



NORTHERN TERRITORY GOVERNMENT

# 2016-17 MID-YEAR REPORT



2016-17  
Mid-Year Report



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## Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act*, I certify that the financial projections included in the 2016-17 Mid-Year Report are based on Government decisions that I was aware of, or were made available to me by the Treasurer, before 24 November 2016. The projections are presented in accordance with the Uniform Presentation Framework.



David Braines-Mead  
A/Under Treasurer  
25 November 2016

# Chapter 1

## Overview

The 2016-17 Mid-Year Report has been prepared in accordance with the *Fiscal Integrity and Transparency Act (FITA)*, which requires the Treasurer to prepare and publicly release a mid-year fiscal outlook report each year.

The Mid-Year Report provides an update on the current economic and fiscal outlook for the Territory and includes material variations that have occurred since the August 2016 Pre-Election Fiscal Outlook Report (PEFO) and their effect on the remainder of 2016-17 and the forward estimates.

### Fiscal Outlook

Since PEFO, the financial projections have been updated to include the 2015-16 final outcome and the election commitments of the new Northern Territory Government, which assumed office on 27 August 2016.

As part of the 2016 election campaign, the Territory Government announced a number of commitments that underpin its policy platform. These election commitments are largely categorised under the broad headings of Children and Social Development, Jobs, Lifestyle, and Trust and Governance. The budgetary effect of these commitments forms the baseline for the 2016-17 Mid-Year Report. The overall net cost of the Government's official election commitments contained in this report remains consistent with that provided prior to the August 2016 election.

Recurrent commitments are estimated to cost \$23.9 million in 2016-17, rising to \$77.6 million in 2019-20. In addition to the recurrent commitments, the Government has committed an additional \$100 million to fund an infrastructure stimulus package. The cost of the overall commitments is predominantly being met through a combination of savings and reprioritisation identified in a number of specific areas and the application of the contingency reserve previously incorporated in the Budget forward estimates.

In isolation these commitments have resulted in increased fiscal deficits in 2017-18 and 2018-19, but an improvement in 2016-17 and 2019-20.

Overall, the changes in estimated outcomes since PEFO have been influenced by the following key factors:

- the 2015-16 final budget outcome;
- Government's election commitments;
- the Territory's contribution to the Royal Commission into the Child Protection and Youth Detention Systems of the Northern Territory announced by the Prime Minister on 26 July 2016; and
- a reduction in GST revenues.

As a result, the fiscal balance deficit is projected to be \$875 million in 2016-17 before trending to improvement over the forward years to a \$29 million surplus in 2019-20, the year the Government has committed to returning the Budget to surplus.

Table 1.1 highlights the key fiscal aggregates for the general government sector and the non financial public sector for the 2016-17 Mid-Year Report.

Table 1.1: Key Fiscal Indicators and Aggregates

	2015-16 <sup>1</sup>	2016-17	2017-18	2018-19	2019-20
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
<b>General government sector</b>					
Net operating balance	293	1	- 64	- 72	67
<b>Non financial public sector</b>					
<b>Fiscal balance</b>	<b>- 78</b>	<b>- 875</b>	<b>- 459</b>	<b>- 183</b>	<b>29</b>
Net debt	1 850	2 669	3 059	3 182	3 134
Net debt to revenue (%)	27	40	47	49	46

<sup>1</sup> Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

The key outcomes for the fiscal outlook presented in the 2016-17 Mid-Year Report are:

- a general government operating surplus of \$1 million in 2016-17, with operating deficits projected for both 2017-18 and 2018-19 before returning to a surplus of \$67 million in 2019-20;
- fiscal deficits for the non financial public sector forecast in 2016-17 through to 2018-19 before returning to a surplus of \$29 million in 2019-20;
- net debt of \$1.85 billion in 2015-16, increasing to \$3.1 billion in 2019-20; and
- a net debt to revenue ratio of 27 per cent in 2015-16, rising to 46 per cent in 2019-20.

Further information on the comparison between the estimates contained in the 2016-17 Mid-Year Report and those projected at the time of PEFO is provided in Chapter 2.

## Economic Overview

The Territory's economic growth strengthened from 2.0 per cent in 2014-15 to 2.7 per cent in 2015-16, comparable to the national rate of 2.8 per cent. Growth in 2015-16 was driven by net exports, which increased by 50.6 per cent, with both household and public consumption also contributing to growth.

Gross state product (GSP) is the preferred measure of overall economic activity, especially when comparing against other states and territories, as it is a broad measure of the value added to the Territory economy in each year. State final demand (SFD) is a major component of GSP. It comprises private and public consumption and investment. Since the 2016-17 Budget was delivered in May 2016, the Australian Bureau of Statistics (ABS) released the 2015-16 estimates of SFD, which showed a decline of 12.5 per cent, mainly driven by a decline in private investment. This decrease, although larger than anticipated, is broadly in line with the expected return to historical levels of private investment, following record levels seen over recent years as a result of the significant impact of large, resource-based projects undertaken in the Territory.

Both GSP and SFD have been revised in the latest release from ABS, with revisions from 2009-10 onwards, including significant upward revision to GSP in 2012-13 and downward revision in 2014-15.

Consumption, exports and public sector investment in infrastructure are expected to support Territory economic growth over the coming years, as construction on the Ichthys liquefied natural gas (LNG) project transitions from the construction to operation and production phase. Record high levels of private investment in recent years associated with Ichthys LNG and other major projects are expected to decline in the medium term, also leading to a lower level of imports as the reliance on imported machinery, equipment and pre-assembled modules reduces. As a result, the Territory's economy is expected to continue to expand over the coming years.

The estimate of economic growth from 2016-17 is unchanged from the 2016 Budget and is expected to moderate to 1.5 per cent before increasing to 5.0 per cent in 2017-18. This reflects expected commencement of exports from the Ichthys LNG project in late 2017, likely to be a key contributor to economic growth over the coming years. The timing of this transition will affect levels of economic growth in the forward estimates. Similar to forecasts for overall economic growth, the expectations for SFD are unchanged from those published in the 2016 Budget, reflecting the decline in private investment and transition of the Territory economy to export and consumption-led growth, also supported by public investment.

The Territory has recorded modest employment growth results in recent years, mainly due to the closure of the alumina refinery in Gove along with the scaling back or closure of other mining operations. Employment grew by 1.3 per cent in 2015-16, but is expected to remain below long-term trends as the Ichthys LNG project transitions to the less labour-intensive operation and production phase.

Unemployment and participation have continued to remain strong, with both measures recording favourable results compared to the national trend. The unemployment forecast for 2016-17 has been revised down to 4.0 per cent to more closely reflect current labour market conditions. As the Ichthys LNG project moves towards the export phase, workers will likely depart the Territory unless other projects extend their stay. This outward movement is expected to limit the impact of the wind-down of the construction phase of the project on the Territory's unemployment rate.

The Territory's population increased by 0.4 per cent in annual terms to 243 792 persons in 2015. The subdued growth resulted from declines in net overseas migration from historically high levels in recent years, and lower inflows from interstate. The Ichthys LNG project is likely to remain a major determinant of population growth over the next few years, with outward population flows associated with the project's construction completion expected to largely constrain population growth. Population forecasts have been revised down from those published in the 2016-17 Budget to 0.8 per cent for 2016-17 and 2017-18, in line with slightly lower growth in 2015 relative to estimates.

Wage and price pressures in the Territory have eased with both expected to be below trend levels in 2016-17 and through the forward estimates, reflecting the effect of moderate population and employment growth. The lower costs of housing, particularly rents, and lower transportation costs (fuel) were the main detractors of growth in the Darwin consumer price index. As a result, forecasts for the Darwin consumer price index have been revised down from 2016-17 through the forward estimates. In the medium term, wage growth in the Territory is expected to remain subdued, in line with national expectations, with a key factor being a reduction in labour demand as construction activity associated with major projects reduces. Wage price forecasts remain unchanged from the 2016-17 Budget.



Table 1.2: Key Economic Results and Forecasts (%)

	2015-16		2016-17	2017-18	2018-19	2019-20
	Budget	Actual	Estimate	Forecast		
Gross state product <sup>1</sup>	2.1	2.7	1.5	5.0	4.1	3.8
State final demand <sup>1</sup>	- 5.4	- 12.5	- 2.3	- 1.8	3.9	3.7
Population <sup>2</sup>	0.6	0.4	0.8	0.8	1.3	1.5
Employment <sup>3</sup>	1.5	1.3	0.3	0.7	0.7	0.8
Unemployment rate <sup>4</sup>	4.6	4.2	4.0	4.4	4.7	4.7
Consumer price index <sup>3</sup>	- 0.3	0.1	0.5	1.4	1.9	2.4
Wage price index <sup>3</sup>	2.2	2.2	1.9	2.3	2.5	2.7

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

2 As at December, annual percentage change.

3 Year ended June, year-on-year percentage change.

4 Year average.

Source: Department of Treasury and Finance, Australian Bureau of Statistics

Further detail on the updated economic forecasts is provided in Chapter 3.

## Chapter 2

# Fiscal Outlook and Strategy

### Overview

The information provided in this chapter meets the requirement under section 10(1)(a) of the *Fiscal Integrity and Transparency Act* (FITA) for each fiscal outlook report to contain updated financial projections for the budget year and the following three financial years for the general government and non financial public sectors.

In addition, this chapter also provides:

- a comparison of the estimates presented in the previous fiscal outlook report, which was the August 2016 Pre-Election Fiscal Outlook Report (PEFO);
- an assessment of projections against the former government's fiscal strategy targets; and
- updated information on the Statement of Risks.

### Updated Fiscal Projections

#### Key Fiscal Indicators – Operating Statement

Table 2.1 presents the key general government and non financial public sector operating statement indicators for 2016-17 through to 2019-20, compared to the estimates provided in PEFO.

Table 2.1: Key Fiscal Indicators – Operating Statement

	2015-16 <sup>1</sup>	2016-17	2017-18	2018-19	2019-20
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
<b>General government sector</b>					
<b>Net operating balance</b>					
2016 PEFO	232	5	- 34	- 87	23
<b>2016-17 Mid-Year Report</b>	<b>293</b>	<b>1</b>	<b>- 64</b>	<b>- 72</b>	<b>67</b>
Variation	61	- 4	- 30	15	44
<b>Non financial public sector</b>					
<b>Fiscal balance</b>					
2016 PEFO	- 93	- 876	- 431	- 154	1
<b>2016-17 Mid-Year Report</b>	<b>- 78</b>	<b>- 875</b>	<b>- 459</b>	<b>- 183</b>	<b>29</b>
Variation	15	1	- 28	- 29	28

<sup>1</sup> Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

#### General Government Sector Net Operating Balance

The general government operating balance for 2016-17 is projected to be a surplus of \$1 million compared to the \$5 million projected at the time of the PEFO.

Although not significant, the \$4 million lower estimate in 2016-17 is due to a number of offsetting changes.

The carry forward of expenditure, new policy decisions of the Government and reduced GST revenue, the latter flowing through to all forward estimates, largely accounts for the worsening in 2017-18. For 2018-19 and 2019-20, savings measures and the drawdown of the contingency

reserve has offset the effect of new recurrent policy decisions, resulting in improvements in the operating balance in both years. However, consistent with PEFO, the operating balance remains in deficit in 2017-18 and 2018-19 before returning to surplus in 2019-20.

#### Non Financial Public Sector Fiscal Balance

The general government sector excludes public non financial corporations, such as Power and Water Corporation, Territory Generation and Jacana Energy. Therefore the fiscal balance measure is assessed at the non financial public sector to ensure the financial performance of these entities is reflected in Government's fiscal targets and outcomes.

As shown in Table 2.1, the fiscal balance, which includes the operating balance plus net investment in capital spending, remains relatively unchanged in 2016-17 when compared to PEFO. This is despite a number of offsetting movements as shown in Table 2.5 later in this chapter.

The increased deficit in 2017-18 is largely consistent with the changes affecting the lower operating result described above.

In contrast to the improved operating position, the fiscal balance deficit worsens in 2018-19 reflecting the increased investment applied to infrastructure across the Territory in that year.

A surplus of \$29 million is projected in 2019-20, an improvement of \$28 million when compared to the \$1 million surplus projected in PEFO. This represents the improvement in the operating balance partly offset by an increase in net capital payments.

## Reconciliation with Previous Fiscal Projections

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

The most recent fiscal outlook report published under FITA was the August 2016 PEFO. The fiscal projections contained in this report have been updated to reflect policy and non-policy changes since PEFO. Policy variations are the result of Government decisions to implement new or expand agency programs and savings measures. Non-policy variations are either due to influences outside the Government's control, such as the timing of receipts from the Commonwealth or changes in economic parameters.

### Policy and Non-Policy Changes since PEFO

Table 2.2 highlights the effect of both policy and non-policy changes on the non financial public sector's fiscal balance since PEFO.

Table 2.2: Non Financial Public Sector – Policy and Non-Policy Changes since PEFO

	2016-17	2017-18	2018-19	2019-20
	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M
<b>2016 PEFO</b>	<b>- 876</b>	<b>- 431</b>	<b>- 154</b>	<b>1</b>
Policy changes	- 15	- 45	- 41	12
Non-policy changes	16	17	13	16
<b>2016-17 Mid-Year Report</b>	<b>- 875</b>	<b>- 459</b>	<b>- 183</b>	<b>29</b>

Source: Department of Treasury and Finance

## Policy Changes since PEFO

Table 2.3 highlights the effect of policy changes on the non financial public sector's fiscal balance since PEFO.

Table 2.3: Non Financial Public Sector – Policy Changes since PEFO

	2016-17	2017-18	2018-19	2019-20
	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M
<b>Policy decisions – election commitments</b>				
Recurrent commitments	- 19	- 59	- 57	- 64
Infrastructure stimulus		- 50	- 50	
Revenue measures	- 3	- 13	- 13	- 13
Savings and contingency measures	35	79	79	89
<b>Subtotal</b>	<b>13</b>	<b>- 45</b>	<b>- 41</b>	<b>12</b>
<b>Policy decisions – other</b>				
Royal Commission costs	- 25			
Other	- 3			
<b>Total policy</b>	<b>- 15</b>	<b>- 45</b>	<b>- 41</b>	<b>12</b>

Source: Department of Treasury and Finance

The most significant policy changes to the Budget and forward estimates are the effect of Government's election commitments.

New commitments including infrastructure stimulus and revenue measures total \$341 million across the budget cycle and are largely offset by savings measures and the use of the contingency reserve, which total \$282 million. Consistent with the costings released just prior to the August election these commitments represent a net improvement in 2016-17, a worsening in 2017-18 and 2018-19, and an improvement in 2019-20. Key policy changes are discussed in further detail below.

### Election Commitments

Election commitments made in the lead up to the 2016 election have now been incorporated into this Mid-Year Report.

#### Recurrent commitments and infrastructure stimulus

Recurrent commitments total \$19 million in 2016-17, rising to \$64 million ongoing from 2019-20, with key commitments including:

- funding of \$15.5 million in 2016-17 rising to \$31 million ongoing from 2019-20 for additional school resourcing;
- funding of \$5 million in 2017-18 rising to \$15.8 million ongoing from 2019-20 for police resourcing and recruitment;
- funding of \$3 million ongoing from 2017-18 to introduce an Independent Commission Against Corruption to the Territory; and
- \$1 million in 2017-18 rising to \$5 million ongoing from 2019-20 to expand the Nurse-Family Partnership Program for nurse home visits.

In addition, \$50 million has been allocated in both 2017-18 and 2018-19 to fund an infrastructure stimulus package using part of the proceeds from the long-term lease of the Port of Darwin previously set aside in the Northern Territory Infrastructure Development Fund.

Supplementing these commitments, which have been provided with additional funding, are a number of election commitments required to be funded from within existing resources and consequently do not affect the projections in this report.

These initiatives relate to the Government's key priorities of Children and Social Development, Lifestyle, Jobs, and Trust and Governance, and largely propose a change in approach or emphasis to existing functions and accordingly will be delivered by agencies from within existing resources.

