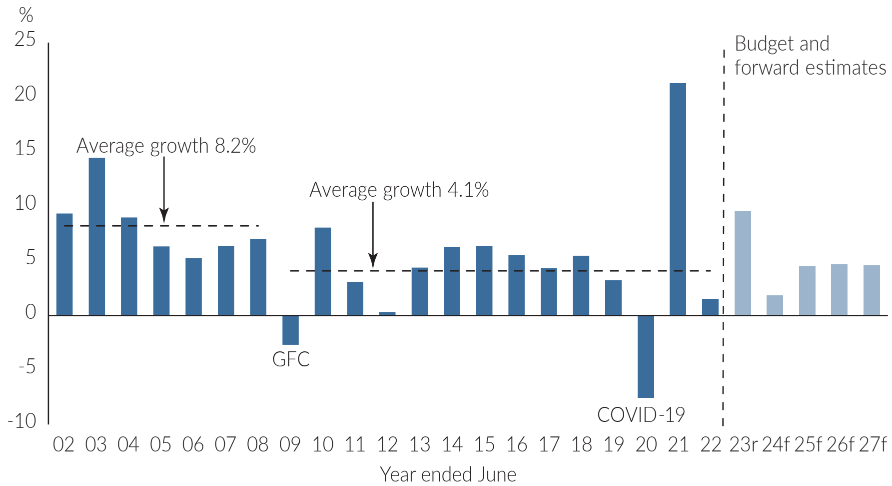
1 GST revenue amounts include balancing adjustments for the over or under payment of GST revenue to the Territory from preceding financial years. Includes no-worse-off guarantee payments from 2022-23. Excludes GST top-up payment in 2017-18 and 2019-20.

Source: Commonwealth *Final Budget Outcome* 2001-02 to 2021-22, Department of Treasury and Finance estimates for 2022-23 to 2026-27

GST collections pool

The GST pool determines the total amount of GST revenue available to be distributed to states and territories. It is directly impacted by changes in national consumption, private dwelling investment, and the broader performance of the national economy. Chart 5.2 illustrates growth in the GST pool since 2001-02. The GST pool has been subject to significantly higher volatility due to COVID-19 and global economic uncertainty since 2019-20, with pool growth one of the largest parameters driving changes to Territory GST revenue forecasts in 2022-23 and 2023-24.

Chart 5.2: Growth in the GST pool, 2001-02 to 2026-27[1]



f: forecast; GFC: global financial crisis; r: revised

1 Average growth is the compound annual growth rate over the reference period.

Source: Commonwealth *Final Budget Outcome*, 2001-02 to 2021-22, Department of Treasury and Finance estimates for 2022-23 to 2026-27

In 2022-23, the Territory expects the GST pool to increase by 9.6% from 2021-22. This is a 4.1% improvement in the GST pool compared with the 2022-23 Budget forecast, reflecting stronger consumption from households, particularly for discretionary goods and services, and high inflation.

GST pool growth in 2023-24 is expected to moderate to 1.9% due to downward impacts on consumption and dwelling investment arising from high inflation, interest rate increases, and declining household real wealth, which is also weighing on consumer confidence. In recent years, the most significant impact on GST collections has been the effect of COVID-19 on spending patterns and global supply chain disruptions. While COVID-19 risks to consumption have significantly lessened since the 2022-23 Budget, the outlook remains highly uncertain due to external factors affecting household spending, and national and broader global economic uncertainty.

To date, household consumption in Australia has remained resilient to the effects of economic uncertainty. Factors supporting consumer spending in 2022-23 include strong household balance sheets, underpinned by high levels of savings accumulated during the pandemic, high demand for services spending, and low unemployment coupled with high wages.

However, households are facing increased affordability issues across a range of factors impacting consumption. These include increased mortgage repayments from higher interest rates and price inflation, which is coinciding with declining asset values. As monetary policy operates with a lag, and the shifting of low fixed-term mortgage rates to significantly higher variable rates for some households takes time, the full impact of the RBA's tightening of monetary policy has not yet been fully felt by households.

Global economic conditions have had opposing impacts on household consumption and the Australian economy. Pandemic-related global shipping and supply chain disruptions are returning to normal, which is expected to moderate inflation over time, however the Russia-Ukraine conflict continues to place significant pressure on supply chains and is contributing to an extended period of high inflation globally. Although the RBA is undertaking monetary policy operations to influence domestic economic conditions, there is limited ability for governments to mitigate these external factors. The combined effect on GST collections remains uncertain.

GST relativity

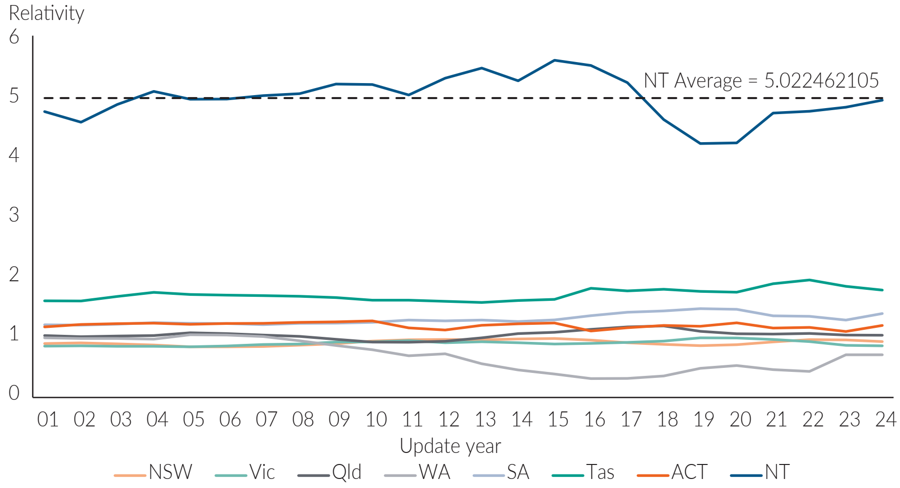
The GST relativity is a key parameter used to determine a state's GST revenue. The relativity, combined with a state's population, determines whether a state will receive more or less than its population share of the GST pool.

GST relativities are determined annually by the Commonwealth Treasurer based on recommendations by the CGC. The CGC calculates relativities based on data over a three-year rolling period to arrive at a distribution of GST revenue that allows all states to provide services and infrastructure to a similar standard, having regard to differences in each jurisdiction's revenue-raising capacities, cost of service delivery and underlying service delivery needs.

It is important to note the CGC's assessed revenue-raising capacity and assessed expenditure need for the Territory differs from actual revenue or expenditure incurred by the Territory. The CGC does not make recommendations on how states should allocate their budgets, nor does the CGC take into account all factors affecting the cost of delivering services in each state or territory.

In February 2023, the CGC released its 2023 Update which recommended an increase to the Territory's GST relativity to 4.98725 in 2023-24 from 4.86988 in 2022-23. While this is an improvement, it is still below the Territory's long-term average of 5.02246 as shown in Chart 5.3. Additionally, Chart 5.3 demonstrates that the Territory's relativity is subject to greater volatility over time compared with other states.

Chart 5.3: Territory GST relativity, 2000-01 to 2023-24



Source: Commonwealth *Final Budget Outcome*, 2000-01 to 2021-22, CGC *2023 Update for 2023-24*

The 2023-24 Budget adopts the CGC 2023 Update GST relativity for 2023-24. The GST relativity forecast for the forward estimates is based on a three-year average relativity held constant over the forecast period, adjusting for GST distribution reforms.

The 2023-24 GST relativity recognises that the Territory is assessed as having the lowest fiscal capacity of the states, reflecting:

- above-average assessed expenditure needs due to relatively high shares of disadvantaged population groups, including people living in remote and very remote areas, diseconomies of scale in administration and above-average infrastructure requirements, primarily for roads (increase in GST relativity)
- below-average assessed capacity to raise own-source revenue, reflecting below-average capacity to raise stamp duty and land tax, partially offset by slightly above-average capacity to raise mining revenue (increase in GST relativity)
- above-average assessed investment requirements and construction costs (increase in GST relativity)
- above-average share of Commonwealth payments (decrease in GST relativity).

The main contributors that increased the Territory's GST relativity in the 2023 Update as assessed by the CGC are:

- a fall in relative capacity to raise revenue from mining activity and property sales
- national spending growth for services used by Aboriginal people
- an increase in the Territory's population growth between 2018-19 and 2021-22
- a national increase in spending on services where population dispersion is a large driver of need (that is, a national increase in spending on remote services).

These positive factors were partly offset by increased national urban transport investment, which favours larger metropolitan centres, and revisions to the cost of investment in justice infrastructure.

The 2023-24 GST relativity also incorporates GST distribution reforms, which have the effect of reducing the Territory's relativity from 5.06071 to 4.98725. The reforms will be implemented over six years and the Territory can expect its relativity to continue to be negatively impacted through to 2026-27. If the transition had occurred in full, the Territory's relativity would have further reduced to 4.97173.

In the CGC 2023 Update, the CGC estimates the impact of the reforms result in a reduction to the Territory's GST revenue of $1 million based on Commonwealth 2022-23 October Budget forecasts of national GST collections pool and population shares. However, this has been offset by the Commonwealth pool boost and the temporary no-worse-off guarantee. GST reforms are detailed later in this chapter.

Through the CGC's use of data on a three-year rolling basis, the CGC 2023 Update is the second year in which COVID-19-impacted data has influenced state and territory GST relativity calculations. While COVID-19 did not have a significant direct impact on the Territory's relativity, it materially influenced the relativities of several other states and is expected to continue to impact states' relativities for at least two more years.

Population

Population is another key parameter used to determine a state and territory's GST revenue. A state's share of the national population affects its share of GST revenue. Shares are influenced by the level of population growth in each state and territory relative to national population growth.

The Territory estimates its share of the national population to decline over the budget and forward estimates from 0.9608% in 2022-23 to 0.9428% in 2026-27. This is marginally below the Commonwealth 2022-23 October Budget forecast of 0.981% to 0.979% over the same period. Both forecasts recognise the Territory's population growth is expected to be below national population growth rates over the forward estimates, however population growth may be stronger than forecast if new major projects reach final investment decision.

The Territory uses its own estimates of Territory population growth, given its local knowledge regarding major projects and other events that may affect migration levels. Estimates of other states' populations are based on the Commonwealth 2022-23 October Budget. Chapter 4 of the *Northern Territory Economy* publication provides more detail on the Territory's population characteristics and forecast growth patterns.

Balancing adjustment

GST payments to the states are made in line with GST entitlement forecasts as published in Commonwealth budget papers. This may be more or less than a state's actual entitlement, determined after the end of the financial year in the Commonwealth's *Final Budget Outcome*. Differences between the Commonwealth's forecast and *Final Budget Outcome* are reconciled through a balancing adjustment in the subsequent year's GST payments.

The Territory's 2022-23 balancing adjustment was $69 million, reflecting the variance between the Commonwealth GST entitlement forecast and the Territory's actual GST entitlement relating to 2021-22.

The Territory 2022-23 GST revenue forecast is aligned to the Commonwealth's 2022-23 October Budget GST entitlement forecast as this reflects expected payments. This results in a forecast balancing adjustment of $166 million to be recovered in 2023-24 for anticipated GST revenue overpayments in 2022-23.

GST distribution reforms

Changes to the way GST revenue is distributed among states came into effect in 2021-22 following the Commonwealth legislating changes in the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*.

GST relativities are calculated by the CGC in accordance with horizontal fiscal equalisation (HFE). The principle of HFE is designed to provide each state with the fiscal capacity to deliver the same or similar standard of services and associated infrastructure if each made the same effort to raise revenue from own sources and operated at the same level of efficiency.

The GST distribution reforms are being transitioned in stages, from 2021-22 to 2026-27, and comprise four elements:

- staged implementation of a new equalisation benchmark linked to the fiscally stronger of New South Wales or Victoria, also known as a transition from 'full' HFE to 'reasonable' HFE
- GST relativity floor
- Commonwealth-funded top-ups to the GST pool
- temporary no-worse-off guarantee from 2021-22 to 2026-27.

The GST distribution reforms make substantive changes to the manner in which GST is shared between the states. Previously, GST would be distributed based on the principles of full HFE, which equalised all jurisdictions to the fiscally strongest state. Under the new methodology, jurisdictions will be equalised to a reasonable HFE standard, being the fiscal capacity of either New South Wales or Victoria, whichever is greater.

The GST distribution reforms also introduce a GST relativity floor of 0.7 from 2022-23, increasing to 0.75 in 2024-25. If a jurisdiction's relativity is lower than the GST floor, the GST allocations of all other states will be reduced based on their share of the national population to fund the jurisdiction up to the relativity floor. Currently, the only jurisdiction with a relativity of less than 0.7 is Western Australia, reflecting its significantly above-average capacity to raise mining royalties.

To partially offset the negative impacts of these reforms on states other than Western Australia, the Commonwealth has committed to boost the GST pool with additional annual contributions of $600 million from 2021-22, increasing by a further $250 million from 2024-25. These payments will be indexed annually in line with GST pool growth.

In addition to supplementing the GST pool, if any jurisdiction's GST revenue under the new system is less than the GST that would have been realised under the old methodology (excluding the additional GST pool contribution from the Commonwealth), the Commonwealth has guaranteed additional payments to affected jurisdictions as part of a no-worse-off guarantee, calculated cumulatively from 2021-22. The Commonwealth refers to these payments as HFE transition payments, also known as no-worse-off guarantee payments.

To honour this guarantee, the Commonwealth 2022-23 October Budget estimated no-worse-off guarantee payments to states totalling $15.7 billion over the budget and forward estimates.

The net impact to the Territory varies annually due to the staged commencement of the GST distribution reforms and the relativities of all other states, in particular Western Australia. No-worse-off guarantee payment forecasts are based on the Territory's GST relativity outlook, as discussed earlier in this chapter.

The 2023-24 Budget includes $80 million in no-worse-off guarantee payments estimated to be received over 2022-23 to 2026-27, as the commencement of the GST relativity floor is expected to negatively impact the Territory by more than the additional Commonwealth pool payments.

Tied Commonwealth revenue

The majority of tied Commonwealth funding to the Territory is provided under the Intergovernmental Agreement on Federal Financial Relations (IGA) through national funding agreements, Federation Funding Agreements (FFA) schedules, and specific purpose payments (SPP). Tied funding is also provided outside the IGA through Commonwealth own-purpose expenses (COPE) funding arrangements.

National funding arrangements are bespoke complex agreements that contain significant policy content and act as sources of longer-term funding.

FFA cover the five sectors of health, education and skills, infrastructure, environment and affordable housing, community services and other agreements, with funding arrangements detailed in FFA schedules. National partnership and project agreements are being phased out through consolidation into the five FFAs as they expire, with no new national partnership or project agreements to be developed.

SPP funding is ongoing, indexed annually, untied within the relevant sector and distributed among the states on a population-share basis. SPP funding has been progressively phased out since 2012 and replaced predominantly with national funding agreements.

The Territory budget typically incorporates Commonwealth funding when agreements are signed, with agreements under development or negotiation not yet incorporated. Where agreements contain sufficiently specific performance obligations, revenue is recognised by the Territory as services are delivered. Where agreements do not contain sufficiently specific performance obligations, the Territory recognises revenue upfront on receipt of funds. Accordingly, timing variations will occur between revenue recognised by the Territory and payments specified in individual funding agreements.

Table 5.5 sets out tied Commonwealth revenue recognised by the Territory in 2022-23 and 2023-24 for key agreements.

Table 5.5: Tied Commonwealth revenue, 2022-23 and 2023-24

	2022-23 Revised	2023-24 Budget
	$M	$M
National funding agreements	868	880
National Health Reform Agreement	389	389
National School Reform Agreement	456	470
National Housing and Homelessness Agreement	21	21
National Mental Health and Suicide Prevention Agreement	2	
Federation Funding Agreement payments	808	776
Northern Territory Remote Aboriginal Investment	89	99
Remote Housing Northern Territory	235	31
Land Transport Infrastructure Projects	307	373
Housing and Essential Services on Northern Territory Homelands	25	75
Other Federation Funding Agreement payments[1]	152	197
Specific purpose payments	15	15
National Skills and Workforce Development	15	15
Other tied Commonwealth revenue[2]	138	120
Total tied Commonwealth revenue	1 828	1 791

1 Includes Barkly Regional Deal, COVID-19-related agreements, National Water Grid Fund and various minor agreements.
2 Includes Disaster Recovery Funding Arrangements and Commonwealth own-purpose expenses.

National funding agreements

National Health Reform Agreement

The Territory expects to receive $389 million in 2023-24, consistent with payments received in 2022-23.

The 2020–2025 Addendum to the National Health Reform Agreement (NHRA) provides Commonwealth funding arrangements for public hospitals over five years from 2020-21. The addendum provides an activity-based funding framework and arrangements aimed at delivering safe high quality care, a focus on prevention, driving best practice and increasing public hospital efficiencies by funding agreed services based on a national efficient price.

Between 2020-21 and 2024-25, the Commonwealth will continue to cap its total funding contribution growth for NHRA payments at 6.5% nationally per annum.

The addendum is subject to an external review commissioned by health ministers and scheduled for completion by December 2023.

National School Reform Agreement

The Territory expects to receive $470 million in 2023-24, an increase of $14 million from 2022-23, in line with expected Commonwealth funding for government and non-government schools.

The National School Reform Agreement sets out national education reforms aimed at driving improved student outcomes and requirements for school funding contributions consistent with the Commonwealth's Quality Schools package.

The agreement is scheduled to expire in 2022-23, however future funding is included in the Commonwealth's 2022-23 October Budget.

National Housing and Homelessness Agreement

The Territory expects to receive $21 million in 2023-24, unchanged from 2022-23.

The National Housing and Homelessness Agreement seeks to improve outcomes across the housing spectrum, including outcomes for Australians who are homeless or at risk of homelessness.

Funding under the agreement is scheduled to expire in 2022-23, however the agreement is ongoing and future funding is included in the Commonwealth's 2022-23 October Budget.

National Mental Health and Suicide Prevention Agreement

The Territory expects to receive $0.4 million in 2023-24, a decrease of $1.6 million from 2022-23, in line with the bilateral agreement.

The agreement commenced in 2022 and provides a joint commitment by all jurisdictions to improve the mental health of Australians and improve services in the Australian mental health and suicide prevention system. Funding under the National Mental Health and Suicide Prevention Agreement is provided through bilateral schedules with each jurisdiction. The Territory's bilateral agreement provides for up to $31 million in Commonwealth funding from 2021-22 to 2025-26, with the Territory contributing $13 million over the same period. The majority of this funding is provided directly to the Primary Health Network.

Federation Funding Agreement payments

Under Territory FFA schedules, Commonwealth funding of $776 million is expected in 2023-24, a decrease of $32 million from 2022-23. This is primarily driven by a decrease in the National Partnership for Remote Housing Northern Territory, which is partially offset by additional funding for the National Water Grid, Land Transport Infrastructure projects, and Housing and Essential Services on Northern Territory Homelands.

National Partnership on Northern Territory Remote Aboriginal Investment

The Territory expects to receive $99 million in 2023-24, an increase of $10 million from 2022-23.

The NTRAI commenced in 2015-16 with the aim of improving outcomes for remote Aboriginal people, funding health; schooling; community safety and justice; tackling alcohol abuse; child, youth, family and community wellbeing; housing; municipal and essential services; and remote engagement and coordination.

The original NTRAI expired on 30 June 2022 and provided total funding of $1 billion to the Territory. The Commonwealth announced a two-year extension to 2023-24 under existing terms, which will allow the Commonwealth and Territory governments and Aboriginal stakeholders to design future funding arrangements in line with community needs. NTRAI programs beyond 2023-24 are subject to negotiation.

National Partnership for Remote Housing Northern Territory

The Territory expects to receive $31 million in 2023-24, $204 million less than in 2022-23 consistent with program delivery expectations. The agreement expires in 2022-23, with a successor agreement currently under development with the Commonwealth.

The agreement aims to improve remote housing by addressing overcrowding, homelessness, poor housing conditions and severe housing shortages.

National Partnership Agreement on Land Transport Infrastructure Projects

In 2023-24, the Territory anticipates revenue of $373 million, $66 million more than the $307 million expected in 2022-23, primarily driven by revisions to program delivery timing.