#### Revenue Measures

Revenue measures relate to Government's commitment to introduce a first home buyers stamp duty discount on the first \$500 000 of the purchase of an established home for eligible first homeowners. The purchase price is capped at \$650 000. As a result, stamp duty collections are projected to be lower by \$4.8 million in 2016-17, increasing to \$13.2 million ongoing from 2017-18.

#### Savings and Contingency Measures

Savings measures total \$35 million in 2016-17, rising to \$50 million by 2019-20. These measures are to be achieved without compromising the delivery of core government services, through efficiencies resulting from machinery of government changes combined with reductions in discretionary spending such as advertising, communications, marketing and travel costs.

Also included in the savings measures is Government's commitment to replace the Alcohol Mandatory Treatment program with the Banned Drinking Register and increase focus on diversionary programs to provide a more holistic approach in tackling alcohol-related social and health problems.

PEFO outlined that the forward estimates included a contingency reserve of around 1 per cent per annum of operating expenses. The reserve allowed for a level of unforeseen changes to be managed within existing projections in the form of a Treasurer's Advance, as well as incorporating \$30 million ongoing per annum to support new and expanded recurrent initiatives in the forward years.

In addition to the savings measures introduced, Government has utilised a proportion of the contingency amount included in the forward estimates to fund its election commitments and minimise the effect on the projected outcomes.

#### Other Policy Changes

Other policy decisions of Government include additional funding of \$25 million to meet the Territory's commitment to contribute up to 50 per cent of the Commonwealth's total cost of conducting the Royal Commission into the Protection and Detention of Children in the Northern Territory (initially announced as the Royal Commission into the Child Protection and Youth Detention Systems of the Northern Territory). As highlighted in PEFO the cost of implementing any recommendations that arise from the Royal Commission are not quantifiable at this time and, consequently, not included in the revised fiscal projections.

There is also \$3 million to support the Scientific Inquiry on Hydraulic Fracturing in the Territory.

#### Non-Policy Changes since PEFO

Table 2.4 highlights the effect of non-policy changes on the non financial public sector's fiscal balance since PEFO.

Table 2.4: Non Financial Public Sector – Non-Policy Changes since PEFO

	2016-17	2017-18	2018-19	2019-20
	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M
Taxation revenue	15			
Interest variations	3	6	14	14
Commonwealth and agency-related adjustments	22	23	9	12
GST revenue	- 24	- 12	- 10	- 10
<b>Total non policy</b>	<b>16</b>	<b>17</b>	<b>13</b>	<b>16</b>

Source: Department of Treasury and Finance

The non-policy variations since PEFO result in improvements in the fiscal balance in 2016-17 and all forward years. Key variations include:

- a \$15 million one-off increase in taxation revenue in 2016-17, primarily payroll tax and stamp duty collections, with the increases not flowing through to the forward estimates;
- lower than anticipated interest expenses due to lower borrowing requirements over the forward estimates;
- Commonwealth and other agency-related adjustments, resulting in an improvement in 2016-17 and all forward years; offset by
- lower than anticipated GST receipts in 2015-16, with the factors affecting the decrease flowing through to 2016-17 and the forward estimates.

#### Consolidated Table of Changes since PEFO

Table 2.5 sets out the consolidated changes in the non financial public sector fiscal balance for 2016-17, for which the most significant items have already been described above in the reconciliation with previous fiscal projections section of this chapter.

Table 2.5: Variations to the Non Financial Public Sector's Fiscal Balance since PEFO

	2016-17
	\$M
<b>2016 PEFO</b>	<b>- 875.6</b>
<b>REVENUE</b>	
<b>Revenue – policy</b>	
First home buyers stamp duty discount	- 4.8
Cease one-off grant for stamp duty	2.0
<b>Total revenue – policy</b>	<b>- 2.8</b>
<b>Revenue – non policy</b>	
Taxation	15.4
GST revenue	- 24.0
Tied Commonwealth revenue	53.6
<b>Total revenue – non policy</b>	<b>45.0</b>
<b>TOTAL REVENUE</b>	<b>42.2</b>
<b>OPERATING EXPENSES</b>	
<b>Expenses – policy</b>	
Savings measures	- 34.5
Election commitments	19.0
Royal Commission	25.0
Other	3.1
<b>Total expenses – policy</b>	<b>12.6</b>
<b>Expenses – non policy</b>	
Commonwealth expenses and transfers between years and to capital	34.7
Interest expense	- 2.7
Depreciation	2.2
<b>Total expenses – non policy</b>	<b>34.2</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>46.8</b>
<b>Net capital payments</b>	
Other	- 3.1
Depreciation	- 2.2
<b>TOTAL NET CAPITAL PAYMENTS</b>	<b>- 5.3</b>
<b>TOTAL EXPENSES</b>	<b>41.5</b>
<b>TOTAL VARIATION</b>	<b>0.8</b>
<b>2016-17 MID-YEAR REPORT</b>	<b>- 874.8</b>

Source: Department of Treasury and Finance

## Operating Revenue – Forward Estimates

Table 2.6 sets out the revised revenue projections.

Table 2.6: Non Financial Public Sector – Revenue

	2015-16 <sup>1</sup>	2016-17	2017-18	2018-19	2019-20
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
<b>Revenue</b>					
2016 PEFO	6 714	6 577	6 478	6 467	6 769
<b>2016-17 Mid-Year Report</b>	<b>6 735</b>	<b>6 619</b>	<b>6 464</b>	<b>6 451</b>	<b>6 753</b>
Variation	21	42	- 14	- 16	- 16

<sup>1</sup> Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

Total operating revenue is projected to increase by an average of 0.7 per cent over the forward estimates period, slightly lower than the 1 per cent projected at the time of PEFO.

The \$42 million increase in 2016-17 largely relates to additional Commonwealth-tied funds, one-off increases in taxation revenue, offset by lower GST revenue. Lower GST revenue and the first homeowner stamp duty discount largely account for the lower revenues from 2017-18 to 2019-20.

### GST Revenue

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

The Commonwealth released its 2015-16 Final Budget Outcome (FBO) in September 2016. The FBO showed that the actual GST pool for 2015-16 was \$57 352 million, which is lower than the Commonwealth's Budget-time projections by \$98 million. In addition, the Territory's share of the national population in the FBO was also lower than Commonwealth predictions.

The lower than expected FBO population and GST pool numbers for 2015-16 have flow-on effects to the projections for 2016-17 and forward years, resulting in an overall reduction of \$56 million in GST revenue over the budgetary cycle, compared to the projections in PEFO.

### Taxation Revenue

Taxation revenue is the most significant component of the Territory's own-source revenue and has been revised upwards by \$15 million in 2016-17 when compared to PEFO projections.

The increase in taxation revenues in 2016-17 is largely attributable to a one-off increase in payroll tax (\$9 million) collected primarily due to the additional pay period that occurred in June 2016 for which payroll tax was received in July 2016. In addition, year-to-date commercial conveyance stamp duty collections (\$6 million) are higher than expected and have also contributed to the upward revision of revenue estimates in 2016-17.

The introduction of the first home buyers stamp duty discount on the first \$500 000 of the purchase of an established home, up to the value of \$650 000, for eligible first homeowners has resulted in lower taxation revenues being forecast across the forward estimates.

### Tied Commonwealth Funding

The remaining significant change in revenue estimates since PEFO predominantly relates to tied Commonwealth funding, which has increased by \$53.6 million in 2016-17 and to a lesser extent in forward years. This largely represents additional funding provided under the National Health Reform agreement and increased funding for highly specialised drugs and other health-related programs.



These tied funding adjustments tend not to affect the fiscal outcome over time as increases in revenue are generally matched by a corresponding increase in expenditure.

### Operating Expenses

Table 2.7 sets out the revised expense projections of total expenditures for 2016-17 and the forward estimates.

Table 2.7: Non Financial Public Sector – Expenditure

	2015-16 <sup>1</sup>	2016-17	2017-18	2018-19	2019-20
	Outcome	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
<b>Operating expenses</b>					
2016 PEFO	6 394	6 556	6 508	6 563	6 741
<b>2016-17 Mid-Year Report</b>	<b>6 414</b>	<b>6 603</b>	<b>6 523</b>	<b>6 532</b>	<b>6 680</b>
Variation	20	47	15	- 31	- 61
<b>Net capital payments</b>					
2016 PEFO	413	896	401	58	27
<b>2016-17 Mid-Year Report</b>	<b>400</b>	<b>891</b>	<b>401</b>	<b>102</b>	<b>44</b>
Variation	- 13	- 5	0	44	17

1. Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

Total operating expenditure is projected to increase by an average of 0.4 per cent over the forward estimates period, slightly lower than the 0.9 per cent growth estimated in PEFO. This is due, in part, to the higher base in 2016-17 as a result of the increase in tied Commonwealth funding and the Territory's contribution to the total cost of conducting the Royal Commission into the Protection and Detention of Children in the Northern Territory.

The revised operating expenditure over the forward estimates incorporates the effect of Government's election commitments that are largely offset by savings measures and the application of the contingency reserve as described earlier in this chapter. While the effect on total operating expenses varies between years, these budget improvement measures contribute to the moderation in growth of expenses over the forward estimates.

In addition, compared to PEFO, interest expenses have been revised down by \$16 million in 2018-19 and 2019-20, reflecting revised borrowing requirements, and contribute to the lower total operating expenses in those years.

The basis of the parameters used remains unchanged from PEFO. The main parameters used to adjust forward estimates are:

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

As highlighted in PEFO, a contingency reserve of around 1 per cent of operating expenses had been provided for in all forward estimate years. The reserve allowed for a level of unforeseen changes to revenue and expenses to be managed within existing projections, as well as incorporating \$30 million ongoing per annum to support new and expanded recurrent initiatives in the forward years.

Consistent with its costed election commitments, Government has elected to partially utilise the contingency reserve to offset new spending initiatives. As a result, there is reduced capacity for

additional new initiatives across the forward years without the application of additional savings measures or higher revenues.

There have also been variations to net capital spending resulting in increases of \$44 million in 2018-19 and \$17 million in 2019-20. The net \$61 million increase in outer years represents the Government's capital-related election commitments that are largely funded by the application of the contingency reserve and reprioritisation of around \$200 million in projects on the forward works program to minimise the effect on the fiscal balance.

These initiatives form part of the Government's commitment to establish a 10-year infrastructure program to support the construction industry and promote local employment. Key initiatives include the \$1.1 billion housing program in remote regions over the next 10 years and \$100 million over two years for an infrastructure stimulus package.

## Key Fiscal Indicators – Balance Sheet

Table 2.8: Non Financial Public Sector – Net Debt and Net Debt to Revenue Ratio

	2015-16 <sup>1</sup>	2016-17	2017-18	2018-19	2019-20
	Outcome	Budget	Forward Estimates		
<b>Net debt (\$M)</b>					
2016 PEFO	1 847	2 665	3 023	3 118	3 094
<b>2016-17 Mid-Year Report</b>	<b>1 850</b>	<b>2 669</b>	<b>3 059</b>	<b>3 182</b>	<b>3 134</b>
Variation	3	4	36	64	40
<b>Net debt to revenue (%)</b>					
2016 PEFO	28	41	47	48	46
<b>2016-17 Mid-Year Report</b>	<b>27</b>	<b>40</b>	<b>47</b>	<b>49</b>	<b>46</b>
Variation	- 1	- 1	0	1	0

1. Mid-Year Report reflects actual outcome.

Source: Department of Treasury and Finance

As shown in Table 2.8, net debt and net debt to revenue are projected to increase over the forward estimates period, with a cumulative increase of \$40 million by 2019-20 when compared to PEFO. The variations since PEFO are largely driven by lower GST revenues, which have in aggregate been reduced by \$56 million over the budget cycle.

The net debt to revenue measure remains largely unchanged since PEFO and is projected to peak at 49 per cent in 2018-19 before reducing to 46 per cent by 2019-20.

## Assessment of Updated Fiscal Outlook against the Fiscal Strategy

The fiscal strategy is an important element in setting out and measuring adherence to a government's fiscal objectives. The fiscal strategy currently in place was developed by the former government with the principal aim of returning the budget to surplus by 2017-18 through the elimination of the fiscal balance deficit at the non financial public sector.

The analysis in this chapter is an assessment of the updated 2016-17 mid-year fiscal projections against the former government's fiscal objectives and targets, as required by FITA.

## Key Fiscal Indicators

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

The fiscal balance is an operating statement measure that differs from the net operating balance as it includes spending on capital items but excludes depreciation. A fiscal surplus indicates that a government is saving more than enough to finance all its investment spending. A fiscal deficit position indicates that a government's level of investment is greater than its level of savings.

As a result of reduced revenue growth and a range of policy decisions undertaken by the former government, the fiscal balance returned to a deficit position in 2015-16. This Mid-Year Report continues to project fiscal deficits from 2016-17 to 2018-19 before returning to a surplus position in 2019-20 (Table 2.1).

This assessment remains largely unchanged from that in PEFO.

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

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

While an operating surplus was achieved in 2015-16 and is forecast for 2016-17, operating deficits are projected in 2017-18 and 2018-19 before a return to surplus in 2019-20 (Table 2.1).

This assessment remains largely unchanged from that in PEFO.

**Associated fiscal outcome: by 2016-17, taxation effort in the Territory's general government sector is more on par with the average effort of the states**

Taxation effort assesses the extent to which a particular jurisdiction's capacity to raise revenue is above or below the Australian average of 100 per cent. This measure is a lagging indicator as the CGC updates the information annually based on the actual outcome of the previous year. The Territory's taxation effort has increased from 88 per cent in 2013-14 to 104 per cent in 2014-15, the latest year assessed by the CGC, and remains unchanged since PEFO. With taxation revenue lower in 2015-16, and projected to remain lower in 2016-17 and the forward years than in 2014-15, it is expected that the Territory's taxation effort will moderate back to or below the average effort of the states at the next CGC update.

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

Upon the initial implementation of this fiscal measure in the 2013-14 Budget, the Territory had only one government owned corporation, the Power and Water Corporation (PWC). However, as a result of the utilities reform agenda, PWC was separated into three distinct entities, Territory Generation, Jacana Energy and PWC. In order to provide a more accurate assessment against this element of the fiscal strategy, the three entities have been consolidated to remove transactions between each other.

The commercial rate of capital employed associated with this target is 6 per cent. For 2015-16, the government owned corporations achieved an average rate of return of 4.3 per cent. The forecast of 4 per cent contained in PEFO remains unchanged for the Mid-Year Report.

**Associated fiscal outcome: by 2020, the Territory's non financial public sector net debt as a percentage of revenue is returning towards 60 per cent**

This element of the fiscal strategy continues to be achieved well before the 2020 stated target.

Due to forecast fiscal balance deficits up to 2019-20, net debt is projected to rise over the forward estimates period but the ratio to revenue will peak at 49 per cent in 2018-19, below the 60 per cent target (Table 2.8).

This element of the strategy remains unchanged since PEFO.

## Conclusion

The Mid-Year Report consolidates changes since PEFO and confirms Government's commitment to return the Budget to surplus by 2019-20. However, prevailing economic conditions and recent reductions in GST revenue presents an immediate challenge for Government to return the Budget to a sustainable position by the targeted year.

The revised fiscal projections forecast a moderate fiscal surplus of \$29 million in 2019-20 compared to the \$1 million surplus projected at the time of PEFO. Given the level of commitments that Government has identified to be funded from within existing reserves and the proposed savings measures built into the revised projections, these will need to be achieved to ensure the budget does not return to a deficit position in the target year.

## Risks and Contingent Liabilities

As required under section 10(1)(e) of *Fiscal Integrity and Transparency Act* (FITA), each fiscal outlook report is required to contain 'a statement of the risks, quantified as far as practicable, that could materially affect the updated financial projections, including any contingent liabilities and any Government negotiations that have yet to be finalised'.

This section outlines the potential effect of risks to the Budget due to changes in revenue and expense estimates, and the likelihood of contingent liabilities becoming actual liabilities.