The Land Transport Infrastructure Projects agreement commenced in 2019-20 for five years and contributes to a national transport system that is safe, sustainable, drives economic growth and supports a competitive infrastructure market. The agreement has a number of components, including Road Investment, Roads of Strategic Importance (ROSI), Black Spot projects, heavy vehicle safety, bridges renewal, and the Developing Northern Australia roads programs.

The Road Investment component includes a number of large-scale projects, including Tiger Brennan Drive/Berrimah Road intersection works, multiple strengthening and widening projects, and new street lighting and guardrails across the Territory. In 2023-24, the Territory expects $250 million Road Investment funding, an increase of $50 million from 2022-23.

The ROSI component aims to better connect regional business and communities across Australia. Significant future projects comprise road corridor upgrades including Adelaide River to Wadeye, Alice Springs to Darwin, Alice Springs to Halls Creek and Tennant Creek to Townsville, as well as upgrades to Territory gas industry roads. The Territory expects $103 million in 2023-24 under ROSI, an increase of $15 million from 2022-23.

Housing and Essential Services on Northern Territory Homelands

In 2022-23, the Territory has budgeted to receive $25 million, with a further $75 million in 2023-24, to deliver urgent housing and essential infrastructure on Territory homelands.

Other Federation Funding Agreement payments

National Water Grid Fund

The Territory expects to receive $9 million in 2022-23 and $56 million in 2023-24.

The National Water Grid Fund provides for the development of nationally important water infrastructure projects that support primary industries and unlock potential, promote growth and sustainability of regional economies, build resilience, and improve water reliability and security. The fund includes support for the Manton Dam return to service project, Strauss to Middle Arm pipeline and project development for the Adelaide River off-stream water storage. The fund succeeds the National Partnership for the National Water Infrastructure Development Fund.

Barkly Regional Deal

Funding from the Commonwealth in 2022-23 and 2023-24 under the Barkly Regional Deal is budgeted at $3 million and $4 million, respectively.

The Barkly Regional Deal is a 10-year initiative, comprising total project funding of $99 million, including $52 million from the Commonwealth, $44 million from the Territory Government and $3 million from the Barkly Regional Council. Initiatives supported under the deal include $16 million to construct the Barkly student boarding facility; $15 million to construct and operate a visitor park in Tennant Creek to provide a range of accommodation options for transitional and seasonal visitors from outlying communities; $4 million to construct, supported by $2 million per annum to operate, a Barkly youth justice accommodation facility; $3 million for the delivery of trauma-informed care training and workshops; and a Local Community Projects Fund for infrastructure in remote communities and homelands.

COVID-19-related agreements

Over the course of COVID-19, a number of targeted funding agreements were developed to support Australia's response to the pandemic. These agreements have expired or are expected to expire in 2022-23 in line with the post-vaccination phase of the *National Plan to Transition Australia's National COVID-19 Response*.

Specific purpose payments

In 2023-24, the Territory expects to receive $15 million for the National Skills and Workforce Development SPP, which supports vocational education and training. Funding is determined in accordance with SPP arrangements and is largely consistent year on year. The agreement is expected to be replaced by a National Skills Agreement, which is currently under development.

Other tied Commonwealth revenue

The Territory receives other tied revenue from the Commonwealth, including COPE and contingent payments. COPEs are primarily payments by the Commonwealth directly to a Territory agency for the provision of specific services or for on-passing to non-government and local government organisations. Contingent payments include funding under Disaster Recovery Funding Arrangements. It is estimated revenue for these agreements will total $120 million in 2023-24, $18 million less than 2022-23.

Other Commonwealth announcements for the Territory

Included in the Commonwealth's 2022-23 October Budget is investment of $2.6 billion in infrastructure projects across the Territory, transforming it into an industrial hub for next generation exports. The projects include:

- $1.5 billion in planned equity to support the construction of common user marine infrastructure within the Middle Arm Sustainable Development Precinct, providing a pathway to a decarbonised economy by helping emerging clean energy industries
- $440 million in planned equity to support the development of regional logistic hubs
- $350 million of additional funding to seal the Tanami Road and upgrading Central Arnhem Road
- $332 million towards the Northern Territory Strategic Roads Package.

In early 2023, the Commonwealth announced $298 million in funding for Central Australia, comprising:

- $250 million for the A Better, Safer Future for Central Australia plan to improve job creation, health services in surrounding communities, prevention of issues caused by foetal alcohol spectrum disorders, community safety and cohesion through youth engagement programs, investment in families by supporting elders and parents and boosting domestic violence services, and on-country learning to improve school attendance and completion
- $48 million to address community safety in Alice Springs through additional emergency accommodation and safe spaces, boosting domestic violence services, CCTV, lighting and other safety measures, high visibility policing, additional liquor licensing compliance inspectors and security in public places.

Funding relating to these Commonwealth commitments has not been incorporated in the Territory 2023-24 Budget, and will be included when agreements and business case processes are finalised.

Chapter 6

Territory taxes and royalties

In accordance with sections 10(1)(c) and 10(1)(f) of the FITA, this chapter includes forecasts of taxes and royalty revenues, explanations of material differences between the revised forecasts and those published in the 2022-23 Budget, and an analysis of the changes in the forecasts. It also includes a comparison of taxes and royalties with other jurisdictions to demonstrate tax policies are based on the FITA principles of sound fiscal management. In accordance with section 10(1)(d) of the FITA, an overview is provided of the Territory's forecast tax expenditure as a result of concessions and exemptions for 2022-23 through to 2026-27.

Overview

The two main sources of revenue for the Territory are Commonwealth revenue (discussed in Chapter 5 *Intergovernmental financial relations issues*) and own-source revenue (this chapter).

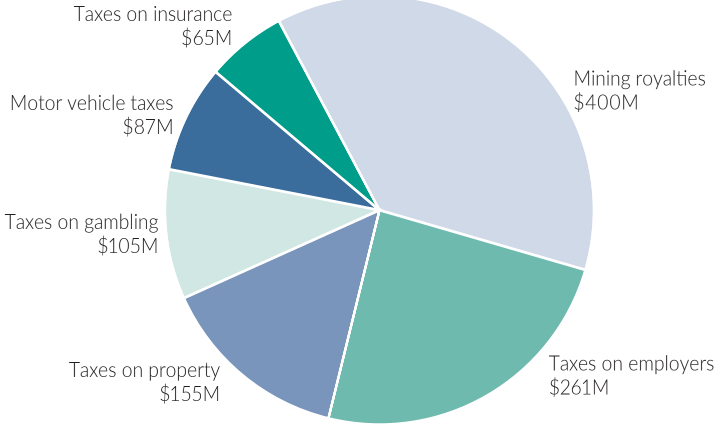
The Territory raises own-source revenue from a range of sources including taxes, mining royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets. Taxes and royalty revenue is expected to constitute 42% of own-source revenue or 13% of total revenue in 2023-24 in the non financial public sector.

The Territory's sources of revenue are broadly comparable with other states, with the exception of land tax which the Territory does not levy. However, the Territory is more reliant on revenue from the Commonwealth in comparison to other states, with own-source revenue comprising 31% of total revenue in 2023-24 in the non financial public sector, compared to an average of around 58% in other jurisdictions. This is due to the Territory's relatively low own-source revenue capacity, reflecting a population of just over 250,000 and a narrower industry base than other states. Nonetheless, own-source revenue provides the Territory with a degree of fiscal autonomy to support the delivery of infrastructure and services. This chapter focuses on own-source revenue from taxes and royalties.

Analysis of Territory taxes and royalties

The estimated revenue from taxes and royalties in 2023-24 for the non financial public sector totals $1.07 billion. The main contributors are mining royalties at 37%, taxes on employers (payroll tax) at 24% and taxes on property (conveyance duties) at 14%. Chart 6.1 shows the Territory's estimated revenue from taxes and royalties in 2023-24 according to the classification used in the UPF for the Territory's reporting requirements.

Chart 6.1: Main tax and royalty categories, 2023-24



Note: Excludes internal payroll tax payments within the non financial public sector.

Table 6.1 compares taxes and royalty estimates in the 2023-24 Budget with those published in the 2022-23 Budget. Total estimated tax and royalty revenue has been revised upwards in all years except 2025-26, largely due to stronger than expected payroll tax and conveyance duty revenue.

Table 6.1: Total Territory taxes and royalties

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2022-23 Budget	971	988	984	995	n/a
2023-24 Budget	1 040	1 073	1 001	963	1 005
Variation from 2022-23 Budget	69	85	17	- 32	n/a

n/a: not available at the time of publishing the 2022-23 Budget

For 2022-23, Territory taxes and royalties are estimated to total $1.04 billion, an increase of $69 million compared to the 2022-23 Budget of $971 million. Taxes and royalties are expected to increase to $1.07 billion in 2023-24 and remain around $1 billion per annum over the forward estimates. Table 6.2 highlights the variation in each tax line by year, compared to that published in the 2022-23 Budget.

Table 6.2: Main tax and royalty variations since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Mining royalties	22	54	- 17	- 62
Taxes on employers	20	20	24	22
Taxes on property	26	6	2	2
Taxes on gambling	nil	nil	nil	nil
Motor vehicle taxes	- 1	nil	nil	nil
Taxes on insurance	2	5	7	6
Variation from 2022-23 Budget	69	85	17	- 32

As shown in Table 6.2, the upward revisions to taxes and royalties in 2022-23 largely reflect:

- $26 million in additional conveyance duties predominantly due to several large commercial transactions
- $22 million in additional mining royalties, relating to revised royalty payer estimates and stronger than expected commodity prices
- $20 million in additional payroll taxes, due to stronger than anticipated employment and wages growth
- $2 million in additional taxes on insurance reflecting an increase in year-to-date receipts.

Tax receipts are expected to remain elevated in 2023-24 and over the forward estimates when compared to those reported in the 2022-23 Budget. From 2024-25, mining royalties are expected to moderate due to the impact of inflation on operating costs, forecast price declines for key commodities and reduced production at some mines in line with mine life projections.

Table 6.3 details the updated projections for taxes and royalties by each tax line.

Table 6.3: Main tax and royalty category estimates

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Mining royalties	367	400	316	273	286
Taxes on employers	253	261	271	270	284
Taxes on property	175	155	146	143	146
Taxes on gambling	102	105	109	112	116
Motor vehicle taxes	83	87	89	92	94
Taxes on insurance	61	65	69	74	78
Total	1 040	1 073	1 001	963	1 005

As shown in Table 6.3, the expected increase in tax receipts in 2023-24, compared to the prior year, is largely due to anticipated growth in mining royalties and taxes on employers. Lower than expected taxes on property in 2023-24 reflects an anticipated moderation in the residential property market as the lagged impact of interest rate increases begins to constrain activity and prices. Other taxes are largely expected to grow in line with the broader Territory economy over the budget and forward estimates period.

Revenue initiatives

The 2023-24 Budget includes the abolition of stamp duty on the conveyance of non-land property, except for chattels conveyed with an interest in land. Duty will also be abolished on chattels conveyed with a lease that has nil or nominal dutiable value. This initiative is expected to result in revenue forgone of up to $3 million per annum from 2023-24, while reducing red tape and expenses for transactions of this nature.

Mining and petroleum revenue

The Territory levies royalties on the extraction of mineral commodities from mining activities and onshore petroleum production. Mining and petroleum royalties are a charge for resource extraction, payable to the Territory as the owner of the resources.

Mineral royalties are collected in the Territory from gold, silver, bauxite, iron ore, manganese, lead, zinc and lithium. Royalties have also been imposed in the past on commodities such as copper, limestone, vermiculite and mineral sands, and the Territory is highly prospective for several other minerals, including phosphate and rare earths.

The Territory imposes a royalty based on 20% of the net value from mining activities after deductions for allowable costs. A minimum royalty rate of 1% to 2.5% applies to the gross production value of commodities extracted where the operator would otherwise pay less than that amount under the net value calculation.

A key feature of the Territory's mineral royalty scheme is that both commodity prices and mining costs are taken into account in royalty calculations. If commodity prices, production costs or the value of the Australian dollar rise or fall, royalty collections vary accordingly. This variability produces strong growth in royalty revenues in times of high mineral prices.

Mining and petroleum royalty projections use a range of information from mining companies and petroleum producers, including estimates of commodity price movements, production levels and the value of the Australian dollar. This is tested by the Department of Treasury and Finance's internal commodity price and market outlook.

In 2023-24, mining and petroleum royalty revenues are estimated to be $400 million, an increase of $54 million when compared to the 2022-23 Budget, largely reflecting stronger than forecast commodity prices. From 2024-25, mining royalties are expected to moderate due to the impact of inflation on operating costs, forecast price declines for key commodities and reduced production at some mines in line with mine life projections.

Mineral Development Taskforce

In November 2021, the Territory Government established the Mineral Development Taskforce to make recommendations on the Territory's resource sector including policy ideas to incentivise investment. The taskforce report and recommendations were publicly released on 14 April 2023, by the Hon Nicole Manison MLA, Deputy Chief Minister and Minister for Mining and Industry. The Department of Treasury and Finance has been tasked with leading a consultation process on options for the future of the Territory's mineral royalty scheme, one of the key recommendations of the report.

Petroleum Royalty Act 2023

The new *Petroleum Royalty Act 2023* commences 1 July 2023, establishing stand-alone legislation for the new onshore petroleum royalty regime.

Under the new petroleum royalty regime, the Territory will continue to impose an ad valorem royalty at the rate of 10% on the value of production at the wellhead, which is generally consistent with other Australian jurisdictions. The wellhead value is important for royalty as it is the point at which ownership of the resource transfers from the Territory to the producer. As most petroleum is not sold at the wellhead, the value at the wellhead is calculated by recognising certain post-wellhead costs incurred in transforming the raw product to its first saleable point. The *Petroleum Royalty Act 2023* includes the following key features:

- sets out the royalty calculation in legislation
- incorporates a royalty on petroleum sold or used under an exploration permit (appraisal gas)
- imposes royalty on petroleum that is vented or flared by a producer, to incentivise optimal use of resources by producers
- includes a review mechanism in the legislation to review the effectiveness and efficiency of the regime within five years of its commencement.

The *Petroleum Royalty Act 2023* provides certainty to industry and other stakeholders, contains administrative provisions to protect the integrity of the scheme and provides transparency. It also ensures the Territory always receives a return for the removal of its non-renewable resources, with the recognition of post wellhead allowable costs, capped at 75% of the sales value of petroleum. All current producers are being transitioned onto the new regime by 1 July 2023.

Taxation revenue

The Territory's taxation revenue comprises payroll tax, stamp duty, and taxes on gambling, insurance and motor vehicles. The Territory's taxation revenue for 2022-23 is expected to total $674 million and remain around this level in 2023-24, with some softening in conveyance duty offset by stronger payroll tax collections. Over the forward estimates, taxation revenue is expected to grow modestly across all categories other than conveyance duty, and increase as a portion of total own-source revenue. Table 6.4 reports the taxation revenue projections in the 2023-24 Budget.

Table 6.4: Territory taxation revenue

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Taxes on employers					
Payroll tax	252 589	261 443	271 458	269 652	284 348
Taxes on property					
Conveyance and related duty	175 334	155 243	146 414	142 509	146 490
Taxes on the provision of goods and services					
Taxes on gambling	101 552	104 830	108 555	112 411	116 297
Taxes on insurance	61 230	65 086	69 185	73 542	78 173
Taxes on use of goods and performance of activities					
Motor vehicle taxes	81 001	84 692	87 265	89 887	92 266
Passenger services levy	2 000	2 000	2 000	2 000	2 000
Total	673 706	673 294	684 877	690 002	719 574

Taxes on employers

Payroll tax

Payroll tax is payable in the Territory when the total annual Australian wages of an employer (or group of employers) exceeds $1.5 million. Payroll tax is imposed at a rate of 5.5% on taxable Territory wages less an annual deduction of up to $1.5 million.

The amount of the deduction is based on a sliding scale starting at $1.5 million and reducing by $1 for every $4 in wages paid by an employer over $1.5 million. This means an employer paying wages of $4.5 million receives a deduction of $0.75 million, whereas an employer paying wages of $7.5 million or more receives no deduction and payroll tax is calculated on the total taxable wages paid by that employer.

In 2022-23, payroll tax revenue is expected to total $252.6 million, about $20 million above the forecast in the 2022-23 Budget. Payroll tax forecasts are expected to remain at least $20 million higher in all years over the forward estimates compared to the 2022-23 Budget, reflecting stronger employment and wages growth over the period. Payroll tax receipts are expected to dip slightly in 2025-26 coinciding with the transition from construction to operational activity on the Barossa offshore LNG facility.

Taxes on property

The Territory's conveyance and related duty is derived from direct and indirect conveyances of dutiable property in the Territory. Dutiable property includes land and business assets.

The imposition of conveyance and related duty in the Territory differs depending on the dutiable value of the property. There are four tax brackets for conveyance and related duty. For property in the lowest tax bracket (dutiable value not exceeding $525,000), a formula-derived rate is applied. Otherwise, a fixed rate applies determined by the value of the item being conveyed, as outlined in Table 6.5.

Table 6.5: Stamp duty rates greater than $525,000

Value range of asset being conveyed	Stamp duty rate %
Exceeds $525,000 but less than $3,000,000	4.95
$3,000,000 to less than $5,000,000	5.75
$5,000,000 or greater	5.95

The Territory's stamp duty regime is different to other states, which levy stamp duty on the basis of marginal rates. A comparison of the Territory's stamp duty regime with the other states is provided later in this chapter.

In 2022-23, the Territory is expected to collect $175.3 million in conveyance and related duty, an increase of $26.3 million from that forecast in the 2022-23 Budget. This variation reflects a stronger than expected residential property market and a number of large commercial transactions during the year, which are difficult to anticipate.

In 2023-24, conveyance and related duty is expected to reduce to $155.2 million as the lagged impact of interest rate increases begins to constrain residential property transaction volumes and prices. Conveyance and related duty is expected to stabilise at around $145 million per annum over the forward estimates, noting large commercial transactions can materially impact receipts in a given year and are not included in the forecasts due to their sporadic nature.

Taxes on the provision of goods and services

Taxes on gambling

Gambling taxes in the Territory comprise community gaming machine tax, lotteries tax, the community benefit levy, bookmaker tax, casino/internet tax, wagering tax and betting exchange tax. Gambling tax revenue is a consistent and relatively stable contributor to Territory own-source revenue, and is forecast to total $101.6 million in 2022-23, in line with the 2022-23 Budget forecast.

In 2023-24, the Territory expects to receive $104.8 million in gambling taxes with growth over the forward estimates in line with historical growth rates and 2022-23 Budget forecasts. While households are facing cost of living headwinds, gambling, unlike other discretionary spending, tends to be relatively resilient.

Table 6.6 shows the estimated revenue from each of the Territory's gambling taxes.

Table 6.6: Estimated revenue from gambling taxes

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Community gaming machine tax	38 315	39 737	41 215	42 752	44 411
Lotteries tax	22 833	23 950	25 121	26 350	27 248
Community benefit levy	14 046	13 373	13 713	14 067	14 658
Bookmaker tax	20 224	21 498	22 135	22 772	23 409
Casino/internet tax	4 599	4 657	4 715	4 775	4 835
Betting exchange tax	1 270	1 350	1 390	1 430	1 470
Wagering tax	266	266	266	266	266
Total	101 552	104 830	108 555	112 411	116 297

Community gaming machine tax is based on gross profits (that is, net player losses) from gaming machines and is estimated to total $38.3 million in 2022-23. In 2023-24, gaming machine revenue is expected to grow to $39.7 million, and subsequently increase over the forward estimates in accordance with annual trend growth of about 3.7%. This projection reflects overall population growth and economic activity.

Lotteries tax revenue is expected to total $22.8 million in 2022-23, which is about $9 million lower than anticipated in the 2022-23 Budget. This is the second year that lotteries tax revenue has been lower than expected, and is inconsistent with historical growth patterns. The reduction in lotteries tax has been offset by an increase in gaming machine tax, which may indicate a shift in gambling practices and behaviours.

The community benefit levy is directed to the Community Benefit Fund and fluctuates according to community gaming machine tax receipts. The levy is expected to increase by $1 million in 2022-23 to $14 million when compared to the 2022-23 Budget and thereafter stabilise over the forward estimates in line with broader community gaming machine tax revenues.

Bookmaker tax is expected to total $20.2 million in 2022-23, around $7.8 million higher than forecast in the 2022-23 Budget, and higher in all years over the forward estimates. The elevated receipts reflect increases in bookmaking activity driven by additional market entrants, increased turnover of existing entrants, and CPI-based growth in the tax cap.

The forecast for casino/internet tax revenue is largely consistent with the 2022-23 Budget. Receipts of $4.6 million are expected in 2022-23 and forecast to total $4.7 million in 2023-24, with receipts anticipated to increase modestly by 1.3% per annum over the forward estimates.

Betting exchange tax revenue is expected to total $1.3 million in 2023-24, with forecasts over the forward estimates remaining consistent with the 2022-23 Budget.

Wagering tax revenue is expected to total $0.3 million in 2022-23, $0.1 million more than in the 2022-23 Budget. This increase largely accords with increased sports and racing betting activity, and is expected to remain stable in 2023-24 and over the forward estimates.

Taxes on insurance

Insurance duty is imposed on general insurance policies. Stamp duty on general insurance is calculated at a rate of 10% of the premium paid on all general insurance products relating to property or risk in the Territory. Where the policy also relates to a risk or property outside the Territory, the premium is apportioned.

Revenue from insurance duty is estimated to total $61.2 million in 2022-23, an increase of $2.3 million compared to the 2022-23 Budget forecast. Insurance receipts are expected to total $65.1 million in 2023-24, and grow annually thereafter at 6.3% per annum over the medium-term, in line with historical growth trends and slightly higher than 2022-23 Budget forecasts.

Taxes on use of goods and performance of activities

Motor vehicle taxes

Motor vehicle taxes comprise stamp duty on the transfer and initial registration of motor vehicles and motor vehicle registration fees.

Generally, stamp duty is levied on the purchase price of the vehicle at a rate of $3 per $100 or part thereof. In 2022-23, revenue from this source is estimated to total $20.6 million, largely consistent with 2022-23 Budget forecasts. Receipts in 2023-24 are expected to total $21 million, increasing at the long-term trend rate of 2.1% per annum.

Motor vehicle registrations comprise heavy vehicle and light vehicle registrations. Heavy vehicle registration fees are determined by the National Transport and Infrastructure Council. Light vehicle registration fees are determined by each state. In the Territory, the light vehicle registration fee is calculated by reference to a differential rate scale based on the engine capacity of the vehicle. Fees are expressed in revenue units, with the monetary value of a revenue unit indexed on 1 July each year in accordance with the *Revenue Units Act 2009*.

In 2022-23, the Territory is forecast to receive $60.4 million in motor vehicle fees, slightly less than the $61.6 million forecast in the 2022-23 Budget. Revenue is expected to increase to $63.7 million in 2023-24 and grow by 2.9% per annum over the forward estimates in line with revenue unit indexation and steady vehicle registration growth consistent with the economic outlook.

Passenger services levy

A passenger services levy of $1 is imposed on every trip taken in a taxi, minibus, private hire car or ride-share vehicle. Revenue from the passenger services levy remains unchanged, and is estimated at $2 million in 2022-23 and ongoing.

Interstate tax comparison

Taxation and own-source revenues provide the government with a reasonable degree of stability and predictability, which are key principles of the FITA. This stability provides consistent revenue streams to fund service delivery. Furthermore, taxing policies can significantly influence investment and employment decisions. Consequently, competitive taxing policies play a critical role in pursuing the FITA principle of maintaining employment, economic development and growth of the Territory economy. This section provides analysis of the Territory's tax competitiveness relative to other jurisdictions.

The composition of the Territory's taxes is comparable to other jurisdictions, with a number of differences in the application of particular taxes. These differences primarily relate to tax rates, tax exemptions and tax thresholds. Fiscal federalism – the ability of states to set their own rates and tax bases – promotes competition between jurisdictions, and provides autonomy in calibrating tax systems to achieve the jurisdiction's specific fiscal, economic and social aims.

There are various approaches to measuring tax competitiveness. Two common approaches are CGC measures of taxation effort and capacity, and the representative taxpayer model.

Commonwealth Grants Commission

Revenue effort

The CGC assesses each state's revenue-raising effort on an annual basis. Revenue effort is the ratio of the actual amount of revenue a state raises compared to the amount of tax revenue CGC assesses could be raised if the state applied national average tax rates to its tax base.

Average revenue effort is assessed as 100%. A state with an above-average revenue effort will score more than 100%, while a below-average effort scores less than 100%.

Table 6.7 provides a comparison of the CGC's assessment of taxation and own-source revenue raising effort in 2021-22 (the most recent year for which an assessment is available). Total own-source revenue effort includes taxation and mining revenue, contributions by trading enterprises (government owned corporations) and user charges for some government services, including waste management levies, road charges and registry services.

Table 6.7: Revenue effort by jurisdiction, 2021-22

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Total taxation effort	96.8	106.9	94.6	102.1	96.3	87.9	139.3	86.2
Total own-source revenue effort	93.0	101.1	101.5	101.4	106.5	114.0	154.9	123.5

Source: CGC 2023 Update

The Territory's taxation effort remains below the national average, albeit improving in comparison to 2020-21. The Territory generally demonstrates below-average taxation effort as it does not impose land tax and levies lower than average motor vehicle taxes. However, total own-source revenue effort is well above the national average and second only to the Australian Capital Territory, mostly due to the Territory's mineral royalty arrangements.

The 2021-22 outcomes are higher than the results reported for 2020-21 when the Territory's total taxation and own-source revenue efforts were 76.1% and 111.7%, respectively. The Territory's improved taxation effort is largely due to increases in stamp duty on conveyances relating to several large one-off commercial transactions in 2021-22 compared with 2020-21. The improved own-source revenue effort reflects the same factors affecting the taxation effort as well as the impact of higher commodity prices on the Territory mineral royalty receipts.

Revenue capacity

States are limited to growing their own-source revenues by either replacing current taxes with a new growth tax or expanding existing tax bases. States are unable to raise excise or customs duties under the Australian Constitution while the Commonwealth has long assumed the collection of income tax.

In 2022-23, the Territory's taxation and royalty own-source revenue comprises about 13% of total revenue for the non financial public sector.

Optimally, state taxation policy balances the aims of raising sufficient revenue to fund government services, minimising the tax burden and imposition of red tape for taxpayers, cultivating conditions for business growth, and creating a tax environment that is competitive with other jurisdictions and attracts private investment.

Although all states face similar constraints in raising own-source revenue, the Territory's capacity to raise revenue is further limited by its relatively small resident and business tax base. This is illustrated in Table 6.8, which reports the CGC's assessments of revenue-raising capacity for major state taxes and mining revenue. Revenue-raising capacity is the ratio of the per capita amount a state could raise if it applied the national average policy to its tax base, compared to actual per capita average revenue raised on the national tax base. This measure removes differences in state policies such as the Territory's decision not to impose land tax. A ratio close to 100 means the Territory's actual revenue-raising capacity for that tax category matches the state average (for example, payroll tax).

Table 6.8: Assessed revenue-raising capacity, 2021-22

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Payroll tax	104.3	100.0	87.0	136.7	76.5	63.9	87.9	101.0
Land tax	146.8	119.8	52.3	67.2	45.2	35.4	43.5	76.2
Stamp duty	132.7	102.5	86.3	64.5	58.4	54.6	101.9	57.4
Insurance tax	108.0	93.8	96.9	90.9	121.3	79.6	83.8	91.7
Motor tax	91.6	100.8	104.6	111.9	105.4	114.0	78.0	90.0
Total taxation	117.0	102.7	87.0	94.4	75.9	68.4	88.3	82.1
Mining revenue	52.4	3.6	157.9	442.8	22.2	24.5	0.0	80.5

Source: CGC 2023 Update

The main difference from the Territory's assessed 2020-21 revenue-raising capacity is a reduction in assessed mining revenue capacity from 121.6% to 80.5% in 2021-22. The change is mostly due to a relative increase in revenue-raising capacity from mining for New South Wales and Queensland, which rose significantly on the back of substantial coal production.

Other than payroll tax, the Territory is assessed as having a relatively low capacity to raise taxes, particularly land tax and conveyance duty, where the Territory's capacity is significantly below the national average of 100%. This reflects the Territory's geographical composition, a relatively small number of very high value commercial and residential properties, a resident population just over 250,000, and large areas of the Territory with very little private property ownership.

Representative taxpayer model

The following tables and charts provide comparisons of various taxes payable in each jurisdiction by an entity, by applying each state's tax rate to a representative or average standard, to support the FITA principles of sound fiscal management.

Payroll tax

Table 6.9 compares the payroll tax rates and thresholds for each jurisdiction. The table shows the Territory's payroll tax annual threshold is the equal second highest in Australia and its payroll tax rate is slightly above the national average.

Table 6.9: State and territory payroll tax rates and annual thresholds for 2022-23

	NSW	Vic[1]	Qld[2]	WA[3]	SA[4]	Tas[5]	ACT	NT[6]	Average
Threshold ($M)	1.20	0.70	1.30	1.00	1.50	1.25	2.00	1.50	1.31
Rate (%)	5.45	4.85	4.75	5.50	4.95	4.00	6.85	5.50	5.23

1 Rate is 1.2125% for regional employers. Mental health and wellbeing surcharge of 0.5% applies to annual taxable wages, where an employer's Australian wages exceed $10 million. Additional 0.5% surcharge applies to annual taxable wages where Australian wages exceed $100 million. The surcharges only apply to wages in excess of those thresholds.
2 Rate is 4.75% for wages between $1.3 million and $6.5 million, and 4.95% for wages over $6.5 million. The tax-free threshold reduces as an employer's Australian wages increases, with no deduction provided for employers with wages over $6.5 million. Regional employers may be entitled to a 1% discount on headline rates until 30 June 2023. A mental health levy commenced January 2023, and applies a 0.25% surcharge to annual taxable wages, where an employer's Australian taxable wages exceed $10 million, and an additional 0.5% surcharge to annual taxable wages, where an employer's Australian taxable wages exceed $100 million. Surcharges only apply to wages in excess of those thresholds.
3 Threshold reduces as an employer's wages increase, with no deduction for employers with wages over $7.5 million. Where annual Australian taxable wages exceed $100 million, a tax rate of 6% applies to taxable wages. Similarly, a rate of 6.5% applies where annual Australian taxable wages exceed $1.5 billion.
4 Rate increases from 0% to 4.95% for employers with wages between $1.5 million and $1.7 million. A maximum deduction of $600,000 is available to employers.
5 Rate is 4% for wages between $1.25 million and $2 million, and 6.1% for wages over $2 million.
6 Threshold reduces as an employer's payroll increases, with no deduction for employers with payrolls over $7.5 million.
Source: State legislation and information available at 2 March 2023

Table 6.10 provides the effective payroll tax rate at various wage levels for each jurisdiction after considering individual state thresholds and the payroll tax rates. For businesses with wages of $3 million and below, the Territory has a very competitive payroll tax scheme with effective tax rates either around or below the national average and no tax payable when taxable wages are $1.5 million or less. For very large businesses with annual wage costs of $20 million or more, the Territory has a more favourable effective payroll tax rate than the Australian Capital Territory and Tasmania, and is comparable to Western Australia.

Table 6.10: Effective state and territory payroll tax rates at various annual wage levels for 2022-23

Wages	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
$M	%	%	%	%	%	%	%	%	%
1	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.2
2	2.2	3.2	2.0	3.2	3.5	1.5	0.0	1.7	2.2
3	3.3	3.7	3.2	4.2	4.0	3.0	2.3	3.4	3.4
4	3.8	4.0	3.8	4.8	4.2	3.8	3.4	4.3	4.0
5	4.1	4.2	4.2	5.1	4.4	4.3	4.1	4.8	4.4
10	4.8	4.5	5.0	5.5	4.7	5.2	5.5	5.5	5.1
20	5.1	4.9	5.0	5.5	4.8	5.6	6.2	5.5	5.3

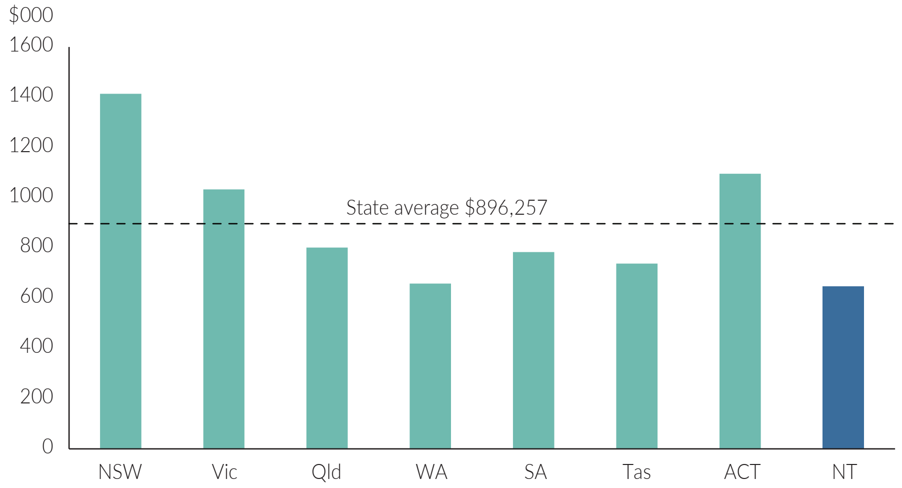
Source: State legislation and information available at 2 March 2023

Stamp duty on conveyances in the Territory

Stamp duty receipts on residential properties are impacted by changes in the housing market, the rate of stamp duty and the availability of stamp duty concessions.

As shown in Chart 6.2, the Territory is assessed as having a lower revenue-raising capacity for stamp duty compared to the national average, mainly due to lower median house and unit values in the Territory.

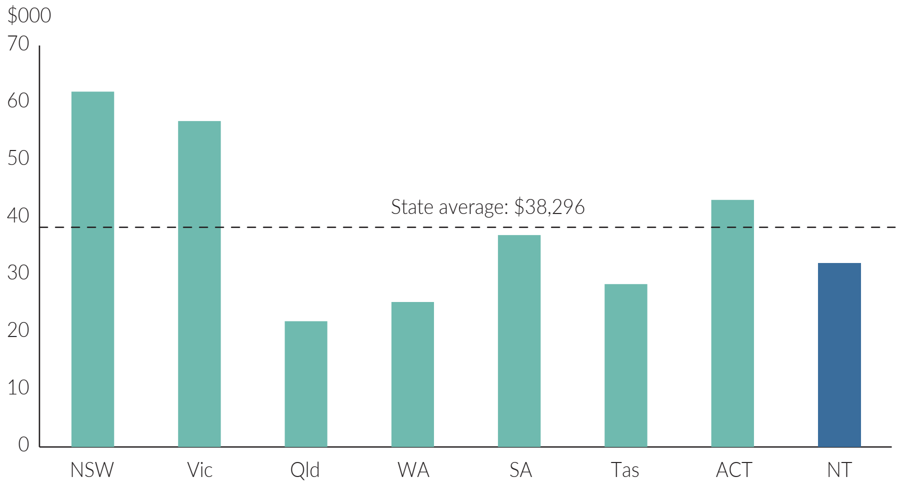
Chart 6.2: Median capital city house prices, December 2022 quarter



Source: Australian Property Monitor for December quarter 2022

Chart 6.3 provides a comparison of the amount of stamp duty levied on the purchase of a new or established home in each state and territory, at the median house price in that jurisdiction's capital city, excluding stamp duty concessions. The comparison shows that stamp duty in the Territory is comparable to that imposed in jurisdictions with similar median house prices. However, the Territory's overall property tax impost is lower than other jurisdictions as the Territory does not impose a land tax.

Chart 6.3: Stamp duty payable on purchase of a median-priced house in each capital city, exclusive of any concessions



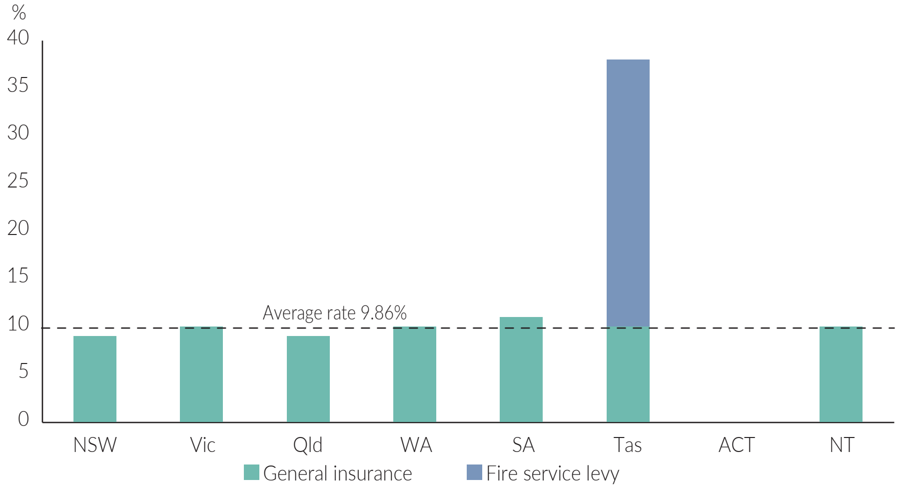
Source: Australian Property Monitor for December quarter 2022; state legislation and information available at 2 March 2023

Insurance duty

All states impose taxes on general insurance premiums at rates between 9% and 11%, with New South Wales, Queensland and Tasmania imposing special rates on particular classes of general insurance. The only exception is the Australian Capital Territory where insurance duty was abolished on 1 July 2016. The Australian Capital Territory, Victoria, Western Australia and the Northern Territory do not collect taxes on life insurance policies.

As shown in Chart 6.4, compared to the other states (excluding the Australian Capital Territory), the Territory is an average taxing jurisdiction.

Chart 6.4: Average state tax rate on general insurance premiums

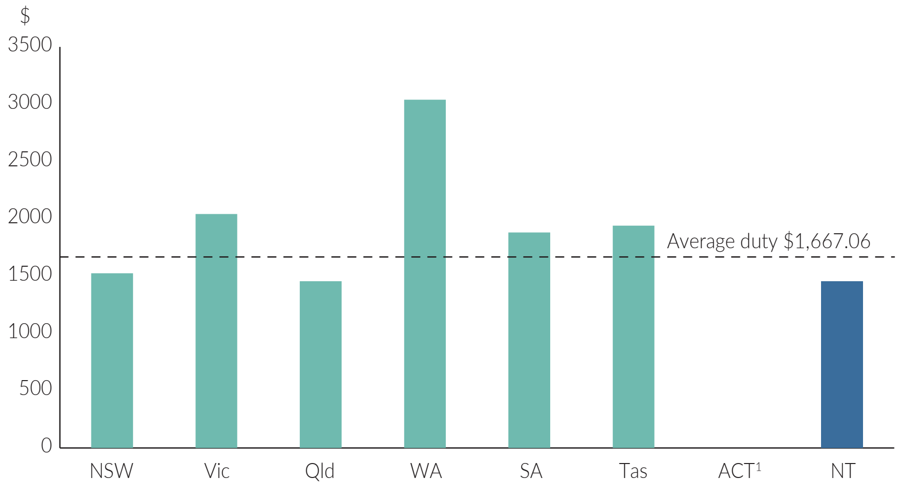


Source: State legislation and information available at 2 March 2023

Stamp duty on motor vehicles

Chart 6.5 compares the stamp duty applicable for a new motor vehicle, represented by a 4-cylinder 2023 Toyota Camry SL sedan 2.5L automatic valued at $48,490. The chart shows the stamp duty payable in the Territory is below the national average and equal second lowest in Australia. The Australian Capital Territory applies reduced rates of stamp duty to environmentally friendly new motor vehicles but applies similar duty to the Territory on motor vehicles valued below $49,000 that have average environmental performance or are second hand.