## Risks to the Budget

### Revenue

#### GST Revenue

Volatility in GST revenue represents the largest revenue risk for the Northern Territory, with GST revenue accounting for about half of the Territory's total revenue. The risk was clearly evident in the context of the development of the 2016-17 Budget where GST revenue estimates were reduced by \$145 million in the Budget year and around \$750 million over the budget cycle due to a lower relative share, when compared to previous estimates. Subsequently, the Commonwealth's 2015-16 Final Budget Outcome released in September 2016 has resulted in further reductions to the Territory's GST revenue estimates. These changes in GST revenue estimates have significantly affected the Territory's fiscal capacity in all years.

The Territory's GST entitlement is dependent on three parameters: national GST collections; the Territory's share of the national population; and GST relativities as determined by the Commonwealth Treasurer based on recommendations from the CGC. There are many variables that influence each of these parameters, adding to the complexity of forecasting GST revenue for the Territory over the Budget and forward estimates period. Notwithstanding the Commonwealth's FBO, the growth rates for the population and GST pool parameters and the estimated GST relativities used to inform the PEFO remain unchanged for the 2016-17 Mid-Year Report.

The method by which GST is distributed is criticised from time to time by the larger states, with the intent generally being a move away from the current approach of providing each state with the capacity to provide the average level of services to one that provides them with a minimum GST share or a population-based GST share.

The Prime Minister recently proposed consideration of a floor on GST relativities, in order to address Western Australia's long-standing complaint that it is not receiving enough GST revenue due to declining relativities. This proposal would be a movement away from a horizontal fiscal equalisation-based GST distribution, would have significant financial implications for the Territory and could result in the Territory being unable to deliver services at current standards unless substantial fiscal deficits are maintained on an ongoing basis. The Territory Government is actively participating in intergovernmental processes to ensure principles of horizontal fiscal equalisation are not undermined.

**National GST Collections** – The Territory's estimates of national GST collections in 2016-17 and over the forward estimates period have been revised downwards since PEFO to take into account lower than expected collections in 2015-16.

The Territory's GST revenue is directly affected by variations in national GST collections. A  $\pm 1$  percentage point change in the growth rate of GST collections is estimated to have a  $\pm \$31$  million impact on the Territory's GST revenue in 2016-17. If variations of  $\pm 1$  percentage point occurred in each of the Budget and forward estimates years, the cumulative impact on Territory GST revenue is about  $\pm \$335$  million.

**Territory's Share of National Population** – Overall, the Territory's population is expected to grow at a slower rate than nationally over the Budget and forward estimates period. Estimates of the Territory's population growth relative to the national rate influence the Territory's share of the national population and therefore affect forecasts of the Territory's GST revenue. The effect of a  $\pm 1$  percentage point variation in the Territory's forecast population growth is estimated at  $\pm \$30$  million in 2016-17, all other things being equal. The cumulative impact of a  $\pm 1$  percentage point variation in the estimate of the Territory's population growth rate over the Budget and forward estimates period is about  $\pm \$331$  million.

**GST Relativities** – The CGC is responsible for recommending GST relativities, which are updated each year to incorporate new data and changes in states' fiscal capacities. In its 2016 Update, the CGC recommended a significant decrease in the Territory's GST relativity from 5.57053 in 2015-16 to 5.28450 in 2016-17.

Predicting future relativities is the most difficult aspect of estimating future GST revenue, with allocation of relativities being a zero-sum game. As such, with the expectation that Western Australia's relativity will continue to improve, there is an expectation that the Territory's relativity will continue to decrease. GST relativities to apply in 2017-18 are expected to be finalised around March 2017.

The impact of a 1 per cent variation in the Territory's GST relativity is around  $\pm \$31$  million per annum. A  $\pm 1$  percentage point variation in the Territory's GST relativity in each year of the forward estimates period would have a cumulative effect of around  $\pm \$130$  million.

The above analysis examines the effect of variations in estimates of each parameter in isolation. However, these parameters often interact and, as a result, variations in each parameter could have a compounding or offsetting effect on GST revenue estimates.

#### Other Commonwealth Grants and Subsidies

Commonwealth funding is provided under either the Intergovernmental Agreement on Federal Financial Relations (IGA) through specific purpose payments (SPPs), National Health Reform (NHR) payments, Students First – A Fairer Funding Agreement for Schools payments and national partnership (NP) payments, or through Commonwealth own-purpose expenses (COPEs) provided directly to agencies.

The IGA affords flexibility of expenditure across the relevant sector for SPPs (in 2016-17 provided for the skills and workforce, disability and housing sectors) without input controls, co-investment or maintenance of effort requirements. These payments are ongoing and indexed on a sector-specific basis, providing a degree of certainty for the Territory's budgeting, although adequacy of indexation in terms of capturing cost growth remains an ongoing risk.

NHR payments are predominantly based on either hospital activity or 'block funding' for smaller hospitals in recognition of their circumstances. A risk remains that the Territory's circumstances will not be adequately recognised in the funding arrangements, therefore potentially affecting the adequacy of Commonwealth funding.

NP agreements continue to include many risks to states including co-investment, input controls, burdensome reporting and administrative arrangements, and potential withdrawal of funding at the Commonwealth's discretion. The expiry of NP agreements, which are time limited, also potentially poses a risk to the Territory's Budget, particularly where funding has raised service delivery expectations.

Funding associated with 19 NP agreements, including schedules under agreements, totalling \$38.7 million is due to expire by the end of 2016-17. Should the funding under these agreements not be renewed or rolled into an existing SPP, the Territory would need to either reduce service delivery levels or provide additional funding. In addition, timing of Commonwealth decisions regarding the treatment of expiring NP agreements and their funding is critical to ensure continuity of service delivery or allow for alternative approaches to be considered should funding not be available. Another significant example of an expiring NP is the NP Agreement on Remote Housing, which concludes at the end of 2017-18. The services currently delivered under this agreement include property and tenancy management expected to be maintained on an ongoing basis after the completion of the NP. In the absence of further funds coming from the Commonwealth, this would affect the updated projections contained in this report.

The Commonwealth has not committed to funding arrangements for health and hospitals or school education beyond 2019-20. With uncertainty around the long-term funding arrangements for these core service areas, there is a significant risk of reduced tied funding levels to all states and territories. Additionally, if future Commonwealth reform agendas are introduced that may affect delivery and funding arrangements for core government services and not adequately recognise the needs of the Territory, there is a risk that funding for these services may be insufficient to continue the current level of services, requiring either budget reprioritisation or a reduction in the scope of services provided.

### Own-Source Revenue

The amount of revenue received from Territory taxes and royalties is dependent on the performance of the Territory economy and other external factors. Forecasting such revenue involves judgments and assumptions made about the performance of the various economic factors and indicators that directly affect Territory taxes and royalties, such as growth in wages, employment, average hours worked, commodity and residential property prices, market activity and exchange rates.

The risks in forecasting the various elements of the Territory's own-source revenue remain unchanged from those included in PEFO and the May 2016 Budget.

### Expenses and Payments

The forward estimates for expenses are based on known policy decisions, with adjustments for non-policy changes.

The most significant risk to the expense estimates is increasing budget pressure due to increased cost and demand influences.

Future enterprise bargaining agreements represent a risk to the Budget to the extent that the outcome of negotiations is over and above amounts currently factored into the forward estimates.

The 2016-17 Budget and PEFO included an increase to the efficiency dividend in all years, from 1 per cent to 2 per cent in 2016-17, 3 per cent in 2017-18 and then 2 per cent in both 2018-19 and 2019-20. These efficiencies together with further approved savings measures of the new government pose a risk to the Budget and forward estimates to the extent that agencies are unable to find this level of savings and efficiencies.

In accordance with the FITA, the 2016-17 Mid-Year Report includes forward estimates up to 2019-20. There is the potential for the fiscal aggregates beyond the forward estimates period to be affected by existing commitments. These could either take the form of recurrent costs not expected to crystallise until later in the forward estimates period, recurrent initiatives that roll out over time and have therefore not yet reached their peak of funding, or capital infrastructure for which the associated recurrent costs are not fully incorporated into forward years as their completion falls either close to or outside of the forward estimates period. For example, as part of the 2016 Budget the Territory announced net additional funding of \$25 million per annum ongoing from 2018-19 to operate the Palmerston Regional Hospital. This level of funding is premised on the assumption that the current activity-based funding arrangement (that is, activity growth funded by the Commonwealth at 45 per cent of the national efficient price) will continue. Any change to either the overall cost to operate the hospital or the Commonwealth funding methodology will affect the level of the Territory's funding contribution and thus the projections contained in this report.

### Royal Commission into the Protection and Detention of Children of the Northern Territory

The Royal Commission into the Protection and Detention of Children in the Northern Territory is expected to report by 31 March 2017. The Territory's contribution to the Commonwealth to conduct the Royal Commission has now been factored into this report. However the cost of implementing any recommendations that arise from the Royal Commission are not quantifiable at this time and not included in the revised fiscal projections but are likely to affect the fiscal aggregates contained in this Mid-Year Report.

### Government Owned Corporations

PWC has now been structurally separated into three government owned corporations, PWC, Territory Generation and Jacana Energy. While it is expected that this reform will result in future operational efficiencies, there is a risk of higher costs in the short term as each entity focuses on business improvements.

All three government owned corporations have incorporated future efficiencies in their respective 2016-17 Statement of Corporate Intent. If they are unable to achieve their Statement of Corporate Intent targets they will represent an ongoing risk to the Budget.

## Risks to Economic Forecasts

Economic forecasts are subject to a number of upside and downside risks and uncertainties. Economic conditions in the Territory also tend to be highly volatile due to the relatively small size of the Territory's economy, the impact of major projects and external factors such as movements in commodity prices, and this is often reflected in the available data, which can be subject to significant revisions.

The volatility of the Territory's economy presents an underlying risk to forecasts, particularly in relation to the reporting of capital expenditure for major projects, as evidenced by the Australian Bureau of Statistic's significant revisions to its 2015-16 GSP results for the Territory. Some data is confidentialised, making it difficult to report when actual expenditure occurs. There are



also difficulties associated with the measurement of interstate trade flows and other complexities associated with the balancing item of gross state product (GSP), the components of which are not published publicly.

Most significant for Territory forecasts is the timing of the Ichthys liquefied natural gas (LNG) project. Given the size of the project, it has been factored into current forecasts based on publicly available information, including timing of completion and anticipated commencement of production. However, any delays in the transition of the project from construction to the production and export phase as well as variations in investment and costs have the potential to influence a range of economic indicators, particularly GSP growth, employment and population forecasts.

There are also a range of other potential projects not included in the Territory's economic forecasts, given the uncertainty around final investment decisions, timing, levels of proposed expenditure and other impacts on the economy, including projects such as the Darwin luxury hotel development, Project Sea Dragon, Berrimah Farm land release and some initiatives outlined in the 2016 Defence White Paper.

The Territory economy is heavily exposed to changes in the global economy. Movements in global commodity prices can have significant impacts on the viability of mining activity in the Territory, as experienced in recent years. Global oil prices can also affect the cost of living and doing business in the Territory, not only regarding the price of automotive fuel for consumers, but also transport costs, as well as other goods and services.

Movements in the Australian dollar against other currencies (mainly the United States dollar) will influence the cost of the Territory's imports and the competitiveness of Territory goods and services exports, largely affecting industries such as tourism, agriculture, mining and manufacturing.

Economic conditions in other Australian jurisdictions present risks to the Territory's economic forecasts. This includes effects on the labour market and interstate migration flows. The relative labour market conditions in other jurisdictions can affect the availability of labour in the Territory. Interest rate movements also present an uncertainty for the Territory economy, particularly influencing business, residential property and household consumption and investment.

Adverse weather conditions and natural disasters (such as cyclones, flooding, drought and climate variability) are also key risks to many of the Territory's economic forecasts and have the potential to place upward pressure on food prices due to effects on agricultural production across the country.

## Contingent Liabilities

Contingent liabilities are potential future costs to Government that may arise from guarantees, indemnities, legal and contractual claims as they constitute a risk to the Territory's financial position. The Territory's contingent liabilities are predominantly unchanged from PEFO.

For more information on contingent liabilities, refer to Chapter 5 in PEFO: Risks to the Updated Financial and Economic Projections and the 2015-16 Treasurer's Annual Financial Report.





## Chapter 3

# Economic Outlook

### Key Economic Indicators

Growth in the Northern Territory economy strengthened from 2.0 per cent in 2014-15 to 2.7 per cent in 2015-16. This growth was mainly driven by consumption and net exports and follows significant revisions in the Territory's reported economic growth from 2009-10 onwards by the Australian Bureau of Statistics (ABS), including a downward revision to growth in 2014-15 from the originally published result of 10.5 per cent and an upward revision in 2012-13 (from 6.6 per cent to 15.8 per cent). Economic growth is expected to moderate to 1.5 per cent in 2016-17, before strengthening from 2017-18, mainly due to stronger exports.

The 2015-16 results across the range of key economic indicators have been broadly in line with the Department of Treasury and Finance's estimates from the 2016-17 Budget and August 2016 Pre-Election Fiscal Outlook Report (PEFO). Minor revisions have been made to some forecasts as part of this Mid-Year Report following the release of more updated data and information.

Table 3.1 provides the latest actuals and forecasts for key economic indicators for the Territory. Recent trends and factors underpinning the change in forecasts are discussed in the following sections.

Table 3.1: Key Economic Results and Forecasts (%)

	2015-16		2016-17	2017-18	2018-19	2019-20
	Budget	Actual	Estimate	Forecast		
Gross state product <sup>1</sup>	2.1	2.7	1.5	5.0	4.1	3.8
State final demand <sup>1</sup>	- 5.4	- 12.5	- 2.3	- 1.8	3.9	3.7
Population <sup>2</sup>	0.6	0.4	0.8	0.8	1.3	1.5
Employment <sup>3</sup>	1.5	1.3	0.3	0.7	0.7	0.8
Unemployment rate <sup>4</sup>	4.6	4.2	4.0	4.4	4.7	4.7
Consumer price index <sup>3</sup>	- 0.3	0.1	0.5	1.4	1.9	2.4
Wage price index <sup>3</sup>	2.2	2.2	1.9	2.3	2.5	2.7

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

2 As at December, annual percentage change.

3 Year ended June, year-on-year percentage change.

4 Year average.

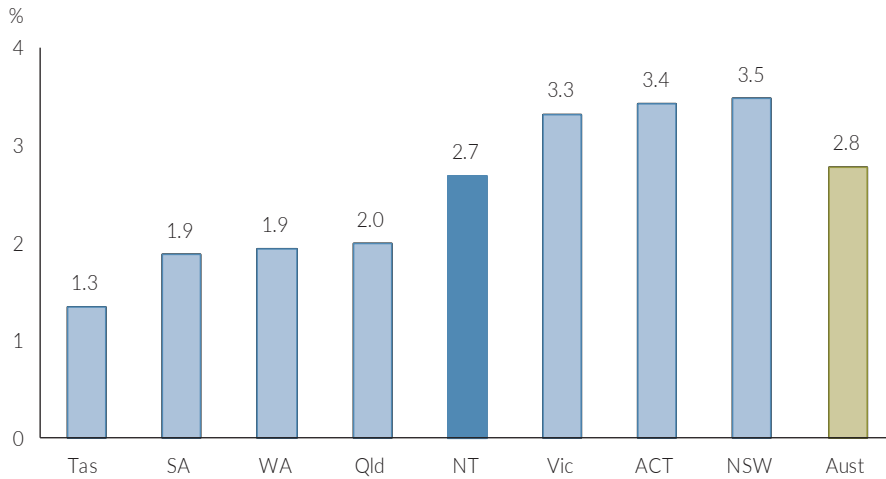
Source: Department of Treasury and Finance, Australian Bureau of Statistics

### Economic Growth

The Territory economy recorded moderate growth of 2.7 per cent in 2015-16, with total gross state product (GSP) reaching \$23.6 billion. Private investment contracted for the first time since 2010-11, following record levels reached in 2014-15. Growth in 2015-16 was driven mainly by consumption and net exports of goods and services.