Chart 6.5: Stamp duty on purchase of a medium-sized passenger vehicle



1 The Australian Capital Territory's Vehicle Emission Reduction Scheme allocates vehicles a performance rating based on their carbon dioxide emissions, and the stamp duty payable is reduced or increased based on that rating. The vehicle used for this comparison achieves a rating of A, which means no stamp duty is payable.

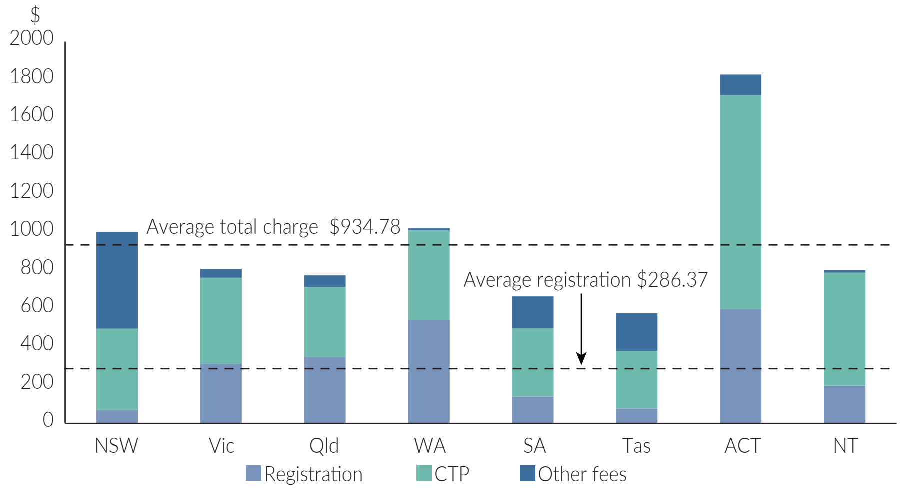
Note: Based on a 4-cylinder 2023 Toyota Camry SL sedan 2.5L automatic with carbon dioxide emissions of 103g/km.

Source: State legislation and information available at 2 March 2023

Motor vehicle registration

Motor vehicle registration fees comprise registration, compulsory third-party or similar insurance and other fees, and vary significantly between jurisdictions. Chart 6.6 compares the costs of registering a 4-cylinder 2023 Toyota Camry SL sedan 2.5L automatic. A registration fee of $198 and total registration cost of $802.30 demonstrates the Territory's registration fees and total registration costs are below the average cost Australia-wide.

Chart 6.6: Annual registration fees and charges for a medium-sized passenger vehicle



CTP: compulsory third-party insurance or equivalent
Source: State legislation and information available at 2 March 2023

The higher than average Motor Accidents Compensation (MAC) Scheme insurance premiums in the Territory reflect the higher costs associated with the Territory's small population and relatively high incidence of road accident casualties, and the no-fault nature of the Territory's compensation scheme. MAC Scheme premiums aim to ensure likely compensation claims for the upcoming year can be met and the scheme maintains a prudent solvency margin.

Despite MAC premiums being higher than average compulsory third-party insurance premiums, total registration and administrative costs in the Territory remain below the national average due to relatively low registration fees and because the Territory does not include ancillary taxes and levies in the cost of registration. Additional levies imposed in other jurisdictions include fire and emergency service levies, motor taxes, traffic improvement levies and road safety contributions.

Land revenue

This category comprises taxes on the ownership of land, where the tax is based on the assessed unimproved value of the land, and any metropolitan land planning, development, and fire and emergency service levies included in the land tax base of some states.

Land tax is an important source of income for other states, generating more than $10.9 billion in revenue in 2021-22. Land tax is levied on the landowner's total holdings of commercial land and residential investment property, although an exclusion is generally provided for land used for primary production. Land tax rates are usually progressive and most jurisdictions have tax-free thresholds.

The Territory does not impose a land tax. However, in its 2023 Update, the CGC assessed the Territory could raise about $87 million per annum if it adopted average state policy on land tax.

Tax expenditure statement

The tax expenditure statement details revenue estimated to be forgone by the government or financial benefits obtained by taxpayers as a result of tax exemptions or concessions provided. Identifying this expenditure (or forgone revenue) assists in providing a more accurate picture of the government's contribution by way of taxation concessions to assist various groups or industries.

Tax concessions are often provided to benefit a specified activity or class of taxpayer. They are expenditures in the sense the impact on budget outcomes is similar to direct expenditure outlays and could be used to achieve similar goals to grant programs.

Tax expenditure can be provided in a variety of ways, including by way of exemption, waiver, deduction, rebate or a concessionary tax rate.

The tax expenditure identified in this statement relates to the major concessions available in the Territory. In accordance with section 10(1)(d) of the FITA, the tax expenditure statement provides an estimate of expenditure (or forgone revenue) in 2022-23, and estimates for 2023-24 and the following three financial years.

Table 6.11 details the total estimated tax expenditure across payroll tax, stamp duty and motor vehicle fees.

Table 6.11: Total tax expenditure

	2022-23	2023-24	2024-25	2025-26	2026-27
Tax expenditure ($M)	233.0	228.2	236.6	245.9	257.1

Methodology

Tax expenditure has been estimated by applying the benchmark rate of taxation to the forecast volume of activities or assets exempted by a particular concession. Only future events certain or highly likely to affect assumed tax bases or tax rates have been included when estimating future tax expenditure. Otherwise, existing taxation arrangements are assumed to apply for future years.

Measuring tax expenditure requires the identification of:

- a benchmark tax base
- concessionary taxed components of the benchmark tax base, such as specific activity or class of taxpayer
- a benchmark tax rate to apply to the concessionary taxed components of the tax base.

The establishment of a benchmark tax base provides a basis against which each tax concession can be evaluated. The aim of the benchmark is to determine which concessions are tax expenditures rather than structural elements of the tax.

By definition, tax expenditure comprises those tax concessions not included as part of the benchmark tax base.

Payroll tax

The benchmark tax base for payroll tax is assumed to be all wages (as defined under payroll tax legislation) paid in the Territory. The benchmark tax rate is 5.5%.

Table 6.12: Payroll tax expenditure

	2022-23	2023-24	2024-25	2025-26	2026-27
Tax expenditure ($M)	179.0	186.9	193.5	200.4	208.9

As data is not generally collected by the Territory Revenue Office from employers with no payroll tax liability, tax expenditure in relation to payroll tax concessions is estimated. The tax expenditure in Table 6.12 has been calculated by adding actual tax concessions to an estimate of concessions. The estimate is derived by comparing the average of Australian Taxation Office data reporting wages paid by employers in the Territory and ABS data on employment and wages in the Territory, to data reported by employers registered for payroll tax in the Territory. The difference provides a reasonable estimate of wages paid by employers that are not subject to Territory payroll tax because of the small business exclusion (detailed below) or for being an exempt body.

Payroll tax expenditure estimates over future financial years have increased significantly in comparison to forecasts made in the 2022-23 Budget. This can be attributed to stronger than expected employment and average weekly earnings growth, which have increased aggregate wages paid in the Territory, but not necessarily aggregate taxable wages. This outcome may reflect employment and wages growth being relatively stronger in small businesses and exempt bodies.

The reported estimated tax expenditure in relation to payroll tax mainly comprises the following exemptions.

Small business exclusion

Employers with total Australian wages below $1.5 million are not required to pay payroll tax, a saving for them of up to $82,500 per annum. The payroll tax liability for employers with payroll above $1.5 million a year is calculated on taxable wages less a deduction based on a sliding scale of up to $1.5 million. This category comprises the majority of the estimated payroll tax revenue forgone.

Local employment package

Wages paid to new Territory resident employees engaged before 30 June 2021, who either increased a business' total number of employees compared to May 2018 or replaced an interstate resident employee, are exempt from payroll tax for up to two years. At the latest, that two-year period expires on 30 June 2023, and no further expenditure is attributed to this exemption over the forward estimates.

A total of 532 businesses have used the exemption.

Charities and other exempt bodies

Certain charitable and not-for-profit organisations receive payroll tax exemptions for wages paid to employees who engage in non-commercial activities that support the organisation's charitable purpose. In addition, employment agencies providing temporary staff to exempt organisations are able to claim payroll tax exemptions for these wages.

Stamp duty on conveyances

Tax expenditure estimates in Table 6.13 are based on actual stamp duty data.

Table 6.13: Stamp duty on conveyances expenditure

	2022-23	2023-24	2024-25	2025-26	2026-27
Tax expenditure ($M)	21.4	6.6	6.2	6.0	6.2

Forecast expenditure (forgone revenue) is expected to decline from 2022-23 and remain stable over the forward estimates. The 2022-23 tax expenditure is somewhat of an outlier due to a large, one-off corporate reconstruction exemption occurring in that year. The decline and subsequent stability in total tax expenditure over the forward estimates is due to the absence of home owner stamp duty concessions, which would ordinarily contribute a degree of volatility in expenditure.

The tax expenditure estimates mainly comprise the following exemptions.

Corporate reconstructions exemption

Corporate groups formed by commonly owned corporations are able to reorganise the ownership of assets without incurring a stamp duty liability. The estimated tax expenditure is the actual stamp duty forgone for approved reconstruction exemptions.

Other conveyance duty exemptions

Several other conveyance stamp duty exemptions are provided that together result in significant revenue forgone by the Territory, the largest of these being exemptions for:

- property transferred to charitable organisations having a sole or dominant purpose that is charitable, benevolent, philanthropic or patriotic
- an exemption under the Commonwealth *Family Law Act 1975* for instruments made pursuant to a court order that alter the interests of the parties to a marriage or de facto partnership
- the conveyance of property between partners of a de facto relationship on the breakdown of the relationship
- certain conveyances involving the administration of deceased estates
- conveyances from trustees to beneficiaries and to give effect to a change in trustees.

The estimated tax expenditure for these concessions is based on actual historical data collected in relation to the various exemptions granted and how these relate to overall conveyance stamp duty collections.

Stamp duty on general insurance policies

The benchmark tax base is all classes of general insurance policies. This does not include life insurance policies, which are treated differently for stamp duty purposes. The benchmark tax rate is 10% of the premium.

Table 6.14: Stamp duty on general insurance

	2022-23	2023-24	2024-25	2025-26	2026-27
Tax expenditure ($M)	30.4	32.4	34.7	37.1	39.7

The Territory provides stamp duty concessions on certain insurance products to reduce the costs of such insurance, namely workers compensation insurance and private health insurance. Tax expenditure reported in Table 6.14 has been estimated using total work health insurance policy premiums paid during past years compared to total payroll data of employers in the Territory and data on private health insurance premiums obtained from the Private Health Insurance Administration Council.

Motor vehicle registration fees

Motor vehicle registration concessions are available under the Northern Territory Concession Scheme and Northern Territory Seniors Recognition Scheme. Table 6.15 shows the motor vehicle registration fees expenditure. Actual registration fee data has been used to estimate this item of tax expenditure.

Table 6.15: Motor vehicle registration fees expenditure

	2022-23	2023-24	2024-25	2025-26	2026-27
Tax expenditure ($M)	2.3	2.3	2.3	2.3	2.3

Chapter 7

Risks and contingent liabilities

Section 10(1)(e) of the FITA requires each fiscal outlook report to contain a statement of risks, quantified as far as practicable, that could materially affect updated financial projections, including any contingent liabilities and related agreements that are yet to be finalised. Section 5(1)(d) of the FITA requires government to manage financial risks faced by the Territory prudently (having regard to economic circumstances), including by maintaining Territory debt at prudent levels.

This section meets the FITA requirements by outlining the potential risks to the budget due to changes in factors underpinning revenue and expenditure estimates, and the likelihood of contingent liabilities becoming actual liabilities.

Risks to the Territory are assessed and categorised in accordance with those identified in section 5(2) of the FITA, comprising risks from excessive debt, risks from the ownership of trading entities, risks from erosion of the Territory's revenue base, risks from managing assets and liabilities, and other risks.

For more information on the Territory's risks and contingent liabilities refer to the 2021-22 Treasurer's Annual Financial Report *Note 42, Contingent assets and liabilities*.

Sound fiscal management of risks

Risks from excessive debt

Excessive debt levels could affect the Territory's ability to raise funds when required, or at a cost substantially higher than could be achieved under more sustainable debt levels, limiting government's capacity to maintain appropriate levels of service. Furthermore, excessive debt could impact investor and consumer confidence, resulting in negative effects on the broader Territory economy.

The Territory aims to mitigate these risks through government's fiscal strategy objectives of achieving a balanced budget over the medium-term, improving the Territory's credit rating, increasing the government's return from government owned corporations, achieving a competitive revenue effort ratio and constraining expenditure growth. The Territory also diversifies its borrowing and investment activities across a maturity spectrum, utilising a variety of funding sources to meet its requirements.

A global limit on borrowings is legislated through the FITA, which restricts total borrowings at the non financial public sector (excluding leases) to $15 billion. This legislated debt ceiling provides greater accountability for financial performance and supports the Territory's underlying objective to maintain prudent debt levels. Total borrowings, excluding leases, for the non financial public sector remain well below the $15 billion cap in all years over the budget cycle (see table 4.9 Chapter 4 *Fiscal Strategy Statement*).

Credit ratings reflect an independent assessment of a government's credit worthiness and ability to fulfil its financial commitments and repay debt. A higher rating indicates a strong fiscal and economic position and results in the ability to borrow at lower interest rates, while a lower rating indicates credit challenges and results in higher interest rates on borrowings.

The Territory's credit rating was last assessed by Moody's on the 2022-23 Budget in June 2022, which resulted in an unchanged credit rating for the Territory of Aa3 with a stable outlook.

The achievement of fiscal strategy targets and objectives, combined with forecast fiscal balance surpluses from 2026-27, should act as a constraint against any worsening of the Territory's credit rating and maintain debt levels below the legislated ceiling.

For more detailed information refer to Chapter 4 *Fiscal strategy statement*.

Risks from the ownership of trading entities

Poor financial performance of commercial entities can pose risks to government in the form of lower returns and dividend payments to government, or increased requirements for financial support, with the potential to materially affect the Territory's debt levels and fiscal targets.

The Territory's fiscal strategy incorporates government owned corporations, with targets aimed at strengthening commercial sustainability and reducing reliance on government support. Risks are also mitigated through the government owned corporations operating and accountability framework, comprising the Corporate Governance and Reporting Framework, *Government Owned Corporations Act 2001*, enabling legislation for each government owned corporation and the Territory's Policy Statement on Competitive Neutrality. The Corporate Governance and Reporting Framework was updated in early 2023 to strengthen processes for strategic planning, monitoring and reporting performance targets, and accountability for performance set in the SCI, in line with recommendations from the Fiscal Strategy Panel's *A plan for budget repair*.

The Territory's government owned corporations are the Power and Water Corporation, Territory Generation and Jacana Energy. Each corporation has an SCI, which is an annual performance agreement between the board and the shareholding minister, tabled in parliament and examined by the Government Owned Corporation Scrutiny Committee. Each SCI details key financial and non financial targets for the corporation, and provides updated financial projections for the budget year and forward estimates period.

Each corporation is expected to include future efficiencies through operational and business improvements as part of their respective SCIs. Failure to achieve SCI targets presents a risk to the budget and forward estimates through reduced dividends and tax equivalent payments, and worsening of the Territory's fiscal outcomes.

Power and Water Corporation's gas business has significant market-related risks arising from its long-term gas purchase, sales and transportation agreements. The corporation's board oversees a gas sales strategy to address future market opportunities and position the corporation to ensure costs are covered by revenue, and any risks are appropriately mitigated.

Risks from erosion of the Territory's revenue base

Reliance on Commonwealth funding

Australia's federal system is characterised by a high level of vertical fiscal imbalance, where the expenditure requirements of states under the Australian Constitution far outweigh their capacity to raise revenue. This imbalance is addressed through intergovernmental payments from the Commonwealth to the states to facilitate the delivery of essential expenditure needs.

In comparison to all other states, the Territory is more reliant on Commonwealth payments due to greater expenditure needs and a lower ability to fund expenditure through own-source revenue. In 2023-24, Commonwealth funding to the Territory is expected to account for 68% of the Territory's total revenue, with GST revenue and tied funding payments accounting for 46% and 22% of total revenue respectively in the non financial public sector. Due to the Territory's reliance on these funding sources, any changes will have a significant effect on Territory revenue. Risks include variations in national GST collections and changes to Commonwealth tied funding agreements, such as their amount, timing, deliverables and duration.

GST revenue volatility

Volatility in GST revenue represents the largest revenue risk for the Territory, as GST revenue accounts for 46% of the Territory's total revenue in 2023-24 in the non financial public sector.

The Territory's GST revenue entitlement is dependent on four parameters:

- national GST collections pool
- the Territory's share of the national population
- the Territory's GST relativity as determined by the Commonwealth Treasurer based on the recommendation of the CGC
- the impact of Commonwealth-legislated GST distribution reforms that commenced in 2021-22.

There are variables that influence each of these parameters, adding to the complexity of forecasting GST revenue over the budget and forward estimates, as discussed in Chapter 5 *Intergovernmental financial relations issues*. The following analysis examines the effect of variations of each parameter in isolation. However, as these parameters interact with each other, variations can have a compounding or offsetting effect on GST revenue estimates.

GST collections pool

The Territory's GST revenue is directly affected by variations in the national GST collections pool, with growth in the pool representing the largest driver of change to the Territory's GST revenue forecasts since the 2022-23 Budget. The factors influencing the national GST collections pool are discussed in Chapter 5 *Intergovernmental financial relations issues*.

The risks to the national GST collections pool forecasts relate to the outlook for national consumption. National consumption is sensitive to changes in national and global economic conditions and events, such as the Russia-Ukraine conflict, international geopolitical circumstances, supply chain and logistics disruptions, domestic inflation, household savings and disposable income, monetary policy movements, and other general economic conditions.

A ±1 percentage point change in the GST pool growth rate is estimated to have a ±$39 million impact on the Territory's GST revenue in 2023-24, all else being equal. If a variation of ±1 percentage point was applied to GST pool growth rates in each of the budget and forward estimate years, the cumulative impact on Territory GST revenue would be about ±$407 million.

Territory's share of national population

Estimates of each state and territory's population growth relative to the national rate influence the Territory's share of the national population, affecting forecasts of the Territory's GST revenue.

The Territory uses its own estimates of Territory population growth, given its knowledge of local factors that may affect migration levels. Estimates of other states' populations are based on the Commonwealth October 2022-23 Budget. Accordingly, the Territory's GST revenue projections are sensitive to the Territory's forecasts of Territory population growth, as well as Commonwealth forecasts of interstate population growth. The Territory's population is expected to grow at a slower rate than the national population over 2023-24 and the forward estimates. Chapter 5 of the *Northern Territory Economy* publication provides more detail on the Territory's population characteristics and forecast growth patterns.

The effect of a ±1,000 person variation in the Territory's population forecast is expected to have a ±$15 million impact in 2023-24, all else being equal. The cumulative impact of a ±1,000 person variation in the Territory's population each year over the budget and the forward estimates would be about ±$62 million.

GST relativities

The distribution of GST revenue is based on the principles of HFE which aims to provide all states with the capacity to provide similar levels of services and infrastructure.

The CGC recommends GST relativities annually, and incorporates new data and changes in state fiscal capacities. In the 2023 Update, the CGC recommended an increase in the Territory's GST relativity to 4.98725 for 2023-24 from 4.86988 in 2022-23.

Relativities are subject to complex calculations based on the financial and demographic circumstances of all states and territories in a rolling three-year assessment period, updated annually. As a result of the complexities associated with GST relativities, the Territory forecasts relativities on a three-year average basis held constant over the forward estimates period, adjusted for GST distribution reforms. In any relativity update, the Territory's GST relativity will be sensitive to changes in all jurisdictions' relativities, reflecting the fixed sum nature of the GST distribution process.

Risks to the Territory forecast arise if any state's relativity circumstances vary significantly from their three-year average over the forecast period. Recent relativities have varied substantially due to factors such as COVID-19, mineral royalty production volumes and values, property values and sale volumes, population growth, and levels of capital and urban transport investment. As relativities are assessed on a three-year basis, any changes in an annual update can impact relativities for up to three years. Longer-term impacts for the Territory may also include demographic changes, such as Aboriginal and remote population growth changes, and any associated change in needs or demand for services. Relativity calculation methods are reviewed every five years with the next review scheduled in 2025. Any change to calculation methods may impact relativities from 2025.

The impact of a ±0.1 variation in the Territory's GST relativity is about ±$75 million in 2023-24, all else being equal. A ±0.1 variation in the Territory's GST relativity in each of the budget and forward estimate years would have a cumulative effect of about ±$156 million.

GST distribution reforms

The Commonwealth has legislated changes to the GST distribution system through the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*. These reforms are discussed in Chapter 5 *Intergovernmental financial relations issues*.

The reforms include a Commonwealth temporary no-worse-off guarantee that operates as a time-limited safety net for jurisdictions during the transitional period (to 2026-27). This ensures jurisdictions receive, at a minimum, the cumulative amount of GST that they would have received under the previous methodology. This guarantee temporarily mitigates the risks of GST distribution reforms to the Territory's GST forecasts until 2026-27.

The Territory expects to receive no-worse-off guarantee payments totalling $80 million over the budget and forward estimates from 2022-23 to 2026-27. Any change to relativities or GST collections growth may affect forecast no-worse-off guarantee payments. The cessation of the guarantee in 2026-27 represents a risk to the Territory.

The Commonwealth has committed to a Productivity Commission review of the GST distribution reforms by the end of 2026.

Tied Commonwealth funding

Tied Commonwealth funding is provided under the IGA through national agreements, FFA schedules and the National Agreement for Skills and Workforce Development SPP. Tied funding can also be provided outside IGA payment arrangements through COPE arrangements.

Key risks to the Territory budget associated with tied Commonwealth funding include uncertainty as to the amount, timing, deliverables and duration of new and renegotiated funding agreements, expiry of agreements, and the increasing inclusion of financial input controls.

Agreements that are short-term in nature, in particular, repeated short-term extensions of expiring agreements, inhibit the ability of governments and other providers to plan for the provision of ongoing, reliable service delivery in key areas. Short-term funding arrangements can lead to heightened community expectations without providing associated Commonwealth funding certainty in the long run. Recently, Commonwealth funding has been increasingly short-term, with agreements being renewed close to expiry, increasing Territory funding risks.

The Commonwealth is also increasingly including financial input controls in funding arrangements such as matched funding and maintenance of effort provisions. Input controls pose a significant risk to the Territory budget by reducing the Territory's autonomy and ability to efficiently allocate resources in a manner that best suits community needs.

Key funding agreements expiring in 2022-23 and 2023-24 include the National Housing and Homelessness Agreement, National Partnership for Remote Housing Northern Territory, National School Reform Agreement, and National Partnership on NTRAI. These are further discussed in Chapter 5 *Intergovernmental financial relations issues*. These agreements are expected to be renegotiated prior to their expiry, and may be subject to temporary extensions.

The impact of a ±1% variation in tied Commonwealth funding would affect Territory revenue by about ±$18 million in 2023-24.

Territory taxes and royalties

Territory taxes and royalty revenues mainly comprise revenue from mining and petroleum royalties, as well as payroll tax, conveyance and related duties. In 2023-24, Territory taxes and royalties are expected to account for about 13% of total revenue and around 42% of own-source revenue in the non financial public sector.

Forecasting tax and royalty revenue involves judgements and assumptions about the performance of various economic factors and indicators, such as growth in wages, employment, average hours worked, business investment, commodity prices, market conditions and activity, and exchange rates.

Mining royalty revenue is the largest single contributor to Territory taxes and royalties, and forecasts are sensitive to mineral price outlooks, production levels, mine expansions or disruptions, as well as exchange rates and global trade conditions. International economic conditions in the past 12 months have resulted in significant commodity price volatility and the duration of these effects on prices over the forward estimates is uncertain. Further, inflationary pressures have increased operating costs for mines, potentially affecting profitability, which will flow through to mineral royalty forecasts over the forward estimates.

Mining revenue forecasts are formed from independent outlooks on commodity prices and market conditions, combined with advice from mining companies around their expectations of production, prices and royalty obligations over the current and forward estimate years. Any changes in commodity prices, expectations on when mines will reach end of life, and production or exchange rates can have a material effect on these forecasts.

Payroll tax is the Territory's largest source of tax revenue and is imposed on businesses with total payroll expenses above the tax-free threshold of $1.5 million per annum. Payroll tax forecasts are sensitive to assumptions about employment, wages and business investment.

The Territory's conveyance and related duty is derived from direct and indirect conveyances of property in the Territory. Forecasting for conveyance duty is linked to the outlook for the property market. The extent and timing of any market changes in terms of property prices and transaction volumes can be volatile and directly affects conveyance duty collections.

Conveyance duty forecasts are influenced by the size of the Territory's conveyance duty base, which includes valuable commercial properties such as pastoral properties, mining projects and commercial precincts. The impact of the duty collected from large commercial transactions introduces significant variability in conveyance duty collections.

Unlike tax revenue from property transactions or employment, gambling tax revenue is not as closely correlated with the economic or business cycle. Gaming activity in community venues and casinos is expected to remain steady in 2022-23 and return to trend growth over the forward estimates.

In total, a variation of ±1% to the forecast of Territory taxes and royalties would affect revenue by about ±$10.7 million in 2023-24.

Risks arising from the management of assets and liabilities

Assets and liabilities of the Territory are each subject to inherent risks that are managed through the Territory's fiscal strategy objectives.

The Territory's Financial Management and Accountability Framework governs the financial management of government resources (assets and liabilities) and comprises legislation, supplementary legislation (including Treasurer's Directions and Treasury Circulars), Australian accounting standards, whole of government and agency-specific policies and procedures, and resource materials. This framework specifies the practices, including risk assessment, to be observed by agencies in the fiscal management of their resources.

In addition to the framework, the Territory's investment assets and liabilities are administered by the NTTC, the central financing authority for the Territory Government. NTTC borrows, invests and lends on behalf of government and is governed by an extensive risk management framework for the management of the Territory's investment assets and debt liabilities.

For more detailed information refer to Chapter 4 *Fiscal strategy statement*.

Equity investments

The Territory has entered into a number of arrangements that represent ownership in private sector projects, entities and enterprises. To date, these equity investments are in the form of shares and result in no significant influence or control over the entity or project. Accordingly, the Territory is not exposed to financial loss beyond the amount invested. The majority of these investments have been approved through the Local Jobs Fund, which has a range of policies and governance statements, along with an expert investment committee to provide independent assessment and advice on investment proposals to mitigate financial risks associated with these investments. Furthermore, the Financial Management and Accountability Framework specifies conditions and limitations on the type of investments that can be entered into and mandates certain practices, including risk assessments, to mitigate risks associated with equity investments.

Loans and concessional loans

The Territory has issued various loans and concessional loans with the aim of funding particular enterprises or householders. These include amounts paid for assistance to farmers, businesses under the Local Jobs Fund and home ownership products. A number of these loans are on concessional terms, including low interest or interest-free terms. Default risks are considered small, and periodic reviews of issued loans have not resulted in a shift in levels of assessed risk. Similar to equity investments, loans are issued where criteria and limitations are met, and the Financial Management and Accountability Framework mandates certain practices to mitigate risks associated with loans.

Risks to expenses and payments

Estimates for expenses are based on known policy decisions, with adjustments for non-policy changes. The most significant risks to expense estimates are budget pressures due to increased costs and demand for government services, and the inability to meet savings and efficiency measures factored into agency budgets.

The 2023-24 Budget incorporates a change to the NTPS 2021–2024 Wages Policy from nil wages indexation for four years with non-cumulative lump sum payments, as reflected in the 2022-23 Budget, to an annual 2% compounding pay increase. Enterprise agreements contain terms and conditions of employment that are negotiated through an enterprise bargaining process and apply to particular groups of public sector employees. The outcome of enterprise agreements under negotiation pose a risk to the budget to the extent that the outcomes exceed the indexation currently factored into the budget and forward estimates and impacted agencies are unable to manage the additional costs within existing approved budgets.

Inflationary pressures have increased the risks relating to cost of delivering government services. In an attempt to curb inflation, the RBA has increased interest rates several times since May 2022, however, the full effect of these changes are yet to be seen due to the lags inherent in monetary policy. This poses a risk to the fiscal aggregates in the 2023-24 Budget to the extent that inflation growth exceeds the indexation currently factored into the forward estimates.

In early March 2023, the Territory experienced severe flooding due to a tropical low over the Daly, Tiwi and Gregory districts. The flooding caused extensive damage to housing and infrastructure and an emergency declaration was made for Kalkarindji, Daguragu, Yarralin, Pigeon Hole and Palumpa communities, with more than 650 residents evacuated to the Centre for National Resilience at Howard Springs.

The Territory has commenced assessing damage and implementing a plan for recovery including restoration works to properties, critical infrastructure and essential services. Accordingly, the uncertainty of the full cost and timing of restoration works, evacuation costs, and duration and costs of providing temporary housing for community members pose a risk to the Territory's budget. Although the Territory may be eligible for partial reimbursement of these costs from the Commonwealth under Disaster Recovery Funding Arrangements, the extent and timing of such reimbursement is uncertain.

Achievement of savings, efficiency and revenue measures approved by government is critical in returning the budget to a sustainable position over the medium-term. The inherent risk to the budget is whether successive governments maintain the commitment to budget repair.

Emerging risks to expenses and payments are mitigated through the Territory's fiscal strategy objectives, focused on ensuring government operates within its means, and is supported by strengthened budget accountability, agency performance monitoring and reporting obligations within the Territory's Financial Management and Accountability Framework, enabling early identification of budget pressures.

Risks to economic forecasts

Economic forecasts in the budget papers are subject to upside and downside risks and uncertainties. Uncertainty comes from a variety of sources including potential revisions to official economic data reported by the ABS, and survey and sampling errors, the effect of which is generally more pronounced in small and diverse populations, such as the Territory.

Interstate trade flows and balancing items are typically large components of GSP that are volatile on a year-to-year basis. These components are reported by the ABS once a year with the release of the GSP estimate. Accordingly, accurately forecasting GSP is a significant challenge.

Key forecasting challenges include the need to consider:

- household consumption and saving choices in response to higher interest rates and price increases
- global financial instability – higher interest rates have exposed weaknesses in a number of bank balance sheets in the United States (US) and Europe
- the potential for the Russia-Ukraine conflict to escalate and destabilise global supply chains again
- economic conditions in other jurisdictions affecting population growth.

The RBA has increased interest rates by 3.5 percentage points over the past year. Monetary policy operates with a lag, and the full impact of these interest rate rises is yet to be felt by most mortgage holders. The extent to which households adjust their spending in response to higher mortgage payments is a source of uncertainty. The picture is further complicated by the fact that a number of households built up large savings buffers during the pandemic and so some households have additional reserves to draw upon in the near term. Interest rate paths that differ substantially from current market and economist expectations are also possible depending on how the RBA judges national economic conditions.

In recent months there have been a number of high profile bank failures. In the US, Silicon Valley Bank, Signature Bank and Silvergate Bank were wound up or taken over by regulators in March 2023. This was followed by Swiss regulators orchestrating the takeover of Credit Suisse by UBS. So far these banking issues have not occurred in the Australian banking system but the possibility of broader global financial instability is a significant downside risk to the forecasts.

Most of the initial economic reverberations from the Russia-Ukraine conflict have stabilised. However, the potential for escalation in the conflict presents risks to global economic conditions. In particular, the conflict remains a source of uncertainty for demand and pricing of resource commodities.

Economic conditions in other Australian jurisdictions also present risks to the economic forecasts. Over the outlook period, the national unemployment rate is forecast to increase slightly but remain low. A tight labour market nationally makes it more difficult for Territory businesses to find workers. This could limit population growth and or put upward pressure on wages if Territory businesses need to increase wages to attract labour.

Other risks to economic forecasts include:

- major projects:
  - economic growth over the forecast period is underpinned by several large projects – the extent to which they do not proceed to the same level or in the same timeframes as planned are downside risks to the forecasts
  - upside risks to forecasts may result from projects without a financial investment decision at the time of budget proceeding over the outlook period such as the Nolans rare earths project, Australian-ASEAN Power Link (Sun Cable), Tiwi hydrogen project, Ammaroo phosphate project, and Jervois base metal project
- changes in exchange rates and commodity prices – the Territory is highly exposed to changes in commodity prices, which can have a significant effect on the production of current resource and agriculture projects and the competitiveness of Territory exports
- adverse conditions – unpredictable and adverse weather conditions such as cyclones, floods and droughts, and agricultural pests and diseases, can affect production and or put upwards pressure on prices and add downside risks to the economic forecasts
- changes to migration policy – changes to Commonwealth migration policies are also beyond the control of the Territory and represent a risk to labour supply conditions and population forecasts.

Contingent liabilities

Contingent liabilities are potential future costs to government that may arise from guarantees, indemnities, and legal and contractual claims. Contingent liabilities pose a risk to the Territory's financial position and have the potential to materially affect the budget due to the likelihood of an actual liability arising, however most are considered low risk. The Territory continues to assess risks under these arrangements to determine if future disclosure is required and if there are any impacts on the Territory's financial position.

Details of significant contingent liabilities for the Territory are summarised below and have been classified as quantifiable (where the financial effect is estimated in excess of $5 million) or unquantifiable (where the financial effect cannot be reliably estimated, either due to the nature of the contingent liability or number of variables that could affect the financial estimates).

As at the date of this report, no transaction or event of a material nature has occurred that would crystallise the contingent liabilities reported in this section.

Quantifiable contingent liabilities

Public Trustee Common Fund 1

Under section 97 of the *Public Trustee Act 1979*, the Treasurer indemnifies the Public Trustee Common Fund 1 against any deficiencies in money available to meet claims on it. At 30 June 2022, the Common Fund 1 had a reported total of $27.2 million, which is government guaranteed.

The Common Fund is a repository for all monies received by the Public Trustee on behalf of estates, trusts or persons, and earns interest. Money to the credit of the Common Fund is invested according to the directions issued by an investment board, comprising the Public Trustee or, in the absence of the Public Trustee, the Deputy Public Trustee, and two persons appointed by the Attorney-General and Minister for Justice. The board is responsible for acting prudently to obtain maximum return on the investments of Common Fund monies commensurate with sound investment practices and to ensure estates and trusts receive commercial rates of return on their funds. Although a material contingent liability exists, the prospect of this contingent liability being called upon is low.

Darwin ship lift and marine industry park

The Territory has entered into a loan facility agreement with the Northern Australia Infrastructure Facility (NAIF) to borrow $300 million for the Darwin ship lift and marine industry park. The project is estimated at $515 million and will enable maintenance and servicing of defence and Australian Border Force vessels, along with commercial and private vessels, including from the oil, gas and marine industries.

The Territory guarantees payment of outstanding monies to NAIF, and indemnifies NAIF against any loss related to the Territory's fulfilment of any condition precedent to the loan facility agreement. The conditions and obligations contained in the facility agreement are being monitored during development of the project to ensure the conditions are satisfied. At the time of preparing the 2023-24 Budget, no borrowings from NAIF have been drawn down by the Territory and therefore no monies were owed.

Unquantifiable contingent liabilities

Banking

The Territory's financial management framework is underpinned by centralised banking arrangements. The sole provider of banking-related services has been granted indemnities under the whole of government banking contract.

Correctional facilities

The Territory has contingent liabilities related to indemnities and guarantees provided in support of the construction and ongoing property management of the Darwin Correctional Precinct under a public private partnership agreement, and has indemnified the project company for losses arising from any uninsurable risks.

Economic-enabling projects

Northern gas pipeline project

The Territory has contingent liabilities in relation to gas transport for indemnities contained in the Northern Gas Pipeline Project Development Agreement.

Adelaide to Darwin railway project

The Territory has contingent liabilities that relate to indemnities and guarantees provided in support of the Adelaide to Darwin railway. The AustralAsia Railway Corporation (AARC), and the Territory and South Australian governments entered into a concession arrangement for the Adelaide to Darwin railway on a build, own, operate and transfer-back basis.

Unquantifiable contingent liabilities of the Territory in relation to the Adelaide to Darwin railway comprise:

- joint guarantee of the obligations of AARC
- indemnities granted in relation to title over the railway corridor (title is secure but the indemnity continues).

AARC and the governments have comprehensive risk management procedures in place for all events that would give rise to liabilities.

As part of the long-term lease of the Darwin port, the railway corridor was transferred to the Territory and leased to the concession holder. There are contingent liabilities that arise out of any loss or claim incurred or suffered as a result of the Territory's failure to comply with its environmental obligations contained in the lease. The lease contains similar indemnities given by the lessee with respect to contamination caused by the lessee and a failure to comply with its environmental obligations.

Fuel terminal relocation project

The Territory entered into agreements to relocate fuel terminals from near the Darwin central business district (CBD) to the East Arm industrial estate. The agreements include certain unquantifiable contingent liabilities in favour of the developer of the fuel terminal and Shell, an oil company. The government has comprehensive risk management processes in place to address potential exposure.

The Territory provided an indemnity in relation to certain remedial works at East Arm Port. The indemnity covers third-party claims, loss, damage, cost and expenses that may be incurred or sustained by Shell arising out of any breach of the Territory's obligation under the agreement, or in connection with any failure or defect in the integrity of the bunker lines, as well as rectification of damage to the wharf. Comprehensive risk management procedures are in place to minimise risk exposure to the Territory.

Jabiru electricity supply project

The Territory has entered into an agreement for the development and ongoing operation of the power station for the supply of electricity to Jabiru. The Territory has contingent liabilities that may arise if the agreement is terminated under specific circumstances.

Government administration

Territory appointed members of councils, boards and committees

Where the Territory has invited the participation of private sector persons and government officers on boards of government owned or funded companies, the Territory may grant indemnities to the board members to cover them for any losses that may result from good faith actions.

These indemnities are generally consistent with cover available through directors' and officers' insurance and the policy of issuing an indemnity rather than purchasing commercial insurance is in line with the government's self-insurance arrangements.

In relation to corporations established in accordance with the *Government Owned Corporations Act 2001*, an indemnity given by the Territory to board members is limited to actions arising from compliance with a direction issued by the shareholding minister or portfolio minister.

The resulting contingent liabilities are considered low risk as board members are professionals, selected based on their expertise and knowledge. Further, the indemnities are restricted to good faith actions only.

Sponsorship

Indemnities are granted to the Commonwealth and other entities involved in funding or sponsoring activities and programs initiated or undertaken by the Territory. Under these indemnities, the Territory generally accepts liability for damage or losses occurring as a result of the activities or programs, and acknowledges that, while the Commonwealth or another party has contributed financially or provided in kind support, the Territory is ultimately liable for the consequences of the activity or program.

Although the resulting contingent liability, depending on the activity undertaken, may not always be low risk, the Territory's financial exposure is no greater than would have been the case without funding or sponsorship assistance.

Legal proceedings

Where the Territory is engaged in legal proceedings and disputes, due to the wide variety and nature of cases and uncertainty of any potential liability, no value can be attributed to these cases. In addition, the attribution of a value to these cases has the potential to prejudice the outcome of the proceedings and disputes.

Workers compensation

Government has indemnified private sector insurers that provide workers compensation insurance in the Territory for losses arising as a result of acts of terrorism.

Health and community services

The Territory has granted a series of health-related indemnities for various purposes including indemnities to specialist medical practitioners employed or undertaking work in public hospitals, indemnities provided to medical professionals requested to give expert advice on inquiries before the Medical Board and indemnities to midwives.

Although risks associated with health indemnities are potentially high, the beneficiaries of the indemnities are highly trained and qualified professionals. The indemnities generally cannot be called upon where there is wilful or gross misconduct on the part of the beneficiary.

Land development

The Territory has contingent liabilities that relate to guarantees provided by the Land Development Corporation in order to facilitate specific land release projects.

National Redress Scheme for institutional child sexual abuse

In November 2021, the National Redress Scheme was amended in response to recommendations from the second year review of the scheme. This included expansion of the Funder of Last Resort provisions to include previously out of scope defunct institutions and indexation of prior payments. These changes have not had a material impact on the Territory's potential liability under the scheme. A number of other recommendations from the review have not yet been acted upon as they require further development and consultation with stakeholders. These include lifelong access to counselling services by scheme applicants and their family members, and expanding the eligibility criteria of the scheme to non-citizens, prisoners and those with serious criminal convictions. If these recommendations are accepted, they will expand the Territory's potential liability under the scheme.