The Territory recorded the fourth highest economic growth of the jurisdictions, which ranged from 1.3 per cent in Tasmania to 3.5 per cent in New South Wales (Figure 3.1). Nationally, gross domestic product increased by 2.8 per cent in 2015-16.

Figure 3.1: Change in Gross State Product, Gross Domestic Product, 2015-16



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

At 2.7 per cent, the 2015-16 outcome was predominantly in line with the 2.1 per cent forecast in PEFO. Due to the significant revisions to GSP data by ABS, it is difficult to directly compare forecasts of the main drivers of growth (consumption, investment and international trade) with the actual result, however the underlying trend in economic activity at this level remains consistent with results published in PEFO and the 2016-17 Budget. As a result, forecasts for economic growth remain unchanged.

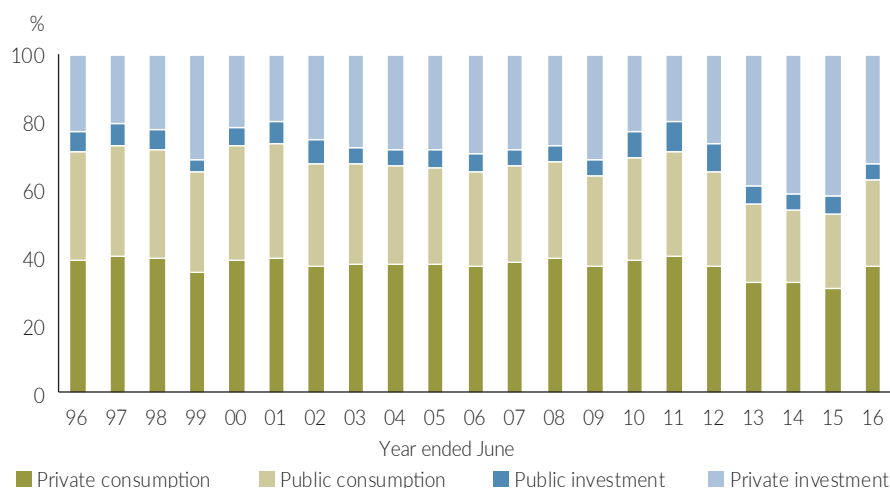
Economic growth in 2015-16 was driven mainly by an increase in net exports of goods and services, which increased by 50.6 per cent, along with improved household and public consumption, with total consumption increasing by 3.9 per cent.

GSP is the preferred measure of overall economic activity, especially when comparing against other states and territories, as it is a broad measure of the value added to the Territory economy in each year. State final demand (SFD) is a major component of GSP. It comprises private and public consumption and investment. Since the 2016-17 Budget was delivered in May 2016, the ABS has released the 2015-16 estimates of SFD, which showed a decline of 12.5 per cent, mainly driven by a decline in private investment (Figure 3.2). This decrease, although larger than anticipated, is broadly in line with the expected return to historical levels of private investment following record levels seen over recent years as a result of the significant impact of large, resource-based projects undertaken in the Territory.

Both GSP and SFD have been revised in the latest release from ABS, with revisions from 2009-10 onwards and include significant upward revision to GSP in 2012-13 and downward revision in 2014-15.

Territory economic growth over the forward estimates period has the potential to be volatile if there are changes to the timing of construction completion of the Ichthys liquid natural gas (LNG) project and the corresponding commencement of exports. The timing of other projects including initiatives outlined in the 2016 Defence White Paper could also have a significant effect on economic growth in the outer years.

Figure 3.2: Territory investment and consumption as a proportion of SFD



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

## Household Consumption

Growth in total consumption strengthened from 1.5 per cent in 2014-15 to 3.9 per cent in 2015-16, higher than the 1.5 per cent forecast in PEFO. Private (household) consumption increased by 5.2 per cent to \$10.5 billion and public consumption increased by 2.0 per cent to \$7.2 billion.

A moderate increase in household consumption is forecast for 2016-17, in line with employment forecasts. Retail trade in the Territory continues to ease, however this only comprises around half of household consumption and its relative contribution can vary with areas like personal services, travel and leisure activities, which are outside the scope of retail trade data. Slowing residential unit construction may also detract from household consumption through reduced spending on furnishings and household items. However, this is expected to be partly offset by continued lower housing costs, in particular rents, which can help boost disposable income levels.

## Dwelling Investment

In 2015-16, dwelling investment in the Territory declined by 9.1 per cent. This continued moderation in dwelling investment follows record growth of 49.6 per cent in 2013-14, when there were high levels of residential unit construction, along with strong growth in new house construction.

The residential property market in the Territory has continued to soften in 2016, primarily reflecting increased dwelling supply over recent years and moderating population growth. This has resulted in a narrowing between housing demand and supply in the property market, which has placed downward pressure on property prices and rents.

The decline in dwelling investment is expected to continue in the short term, with the number and value of building approvals continuing to decline in recent data releases. In the medium term, ongoing land release and subsequent house construction in new suburbs such as Zuccoli in Palmerston and the newly released Northcrest in Berrimah are expected to dampen the decline in dwelling investment.

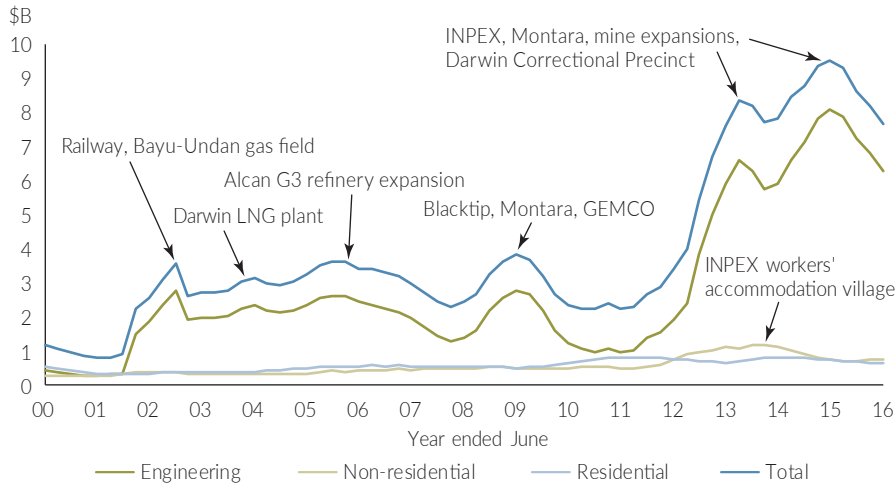
## Business Investment

Business investment, which had previously been the largest contributor to economic growth in the Territory in the past few years, increasing by an annual average of 50.7 per cent over 2011-12 to 2014-15, declined by 34.4 per cent in 2015-16. This investment has been largely driven by the expansion of the construction industry, particularly the Ichthys LNG project, as well as construction

of the Darwin Correctional Centre, the duplication of Tiger Brennan Drive, various mine site expansions and record levels of residential construction (Figure 3.3).

Business investment is expected to continue to decline as construction on the Ichthys LNG project nears completion. Over the medium term, the decline in business investment is expected to be offset by an increase in exports as the Ichthys LNG project transitions from the construction to the operational production phase.

Figure 3.3: Value of Territory Construction Work Done (moving annual total)



Source ABS, Construction Work Done, Cat. no. 8755.0

### Public Final Demand

Public final demand in the Territory decreased by 1.0 per cent in 2015-16, following an increase of 5.0 per cent in 2014-15. Public investment fell by 16.4 per cent to \$1.3 billion while public consumption increased by 2.0 per cent to \$7.2 billion. The decline in public investment reflects the completion of the Darwin Correctional Precinct in 2014-15.

Public investment is expected to continue to strengthen over the short to medium term, driven by the ongoing commitment to Territory Government infrastructure spending, particularly on roads, as well as projects such as expansion works at the Owen Springs power station in Alice Springs, upgrades to the Royal Darwin Hospital and the construction of the Palmerston Regional Hospital.

### International Trade

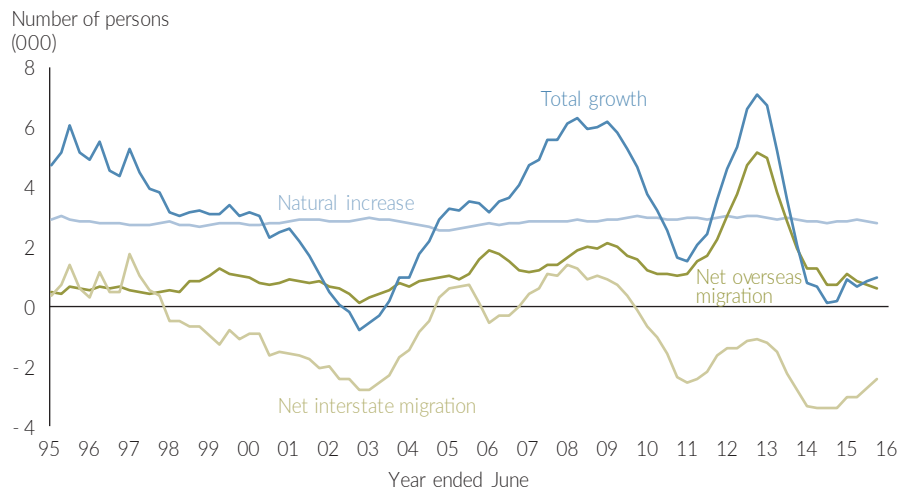
Net exports of goods and services increased by 50.6 per cent to \$3.9 billion in 2015-16, reflecting a significant decline in goods imports to the Territory, which was largely due to the arrival of the last of the large modules and key machinery components for the Ichthys LNG project. However, there was also a decline in total exports from the Territory, reflecting a reduction of export volumes of mineral commodities likely related to lower commodity prices.

In the short term, improvements in the Territory's net exports are forecast to continue, particularly due to lower levels of import activity as record levels of private investment return to more sustainable levels. In the outer years exports are expected to increase rapidly as the Ichthys LNG project begins production in 2017-18, providing a significant boost to net exports.

### Population

Growth in the Territory's population increased to 0.4 per cent in 2015, marginally lower than the 2016-17 Budget Papers estimate of 0.6 per cent. Natural increase contributed 2846 people and net overseas migration contributed 739 people (Figure 3.4). These increases were offset by net interstate migration outflows (2732 people).

Figure 3.4: Components of Territory Population Growth (moving annual total)



Source: ABS, Australian Demographic Statistics, Cat. No. 3101.0

In the March quarter 2016, annual population growth in the Territory increased by 0.4 per cent with net interstate migration outflows continuing to detract from growth. The extent of the loss has been smaller compared to recent large outflows experienced in 2014.

PEFO forecasts for population growth in 2016 and 2017 have been revised down from 1.0 per cent to 0.8 per cent, in line with slightly lower growth in 2015 relative to estimates. Population growth forecasts for 2018 (1.3 per cent) and 2019 (1.5 per cent) remain unchanged. The Ichthys LNG project is likely to remain a major determinant of population growth in the short term with the demand for labour during the construction phase peaking in 2016, before declining as the project transitions toward the less labour-intensive operations phase throughout 2017. As a consequence, outward population flows associated with the projects construction completion are expected to largely constrain population growth to levels reflective of natural increase.

## Labour Market

### Employment

Resident employment in the Territory increased by 1.3 per cent in 2015-16, similar to the 1.5 per cent growth estimated in the 2016-17 Budget Papers (Figure 3.5). The increase was driven by an increase in full-time employment (up 0.8 per cent) and an increase in part-time employment (up 3.6 per cent).

Industries that experienced increases in employment in 2015-16 include accommodation and food services (up 13.7 per cent), mining (up 18.6 per cent) and retail trade (up 7.4 per cent). Industries that recorded a decline in employment include agriculture, forestry and fishing (down 40.1 per cent) and professional, scientific and technical services (down 20.0 per cent).

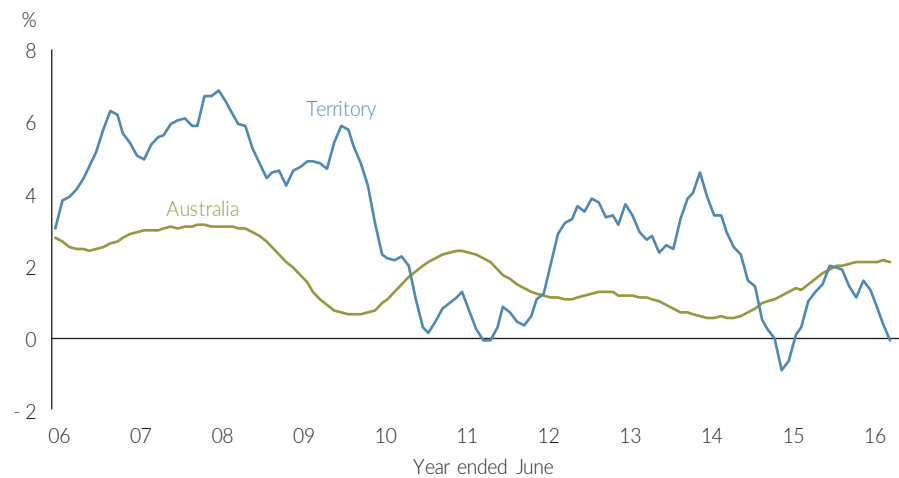
In the year to October 2016, Territory employment increased by 0.1 per cent, driven by a 2.2 per cent increase in part-time female employment, 0.9 per cent increase in full-time female employment and a 9.8 per cent increase in part-time male employment while full-time male employment decreased by 2.3 per cent. This greater growth in part-time employment is occurring across Australia, with an increase of 4.1 per cent nationally in year-on-year terms.

Employment growth is expected to be modest from 2016-17 to 2019-20 with the labour-intensive construction phase of the Ichthys LNG project currently operating at peak employment.

Employment in the Territory is expected to grow below long-term trends, with a shift from the construction sector as the main driver to an increased reliance on general growth across other key industries in the Territory. The Territory Government's road infrastructure program, construction

of the Palmerston Regional Hospital and Commonwealth Government's defence infrastructure upgrades are expected to contribute to employment growth in the short term.

Figure 3.5: Year-on-Year Change in Employment



Source: ABS, Labour Statistics, Cat. No. 6101.0

## Unemployment

The Territory's unemployment rate averaged 4.2 per cent in 2015-16, slightly below the estimate of 4.6 per cent in the 2016-17 Budget Papers.

In September 2016, average annual unemployment in the Territory decreased slightly to 4.0 per cent and is trending downwards. As a result, the annual average unemployment rate forecast for 2016-17 has been revised downwards to 4.0 per cent to reflect current labour market conditions in the Territory.

In the forward years, unemployment is expected to increase to 4.7 per cent in 2018-19. The Ichthys LNG project is expected to have drawn people from interstate and overseas, therefore as the project moves towards the export phase workers will likely depart the Territory unless other projects extend their stay. This outward movement is expected to limit the impact of the wind-down of the Ichthys LNG project's construction phase on the Territory's unemployment rate.

## Consumer Price Index

The Darwin consumer price index (CPI) continued to moderate from a peak of 3.7 per cent year-on-year growth in 2013-14 to growth of 0.1 per cent in 2015-16 (Figure 3.6). Moderate growth in the Darwin CPI over 2015-16 was due to declines in housing costs (mainly rents and electricity costs), transport costs (mainly fuel and new motor vehicle costs) and recreation and culture costs (mainly domestic holiday and accommodation costs). Alcohol and tobacco, and health costs continued to make the largest contributions to growth in the Darwin CPI.

The moderation in the Darwin CPI, while sharper than that experienced in the rest of Australia, broadly follows the national trend, with the eight capital cities' CPI moderating to 1.4 per cent in 2015-16.

More recent data released from the ABS for the September quarter 2016 show that year-on-year movement in the Darwin CPI was flat, while the eight capital cities' CPI growth further moderated to 1.3 per cent.

Forecasts of the Darwin CPI have been revised down from PEFO estimates to reflect the impact of moderate population and employment growth, along with lower input, labour and housing costs,

and the continuing effects of moderate growth in transport, food and recreation, and culture costs on the forward year inflation estimates.