Native title

The Territory has a contingent liability under the *Native Title Act 1993*, relating to an obligation to pay compensation to native title holders where the Territory commits an action that extinguishes or impairs a native title holders' rights. There have been a number of claims filed with the Federal Court under the *Native Title Act 1993*, however, it is not possible to reliably estimate the Territory's liability in respect of these and any future claims.

Property and business services

Agreements for leases or licences of property, plant or equipment generally contain standard indemnity provisions, similar to those commonly found in commercial leases, covering the lessor or licensor for any losses suffered as a result of the lease or licence arrangement.

The granting of a concession to Darwin Cove Convention Centre Pty Ltd gives rise to contingent liabilities associated with:

- discriminatory changes in law
- environmental clean-up costs
- incentive payments to the operator if performance targets established for the centre are exceeded
- negotiated payments to the operator during the centre's operation.

For the categories listed above, neither the probability nor the amount the Territory might be called upon to pay at some future date can be determined reliably. As a result, these items are regarded as contingent liabilities.

A contingent asset also arises as a consequence of the concession arrangement. The Territory Availability Payment is recognised as a liability on the general government sector and whole of government balance sheets. However, the Territory has the right to recover up to 75% of that liability should the operator not achieve certain performance criteria. Because neither the probability of such a recovery nor the amount that might be recovered can be determined reliably, the part of the Territory Availability Payment that may be subject to abatement is classified as a contingent asset.

Chapter 8
Uniform Presentation Framework

Under the UPF, Commonwealth, state and territory governments have agreed to publish information in a standard format in budget papers and financial outcome reports. The UPF is based on Australian Accounting Standards Board (AASB) 1049 *Whole of Government and General Government Sector Financial Reporting*, which harmonises government finance statistics and generally accepted accounting principles. The harmonised standard means government financial reports are presented on the same basis by all jurisdictions, resulting in greater transparency and consistency.

The FITA requires that fiscal outlook reports be prepared in accordance with external reporting standards, including relevant Australian accounting standards and UPF.

The tables in this chapter meet the Territory's reporting obligations under both the FITA and UPF. For each sector of government, they include a:

- comprehensive operating statement
- balance sheet
- cash flow statement.

Also included are supplementary tables for the general government sector presenting:

- taxes
- grant revenue and expenses
- dividend and income tax equivalent income
- operating expenses by function
- purchases of non financial assets by function.

The financial statements for the general government, public non financial corporation and non financial public sectors include the 2022-23 revised budget, 2023-24 budget and 2024-25 to 2026-27 forward estimates. The statements for the public financial corporation sector and total public sector present the 2022-23 revised budget, with the remaining supplementary tables presenting both the 2022-23 revised budget and the 2023-24 budget. This reporting approach is consistent with all other jurisdictions.

Table 8.1

General government sector comprehensive operating statement

		2022-23	2023-24	2024-25	2025-26	2026-27
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	682 198	682 070	694 253	699 632	729 370
	Current grants	5 316 176	5 122 632	5 095 957	5 209 515	5 351 996
	Capital grants	538 230	549 182	560 350	389 705	281 758
	Sales of goods and services	424 300	429 752	420 498	422 293	421 068
	Interest income	134 189	114 407	118 059	120 974	124 383
	Dividend and income tax equivalent income	89 703	109 605	121 827	108 401	118 155
	Other revenue	430 030	462 890	377 485	335 563	349 080
	TOTAL REVENUE	**7 614 826**	**7 470 538**	**7 388 429**	**7 286 083**	**7 375 810**
less	EXPENSES					
	Employee benefits expense	2 777 698	2 754 070	2 696 358	2 658 427	2 685 564
	Superannuation expenses					
	Superannuation interest cost	124 062	122 469	118 822	114 906	110 909
	Other superannuation expenses	357 982	367 368	371 282	379 053	381 430
	Depreciation and amortisation	583 423	591 002	581 128	577 223	570 597
	Other operating expenses	1 639 118	1 733 100	1 600 333	1 526 861	1 539 824
	Interest expenses	362 173	393 604	443 507	467 847	476 733
	Other property expenses					
	Current grants	1 152 258	1 177 542	1 118 266	1 091 782	1 071 013
	Capital grants	209 089	300 345	162 114	85 222	81 840
	Subsidies and personal benefit payments	203 831	230 595	175 343	175 995	175 900
	TOTAL EXPENSES	**7 409 634**	**7 670 095**	**7 267 153**	**7 077 316**	**7 093 810**
equals	**NET OPERATING BALANCE**	**205 192**	**- 199 557**	**121 276**	**208 767**	**282 000**
plus	Other economic flows – included in operating result	24 322	62 184	68 110	74 402	80 449
equals	**OPERATING RESULT**	**229 514**	**- 137 373**	**189 386**	**283 169**	**362 449**
plus	Other economic flows – other comprehensive income	- 259 096	176 536	233 975	109 016	105 263
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**- 29 582**	**39 163**	**423 361**	**392 185**	**467 712**
	NET OPERATING BALANCE	**205 192**	**- 199 557**	**121 276**	**208 767**	**282 000**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	1 109 758	1 321 295	1 189 824	843 230	737 369
	Sales of non financial assets	- 26 697	- 25 474	- 26 149	- 26 149	- 26 149
	less Depreciation	583 423	591 002	581 128	577 223	570 597
	plus Change in inventories	- 12 489				
	plus Other movements in non financial assets	116 332	131 403	22 895	67 190	38 122
	equals **Total net acquisition of non financial assets**	**603 481**	**836 222**	**605 442**	**307 048**	**178 745**
equals	**FISCAL BALANCE**	**- 398 289**	**- 1 035 779**	**- 484 166**	**- 98 281**	**103 255**

Table 8.2

General government sector balance sheet

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	387 031	588 368	554 961	574 712	529 752
Advances paid	168 893	189 493	204 493	204 743	200 143
Investments, loans and placements	2 612 528	2 765 766	2 928 601	3 091 397	3 271 779
Receivables	813 914	645 978	638 126	635 264	637 442
Equity investments					
Investments in other public sector entities	2 361 992	2 477 250	2 649 626	2 672 531	2 690 456
Equity accounted investments					
Investments – shares	7 000	22 000	42 000	62 000	77 000
Other financial assets	26 104	27 932	29 888	31 981	34 220
Total financial assets	6 377 462	6 716 787	7 047 695	7 272 628	7 440 792
Non financial assets					
Inventories	20 456	20 456	20 456	20 456	20 456
Property, plant and equipment	18 855 976	19 669 849	20 279 467	20 600 589	20 793 352
Investment property	35 924	31 924	27 924	23 924	19 924
Other non financial assets	450 359	482 108	488 532	485 058	481 640
Total non financial assets	19 362 715	20 204 337	20 816 379	21 130 027	21 315 372
TOTAL ASSETS	25 740 177	26 921 124	27 864 074	28 402 655	28 756 164
LIABILITIES					
Deposits held	414 655	399 735	391 386	381 474	363 754
Advances received	213 901	201 741	188 545	174 201	158 585
Borrowing	9 140 773	10 426 557	11 078 578	11 335 103	11 312 678
Superannuation	3 353 756	3 257 496	3 160 234	3 055 798	2 949 215
Other employee benefits	829 511	829 511	829 511	829 511	829 511
Payables	382 191	384 920	386 190	387 923	387 994
Other liabilities	989 330	965 941	951 046	967 876	1 015 946
TOTAL LIABILITIES	15 324 117	16 465 901	16 985 490	17 131 886	17 017 683
NET ASSETS/(LIABILITIES)	10 416 060	10 455 223	10 878 584	11 270 769	11 738 481
NET WORTH	10 416 060	10 455 223	10 878 584	11 270 769	11 738 481
NET FINANCIAL WORTH[1]	- 8 946 655	- 9 749 114	- 9 937 795	- 9 859 258	- 9 576 891
NET FINANCIAL LIABILITIES[2]	11 308 647	12 226 364	12 587 421	12 531 789	12 267 347
NET DEBT[3]	6 600 877	7 484 406	7 970 454	8 019 926	7 833 343

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

Table 8.3

General government sector cash flow statement

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	687 198	682 070	694 253	699 632	729 370
Receipts from sales of goods and services	455 038	461 941	452 693	454 488	453 263
Grants and subsidies received	5 727 322	5 785 185	5 604 760	5 576 512	5 633 754
Interest receipts	133 292	114 407	118 059	120 974	124 383
Dividends and income tax equivalents	69 360	101 867	122 882	112 115	115 977
Other receipts	414 536	462 035	376 043	334 047	346 841
Total operating receipts	7 486 746	7 607 505	7 368 690	7 297 768	7 403 588
Cash payments for operating activities					
Payments for employees	- 3 283 451	- 3 248 889	- 3 192 725	- 3 166 484	- 3 194 148
Payment for goods and services	- 1 340 476	- 1 402 637	- 1 265 881	- 1 196 239	- 1 200 132
Grants and subsidies paid	- 1 559 819	- 1 708 482	- 1 455 723	- 1 352 999	- 1 328 753
Interest paid	- 360 915	- 391 508	- 442 271	- 467 144	- 476 801
Other payments	- 323 689	- 323 689	- 323 689	- 323 689	- 323 689
Total operating payments	- 6 868 350	- 7 075 205	- 6 680 289	- 6 506 555	- 6 523 523
NET CASH FLOWS FROM OPERATING ACTIVITIES	618 396	532 300	688 401	791 213	880 065
Cash flows from investments in non financial assets					
Sales of non financial assets	26 697	25 474	26 149	26 149	26 149
Purchases of non financial assets	- 1 109 508	- 1 320 895	- 1 189 824	- 843 230	- 737 369
Net cash flows from investments in non financial assets	- 1 082 811	- 1 295 421	- 1 163 675	- 817 081	- 711 220
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 464 415	- 763 121	- 475 274	- 25 868	168 845
Net cash flows from investments in financial assets for policy purposes[1]	- 2 950	- 65 600	- 64 400	- 24 477	- 13 400
Net cash flows from investments in financial assets for liquidity purposes	521 280	- 97 643	- 101 314	- 94 983	- 106 522
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 564 481	- 1 458 664	- 1 329 389	- 936 541	- 831 142
Net cash flows from financing activities					
Advances received (net)	- 26 508	- 12 160	- 13 196	- 14 344	- 15 616
Borrowing (net)	- 404 903	1 154 381	629 126	189 335	- 60 547
Deposits received (net)	- 116 678	- 14 920	- 8 349	- 9 912	- 17 720
Other financing (net)	250	400			
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 547 839	1 127 701	607 581	165 079	- 93 883
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 493 924	201 337	- 33 407	19 751	- 44 960
Net cash flows from operating activities	618 396	532 300	688 401	791 213	880 065
Net cash flows from investments in non financial assets	- 1 082 811	- 1 295 421	- 1 163 675	- 817 081	- 711 220
CASH SURPLUS (+)/DEFICIT (-)	- 464 415	- 763 121	- 475 274	- 25 868	168 845
Future infrastructure and superannuation contributions/earnings[2]	- 57 938	- 46 392	- 49 175	- 52 126	- 55 254
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 522 353	- 809 513	- 524 449	- 77 994	113 591

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

Table 8.4

Public non financial corporation sector comprehensive operating statement

		2022-23	2023-24	2024-25	2025-26	2026-27
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Current grants	209 978	234 144	180 445	181 575	182 193
	Capital grants	102 135	128 356	192 788	65 780	59 737
	Sales of goods and services	811 433	892 840	998 150	1 025 211	1 064 368
	Interest income	6 079	4 767	4 459	4 663	4 467
	Other revenue	27 422	23 639	38 490	35 214	35 457
	TOTAL REVENUE	1 157 047	1 283 746	1 414 332	1 312 443	1 346 222
less	EXPENSES					
	Employee benefits expense	118 758	113 299	115 682	122 092	124 993
	Superannuation expenses	13 686	14 789	16 472	17 590	18 606
	Depreciation and amortisation	216 571	221 318	220 184	227 522	228 938
	Other operating expenses	672 320	710 660	742 570	746 314	755 496
	Interest expenses	72 959	81 098	93 364	112 994	126 321
	Other property expenses	17 260	50 183	56 391	28 928	34 810
	Current grants					
	Capital grants	2 036				
	Subsidies and personal benefit payments	1 506	1 294	1 321	1 353	1 387
	TOTAL EXPENSES	1 115 096	1 192 641	1 245 984	1 256 793	1 290 551
equals	NET OPERATING BALANCE	41 951	91 105	168 348	55 650	55 671
plus	Other economic flows – included in operating result	- 7 895	- 5 674	- 13 703	- 13 725	- 13 743
equals	OPERATING RESULT	34 056	85 431	154 645	41 925	41 928
plus	Other economic flows – other comprehensive income		5 075	5 729	5 137	4 119
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	34 056	90 506	160 374	47 062	46 047
	NET OPERATING BALANCE	41 951	91 105	168 348	55 650	55 671
less	Net acquisition of non financial assets					
	Purchases of non financial assets	319 146	377 089	458 878	335 278	288 548
	Sales of non financial assets					
	less Depreciation	216 571	221 318	220 184	227 522	228 938
	plus Change in inventories	16 586	26 884	361	850	- 118
	plus Other movements in non financial assets	- 2 036				
	equals Total net acquisition of non financial assets	117 125	182 655	239 055	108 606	59 492
equals	FISCAL BALANCE	- 75 174	- 91 550	- 70 707	- 52 956	- 3 821

Table 8.5

Public non financial corporation sector balance sheet

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	206 043	200 265	198 037	188 211	163 685
Advances paid					
Investments, loans and placements	3	3	3	3	3
Receivables	148 275	142 021	147 642	149 560	154 444
Equity investments					
Investments in other public sector entities					
Equity accounted investments					
Investments – shares					
Other financial assets	6 895	6 573	5 681	4 487	3 084
Total financial assets	**361 216**	**348 862**	**351 363**	**342 261**	**321 216**
Non financial assets					
Inventories	204 042	230 926	231 287	232 137	232 019
Property, plant and equipment	3 909 576	4 098 610	4 352 785	4 474 297	4 553 254
Investment property					
Other non financial assets	68 784	68 573	58 216	37 408	25 935
Total non financial assets	**4 182 402**	**4 398 109**	**4 642 288**	**4 743 842**	**4 811 208**
TOTAL ASSETS	**4 543 618**	**4 746 971**	**4 993 651**	**5 086 103**	**5 132 424**
LIABILITIES					
Deposits held	1 868	1 868	1 868	1 868	1 868
Advances received					
Borrowing	1 911 988	1 960 942	2 089 519	2 164 606	2 201 968
Superannuation					
Other employee benefits	59 979	79 052	80 992	81 639	81 977
Payables	92 865	81 751	87 641	92 117	95 397
Other liabilities	136 678	167 894	105 826	95 197	82 647
TOTAL LIABILITIES	**2 203 378**	**2 291 507**	**2 365 846**	**2 435 427**	**2 463 857**
NET ASSETS/(LIABILITIES)	**2 340 240**	**2 455 464**	**2 627 805**	**2 650 676**	**2 668 567**
NET WORTH	**2 340 240**	**2 455 464**	**2 627 805**	**2 650 676**	**2 668 567**
NET FINANCIAL WORTH[1]	- 1 842 162	- 1 942 645	- 2 014 483	- 2 093 166	- 2 142 641
NET DEBT[2]	**1 707 810**	**1 762 542**	**1 893 347**	**1 978 260**	**2 040 148**

1 Net financial worth equals total financial assets minus total liabilities.
2 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 8.6

Public non financial corporation sector cash flow statement

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Receipts from sales of goods and services	844 641	853 611	987 597	1 018 200	1 049 488
Grants and subsidies received	302 862	408 602	309 735	239 657	236 632
Interest receipts	6 096	4 777	4 459	4 663	4 467
Dividends and income tax equivalents					
Other receipts	59 843	32 068	28 230	32 675	26 395
Total operating receipts	**1 213 442**	**1 299 058**	**1 330 021**	**1 295 195**	**1 316 982**
Cash payments for operating activities					
Income tax equivalents paid	- 10 231	- 43 209	- 54 137	- 34 523	- 34 594
Payments for employees	- 146 669	- 117 790	- 139 589	- 148 666	- 153 060
Payment for goods and services	- 695 591	- 733 381	- 715 238	- 708 973	- 726 690
Grants and subsidies paid	- 1 506	- 1 294	- 1 321	- 1 353	- 1 387
Interest paid	- 72 624	- 80 738	- 92 573	- 111 997	- 126 019
Other payments					
Total operating payments	**- 926 621**	**- 976 412**	**- 1 002 858**	**- 1 005 512**	**- 1 041 750**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**286 821**	**322 646**	**327 163**	**289 683**	**275 232**
Cash flows from investments in non financial assets					
Sales of non financial assets					
Purchases of non financial assets	- 319 146	- 377 089	- 458 878	- 335 278	- 288 548
Net cash flows from investments in non financial assets	**- 319 146**	**- 377 089**	**- 458 878**	**- 335 278**	**- 288 548**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 32 325**	**- 54 443**	**- 131 715**	**- 45 595**	**- 13 316**
Net cash flows from investments in financial assets for policy purposes[1]					
Net cash flows from investments in financial assets for liquidity purposes	- 577	322	892	1 194	1 403
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 319 723	- 376 767	- 457 986	- 334 084	- 287 145
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	- 3 312	23 854	113 801	59 937	14 711
Deposits received (net)	- 278				
Dividends paid	- 19 138	- 5 511	- 14 606	- 29 589	- 30 324
Other financing (net)	5 100	30 000	29 400	4 227	3 000
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 17 628	48 343	128 595	34 575	- 12 613
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 50 530	- 5 778	- 2 228	- 9 826	- 24 526
Net cash flows from operating activities	286 821	322 646	327 163	289 683	275 232
Net cash flows from investments in non financial assets	- 319 146	- 377 089	- 458 878	- 335 278	- 288 548
Dividends paid	- 19 138	- 5 511	- 14 606	- 29 589	- 30 324
CASH SURPLUS (+)/DEFICIT (-)	**- 51 463**	**- 59 954**	**- 146 321**	**- 75 184**	**- 43 640**

1 Includes equity acquisitions and disposals (net).

Table 8.7

Non financial public sector comprehensive operating statement

		2022-23	2023-24	2024-25	2025-26	2026-27
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	673 706	673 294	684 877	690 002	719 574
	Current grants	5 316 176	5 122 632	5 095 957	5 209 515	5 351 996
	Capital grants	543 376	503 080	623 848	397 403	287 056
	Sales of goods and services	1 156 268	1 243 183	1 340 128	1 368 949	1 406 866
	Interest income	133 954	118 722	122 006	125 278	128 517
	Dividend and income tax equivalent income	53 148	54 140	48 003	51 055	52 189
	Other revenue	453 940	483 025	412 369	367 171	380 931
	TOTAL REVENUE	8 330 568	8 198 076	8 327 188	8 209 373	8 327 129
less	EXPENSES					
	Employee benefits expense	2 896 456	2 867 369	2 812 040	2 780 519	2 810 557
	Superannuation expenses					
	Superannuation interest cost	124 062	122 469	118 822	114 906	110 909
	Other superannuation expenses	368 501	378 990	384 587	393 476	396 869
	Depreciation and amortisation	798 748	811 074	800 066	803 499	798 289
	Other operating expenses	2 224 446	2 356 548	2 255 877	2 185 861	2 207 825
	Interest expenses	428 720	474 152	536 261	580 384	602 623
	Other property expenses					
	Current grants	1 083 054	1 113 899	1 053 600	1 025 986	1 004 599
	Capital grants	114 136	125 887	32 824	27 140	27 401
	Subsidies and personal benefit payments	64 563	61 388	60 885	61 569	61 508
	TOTAL EXPENSES	8 102 686	8 311 776	8 054 962	7 973 340	8 020 580
equals	NET OPERATING BALANCE	227 882	- 113 700	272 226	236 033	306 549
plus	Other economic flows – included in operating result	16 427	56 510	54 407	60 677	66 706
equals	OPERATING RESULT	244 309	- 57 190	326 633	296 710	373 255
plus	Other economic flows – other comprehensive income	- 273 891	96 353	96 728	95 475	94 457
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	- 29 582	39 163	423 361	392 185	467 712
	NET OPERATING BALANCE	227 882	- 113 700	272 226	236 033	306 549
less	Net acquisition of non financial assets					
	Purchases of non financial assets	1 428 904	1 698 384	1 648 702	1 178 508	1 025 917
	Sales of non financial assets	- 26 697	- 25 474	- 26 149	- 26 149	- 26 149
	less Depreciation	798 748	811 074	800 066	803 499	798 289
	plus Change in inventories	4 097	26 884	361	850	- 118
	plus Other movements in non financial assets	118 401	131 403	22 895	67 190	38 122
	equals Total net acquisition of non financial assets	725 957	1 020 123	845 743	416 900	239 483
equals	FISCAL BALANCE	- 498 075	- 1 133 823	- 573 517	- 180 867	67 066

Table 8.8

Non financial public sector balance sheet

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	387 706	589 043	555 636	575 387	530 427
Advances paid	168 893	189 493	204 493	204 743	200 143
Investments, loans and placements	2 612 531	2 765 769	2 928 604	3 091 400	3 271 782
Receivables	920 099	739 173	731 860	737 683	743 700
Equity					
Investments in other public sector entities	21 632	21 632	21 632	21 632	21 632
Equity accounted investments					
Investments – shares	7 000	22 000	42 000	62 000	77 000
Other financial assets	32 999	34 505	35 569	36 468	37 304
Total financial assets	**4 150 860**	**4 361 615**	**4 519 794**	**4 729 313**	**4 881 988**
Non financial assets					
Inventories	224 498	251 382	251 743	252 593	252 475
Property, plant and equipment	22 748 151	23 752 304	24 617 343	25 061 223	25 334 189
Investment property	35 924	31 924	27 924	23 924	19 924
Other non financial assets	519 143	550 681	546 748	522 466	507 575
Total non financial assets	**23 527 716**	**24 586 291**	**25 443 758**	**25 860 206**	**26 114 163**
TOTAL ASSETS	**27 678 576**	**28 947 906**	**29 963 552**	**30 589 519**	**30 996 151**
LIABILITIES					
Deposits held	211 155	202 013	195 892	195 806	202 612
Advances received	213 901	201 741	188 545	174 201	158 585
Borrowing	11 035 240	12 371 190	13 152 999	13 485 823	13 501 972
Superannuation	3 353 756	3 257 496	3 160 234	3 055 798	2 949 215
Other employee benefits	889 490	908 563	910 503	911 150	911 488
Payables	447 575	439 200	446 360	452 569	455 920
Other liabilities	1 111 399	1 112 480	1 030 435	1 043 403	1 077 878
TOTAL LIABILITIES	**17 262 516**	**18 492 683**	**19 084 968**	**19 318 750**	**19 257 670**
NET ASSETS/(LIABILITIES)	**10 416 060**	**10 455 223**	**10 878 584**	**11 270 769**	**11 738 481**
NET WORTH	**10 416 060**	**10 455 223**	**10 878 584**	**11 270 769**	**11 738 481**
NET FINANCIAL WORTH[1]	- 13 111 656	- 14 131 068	- 14 565 174	- 14 589 437	- 14 375 682
NET FINANCIAL LIABILITIES[2]	13 133 288	14 152 700	14 586 806	14 611 069	14 397 314
NET DEBT[3]	**8 291 166**	**9 230 639**	**9 848 703**	**9 984 300**	**9 860 817**

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

Table 8.9

Non financial public sector cash flow statement

	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	678 706	673 294	684 877	690 002	719 574
Receipts from sales of goods and services	1 220 218	1 236 143	1 361 770	1 394 133	1 424 181
Grants and subsidies received	5 727 322	5 785 185	5 604 760	5 576 512	5 633 754
Interest receipts	133 057	118 722	122 006	125 278	128 517
Dividends and income tax equivalents	39 993	53 148	54 140	48 002	51 056
Other receipts	470 867	490 599	400 667	363 116	369 630
Total operating receipts	**8 270 163**	**8 357 091**	**8 228 220**	**8 197 043**	**8 326 712**
Cash payments for operating activities					
Payments for employees	- 3 418 463	- 3 354 737	- 3 319 772	- 3 302 352	- 3 334 242
Payment for goods and services	- 1 957 571	- 2 057 582	- 1 903 469	- 1 827 528	- 1 849 123
Grants and subsidies paid	- 1 258 463	- 1 301 174	- 1 147 309	- 1 114 695	- 1 093 508
Interest paid	- 427 110	- 471 686	- 534 234	- 578 684	- 602 389
Other payments	- 323 689	- 323 689	- 323 689	- 323 689	- 323 689
Total operating payments	**- 7 385 296**	**- 7 508 868**	**- 7 228 473**	**- 7 146 948**	**- 7 202 951**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**884 867**	**848 223**	**999 747**	**1 050 095**	**1 123 761**
Cash flows from investments in non financial assets					
Sales of non financial assets	26 697	25 474	26 149	26 149	26 149
Purchases of non financial assets	- 1 428 654	- 1 697 984	- 1 648 702	- 1 178 508	- 1 025 917
Net cash flows from investments in non financial assets	**- 1 401 957**	**- 1 672 510**	**- 1 622 553**	**- 1 152 359**	**- 999 768**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 517 090**	**- 824 287**	**- 622 806**	**- 102 264**	**123 993**
Net cash flows from investments in financial assets for policy purposes[1]	2 150	- 35 600	- 35 000	- 20 250	- 10 400
Net cash flows from investments in financial assets for liquidity purposes	520 703	- 97 321	- 100 422	- 93 789	- 105 119
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 879 104	- 1 805 431	- 1 757 975	- 1 266 398	- 1 115 287
Net cash flows from financing activities					
Advances received (net)	- 26 508	- 12 160	- 13 196	- 14 344	- 15 616
Borrowing (net)	- 407 003	1 179 447	744 138	250 484	- 44 624
Deposits received (net)	- 66 426	- 9 142	- 6 121	- 86	6 806
Other financing (net)	250	400			
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 499 687	1 158 545	724 821	236 054	- 53 434
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 493 924	201 337	- 33 407	19 751	- 44 960
Net cash flows from operating activities	884 867	848 223	999 747	1 050 095	1 123 761
Net cash flows from investments in non financial assets	- 1 401 957	- 1 672 510	- 1 622 553	- 1 152 359	- 999 768
CASH SURPLUS (+)/DEFICIT (-)	**- 517 090**	**- 824 287**	**- 622 806**	**- 102 264**	**123 993**
Future infrastructure and superannuation contributions/earnings[2]	- 57 938	- 46 392	- 49 175	- 52 126	- 55 254
UNDERLYING SURPLUS (+)/DEFICIT (-)	**- 575 028**	**- 870 679**	**- 671 981**	**- 154 390**	**68 739**

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

Table 8.10

Public financial corporation sector comprehensive operating statement

		2022-23 Revised
		$000
	REVENUE	
	Current grants	
	Capital grants	
	Sales of goods and services	988
	Interest income	344 926
	Other revenue	
	TOTAL REVENUE	345 914
less	EXPENSES	
	Employee benefits expense	1 314
	Superannuation expenses	142
	Depreciation and amortisation	
	Other operating expenses	1 262
	Interest expenses	290 048
	Other property expenses	15 944
	Current grants	
	Capital grants	
	Subsidies and personal benefit payments	
	TOTAL EXPENSES	308 710
equals	NET OPERATING BALANCE	37 204
plus	Other economic flows – included in operating result	
equals	OPERATING RESULT	37 204
plus	Other economic flows – other comprehensive income	
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	37 204
	NET OPERATING BALANCE	37 204
less	Net acquisition of non financial assets	
	Purchases of non financial assets	
	Sales of non financial assets	
	less Depreciation	
	plus Change in inventories	
	plus Other movements in non financial assets	
	equals Total net acquisition of non financial assets	
equals	FISCAL BALANCE	37 204

Table 8.11

Public financial corporation sector balance sheet

	2022-23 Revised
	$000
ASSETS	
Financial assets	
Cash and deposits	46 417
Advances paid	
Investments, loans and placements	9 427 018
Receivables	5 295
Equity investments	
Investments in other public sector entities	
Equity accounted investments	
Investments – shares	
Other financial assets	
Total financial assets	**9 478 730**
Non financial assets	
Inventories	
Property, plant and equipment	
Investment property	
Other non financial assets	
Total non financial assets	
TOTAL ASSETS	**9 478 730**
LIABILITIES	
Deposits held	775
Advances received	175 458
Borrowing	9 163 124
Superannuation	
Other employee benefits	299
Payables	64 293
Other liabilities	53 149
TOTAL LIABILITIES	**9 457 098**
NET ASSETS/(LIABILITIES)	**21 632**
NET WORTH	**21 632**
NET FINANCIAL WORTH[1]	21 632
NET DEBT[2]	**- 134 078**

1 Net financial worth equals total financial assets minus total liabilities.
2 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 8.12

Public financial corporation sector cash flow statement

	2022-23 Revised
	$000
Cash receipts from operating activities	
Receipts from sales of goods and services	988
Grants and subsidies received	
Interest receipts	342 662
Other receipts	
Total operating receipts	343 650
Cash payments for operating activities	
Income tax equivalents paid	- 11 998
Payments for employees	- 1 456
Payment for goods and services	- 1 262
Grants and subsidies paid	
Interest paid	- 308 587
Other payments	
Total operating payments	- 323 303
NET CASH FLOWS FROM OPERATING ACTIVITIES	20 347
Cash flows from investments in non financial assets	
Sales of non financial assets	
Purchases of non financial assets	
Net cash flows from investments in non financial assets	
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	20 347
Net cash flows from investments in financial assets for policy purposes[1]	
Net cash flows from investments in financial assets for liquidity purposes	272 285
NET CASH FLOWS FROM INVESTING ACTIVITIES	272 285
Net cash flows from financing activities	
Advances received (net)	
Borrowing (net)	- 330 785
Deposits received (net)	
Dividends paid	- 27 995
Other financing (net)	
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 358 780
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 66 148
Net cash flows from operating activities	20 347
Net cash flows from investments in non financial assets	
Distributions paid	- 27 995
CASH SURPLUS (+)/DEFICIT (-)	- 7 648

1 Includes equity acquisitions and disposals (net).

Table 8.13

Total public sector comprehensive operating statement

		2022-23 Revised
		$000
	REVENUE	
	Taxation revenue	673 706
	Current grants	5 316 176
	Capital grants	543 376
	Sales of goods and services	1 156 016
	Interest income	134 454
	Dividend and income tax equivalent income	
	Other revenue	453 897
	TOTAL REVENUE	**8 277 625**
less	EXPENSES	
	Employee benefits expense	2 897 770
	Superannuation expenses	
	Superannuation interest cost	124 062
	Other superannuation expenses	368 600
	Depreciation and amortisation	798 748
	Other operating expenses	2 224 468
	Interest expenses	374 342
	Other property expenses	
	Current grants	1 083 054
	Capital grants	114 136
	Subsidies and personal benefit payments	64 563
	TOTAL EXPENSES	**8 049 743**
equals	NET OPERATING BALANCE	227 882
plus	Other economic flows – included in operating result	16 427
equals	OPERATING RESULT	**244 309**
plus	Other economic flows – other comprehensive income	- 273 891
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	**- 29 582**
	NET OPERATING BALANCE	**227 882**
less	Net acquisition of non financial assets	
	Purchases of non financial assets	1 428 904
	Sales of non financial assets	- 26 697
	less Depreciation	798 748
	plus Change in inventories	4 097
	plus Other movements in non financial assets	118 401
	equals Total net acquisition of non financial assets	**725 957**
equals	FISCAL BALANCE	- 498 075

Table 8.14

Total public sector balance sheet

	2022-23 Revised
	$000
ASSETS	
Financial assets	
Cash and deposits	387 706
Advances paid	168 893
Investments, loans and placements	2 612 531
Receivables	866 964
Equity investments	
Investments in other public sector entities	
Equity accounted investments	
Investments – shares	7 000
Other financial assets	32 999
Total financial assets	4 076 093
Non financial assets	
Inventories	224 498
Property, plant and equipment	22 748 151
Investment property	35 924
Other non financial assets	519 143
Total non financial assets	23 527 716
TOTAL ASSETS	27 603 809
LIABILITIES	
Deposits held	165 513
Advances received	200 692
Borrowing	10 960 013
Superannuation	3 353 756
Other employee benefits	889 789
Payables	506 586
Other liabilities	1 111 400
TOTAL LIABILITIES	17 187 749
NET ASSETS/(LIABILITIES)	10 416 060
NET WORTH	10 416 060
NET FINANCIAL WORTH[1]	- 13 111 656
NET DEBT[2]	8 157 088

1 Net financial worth equals total financial assets minus total liabilities.
2 Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table 8.15

Total public sector cash flow statement

	2022-23 Revised
	$000
Cash receipts from operating activities	
Taxes received	678 706
Receipts from sales of goods and services	1 219 966
Grants and subsidies received	5 727 322
Interest receipts	133 057
Other receipts	470 824
Total operating receipts	**8 229 875**
Cash payments for operating activities	
Payments for employees	- 3 419 876
Payment for goods and services	- 1 957 593
Grants and subsidies paid	- 1 258 463
Interest paid	- 393 035
Other payments	- 323 689
Total operating payments	**- 7 352 656**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**877 219**
Cash flows from investments in non financial assets	
Sales of non financial assets	26 697
Purchases of non financial assets	- 1 428 654
Net cash flows from investments in non financial assets	**- 1 401 957**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 524 738**
Net cash flows from investments in financial assets for policy purposes[1]	2 150
Net cash flows from investments in financial assets for liquidity purposes	520 703
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 879 104
Net cash flows from financing activities	
Advances received (net)	
Borrowing (net)	- 492 011
Deposits received (net)	- 278
Other financing (net)	250
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 492 039
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 493 924
Net cash flows from operating activities	877 219
Net cash flows from investments in non financial assets	- 1 401 957
CASH SURPLUS (+)/DEFICIT (-)	**- 524 738**
Future infrastructure and superannuation contributions/earnings[2]	- 57 938
UNDERLYING SURPLUS (+)/DEFICIT (-)	**- 582 676**

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

Table 8.16

General government sector taxes

	2022-23 Revised	2023-24 Budget
	$M	$M
Taxes on employers' payroll and labour force	**261**	**270**
Payroll taxes	261	270
Taxes on property	**175**	**155**
Stamp duties on financial and capital transactions	175	155
Taxes on the provision of goods and services	**163**	**170**
Taxes on gambling	102	105
Taxes on insurance	61	65
Taxes on the use of goods and performance of activities	**83**	**87**
Motor vehicle registration fees	81	85
Other	2	2
TOTAL TAXATION REVENUE	**682**	**682**

Table 8.17

General government sector grant revenue

	2022-23 Revised	2023-24 Budget
	$M	$M
Current grant revenue		
Current grants from the Commonwealth (including for on-passing)	5 276	5 100
Untied revenue	3 977	3 804
Tied revenue	1 299	1 296
Other contributions and grants	40	23
Total current grant revenue	**5 316**	**5 123**
Capital grant revenue		
Capital grants from the Commonwealth (including for on-passing)	534	548
Tied revenue	534	548
Other contributions and grants	4	1
Total capital grant revenue	**538**	**549**
TOTAL GRANTS REVENUE	**5 854**	**5 672**

Table 8.18

General government sector grant expenses

	2022-23 Revised	2023-24 Budget
	$M	$M
Current grant expense including subsidies and personal benefit payments	**1 356**	**1 408**
Local government	77	76
Private and not-for-profit sector	965	1 008
Grants to other sectors of government	69	64
Other	245	261
Capital grant expense	**209**	**300**
Local government	16	10
Private and not-for-profit sector	95	116
Grants to other sectors of government	97	174
Other	1	
TOTAL GRANT EXPENSES	1 565	1 708

Table 8.19

General government sector dividend and income tax equivalent income

	2022-23 Revised	2023-24 Budget
	$M	$M
Dividend and income tax equivalent income from public non financial corporations sector	37	56
Dividend and income tax equivalent income from public financial corporations sector	53	54
TOTAL DIVIDEND AND INCOME TAX EQUIVALENT INCOME	90	110

Table 8.20

General government sector operating expenses by function

	2022-23 Revised	2023-24 Budget
	$M	$M
General public services	598	640
Public order and safety	1 010	1 005
Economic affairs	550	560
Environmental protection	145	144
Housing and community amenities	774	868
Health	1 949	1 932
Recreation, culture and religion	165	163
Education	1 310	1 333
Social protection	605	694
Transport	305	331
TOTAL OPERATING EXPENSES	**7 410**	**7 670**

Reported by Classifications of Functions of Government – Australia.

Table 8.21

General government sector purchases of non financial assets by function

	2022-23 Revised	2023-24 Budget
	$M	$M
General public services	9	7
Public order and safety	96	95
Economic affairs	51	75
Environmental protection	27	36
Housing and community amenities	345	148
Health	80	106
Recreation, culture and religion	39	78
Education	44	35
Social protection	32	27
Transport	387	714
TOTAL PURCHASES OF NON FINANCIAL ASSETS	**1 110**	**1 321**

Reported by Classifications of Functions of Government – Australia.

Appendices

Appendix A

Classification of entities in the Northern Territory

Total public sector

Non financial public sector

General government

Aboriginal Areas Protection Authority
Auditor-General's Office
AustralAsia Railway Corporation[1]
Batchelor Institute of Indigenous Tertiary Education[1]
Central Holding Authority
Darwin Waterfront Corporation[1]
Data Centre Services[2]
Department of the Attorney-General and Justice
Department of the Chief Minister and Cabinet
Department of Corporate and Digital Development
Department of Education
Department of Environment, Parks and Water Security
Department of Health
Department of Industry, Tourism and Trade
Department of Infrastructure, Planning and Logistics
Department of the Legislative Assembly
Department of Territory Families, Housing and Communities
Department of Treasury and Finance
Desert Knowledge Australia[1]
Motor Accidents (Compensation) Commission[1]
Museums and Art Galleries Board of the Northern Territory[1]
Nominal Insurer's Fund[1]
Northern Territory Electoral Commission
Northern Territory Legal Aid Commission[1]
Northern Territory Major Events Company Pty Ltd[1]
Northern Territory Police, Fire and Emergency Services
NT Build[1]
NT Fleet[2]
NT Home Ownership[2]
Office of the Independent Commissioner Against Corruption
Ombudsman's Office
Territory Wildlife Parks[2]

Public non financial corporations

Indigenous Essential Services Pty Ltd[1]
Jacana Energy[1, 3]
Land Development Corporation[2]
Power and Water Corporation[1, 3]
Territory Generation[1, 3]

Public financial corporation sector

Northern Territory Treasury Corporation[2]

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

Appendix B

Abbreviations and acronyms

a	actual
AARC	AustralAsia Railway Corporation
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
B	billion
Cat. No.	catalogue number
CBD	central business district
CCTV	closed-circuit television
CGC	Commonwealth Grants Commission
COPE	Commonwealth own-purpose expenses
CPI	consumer price index
CTP	compulsory third-party insurance
e	estimate
f	forecast
FFA	Federation Funding Agreement
FITA	*Fiscal Integrity and Transparency Act 2001*
GSP	gross state product
GST	goods and services tax
HFE	horizontal fiscal equalisation
ICT	information and communications technology
IGA	Intergovernmental Agreement on Federal Financial Relations
LHS	left-hand side
LNG	liquefied natural gas
M	million
MAC	Motor Accidents Compensation
MLA	Member of the Legislative Assembly
Moody's	Moody's Investors Service
n/a	not applicable
NAIF	Northern Australia Infrastructure Facility
NHRA	National Health Reform Agreement
NT	Northern Territory
NTPS	Northern Territory Public Sector
NTRAI	Northern Territory Remote Aboriginal Investment
NTTC	Northern Territory Treasury Corporation
ppt	percentage points
r	revised
RBA	Reserve Bank of Australia
RHS	right-hand side
ROSI	Roads of Strategic Importance
SCI	statement of corporate intent
SFD	state final demand
SPP	specific purpose payment
states	states and territories
UPF	Uniform Presentation Framework
US	United States (of America)
WPI	wage price index

Appendix C

Explanation of terms

Administrative Arrangements Order

A list of ministers of the Northern Territory and the agencies, Acts and principal areas of government for which they are responsible.