The forecast of moderate growth of the Darwin CPI over the forward estimates is consistent with inflation growth estimates of 1.5 per cent to 2.5 per cent for the national economy published by the Reserve Bank of Australia.

Figure 3.6: Year-on-Year Change in Consumer Price Index, Darwin and Eight Capital Cities



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

## Wage Price Index

In 2015-16, growth in the Territory's wage price index (WPI) moderated to 2.2 per cent, from 2.6 per cent growth in 2014-15. This is consistent with trends in other jurisdictions and reflects subdued national labour market demand and continuing moderate inflation growth.

Over the medium term, wage growth in the Territory is expected to be moderate, in line with national expectations, with a key factor of Territory wage growth being a reduction in demand for labour as construction of the Ichthys LNG project is completed and transitions to the operational and production phase in 2017-18.





## Chapter 4

# Uniform Presentation Framework

Under the Uniform Presentation Framework (UPF), the Commonwealth, state and territory governments have agreed to publish information in a standard format in their budget papers. The UPF is based on accounting standard AASB 1049 Whole of Government and General Government Sector Financial Reporting, which harmonises government finance statistics and generally accepted accounting principles with the objective of improving the clarity and transparency of government financial statements.

The harmonised standard means government financial reports are presented on the same basis by all jurisdictions, resulting in greater transparency and consistency.

The *Fiscal Integrity and Transparency Act (FITA)* requires fiscal outlook reports be prepared in accordance with external reporting standards, including the Australian Accounting Standards and the UPF.

The tables in this chapter meet the Territory's reporting obligations under both FITA and the UPF. They include, for the general government, public non financial corporations and non financial public sectors of government, a:

- Comprehensive Operating Statement;
- Balance Sheet; and
- Cash Flow Statement.

The financial statements include the August 2016 Pre-Election Fiscal Outlook Report (PEFO), revised 2016-17 estimate and 2017-18 to 2019-20 forward estimates.

Also included are supplementary tables presenting general government sector taxes and the revised 2016-17 Loan Council Allocation.

Table 4.1

## General Government Sector Comprehensive Operating Statement

	2016-17 PEFO	2016-17 Revised	2017-18	2018-19	2019-20
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>REVENUE</b>					
Taxation revenue	586 893	599 463	592 203	608 349	625 065
Current grants	4 245 449	4 266 935	4 260 295	4 335 174	4 588 965
Capital grants	370 982	372 797	190 499	34 705	15 615
Sales of goods and services	380 981	379 559	405 442	409 066	408 834
Interest income	88 037	87 547	86 106	89 712	91 874
Dividend and income tax equivalent income	53 426	59 451	70 946	57 151	106 173
Other revenue	195 419	198 351	173 026	172 791	171 640
<b>TOTAL REVENUE</b>	<b>5 921 187</b>	<b>5 964 103</b>	<b>5 778 517</b>	<b>5 706 948</b>	<b>6 008 166</b>
<i>less</i> <b>EXPENSES</b>					
Employee benefits expense	2 171 903	2 206 216	2 247 605	2 257 546	2 327 696
Superannuation expenses					
Superannuation interest cost	133 639	133 639	129 094	128 080	128 080
Other superannuation expenses	203 062	200 306	202 189	203 308	204 080
Depreciation and amortisation	331 062	333 265	333 779	331 789	330 510
Other operating expenses	1 492 840	1 510 441	1 469 408	1 478 554	1 517 074
Interest expenses	211 608	208 906	205 425	210 162	213 320
Other property expenses					
Current grants	940 671	938 720	925 609	888 257	934 375
Capital grants	170 621	169 584	57 843	38 779	33 033
Subsidies and personal benefit payments	260 526	262 347	271 234	242 944	252 796
<b>TOTAL EXPENSES</b>	<b>5 915 932</b>	<b>5 963 424</b>	<b>5 842 186</b>	<b>5 779 419</b>	<b>5 940 964</b>
<i>equals</i> <b>NET OPERATING BALANCE</b>	<b>5 255</b>	<b>679</b>	<b>- 63 669</b>	<b>- 72 471</b>	<b>67 202</b>
<i>plus</i> Other economic flows – included in operating result	31 626	31 626	32 502	33 962	34 918
<i>equals</i> <b>OPERATING RESULT</b>	<b>36 881</b>	<b>32 305</b>	<b>- 31 167</b>	<b>- 38 509</b>	<b>102 120</b>
<i>plus</i> Other economic flows – other comprehensive income	186 662	186 689	166 745	226 454	240 173
<i>equals</i> <b>COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners</b>	<b>223 543</b>	<b>218 994</b>	<b>135 578</b>	<b>187 945</b>	<b>342 293</b>
<b>NET OPERATING BALANCE</b>	<b>5 255</b>	<b>679</b>	<b>- 63 669</b>	<b>- 72 471</b>	<b>67 202</b>
<i>less</i> <b>Net acquisition of non financial assets</b>					
Purchases of non financial assets	1 142 310	1 139 209	768 079	509 393	394 238
Sales of non financial assets	- 84 874	- 84 874	- 69 723	- 62 117	- 62 117
<i>less</i> Depreciation	331 062	333 265	333 779	331 789	330 510
<i>plus</i> Change in inventories					
<i>plus</i> Other movements in non financial assets					
<i>equals</i> <b>Total net acquisition of non financial assets</b>	<b>726 374</b>	<b>721 070</b>	<b>364 577</b>	<b>115 487</b>	<b>1 611</b>
<i>equals</i> <b>FISCAL BALANCE</b>	<b>- 721 119</b>	<b>- 720 391</b>	<b>- 428 246</b>	<b>- 187 958</b>	<b>65 591</b>

Table 4.2

## General Government Sector Balance Sheet

	2016-17 PEFO	2016-17 Revised	2017-18	2018-19	2019-20
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and deposits	163 337	89 618	41 296	48 043	77 853
Advances paid	156 021	161 158	146 932	129 617	115 489
Investments, loans and placements	1 914 618	1 892 203	1 783 847	1 841 826	1 902 776
Receivables	300 675	375 030	390 115	389 540	418 175
Equity					
Investments in other public sector entities	2 548 732	2 150 673	2 143 938	2 124 807	2 125 760
Investments – other					
Other financial assets	16 249	16 249	16 249	16 249	16 249
<b>Total financial assets</b>	<b>5 099 632</b>	<b>4 684 931</b>	<b>4 522 377</b>	<b>4 550 082</b>	<b>4 656 302</b>
<b>Non financial assets</b>					
Inventories	13 468	13 468	13 468	13 468	13 468
Property, plant and equipment	14 470 809	14 443 124	14 823 321	14 954 428	14 971 659
Investment property	98 694	99 694	88 694	77 694	66 694
Other non financial assets	122 439	122 557	122 537	122 517	122 497
<b>Total non financial assets</b>	<b>14 705 410</b>	<b>14 678 843</b>	<b>15 048 020</b>	<b>15 168 107</b>	<b>15 174 318</b>
<b>TOTAL ASSETS</b>	<b>19 805 042</b>	<b>19 363 774</b>	<b>19 570 397</b>	<b>19 718 189</b>	<b>19 830 620</b>
<b>LIABILITIES</b>					
Deposits held	331 076	327 808	343 708	354 752	381 687
Advances received	277 784	282 881	274 895	266 315	257 083
Borrowing	3 088 945	2 988 940	3 181 813	3 348 883	3 340 059
Superannuation	4 041 654	4 104 850	3 945 850	3 707 349	3 468 849
Other employee benefits	576 932	595 861	596 861	596 861	596 861
Payables	202 793	206 575	207 830	208 568	208 327
Other liabilities	761 585	853 511	880 514	908 590	908 590
<b>TOTAL LIABILITIES</b>	<b>9 280 769</b>	<b>9 360 426</b>	<b>9 431 471</b>	<b>9 391 318</b>	<b>9 161 456</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>10 524 273</b>	<b>10 003 348</b>	<b>10 138 926</b>	<b>10 326 871</b>	<b>10 669 164</b>
Contributed equity					
Accumulated surplus/(deficit)	2 241 318	2 143 313	2 285 626	2 492 702	2 834 042
Reserves	8 282 955	7 860 035	7 853 300	7 834 169	7 835 122
<b>NET WORTH</b>	<b>10 524 273</b>	<b>10 003 348</b>	<b>10 138 926</b>	<b>10 326 871</b>	<b>10 669 164</b>
NET FINANCIAL WORTH <sup>1</sup>	- 4 181 137	- 4 675 495	- 4 909 094	- 4 841 236	- 4 505 154
NET FINANCIAL LIABILITIES <sup>2</sup>	6 729 869	6 826 168	7 053 032	6 966 043	6 630 914
<b>NET DEBT<sup>3</sup></b>	<b>1 463 829</b>	<b>1 456 650</b>	<b>1 828 341</b>	<b>1 950 464</b>	<b>1 882 711</b>

1 Net financial worth equals total financial assets minus total liabilities.

2 Net financial liabilities equals the sum of total liabilities less total financial assets excluding investments in other public sector entities.

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

Table 4.3

## General Government Sector Cash Flow Statement

	2016-17 PEFO	2016-17 Revised	2017-18	2018-19	2019-20
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>Cash receipts from operating activities</b>					
Taxes received	586 893	599 463	592 203	608 349	625 065
Receipts from sales of goods and services	312 369	310 867	337 332	340 459	340 422
Grants and subsidies received	4 616 431	4 639 732	4 450 794	4 369 879	4 604 580
Interest receipts	88 037	87 547	86 106	89 712	91 874
Dividends and income tax equivalents	73 888	77 774	62 838	65 649	77 538
Other receipts	419 824	422 758	397 567	397 556	395 017
<b>Total operating receipts</b>	<b>6 097 442</b>	<b>6 138 141</b>	<b>5 926 840</b>	<b>5 871 604</b>	<b>6 134 496</b>
<b>Cash payments for operating activities</b>					
Payments for employees	- 2 476 922	- 2 508 479	- 2 560 522	- 2 578 964	- 2 656 250
Payment for goods and services	- 1 678 561	- 1 696 204	- 1 608 218	- 1 618 448	- 1 675 065
Grants and subsidies paid	- 1 371 652	- 1 370 365	- 1 254 131	- 1 168 609	- 1 220 204
Interest paid	- 211 760	- 209 065	- 205 217	- 209 803	- 213 432
Other payments					
<b>Total operating payments</b>	<b>- 5 738 895</b>	<b>- 5 784 113</b>	<b>- 5 628 088</b>	<b>- 5 575 824</b>	<b>- 5 764 951</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>358 547</b>	<b>354 028</b>	<b>298 752</b>	<b>295 780</b>	<b>369 545</b>
<b>Cash flows from investments in non financial assets</b>					
Sales of non financial assets	84 874	84 874	69 723	62 117	62 117
Purchases of non financial assets	- 1 142 310	- 1 139 209	- 768 079	- 509 393	- 394 238
<b>Net cash flows from investments in non financial assets</b>	<b>- 1 057 436</b>	<b>- 1 054 335</b>	<b>- 698 356</b>	<b>- 447 276</b>	<b>- 332 121</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>- 698 889</b>	<b>- 700 307</b>	<b>- 399 604</b>	<b>- 151 496</b>	<b>37 424</b>
Net cash flows from investments in financial assets for policy purposes <sup>1</sup>	1 809	1 809	14 226	17 315	14 128
Net cash flows from investments in financial assets for liquidity purposes	317 017	317 017	136 269	- 28 606	- 30 621
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>- 738 610</b>	<b>- 735 509</b>	<b>- 547 861</b>	<b>- 458 567</b>	<b>- 348 614</b>
Net cash flows from financing activities					
Advances received (net)	- 10 583	- 10 583	- 7 986	- 8 580	- 9 232
Borrowing (net)	- 8 448	- 108 448	192 873	167 070	- 8 824
Deposits received (net)	- 41 416	- 33 523	15 900	11 044	26 935
Other financing (net)					
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>- 60 447</b>	<b>- 152 554</b>	<b>200 787</b>	<b>169 534</b>	<b>8 879</b>
<b>NET INCREASE/DECREASE IN CASH HELD</b>	<b>- 440 510</b>	<b>- 534 035</b>	<b>- 48 322</b>	<b>6 747</b>	<b>29 810</b>
Net cash flows from operating activities	358 547	354 028	298 752	295 780	369 545
Net cash flows from investments in non financial assets	- 1 057 436	- 1 054 335	- 698 356	- 447 276	- 332 121
<b>CASH SURPLUS (+)/DEFICIT (-)</b>	<b>- 698 889</b>	<b>- 700 307</b>	<b>- 399 604</b>	<b>- 151 496</b>	<b>37 424</b>
Future infrastructure and superannuation contributions/earnings <sup>2</sup>	- 24 441	- 24 441	- 25 907	- 27 461	- 29 109
<b>UNDERLYING SURPLUS (+)/DEFICIT (-)</b>	<b>- 723 330</b>	<b>- 724 748</b>	<b>- 425 511</b>	<b>- 178 957</b>	<b>8 315</b>
<b>Additional information to the Cash Flow Statement</b>					
<b>CASH SURPLUS (+)/DEFICIT (-)</b>	<b>- 698 889</b>	<b>- 700 307</b>	<b>- 399 604</b>	<b>- 151 496</b>	<b>37 424</b>
Acquisitions under finance leases and similar arrangements					
<b>ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements</b>	<b>- 698 889</b>	<b>- 700 307</b>	<b>- 399 604</b>	<b>- 151 496</b>	<b>37 424</b>

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

2 Contributions for future infrastructure and superannuation requirements.

Table 4.4

## Public Non Financial Corporation Sector Comprehensive Operating Statement

	2016-17	2016-17	2017-18	2018-19	2019-20
	PEFO	Revised	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>REVENUE</b>					
Current grants	187 757	187 757	192 863	164 327	171 201
Capital grants	45 145	45 145	31 585	26 340	24 023
Sales of goods and services	687 368	687 368	730 515	780 305	824 343
Interest income	3 797	3 797	3 293	3 216	3 544
Other revenue	31 709	31 709	29 025	32 599	36 665
<b>TOTAL REVENUE</b>	<b>955 776</b>	<b>955 776</b>	<b>987 281</b>	<b>1 006 787</b>	<b>1 059 776</b>
<i>less</i> <b>EXPENSES</b>					
Employee benefits expense	107 340	107 340	95 457	90 991	89 250
Superannuation expenses	16 905	16 905	17 096	16 934	16 934
Depreciation and amortisation	190 090	190 090	198 680	203 220	209 006
Other operating expenses	514 106	514 943	548 374	592 503	575 450
Interest expenses	68 189	67 325	69 069	68 854	75 702
Other property expenses	19 306	19 306	24 434	20 637	42 542
Current grants	225	225	231	237	243
Capital grants					
Subsidies and personal benefit payments	1 907	1 907	1 898	1 941	1 984
<b>TOTAL EXPENSES</b>	<b>918 068</b>	<b>918 041</b>	<b>955 239</b>	<b>995 317</b>	<b>1 011 111</b>
<i>equals</i> <b>NET OPERATING BALANCE</b>	<b>37 708</b>	<b>37 735</b>	<b>32 042</b>	<b>11 470</b>	<b>48 665</b>
<i>plus</i> Other economic flows – included in operating result	- 12 367	- 12 367	- 11 519	- 10 047	- 3 956
<i>equals</i> <b>OPERATING RESULT</b>	<b>25 341</b>	<b>25 368</b>	<b>20 523</b>	<b>1 423</b>	<b>44 709</b>
<i>plus</i> Other economic flows – other comprehensive income	- 34	- 34	- 74	- 3	- 23
<i>equals</i> <b>COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners</b>	<b>25 307</b>	<b>25 334</b>	<b>20 449</b>	<b>1 420</b>	<b>44 686</b>
<b>NET OPERATING BALANCE</b>	<b>37 708</b>	<b>37 735</b>	<b>32 042</b>	<b>11 470</b>	<b>48 665</b>
<i>less</i> <b>Net acquisition of non financial assets</b>					
Purchases of non financial assets	335 774	335 774	210 262	165 883	227 043
Sales of non financial assets	- 1 026	- 1 026	- 154	- 1 359	- 1 359
<i>less</i> Depreciation	190 090	190 090	198 680	203 220	209 006
<i>plus</i> Change in inventories	6 344	6 344	5 275	5 290	5 305
<i>plus</i> Other movements in non financial assets	18 740	18 740	19 228	19 729	19 965
<i>equals</i> <b>Total net acquisition of non financial assets</b>	<b>169 742</b>	<b>169 742</b>	<b>35 931</b>	<b>- 13 677</b>	<b>41 948</b>
<i>equals</i> <b>FISCAL BALANCE</b>	<b>- 132 034</b>	<b>- 132 007</b>	<b>- 3 889</b>	<b>25 147</b>	<b>6 717</b>

Table 4.5

## Public Non Financial Corporation Sector Balance Sheet

	2016-17 PEFO	2016-17 Revised	2017-18	2018-19	2019-20
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and deposits	215 599	202 463	213 246	224 481	243 497
Advances paid					
Investments, loans and placements					
Receivables	143 206	143 441	140 861	145 810	152 491
Equity	3	3	3	3	3
Other financial assets					
<b>Total financial assets</b>	<b>358 808</b>	<b>345 907</b>	<b>354 110</b>	<b>370 294</b>	<b>395 991</b>
<b>Non financial assets</b>					
Inventories	201 897	191 214	196 489	201 779	207 084
Property, plant and equipment	3 547 735	3 228 177	3 259 774	3 241 353	3 278 285
Investment property					
Other non financial assets	75 738	42 478	26 226	14 592	14 258
<b>Total non financial assets</b>	<b>3 825 370</b>	<b>3 461 869</b>	<b>3 482 489</b>	<b>3 457 724</b>	<b>3 499 627</b>
<b>TOTAL ASSETS</b>	<b>4 184 178</b>	<b>3 807 776</b>	<b>3 836 599</b>	<b>3 828 018</b>	<b>3 895 618</b>
<b>LIABILITIES</b>					
Deposits held	1 236	1 329	1 329	1 329	1 329
Advances received					
Borrowing	1 415 263	1 413 373	1 442 568	1 454 568	1 493 568
Superannuation					
Other employee benefits	53 198	53 310	54 608	55 947	57 317
Payables	144 770	128 023	128 809	133 414	134 806
Other liabilities	42 610	82 699	86 978	79 584	104 469
<b>TOTAL LIABILITIES</b>	<b>1 657 077</b>	<b>1 678 734</b>	<b>1 714 292</b>	<b>1 724 842</b>	<b>1 791 489</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>2 527 101</b>	<b>2 129 042</b>	<b>2 122 307</b>	<b>2 103 176</b>	<b>2 104 129</b>
Contributed equity	628 300	628 300	628 300	628 300	628 300
Accumulated surplus/(deficit)	1 100 029	872 012	865 351	846 223	847 199
Reserves	798 772	628 730	628 656	628 653	628 630
<b>TOTAL EQUITY</b>	<b>2 527 101</b>	<b>2 129 042</b>	<b>2 122 307</b>	<b>2 103 176</b>	<b>2 104 129</b>
<b>NET FINANCIAL WORTH<sup>1</sup></b>	<b>- 1 298 269</b>	<b>- 1 332 827</b>	<b>- 1 360 182</b>	<b>- 1 354 548</b>	<b>- 1 395 498</b>
<b>NET DEBT<sup>2</sup></b>	<b>1 200 900</b>	<b>1 212 239</b>	<b>1 230 651</b>	<b>1 231 416</b>	<b>1 251 400</b>

1 Net financial worth equals total financial assets minus total liabilities.

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

Table 4.6

## Public Non Financial Corporation Sector Cash Flow Statement

	2016-17 PEFO	2016-17 Revised	2017-18	2018-19	2019-20
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>Cash receipts from operating activities</b>					
Receipts from sales of goods and services	709 424	709 562	728 949	771 236	813 689
Grants and subsidies received	232 900	232 900	224 448	190 667	195 226
Interest receipts	3 854	3 854	3 281	3 210	3 534
Other receipts	12 680	12 680	9 797	12 870	16 700
<b>Total operating receipts</b>	<b>958 858</b>	<b>958 996</b>	<b>966 475</b>	<b>977 983</b>	<b>1 029 149</b>
<b>Cash payments for operating activities</b>					
Income tax equivalents paid	- 33 571	- 33 571	- 22 693	- 19 137	- 41 023
Payments for employees	- 132 656	- 132 656	- 121 089	- 116 318	- 114 546
Payment for goods and services	- 513 384	- 514 463	- 536 304	- 580 382	- 569 843
Grants and subsidies paid	- 2 132	- 2 132	- 2 129	- 2 178	- 2 227
Interest paid	- 68 198	- 67 233	- 70 123	- 69 025	- 75 258
Other payments					
<b>Total operating payments</b>	<b>- 749 941</b>	<b>- 750 055</b>	<b>- 752 338</b>	<b>- 787 040</b>	<b>- 802 897</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>208 917</b>	<b>208 941</b>	<b>214 137</b>	<b>190 943</b>	<b>226 252</b>
<b>Cash flows from investments in non financial assets</b>					
Sales of non financial assets	1 026	1 026	154	1 359	1 359
Purchases of non financial assets	- 335 774	- 335 774	- 210 262	- 165 883	- 227 043
<b>Net cash flows from investments in non financial assets</b>	<b>- 334 748</b>	<b>- 334 748</b>	<b>- 210 108</b>	<b>- 164 524</b>	<b>- 225 684</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>- 125 831</b>	<b>- 125 807</b>	<b>4 029</b>	<b>26 419</b>	<b>568</b>
Net cash flows from investments in financial assets for policy purposes <sup>1</sup>					
Net cash flows from investments in financial assets for liquidity purposes					
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>- 334 748</b>	<b>- 334 748</b>	<b>- 210 108</b>	<b>- 164 524</b>	<b>- 225 684</b>
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	95 052	93 052	29 195	12 000	39 000
Deposits received (net)					
Dividends paid	- 20 071	- 20 071	- 22 441	- 27 184	- 20 552
Other financing (net)	15 000	15 000			
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>89 981</b>	<b>87 981</b>	<b>6 754</b>	<b>- 15 184</b>	<b>18 448</b>
<b>NET INCREASE/DECREASE IN CASH HELD</b>	<b>- 35 850</b>	<b>- 37 826</b>	<b>10 783</b>	<b>11 235</b>	<b>19 016</b>
Net cash flows from operating activities	208 917	208 941	214 137	190 943	226 252
Net cash flows from investments in non financial assets	- 334 748	- 334 748	- 210 108	- 164 524	- 225 684
Dividends paid	- 20 071	- 20 071	- 22 441	- 27 184	- 20 552
<b>CASH SURPLUS (+)/DEFICIT (-)</b>	<b>- 145 902</b>	<b>- 145 878</b>	<b>- 18 412</b>	<b>- 765</b>	<b>- 19 984</b>
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 145 902	- 145 878	- 18 412	- 765	- 19 984
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 145 902	- 145 878	- 18 412	- 765	- 19 984

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



Table 4.7

## Non Financial Public Sector Comprehensive Operating Statement

	2016-17 PEFO	2016-17 Revised	2017-18	2018-19	2019-20
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>REVENUE</b>					
Taxation revenue	577 054	589 624	582 369	598 617	615 333
Current grants	4 245 449	4 266 935	4 260 795	4 335 674	4 589 465
Capital grants	385 211	387 026	203 925	42 432	20 560
Sales of goods and services	1 044 867	1 042 758	1 111 828	1 165 574	1 209 564
Interest income	88 037	87 547	86 106	89 712	91 874
Dividend and income tax equivalent income	11 679	17 704	19 328	15 963	19 898
Other revenue	224 697	227 629	199 611	202 950	205 865
<b>TOTAL REVENUE</b>	<b>6 576 994</b>	<b>6 619 223</b>	<b>6 463 962</b>	<b>6 450 922</b>	<b>6 752 559</b>
<i>less</i> <b>EXPENSES</b>					
Employee benefits expense	2 279 243	2 313 556	2 343 062	2 348 537	2 416 946
Superannuation expenses					
Superannuation interest cost	133 639	133 639	129 094	128 080	128 080
Other superannuation expenses	217 802	215 046	217 120	218 077	218 849
Depreciation and amortisation	521 152	523 355	532 459	535 009	539 516
Other operating expenses	1 973 359	1 991 110	1 983 544	2 037 253	2 058 904
Interest expenses	276 000	272 434	271 201	275 800	285 478
Other property expenses					
Current grants	882 877	880 926	866 302	827 396	871 918
Capital grants	139 705	138 668	39 684	20 166	13 955
Subsidies and personal benefit payments	132 695	134 516	140 307	142 156	146 779
<b>TOTAL EXPENSES</b>	<b>6 556 472</b>	<b>6 603 250</b>	<b>6 522 773</b>	<b>6 532 474</b>	<b>6 680 425</b>
<i>equals</i> <b>NET OPERATING BALANCE</b>	<b>20 522</b>	<b>15 973</b>	<b>- 58 811</b>	<b>- 81 552</b>	<b>72 134</b>
<i>plus</i> Other economic flows – included in operating result	19 259	19 259	20 983	23 915	30 962
<i>equals</i> <b>OPERATING RESULT</b>	<b>39 781</b>	<b>35 232</b>	<b>- 37 828</b>	<b>- 57 637</b>	<b>103 096</b>
<i>plus</i> Other economic flows – other comprehensive income	183 762	183 762	173 406	245 582	239 197
<i>equals</i> <b>COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners</b>	<b>223 543</b>	<b>218 994</b>	<b>135 578</b>	<b>187 945</b>	<b>342 293</b>
<b>NET OPERATING BALANCE</b>	<b>20 522</b>	<b>15 973</b>	<b>- 58 811</b>	<b>- 81 552</b>	<b>72 134</b>
<i>less</i> <b>Net acquisition of non financial assets</b>					
Purchases of non financial assets	1 478 084	1 474 983	978 341	675 276	621 281
Sales of non financial assets	- 85 900	- 85 900	- 69 877	- 63 476	- 63 476
<i>less</i> Depreciation	521 152	523 355	532 459	535 009	539 516
<i>plus</i> Change in inventories	6 344	6 344	5 275	5 290	5 305
<i>plus</i> Other movements in non financial assets	18 740	18 740	19 228	19 729	19 965
<i>equals</i> <b>Total net acquisition of non financial assets</b>	<b>896 116</b>	<b>890 812</b>	<b>400 508</b>	<b>101 810</b>	<b>43 559</b>
<i>equals</i> <b>FISCAL BALANCE</b>	<b>- 875 594</b>	<b>- 874 839</b>	<b>- 459 319</b>	<b>- 183 362</b>	<b>28 575</b>

Table 4.8

## Non Financial Public Sector Balance Sheet

	2016-17 PEFO	2016-17 Revised	2017-18	2018-19	2019-20
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and deposits	163 360	89 641	41 319	48 066	77 876
Advances paid	156 021	161 158	146 932	129 617	115 489
Investments, loans and placements	1 914 618	1 892 203	1 783 847	1 841 826	1 902 776
Receivables	435 219	479 165	485 174	494 675	505 281
Equity					
Investments in other public sector entities	21 631	21 631	21 631	21 631	21 631
Investments – other	3	3	3	3	3
Other financial assets	16 249	16 249	16 249	16 249	16 249
<b>Total financial assets</b>	<b>2 707 101</b>	<b>2 660 050</b>	<b>2 495 155</b>	<b>2 552 067</b>	<b>2 639 305</b>
<b>Non financial assets</b>					
Inventories	215 365	204 682	209 957	215 247	220 552
Property, plant and equipment	18 018 544	17 671 301	18 083 095	18 195 781	18 249 944
Investment property	98 694	99 694	88 694	77 694	66 694
Other non financial assets	198 177	165 035	148 763	137 109	136 755
<b>Total non financial assets</b>	<b>18 530 780</b>	<b>18 140 712</b>	<b>18 530 509</b>	<b>18 625 831</b>	<b>18 673 945</b>
<b>TOTAL ASSETS</b>	<b>21 237 881</b>	<b>20 800 762</b>	<b>21 025 664</b>	<b>21 177 898</b>	<b>21 313 250</b>
<b>LIABILITIES</b>					
Deposits held	116 736	126 697	131 814	131 623	139 542
Advances received	277 784	282 881	274 895	266 315	257 083
Borrowing	4 504 208	4 402 313	4 624 381	4 803 451	4 833 627
Superannuation	4 041 654	4 104 850	3 945 850	3 707 349	3 468 849
Other employee benefits	630 130	649 171	651 469	652 808	654 178
Payables	335 138	322 331	324 362	329 697	330 838
Other liabilities	807 958	909 171	933 967	959 784	959 969
<b>TOTAL LIABILITIES</b>	<b>10 713 608</b>	<b>10 797 414</b>	<b>10 886 738</b>	<b>10 851 027</b>	<b>10 644 086</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>10 524 273</b>	<b>10 003 348</b>	<b>10 138 926</b>	<b>10 326 871</b>	<b>10 669 164</b>
Contributed equity					
Accumulated surplus/(deficit)	3 341 347	3 015 325	3 150 977	3 338 925	3 681 241
Reserves	7 182 926	6 988 023	6 987 949	6 987 946	6 987 923
<b>NET WORTH</b>	<b>10 524 273</b>	<b>10 003 348</b>	<b>10 138 926</b>	<b>10 326 871</b>	<b>10 669 164</b>
NET FINANCIAL WORTH <sup>1</sup>	- 8 006 507	- 8 137 364	- 8 391 583	- 8 298 960	- 8 004 781
NET FINANCIAL LIABILITIES <sup>2</sup>	8 028 138	8 158 995	8 413 214	8 320 591	8 026 412
<b>NET DEBT<sup>3</sup></b>	<b>2 664 729</b>	<b>2 668 889</b>	<b>3 058 992</b>	<b>3 181 880</b>	<b>3 134 111</b>

1 Net financial worth equals total financial assets minus total liabilities.

2 Net financial liabilities equals the sum of total liabilities less total financial assets excluding investments in other public sector entities.