Advances/advances paid

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

Agency

A unit of government administration as nominated in an Administrative Arrangements Order for the purposes of the *Financial Management Act 1995* and including, where the case requires, a part or division (by whatever name called) of an agency. Agencies are entities that fulfil the functions of government as their primary activity. The services they provide include those that are mainly non-market in nature and largely for collective consumption by the community. These services are provided free of charge or at nominal charge well below costs of production. Agencies are predominantly funded through appropriations.

Appropriation

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

Appropriation Act

The Act that provides the legal authority for the Northern Territory Government's funding decisions and includes an annual *Appropriation Act* or additional *Appropriation Act*.

Assessable debt

Assessable debt comprise total borrowings less leases.

Australian accounting standards

Statements of accounting standards (from the Australian Accounting Standards Board) that are applied in preparation and presentation of financial statements.

Australian Bureau of Statistics

A Commonwealth entity that coordinates statistical activities and collaborates with official bodies in collecting, compiling, analysing and distributing statistics.

Australian Bureau of Statistics Government Finance Statistics Manual

The Australian Bureau of Statistics publication, Australian System of Government Finance Statistics: Concepts, Sources and Methods, as updated from time to time.

Borrowings

Receipt of money, property or other value with an obligation to repay, regardless of whether or not the repayment is of equal value. It includes loans, the issue of debentures, bonds or stock, discounted securities, promissory notes, the lease of real or personal property, or any other arrangement where there is an obligation to repay.

Budget cycle

Term used to reference the financial years reported in the Budget, comprising of the revised budget, the budget year, and the three forward estimate years.

Capital grants expense/revenue

Transfers of assets from one unit to another, for which no economic benefit of equal value are receivable or payable in return. Includes transfers of ownership of assets (other than cash and inventories), transfers of cash to enable recipients to acquire another asset, and transfers of funds realised from the disposal of assets.

Capital works

Infrastructure projects involving building and engineering works that create or improve government owned assets, as well as constructing or installing facilities and fixtures associated with and forming an integral part of those works.

Cash and deposits

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

Cash surplus/deficit

Net impact of cash flows during the period. A key fiscal aggregate reported in the cash flow statement, cash surplus/deficit is a useful indicator of the Territory's need to call on financial markets to meet its budget obligations. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non financial assets, less distributions paid.

Central Holding Authority

The parent financial entity of government. It receives all Territory own-source revenue collected by other agencies on behalf of the Territory, except revenue permitted by legislation to be retained by agency. It also receives most Commonwealth income, including GST revenue, national partnership and specific purpose payments, and then distributes this funding to agencies in the form of appropriations.

Classifications of functions of government – Australia

A framework to classify government outlays or expenditure by the purpose served, for example, health or education, which is based on classifications set by the Australian Bureau of Statistics in the government finance statistics manual.

Commitment

A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates. Includes operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources that are not recognised as a liability on the Territory's balance sheet.

Commonwealth Grants Commission

A Commonwealth statutory body that makes recommendations to the Commonwealth Treasurer on how revenues raised from GST should be distributed to states and territories.

Commonwealth own-purpose expenses

Payments by the Commonwealth directly to an agency for provision of specific services or for on-passing to non-government and local government organisations.

Community service obligation

A community service obligation arises when the government requires a government business division or government owned corporation to carry out activities it would not choose to do on a commercial basis or would only do so at higher commercial prices. Community service obligation funding allows government to achieve identifiable community or social objectives that would not be achieved if left solely to commercial considerations.

Comprehensive result

A fiscal aggregate reported in the operating statement. The net result of all items of income and expense recognised for the period, it is the aggregate of operating result and other movements in assets and liabilities, other than transactions with owners in their capacity as owners. It equals revenue from transactions less expenses from transactions plus other economic flows.

Consumer price index

A measure of the price of a representative basket of goods and services for each Australian capital city over time.

The consumer price index's basket of goods has 11 categories of goods and services (food and non-alcoholic beverages; alcohol and tobacco; clothing and footwear; housing; furnishings, household equipment and services; health; transport; communication; recreation and culture; education; and insurance and financial services). These categories are weighted to reflect household consumption patterns in each city. Weights for each capital city are updated on an annual basis to reflect changing household consumption patterns over time.

Contingent liability

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 not wholly in control of the Territory. It also includes present liabilities that arise from past events where it is not probable the Territory will be required to settle the liability, or the amount of the obligation cannot be reliably estimated.

Controllable costs

Costs that an entity is able to directly influence to improve profitability. These costs comprise total operating costs, such as personnel, professional fees, information and communications technology, training, travel and property costs, but exclude costs of sales, depreciation, impairments, interest and tax expenses.

Current grants expense/revenue

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

Debt ceiling

Limit on the amount of assessable borrowings that can be incurred by the Territory to meet its operational and capital commitments in accordance with the *Fiscal Integrity and Transparency Act 2001*.

Deposits held

Net cash held by public sector entities as a result of deposits received, predominantly comprising of cash held on behalf of, or for the benefit of, other parties.

Depreciation and amortisation

An expense that represents the cost of assets (both tangible and intangible) over their useful life, to account for declines in their value over time due to usage, wear and tear, and obsolescence.

Employed

Persons 15 years and older who worked for one hour or more in the week as measured by the labour force survey. Persons are measured as being employed in the jurisdiction in which they reside, regardless of the location of their employment.

Employee benefits expense

Consists of all uncapitalised compensation of employees except for superannuation. It includes payments in cash or in-kind.

Federation funding agreement schedules

Fixed term agreements between the Commonwealth and states and territories, with defined objectives, outcomes, outputs and performance measures for the delivery of specific projects, services or to facilitate reforms arranged under five sectoral federation funding agreements covering Health, Education and Skills, Infrastructure, Environment, and Affordable Housing, Community Services and Other.

Financial asset

A non physical asset that gets its value from a contractual or ownership claim with a counterparty. Includes cash and deposits, advances paid, investments, loans and placements, receivables, equity investments, and other contractual rights to receive future economic benefits.

Financial instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Fiscal aggregate

Financial indicators used for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* prescribes net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth and cash surplus/deficit. The Uniform Presentation Framework prescribes additional fiscal aggregates not included in AASB 1049. These are net debt, net financial worth, net financial liabilities and Australian Bureau of Statistics Government Finance Statistics Manual cash surplus/deficit.

Fiscal balance (net lending/borrowing)

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

General government sector

Agencies and other entities controlled by government mainly engaged in the production of goods and or services outside the normal market mechanism, where goods and services are provided free of charge or at nominal charge well below costs of production. This sector is generally funded by taxation revenues (directly or indirectly) and Commonwealth grants.

General revenue assistance

Commonwealth payments to states and territories that are untied and can be used for any purpose, and includes GST payments.

Goods and services tax revenue

The Territory's share of national GST collections, based on the Territory's population share weighted by its GST relativity. GST relativities are determined by the Commonwealth Treasurer, informed by the recommendations of the Commonwealth Grants Commission.

Government business division

Government owned entities determined to be a government business division by the Treasurer for the purposes of the *Financial Management Act 1995*, that follow commercial practices and are required to comply with competitive neutrality principles. Government business divisions are mainly funded through user charges.

Government finance statistics

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

Government owned corporation

An entity governed by the *Government Owned Corporations Act 2001*. Operating under a shareholder model of corporate government, its objectives are to function as efficiently as any corporate business and maximise sustainable returns to government.

The Territory has three government owned corporations: Power and Water Corporation, Territory Generation and Jacana Energy.

Grants

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

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

Gross domestic product

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

Gross state product

Similar to gross domestic product, except gross state product measures the total value of goods and services produced in a state or territory. Gross state product is the sum of all income, namely wages, salaries and profits, plus indirect taxes less subsidies. Gross state product can also be calculated by measuring expenditure, where it is the sum of state final demand and international and interstate trade, changes in the level of stocks, and a balancing item.

Guarantee

An undertaking to assume responsibility for the debt of or performance obligations by another party should the party default.

Horizontal fiscal equalisation

A distribution of GST revenue to state and territory governments so, after allowing for material factors affecting revenues and expenditures, each would have the fiscal capacity to provide services and associated infrastructure at a similar standard, if each made the same effort to raise revenue from its own sources, operated at the same level of efficiency and maintained the average per capita net financial worth.

Household consumption

Expenditure by resident households on goods and services that will not be resold or used in production. The purchase of dwellings is excluded from household consumption as dwellings are goods used by owners to produce housing services for those owners and is therefore captured in private investment.

Household savings rate

The ratio of household net saving to household net disposable income. Household net saving is calculated as household net disposable income less household final consumption expenditure. Household net disposable income is calculated as household gross disposable income less household consumption of fixed capital.

Indemnity

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

Inflation

Annual change in the consumer price index. For the purpose of adjusting agency budgets and government fees, the Territory Government generally uses the year-on-year change in the consumer price index.

Interest expense

Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments and amortisation of discounts or premiums on borrowings.

Intergovernmental Agreement on Federal Financial Relations

An agreement outlining the objectives, principles and institutional arrangements governing financial relations between the Commonwealth and state and territory governments, including Commonwealth funding to states and territories through general revenue assistance, specific purpose payments and national partnership payments.

Inventories

Goods or other property used in the production of goods or services, or held for sale or consumption, but does not include livestock and other regenerative natural resources.

Investments, loans and placements

Surplus cash or funds available that are invested in permitted investment types with the goal of achieving desired financial returns within defined risk tolerance levels.

Key fiscal indicators

Key financial measures that must be specified by government in accordance with the *Fiscal Integrity and Transparency Act 2001*, against which fiscal policy will be set and assessed. The fiscal indicators determined by government are generally derived from fiscal aggregates reported in the Uniform Presentation Framework and AASB 1049.

Labour force

Persons 15 years and over who are available for work, that is, employed plus unemployed persons actively seeking work. Labour force excludes Australian Defence Force personnel and non residents.

Leases

Rights conveyed in a contract or part of a contract to use an asset (the underlying asset) for a period of time in exchange for consideration.

Loans

Debt financial instruments used for the purpose of raising and obtaining funds from financial institutions (or centralised borrowing authority).

Local Jobs Fund

Funding pool established by the Territory Government to support job creation and accelerate major and significant economic transformation projects for high growth potential Territory businesses through a variety of funding mechanisms such as concessional loans, equity co-investments and grants.

Machinery of government changes

Changes or variations in government structure, including the abolition or creation of new government entities, the merger or absorption of government entities, and small or large transfers of policy, program or service delivery responsibilities between government entities.

Minor works

Capital projects of $1 million or less approved to start in the current financial year relating to improvements to or construction of new Territory Government assets.

National funding agreements

Complex agreements between the Commonwealth and states and territories that contain significant policy content and act as sources of longer-term funding.

National partnership agreements

Fixed term agreements between the Commonwealth and states and territories, with defined objectives, outcomes, outputs and performance measures for the delivery of specific projects, services or reforms. National partnerships are being replaced with federation funding agreement schedules.

National partnership payments

Tied payments from Commonwealth Treasury to state and territory treasuries, and appropriated to government agencies to deliver outcomes and outputs under federation funding agreement schedules, national partnership agreements, and some national funding agreements.

Net acquisition/(disposal) of non financial assets from transactions

A measure of net capital expenditure for a fiscal year, it equals purchases (or acquisitions) of non financial assets less sales (or disposals) of non financial assets, less depreciation, plus changes in inventories and other movements in non financial assets.

Net actuarial gains/losses

Net gains and losses as a result of changes in actuarial assumptions, including those relating to defined benefit superannuation plans, reported in other economic flows in the operating statement.

Net capital investment

Purchases of non financial assets (incorporating the construction of assets) less sales of non financial assets as reported in the operating statement.

Net cash flows from investments in financial assets (liquidity management purposes)

Cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash flows from investments in financial assets (policy purposes)

Cash receipts from liquidation or repayment of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. These cash flows are distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disasters.

Net debt

A government's net stock of selected gross financial liabilities less financial assets. A key fiscal aggregate reported in the balance sheet, it equals the sum of deposits held, advances received, loans and other borrowings, less the sum of cash and deposits, advances paid and investments, loans and placements.

Net debt to revenue

Fiscal measure that assesses net debt as a proportion of total revenue. It assesses a government's ability to repay borrowings, with a high ratio indicating a lower ability to repay debt and a low ratio indicating a stronger ability to repay debt.

Net exports (also known as trade balance)

Difference between the value of a jurisdiction's exports and imports. When exports exceed imports, the jurisdiction has a trade surplus, and conversely, when imports exceed exports, the jurisdiction has a trade deficit.

Net financial liabilities

Reported in the balance sheet, this measure is broader than net debt, as it includes significant liabilities other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). It equals total liabilities less financial assets, other than equity in public non financial corporations and public financial corporations. For the public non financial corporation and public financial corporation sectors, it is equal to negative net financial worth.

Net financial worth

Reported in the balance sheet, net financial worth measures a government's net holdings of financial assets. It equals total financial assets less total liabilities.

Net operating balance

Key fiscal aggregate reported in the operating statement, measuring the ongoing sustainability of a government's operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets, and is the component of the change in net worth that is due to transactions attributable to government policies. It equals total revenue less total expenses.

Net worth

Provides a 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 non financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as 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-budget sector entity

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

Non cash

Transactions that do not involve the inflow or outflow of cash, and are typically attributed to increases or decreases in the value of assets or liabilities. Non cash transactions include depreciation, amortisation, assets gifted for nil consideration and unrealised gains or losses.

Non financial assets

Assets that are not financial assets, predominantly comprising land and other fixed assets.

Non financial public sector

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

Non-policy variations

Changes in key fiscal indicators as a result of factors outside government's control, such as the timing of payments or changes in external economic conditions.

Northern Territory Project Development Framework

A framework applied to capital projects that are funded or partially funded by the Territory, where the Territory-funded contribution (either cash or non cash) is $30 million or more. The framework aims to ensure government-facilitated and funded projects are developed, evaluated and progressed in a consistent way to enhance transparency and public accountability, and maximise outcomes and public benefit of government expenditure.

Operating result

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions, such as revaluations, net actuarial gains and losses, and other changes in the volume of assets.

Other operating expenses

Expenses that generally represent day-to-day running costs incurred in normal operations. They also include total value of goods and services used in production and use of goods acquired for resale.

Other superannuation expenses

Total superannuation expenses from transactions excluding superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are reported in other economic flows.

Own-source revenue

Revenue raised by the Territory, mainly through Territory administered legislation, and largely comprising taxes and mining royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets.

Parameters

Used to adjust agency budgets. Also referred to as inflators and deflators.

Payables

Liabilities (or amounts owed) that include short and long-term trade debt, accounts payable, accrued expenses, grants and interest payable.

Policy variations

Changes to key fiscal indicators that arise from government decisions to implement new or expand existing agency programs and savings, revenue and contingency measures.

Private investment

Expenditure by producers on fixed assets that are used in the process of production and used repeatedly or continuously for longer than one year. It comprises dwelling investment, ownership transfer costs (fees incurred by the buyer or seller of real estate), non-dwelling construction (industrial, commercial and non-dwelling buildings and other structures such as pipelines and bridges), machinery and equipment, cultivated biological resources (natural resources used repeatedly to produce products such as milk or orchards) and intellectual property products (products as a result of creative activity, research and development and mineral exploration).

Provisions

Amounts set aside for future payments.

Public consumption

Government expenditure on goods and services (including wages and rents). National consumption is a combination of Commonwealth consumption, defence consumption and consumption by universities. State and local government consumption includes all other public consumption.

Public financial corporations

Government-controlled entities that perform central bank functions and have the authority to incur liabilities and acquire financial assets in the market on their own behalf.

Public investment

Expenditure by all levels of government on the purchase of fixed assets that are used over a long time period. Most data for public investment is sourced from state and territory government financial reports. Adjustments are made by the Australian Bureau of Statistics to deduct expenditure that is classified as consumption, rather than investment. The Australian Bureau of Statistics' statistical treatment of public investment does not always reconcile with the Territory Government's reporting of investment expenditure and, as a result, is not directly comparable.

Public non financial corporations

Government owned and controlled entities that provide goods and services to consumers on a commercial basis and are funded largely by the sale of these goods and services with the aim to maximise sustainable returns to government. These entities are legally distinguishable from the government that owns them.

Receivables

Assets (or amounts to be received) that include short and long-term trade credit, accounts receivable, prepaid expenses, grants, taxes and interest receivable.

Repairs and maintenance expenses

Expenses incurred to maintain existing government owned assets in working condition or keep an asset functioning at its required capacity. Reported in other operating expenses in the operating statement, it excludes works that enhance an asset significantly or extend its useful life.

Sales of goods and services

Revenue from the direct provision of goods and services, including fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on assets such as buildings and equipment, but excludes rental income from the use of non-produced assets such as land.

Service concession arrangement

A contract effective during the reporting period between a grantor and an operator in which the operator:

- has right of access to the service concession asset (or assets) to provide public services on behalf of the grantor for a specified period of time
- is responsible for at least some of the management of the public services provided through the asset and does not act merely as an agent on behalf of the grantor
- is compensated for its services over the period of the service concession arrangement.

Specific purpose payments

Tied payments from Commonwealth Treasury to state and territory treasuries, and appropriated to government agencies, to support service delivery in specific sectors.

State final demand

A major component of gross state product, it is a measure of the demand for goods and services in an economy. While state final demand includes consumption and investment expenditure, it excludes the contribution of trade or changes in inventories to economic growth and therefore is not a comprehensive measure of economic growth.

Statutory bodies

Entities established by or under an Act for a public purpose where there is a need for some operational independence from government. These entities are mainly funded through levies, taxes or grant funding.

Superannuation interest cost

Costs equivalent to interest expense that would be payable if the Territory borrowed funds to extinguish it's superannuation liabilities related to defined benefit and defined contribution schemes.

Tax equivalents regime

Mechanism used to ensure government business divisions and government owned corporations incur similar tax liabilities to private enterprises. The regime supports competitive neutrality by achieving a greater degree of parity between the cost structures of government-controlled trading entities and the private sector.

Territory-funded expenses

Expenses funded by the Territory from appropriation and payments made from the Central Holding Authority including interest and employee entitlements.

Tied revenue

Revenue received by the Territory that must be used for specific purposes, predominantly through national funding agreements, federation funding agreement schedules, national partnership agreements and specific purpose payments, which are tied with a sector.

Total public sector

The sector formed through a consolidation of the non financial public and public financial corporation sectors.

Transactions

Interactions between two institutional units by mutual agreement or actions within a unit that are analytically useful to treat as transactions.

Treasurer's Advance

An appropriation purpose of that name as specified in the *Appropriation Act*, which provides a pool of funds specifically set aside in each budget to meet one-off unexpected costs that arise during the year and are substantial enough to warrant additional appropriation actioned under section 18 of the *Financial Management Act 1995*. Treasurer's Advance is also a legal mechanism to fund all new government decisions affecting the current financial year that require additional Territory appropriation to be paid to agencies.

Unemployment rate

Number of unemployed persons expressed as a percentage of the labour force.

Uniform Presentation Framework

A framework agreed by the Council on Federal Financial Relations to incorporate AASB 1049. The Uniform Presentation Framework requires Commonwealth, state and territory governments to present a minimum set of budget and financial outcome information based on the government finance statistics, according to an agreed format and specified reporting arrangements. This enables users of the information to make valid comparisons between jurisdictions.

Untied revenue

Revenue received by the Territory that can be used for discretionary purposes. It comprises GST revenue.

Wage price index

A measure of hourly rates of pay over time for a fixed range of jobs. The Australian Bureau of Statistics measures the wage price index at the state and territory level (as well as nationally) and for both the public and private sectors. It excludes non-wage costs such as superannuation, payroll tax and workers compensation.

Whole of government financial report

Financial report prepared by a government in accordance with Australian accounting standards, including AASB 10 *Consolidated Financial Statements* and AASB 127 *Separate Financial Statements*, thereby separately recognising assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.