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

Table 4.9

## Non Financial Public Sector Cash Flow Statement

	2016-17 PEFO	2016-17 Revised	2017-18	2018-19	2019-20
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
<b>Cash receipts from operating activities</b>					
Taxes received	577 054	589 624	582 369	598 617	615 333
Receipts from sales of goods and services	998 311	996 191	1 042 150	1 087 900	1 130 498
Grants and subsidies received	4 630 658	4 653 959	4 464 720	4 378 106	4 610 027
Interest receipts	88 037	87 547	86 106	89 712	91 874
Dividends and income tax equivalents	20 246	24 132	17 704	19 328	15 963
Other receipts	432 238	435 172	407 089	410 151	411 442
<b>Total operating receipts</b>	<b>6 746 544</b>	<b>6 786 625</b>	<b>6 600 138</b>	<b>6 583 814</b>	<b>6 875 137</b>
<b>Cash payments for operating activities</b>					
Payments for employees	- 2 599 739	- 2 631 296	- 2 671 777	- 2 685 550	- 2 761 064
Payment for goods and services	- 2 168 197	- 2 186 163	- 2 120 116	- 2 174 760	- 2 221 020
Grants and subsidies paid	- 1 155 111	- 1 153 824	- 1 045 738	- 988 347	- 1 032 652
Interest paid	- 276 104	- 272 444	- 272 059	- 275 618	- 285 156
Other payments					
<b>Total operating payments</b>	<b>- 6 199 151</b>	<b>- 6 243 727</b>	<b>- 6 109 690</b>	<b>- 6 124 275</b>	<b>- 6 299 892</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>547 393</b>	<b>542 898</b>	<b>490 448</b>	<b>459 539</b>	<b>575 245</b>
<b>Cash flows from investments in non financial assets</b>					
Sales of non financial assets	85 900	85 900	69 877	63 476	63 476
Purchases of non financial assets	- 1 478 084	- 1 474 983	- 978 341	- 675 276	- 621 281
<b>Net cash flows from investments in non financial assets</b>	<b>- 1 392 184</b>	<b>- 1 389 083</b>	<b>- 908 464</b>	<b>- 611 800</b>	<b>- 557 805</b>
<b>NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS</b>	<b>- 844 791</b>	<b>- 846 185</b>	<b>- 418 016</b>	<b>- 152 261</b>	<b>17 440</b>
Net cash flows from investments in financial assets for policy purposes <sup>1</sup>	16 809	16 809	14 226	17 315	14 128
Net cash flows from investments in financial assets for liquidity purposes	317 017	317 017	136 269	- 28 606	- 30 621
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>- 1 058 358</b>	<b>- 1 055 257</b>	<b>- 757 969</b>	<b>- 623 091</b>	<b>- 574 298</b>
Net cash flows from financing activities					
Advances received (net)	- 10 583	- 10 583	- 7 986	- 8 580	- 9 232
Borrowing (net)	86 604	- 15 396	222 068	179 070	30 176
Deposits received (net)	- 5 566	4 303	5 117	- 191	7 919
Other financing (net)					
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>70 455</b>	<b>- 21 676</b>	<b>219 199</b>	<b>170 299</b>	<b>28 863</b>
<b>NET INCREASE/DECREASE IN CASH HELD</b>	<b>- 440 510</b>	<b>- 534 035</b>	<b>- 48 322</b>	<b>6 747</b>	<b>29 810</b>
Net cash flows from operating activities	547 393	542 898	490 448	459 539	575 245
Net cash flows from investments in non financial assets	- 1 392 184	- 1 389 083	- 908 464	- 611 800	- 557 805
<b>CASH SURPLUS (+)/DEFICIT (-)</b>	<b>- 844 791</b>	<b>- 846 185</b>	<b>- 418 016</b>	<b>- 152 261</b>	<b>17 440</b>
Future infrastructure and superannuation contributions/earnings <sup>2</sup>	- 24 441	- 24 441	- 25 907	- 27 461	- 29 109
<b>UNDERLYING SURPLUS (+)/DEFICIT (-)</b>	<b>- 869 232</b>	<b>- 870 626</b>	<b>- 443 923</b>	<b>- 179 722</b>	<b>- 11 669</b>
<b>Additional information to the Cash Flow Statement</b>					
<b>CASH SURPLUS (+)/DEFICIT (-)</b>	<b>- 844 791</b>	<b>- 846 185</b>	<b>- 418 016</b>	<b>- 152 261</b>	<b>17 440</b>
Acquisitions under finance leases and similar arrangements					
<b>ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements</b>	<b>- 844 791</b>	<b>- 846 185</b>	<b>- 418 016</b>	<b>- 152 261</b>	<b>17 440</b>

<sup>1</sup> Includes equity acquisitions, disposals and privatisations (net).

<sup>2</sup> Contributions for future infrastructure and superannuation requirements.

Table 4.10

## General Government Sector Taxes

	2016-17 PEFO	2016-17 Revised	2017-18 Forward Estimate
	\$M	\$M	\$M
<b>Taxes on employers' payroll and labour force</b>	<b>294</b>	<b>304</b>	<b>298</b>
Payroll taxes	294	304	298
<b>Taxes on property</b>	<b>104</b>	<b>111</b>	<b>99</b>
Stamp duties on financial and capital transactions	104	111	99
<b>Taxes on the provision of goods and services</b>	<b>118</b>	<b>114</b>	<b>121</b>
Taxes on gambling	76	76	79
Taxes on insurance	42	38	42
<b>Taxes on the use of goods and performance of activities</b>	<b>71</b>	<b>71</b>	<b>73</b>
Motor vehicle registration fees	71	71	73
<b>TOTAL TAXES</b>	<b>587</b>	<b>599</b>	<b>592</b>

Table 4.11

## 2016-17 Loan Council Allocation

	Budget-time Estimate	Mid-Year Estimate
	\$M	\$M
General government sector cash deficit (+)/surplus (-)	617	700
Public non financial corporations sector cash deficit (+)/surplus (-)	146	146
Non financial public sector cash deficit (+)/surplus (-)	763	846
<i>less</i> Acquisitions under finance leases and similar arrangements		
<i>equals</i> ABS GFS cash deficit (+)/surplus (-)	763	846
<i>less</i> Net cash flows from investments in financial assets for policy purposes	17	17
<i>plus</i> Memorandum items		
<b>2016-17 LOAN COUNCIL ALLOCATION</b>	<b>746</b>	<b>829</b>

Note: The worsening in the Mid-Year Estimate when compared to the original May 2016 Budget largely reflects funding decisions made by the former government and carry forward of expenditure from 2015-16 into 2016-17. This revised estimate is outside the 2 per cent tolerance limit of non financial public sector operating cash receipts of \$136 million when compared to the original Loan Council allocation of \$150 million.



## Chapter 5

# Agency Output Statements

### Overview

This chapter provides high-level financial summary information for each budget sector agency and business division incorporating the new agencies formed following the Administrative Arrangements Order of 12 September 2016.

For agencies, output tables are presented setting out the 2016-17 Budget, as per the August 2016 Pre-Election Fiscal Outlook Report (PEFO), and the revised 2016-17 mid-year Budget. Where an agency has been restructured since PEFO, the Budget column has been backcast for comparative purposes and therefore presents the PEFO budget position as though the new agency structure had been in place prior to the Administrative Arrangement Order changes of 12 September 2016.

The output tables include total expenses and total appropriation by purpose for each agency's current output groups and outputs.

Detailed information, such as output and business line descriptions, performance measures and key variations, has not been provided however this information will be included in Budget Paper No. 3 when the 2017-18 Budget is released in May 2017.

For business divisions, business line information is presented for the PEFO Budget and the revised 2016-17 mid-year Budget for income, expenses and the net surplus/deficit before income tax.

The 2016-17 Mid-Year Report information includes policy changes to incorporate Government's election commitments. Detailed information in relation to these commitments, including the revised infrastructure program, will be provided in the 2017-18 Budget Papers.

## Auditor-General's Office

Output Group/Output	2016-17 Budget (PEFO)	2016-17 Revised
	\$000	\$000
<b>Audit and Reviews</b>	<b>4 250</b>	<b>4 250</b>
Audit and Reviews	4 250	4 250
<b>Corporate and Governance</b>	<b>635</b>	<b>635</b>
Corporate and Governance	635	635
<b>Total expenses</b>	<b>4 885</b>	<b>4 885</b>
<b>Appropriation</b>		
Output	3 152	3 152

## Northern Territory Electoral Commission

Output Group/Output	2016-17 Budget (PEFO)	2016-17 Revised
	\$000	\$000
<b>Electoral Services</b>	<b>3 338</b>	<b>3 338</b>
Electoral Services	3 338	3 338
<b>Corporate and Governance</b>	<b>180</b>	<b>180</b>
Corporate and Governance	180	180
<b>Total expenses</b>	<b>3 518</b>	<b>3 518</b>
<b>Appropriation</b>		
Output	2 372	2 372

## Ombudsman's Office

Output Group/Output	2016-17 Budget (PEFO)	2016-17 Revised
	\$000	\$000
<b>Ombudsman Operations</b>	<b>2 060</b>	<b>2 060</b>
Ombudsman Operations	2 060	2 060
<b>Corporate and Governance</b>	<b>280</b>	<b>280</b>
Corporate and Governance	280	280
<b>Total expenses</b>	<b>2 340</b>	<b>2 340</b>
<b>Appropriation</b>		
Output	1 948	1 948

## Department of the Chief Minister

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Advice and Coordination</b>	<b>36 789</b>	<b>38 075</b>
Strategic Policy Coordination	17 657	15 966
Regional Coordination and Aboriginal Affairs	17 819	17 746
Inquiries and Commissions	1 313	4 363
<b>Government Business Support</b>	<b>25 531</b>	<b>25 494</b>
Support to Ministers and Leader of the Opposition	17 973	17 936
Support to the Administrator	2 750	2 750
Government Services	4 808	4 808
<b>Corporate and Governance</b>	<b>7 733</b>	<b>7 723</b>
Corporate and Governance	7 313	7 303
Shared Corporate Services Provided	420	420
<b>Total expenses</b>	<b>70 053</b>	<b>71 292</b>
<b>Appropriation</b>		
Output	59 777	62 684
Commonwealth	1 668	

## Department of the Legislative Assembly

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Parliamentary Services</b>	<b>29 053</b>	<b>29 053</b>
Assembly Services	3 639	3 639
Members and Client Services	15 893	15 893
Building Management Services	9 521	9 521
<b>Corporate and Governance</b>	<b>1 454</b>	<b>1 454</b>
Corporate and Governance	1 454	1 454
<b>Total expenses</b>	<b>30 507</b>	<b>30 507</b>
<b>Appropriation</b>		
Output	24 208	24 208
Capital	41	41



## Northern Territory Police, Fire and Emergency Services

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Community Safety and Crime Prevention</b>	<b>110 965</b>	<b>111 356</b>
Community Safety and Crime Prevention	110 965	111 356
<b>General Policing Crime Detection Investigation and Prosecution</b>	<b>202 331</b>	<b>202 782</b>
Response Services	66 138	66 372
Investigations	90 266	90 585
Services to the Judicial Process	45 927	45 825
<b>Road Safety Services</b>	<b>28 452</b>	<b>28 553</b>
Road Safety Services	28 452	28 553
<b>Fire Prevention and Response Management</b>	<b>38 256</b>	<b>38 219</b>
Fire Prevention and Response Management	38 256	38 219
<b>Emergency Services</b>	<b>6 823</b>	<b>7 218</b>
Emergency Services	6 823	7 218
<b>Corporate and Governance</b>	<b>16 373</b>	<b>16 357</b>
Corporate and Governance	16 373	16 357
<b>Total expenses</b>	<b>403 200</b>	<b>404 485</b>
<b>Appropriation</b>		
Output	329 073	332 118
Capital	20 571	16 870
Commonwealth	27 283	27 283

## Department of Trade, Business and Innovation

	2016-17	2016-17
Output Group/Output	Budget (PEFO)	Revised
	\$000	\$000
<b>Business and Industry Development and Support</b>	<b>64 477</b>	<b>59 459</b>
Business and Innovation NT	40 073	35 223
Procurement NT	3 614	3 614
Northern Australia Development and Trade	11 748	11 835
Strategic Infrastructure and Projects	8 128	7 873
Chief Scientist	914	914
<b>Employment and Skilling</b>	<b>109 755</b>	<b>106 094</b>
Employment and Skilling NT	109 755	106 094
<b>Corporate and Governance</b>	<b>5 929</b>	<b>5 924</b>
Corporate and Governance	5 929	5 924
<b>Total expenses</b>	<b>180 161</b>	<b>171 477</b>
<b>Appropriation</b>		
Output	148 385	143 602
Capital	964	964
Commonwealth	20 313	20 313

## Department of Treasury and Finance

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Financial Management</b>	<b>5 663</b>	<b>5 663</b>
Financial Management	5 663	5 663
<b>Economic</b>	<b>121 883</b>	<b>121 883</b>
Economic Services	10 240	10 240
Payments on Behalf of Government	111 643	111 643
<b>Territory Revenue</b>	<b>17 672</b>	<b>17 672</b>
Territory Revenue	7 172	7 172
Tax-Related Subsidies	10 500	10 500
<b>Superannuation</b>	<b>2 990</b>	<b>2 990</b>
Superannuation	2 990	2 990
<b>Economic Regulation</b>	<b>1 518</b>	<b>1 518</b>
Utilities Commission	1 518	1 518
<b>Corporate and Governance</b>	<b>5 233</b>	<b>5 233</b>
Corporate and Governance	4 864	4 864
Shared Corporate Services Provided	369	369
<b>Total expenses</b>	<b>154 959</b>	<b>154 959</b>
<b>Appropriation</b>		
Output	148 645	148 645

## Northern Territory Treasury Corporation

Business Line	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Income</b>	<b>219 371</b>	<b>215 805</b>
Government Loans and Investments	219 371	215 805
<b>Expenses</b>	<b>207 692</b>	<b>198 101</b>
Government Loans and Investments	207 692	198 101
<b>SURPLUS (+)/DEFICIT (-) BEFORE INCOME TAX</b>	<b>11 679</b>	<b>17 704</b>

## Department of Infrastructure, Planning and Logistics

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Infrastructure Investment Program Support and Delivery</b>	<b>35 243</b>	<b>35 481</b>
Infrastructure Investment Delivery	28 188	28 427
Program Support	3 859	3 858
Asset Management	3 196	3 196
<b>Lands and Planning</b>	<b>52 455</b>	<b>52 451</b>
Land Development	9 992	9 991
Development Assessment Services	3 927	3 927
Crown Land Estate Management	21 153	21 152
Aboriginal Land	1 297	1 297
Lands Planning	2 684	2 684
Building Advisory Services	3 940	3 939
Land Information	9 462	9 461
<b>Logistics Infrastructure and Services</b>	<b>257 265</b>	<b>258 742</b>
Passenger Transport	56 974	56 973
Registration Licensing and Road Safety	16 712	16 705
Transport Regulation and Compliance	6 574	6 571
Transport Planning and Delivery	160 753	162 241
Transport Assets	16 252	16 252
<b>Strategy Policy and Legislation</b>	<b>5 663</b>	<b>5 662</b>
Strategy Policy and Legislation	5 663	5 662
<b>Statutory Bodies</b>	<b>540</b>	<b>539</b>
Northern Territory Planning Commission	540	539
<b>Corporate and Governance</b>	<b>20 177</b>	<b>19 898</b>
Corporate and Governance	20 177	19 898
<b>Total expenses</b>	<b>371 343</b>	<b>372 773</b>
<b>Appropriation</b>		
Output	239 504	239 434
Capital	356 032	349 232
Commonwealth	259 300	259 300

## Land Development Corporation

Business Line	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Income</b>	<b>18 941</b>	<b>18 941</b>
Residential Development	5 682	5 682
Industrial Development	13 259	13 259
<b>Expenses</b>	<b>15 538</b>	<b>15 511</b>
Residential Development	4 661	4 653
Industrial Development	10 877	10 858
<b>SURPLUS (+)/DEFICIT (-) BEFORE INCOME TAX</b>	<b>3 403</b>	<b>3 430</b>
Residential Development	1 021	1 029
Industrial Development	2 382	2 401

## Department of the Attorney-General and Justice

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Legal Services</b>	<b>39 314</b>	<b>37 539</b>
Solicitor for the Northern Territory	12 130	11 437
Crime Victims Services Unit	5 974	5 935
Legal Policy	20 142	19 160
Criminal Justice Research and Statistics	1 068	1 007
<b>Custodial Services</b>	<b>170 907</b>	<b>170 984</b>
Custodial Operations	160 701	160 778
Education and Offender Programs	10 206	10 206
<b>Correctional Industries and Employment</b>	<b>22 373</b>	<b>22 456</b>
Correctional Industries and Employment	22 373	22 456
<b>Community Corrections</b>	<b>23 320</b>	<b>24 709</b>
Community Corrections	22 606	23 951
Parole Board	714	758
<b>Court Support Services</b>	<b>46 842</b>	<b>46 815</b>
Higher Courts	12 296	12 271
Lower Courts and Tribunals	26 388	26 386
Fines Recovery Unit	2 992	2 992
Integrated Justice Information System	5 166	5 166
<b>Director of Public Prosecutions</b>	<b>13 250</b>	<b>12 774</b>
Director of Public Prosecutions	13 250	12 774
<b>Independent Offices</b>	<b>14 465</b>	<b>14 204</b>
Consumer Affairs	2 181	2 414
Anti-Discrimination Commission	2 226	2 099
Information and Public Interest Disclosures Commission	1 195	1 127
Registrar-General	2 620	2 620
Public Trustee	1 014	1 014
Health and Community Services Complaints Commission	1 215	1 146
Children's Commissioner	1 516	1 428
Office of Parliamentary Counsel	2 498	2 356
<b>Regulatory Support</b>	<b>44 896</b>	<b>48 167</b>
Licencing NT	36 728	39 486
NT Worksafe	8 168	8 681
<b>Corporate and Governance</b>	<b>13 412</b>	<b>12 593</b>
Corporate and Governance	13 412	12 593
<b>Total expenses</b>	<b>388 779</b>	<b>390 241</b>
<b>Appropriation</b>		
Output	298 944	299 001
Capital	6 319	8 319
Commonwealth	8 995	8 995

## Department of Health

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Territory-Wide Primary Health Care</b>	<b>31 181</b>	<b>14 120</b>
Territory-Wide Primary Health Care	31 181	14 120
<b>Disease Prevention and Health Protection</b>	<b>21 288</b>	<b>21 330</b>
Environmental Health	4 206	4 206
Disease Control	17 082	17 124
<b>Community Treatment and Extended Care</b>	<b>142 020</b>	<b>141 458</b>
Alcohol and Other Drugs	39 863	35 575
Disability Services	93 758	96 534
Mental Health	8 399	9 349
<b>Corporate and Governance</b>	<b>93 596</b>	<b>94 653</b>
Corporate and Governance	49 545	50 602
Shared Services Provided	44 051	44 051
<b>National Critical Care and Trauma Response</b>	<b>10 495</b>	<b>10 495</b>
National Critical Care and Trauma Response	10 495	10 495
<b>Office of the Public Guardian</b>	<b>4 608</b>	<b>4 608</b>
Office of the Public Guardian	4 608	4 608
<b>Health Services</b>	<b>1 102 357</b>	<b>1 133 957</b>
Top End and Central Australia Health Services	1 102 357	1 133 957
<b>Total expenses</b>	<b>1 405 545</b>	<b>1 420 621</b>
<b>Appropriation</b>		
Output	1 023 745	1 011 400
Capital	31 679	31 679
Commonwealth	62 690	65 366

## Top End Health Service

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Top End Hospitals</b>	<b>527 053</b>	<b>559 597</b>
Top End Hospitals	527 053	559 597
<b>Community Treatment and Extended Care</b>	<b>44 363</b>	<b>42 282</b>
Mental Health	30 976	30 311
Aged Care	1 370	3 575
Alcohol and Other Drugs	12 017	8 396
<b>Primary Health Care</b>	<b>112 447</b>	<b>122 299</b>
Remote Primary Health Care	80 257	86 124
Urban Primary Health Care	14 125	14 125
Top End-Wide Community Services	18 065	22 050
<b>Top End-Wide Support Services</b>	<b>169 572</b>	<b>166 251</b>
Top End-Wide Support Services	169 572	166 251
<b>Total expenses</b>	<b>853 435</b>	<b>890 429</b>
<b>Income</b>	<b>830 938</b>	<b>870 566</b>
<b>SURPLUS(+)/DEFICIT (-) BEFORE INCOME TAX</b>	<b>- 22 497</b>	<b>- 19 863</b>

## Central Australia Health Service

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Central Australia Hospitals</b>	<b>239 644</b>	<b>235 774</b>
Central Australia Hospitals	239 644	235 774
<b>Community Treatment and Extended Care</b>	<b>29 201</b>	<b>26 561</b>
Mental Health	17 589	17 574
Aged Care	258	785
Alcohol and Other Drugs	11 354	8 202
<b>Primary Health Care</b>	<b>50 739</b>	<b>61 788</b>
Remote Primary Health Care	36 702	48 276
Urban Primary Health Care	6 714	6 848
Central Australia-Wide Community Services	7 323	6 664
<b>Central Australia-Wide Support Services</b>	<b>67 630</b>	<b>68 933</b>
Central Australia-Wide Support Services	67 630	68 933
<b>Total expenses</b>	<b>387 214</b>	<b>393 056</b>
<b>Income</b>	<b>377 905</b>	<b>385 868</b>
<b>SURPLUS (+)/DEFICIT (-) BEFORE INCOME TAX</b>	<b>- 9 309</b>	<b>- 7 188</b>



## Department of Housing and Community Development

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Housing Services</b>	<b>300 647</b>	<b>307 184</b>
Housing Services Delivery	252 895	258 932
Housing Program Delivery	47 752	48 252
<b>Community Development</b>	<b>319 727</b>	<b>319 142</b>
Community Development	136 166	136 166
Language Services	9 127	9 127
Local Government	93 950	93 950
Homelands, Outstations and Town Camps	60 907	60 907
Strategy and Planning	19 577	18 992
<b>Corporate and Governance</b>	<b>17 808</b>	<b>17 687</b>
Corporate and Governance	17 808	17 687
<b>Total expenses</b>	<b>638 182</b>	<b>644 013</b>
<b>Appropriation</b>		
Output	254 725	259 645
Capital	56 304	56 304
Commonwealth	227 095	231 877

## NT Home Ownership

Business Line	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Income</b>	<b>12 723</b>	<b>12 723</b>
NT Home Ownership	12 723	12 723
<b>Expenses</b>	<b>12 674</b>	<b>12 522</b>
NT Home Ownership	12 674	12 522
<b>SURPLUS (+)/DEFICIT (-) BEFORE INCOME TAX</b>	<b>49</b>	<b>201</b>

## Office of the Commissioner for Public Employment

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Employment Services</b>	<b>6 609</b>	<b>6 609</b>
Employee and Industrial Relations	2 358	2 358
Workforce Planning and Development	3 489	3 489
Public Sector Appeals and Grievance Reviews	762	762
<b>Corporate and Governance</b>	<b>984</b>	<b>984</b>
Corporate and Governance	564	564
Shared Corporate Services Received	420	420
<b>Total expenses</b>	<b>7 593</b>	<b>7 593</b>
<b>Appropriation</b>		
Output	5 862	5 862

## Department of Primary Industry and Resources

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Food Industry Development</b>	<b>29 960</b>	<b>34 169</b>
Market and Enterprise Development	16 112	20 200
Plant Industries Development	8 264	8 261
Livestock Industries Development	4 651	4 776
Major Economic Projects	933	932
<b>Resource and Product Integrity</b>	<b>24 340</b>	<b>24 378</b>
Biosecurity and Animal Welfare	11 906	11 788
Fisheries	12 434	12 590
<b>Water Testing Services</b>	<b>2 619</b>	<b>2 619</b>
Water Testing Services	2 619	2 619
<b>Industry Development</b>	<b>12 140</b>	<b>12 127</b>
Industry Reporting	1 655	1 655
Geoscience and Industry Development Services	10 485	10 472
<b>Mining Services</b>	<b>21 173</b>	<b>21 166</b>
Mineral Titles Management	3 429	3 429
Mining Operations Management	6 135	6 129
Legacy Mines	11 609	11 608
<b>Energy Services</b>	<b>3 905</b>	<b>3 899</b>
Energy Management	3 905	3 899
<b>Corporate and Governance</b>	<b>9 884</b>	<b>10 122</b>
Corporate and Governance	9 884	10 122
<b>Total expenses</b>	<b>104 021</b>	<b>108 480</b>
<b>Appropriation</b>		
Output	72 902	77 186
Capital	251	251
Commonwealth	20 126	20 010

## Department of Environment and Natural Resources

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Environment and Natural Resources</b>	<b>54 180</b>	<b>54 850</b>
Fauna and Flora	7 209	8 032
Rangelands	12 556	13 340
Water Resources	17 703	16 443
Bushfires	9 256	9 580
Environment	7 456	7 455
<b>Statutory Body</b>	<b>557</b>	<b>557</b>
Northern Territory Environment Protection Authority	557	557
<b>Corporate and Governance</b>	<b>5 408</b>	<b>5 406</b>
Corporate and Governance	5 408	5 406
<b>Total expenses</b>	<b>60 145</b>	<b>60 813</b>
<b>Appropriation</b>		
Output	45 709	45 661
Capital	974	974
Commonwealth	2 831	2 135

## Department of Tourism and Culture

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Tourism and Culture</b>	<b>243 992</b>	<b>245 337</b>
Parks and Wildlife	50 244	50 339
Tourism NT	47 326	48 299
Arts and Museums	53 025	52 917
Sport and Recreation	57 328	58 060
Darwin Waterfront Corporation	19 733	19 733
NT Major Events Corporation	16 336	15 989
<b>Corporate and Governance</b>	<b>6 568</b>	<b>6 568</b>
Corporate and Governance	6 568	6 568
<b>Total expenses</b>	<b>250 560</b>	<b>251 905</b>
<b>Appropriation</b>		
Output	215 947	216 123
Capital	305	305
Commonwealth	775	775

## Territory Wildlife Parks

Business Line	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Income</b>	<b>10 462</b>	<b>10 462</b>
Territory Wildlife Park	5 208	5 208
Alice Springs Desert Park	5 254	5 254
<b>Expenses</b>	<b>12 243</b>	<b>12 243</b>
Territory Wildlife Park	6 427	6 427
Alice Springs Desert Park	5 816	5 816
<b>SURPLUS (+)/DEFICIT (-) BEFORE INCOME TAX</b>	<b>- 1 781</b>	<b>- 1 781</b>

## Department of Corporate and Information Services

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Shared Services</b>	<b>205 991</b>	<b>201 929</b>
Finance Services	16 712	16 809
Human Resource Services	31 303	31 699
Procurement Services	3 150	3 654
Information and Communications Technology Services	36 359	37 247
Property Leasing Services	90 305	88 557
Asset Services	19 162	12 371
Project Services	9 000	11 592
<b>Corporate and Governance</b>	<b>5 959</b>	<b>5 956</b>
Corporate and Governance	4 979	4 989
Shared Corporate Services Provided	980	967
<b>Total expenses</b>	<b>211 950</b>	<b>207 885</b>
<b>Appropriation</b>		
Output	145 537	144 679
Capital	53 418	53 073

## NT Fleet

Business Line	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Income</b>	<b>42 414</b>	<b>42 414</b>
Vehicle Fleet Services	42 414	42 414
<b>Expenses</b>	<b>32 406</b>	<b>32 464</b>
Vehicle Fleet Services	32 406	32 464
<b>SURPLUS (+)/DEFICIT (-) BEFORE INCOME TAX</b>	<b>10 008</b>	<b>9 950</b>

## Data Centre Services

Business Line	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Income</b>	<b>24 941</b>	<b>24 941</b>
Data Centre Management	24 941	24 941
<b>Expenses</b>	<b>21 604</b>	<b>21 364</b>
Data Centre Management	21 604	21 364
<b>SURPLUS (+)/DEFICIT (-) BEFORE INCOME TAX</b>	<b>3 337</b>	<b>3 577</b>

## Aboriginal Areas Protection Authority

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Protection of Sacred Sites</b>	<b>3 676</b>	<b>3 676</b>
Protection of Sacred Sites	3 676	3 676
<b>Corporate and Governance</b>	<b>1 225</b>	<b>1 225</b>
Corporate and Governance	1 225	1 225
<b>Total expenses</b>	<b>4 901</b>	<b>4 901</b>
<b>Appropriation</b>		
Output	2 716	2 716

## Department of Education

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Government Education</b>	<b>704 616</b>	<b>724 636</b>
Early Years	24 241	25 676
International Education	937	985
Middle Years Education	133 792	137 225
Preschool Education	44 255	47 664
Primary Education	371 338	380 158
Senior Years Education	120 162	123 037
Tertiary Education	9 891	9 891
<b>Non-Government Education</b>	<b>243 576</b>	<b>243 585</b>
Middle Years Education	70 229	70 232
Primary Education	127 071	127 075
Senior Years Education	46 276	46 278
<b>Corporate Governance</b>	<b>30 491</b>	<b>30 491</b>
Corporate and Governance	30 491	30 491
<b>Total expenses</b>	<b>978 683</b>	<b>998 712</b>
<b>Appropriation</b>		
Output	561 904	577 138
Commonwealth	340 021	340 021

## Territory Families

Output Group/Output	2016-17	2016-17
	Budget (PEFO)	Revised
	\$000	\$000
<b>Seniors and Carers</b>	<b>29 854</b>	<b>29 854</b>
Seniors and Carers	29 854	29 854
<b>Community Engagement and Programs</b>	<b>4 862</b>	<b>4 862</b>
Gender Equity	1 498	1 498
Social Inclusion	3 364	3 364
<b>Children and Families</b>	<b>203 465</b>	<b>203 537</b>
Child Protection	26 416	26 978
Out of Home Care	101 476	101 134
Family Support	28 893	28 688
Youth Justice	23 399	23 456
Domestic Violence	23 281	23 281
<b>Corporate and Governance</b>	<b>15 350</b>	<b>16 488</b>
Corporate and Governance	13 489	14 858
Shared Corporate Services Received	1 861	1 630
<b>Total expenses</b>	<b>253 531</b>	<b>254 741</b>
<b>Appropriation</b>		
Output	226 985	227 275
Commonwealth	16 910	16 910





## Appendix A

# Classification of Entities in the Northern Territory

## Non Financial Public Sector

### General Government

Aboriginal Areas Protection Authority  
Auditor-General's Office  
AustralAsia Railway Corporation<sup>1</sup>  
Batchelor Institute of Indigenous Tertiary Education<sup>1</sup>  
Central Australia Health Service<sup>2</sup>  
Central Holding Authority  
Darwin Waterfront Corporation<sup>1</sup>  
Data Centre Services<sup>2</sup>  
Department of the Attorney-General and Justice  
Department of the Chief Minister  
Department of Corporate and Information Services  
Department of Education  
Department of Environment and Natural Resources  
Department of Health  
Department of Housing and Community Development  
Department of Infrastructure, Planning and Logistics  
Department of the Legislative Assembly  
Department of Primary Industry and Resources  
Department of Tourism and Culture  
Department of Trade, Business and Innovation  
Department of Treasury and Finance  
Desert Knowledge Australia<sup>1</sup>  
Motor Accidents (Compensation) Commission<sup>1</sup>  
Museums and Art Galleries Board of the Northern Territory<sup>1</sup>  
Nominal Insurer's Fund<sup>1</sup>  
Northern Territory Electoral Commission  
Northern Territory Legal Aid Commission<sup>1</sup>  
Northern Territory Major Events Company Pty Ltd<sup>1</sup>  
Northern Territory Police, Fire and Emergency Services  
NT Build Statutory Corporation<sup>1</sup>  
NT Fleet<sup>2</sup>  
NT Home Ownership<sup>2</sup>  
Office of the Commissioner for Public Employment  
Ombudsman's Office  
Territory Families  
Territory Wildlife Parks<sup>2</sup>  
Top End Health Service<sup>2</sup>

### Public Non Financial Corporations

Indigenous Essential Services Pty Ltd<sup>1</sup>  
Jacana Energy<sup>1,3</sup>  
Land Development Corporation<sup>2</sup>  
Power and Water Corporation<sup>1,3</sup>  
Territory Generation<sup>1,3</sup>

1 Non-budget sector entity.

2 Government business division.

3 Government owned corporation.

## Appendix B

# Glossary

### Advances/advances paid

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

### Agency

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

### 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.

### Australian accounting standards

Statements of accounting standards that can be applied in preparation and presentation of financial statements.

### Capital grants

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, cash is transferred to enable the recipient to acquire another asset, or the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.

### Cash surplus/deficit

Reported in the Cash Flow Statement and measures the net impact of cash flows during the period. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non financial assets, less distributions paid, less value of assets acquired under finance leases and similar arrangements.

### Commonwealth own-purpose expenses (COPE)

Payments by the Commonwealth for goods and services and associated transfer payments for the conduct of its general government activities.

### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other movements in equity, other than transactions with owners as owners.

### Consumer price index (CPI)

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

### Contingent liability

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

## Current grants

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

## Finance lease

Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset).

## Financial asset

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

## Fiscal balance (net lending/borrowing)

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

## General government sector

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

## Generally accepted accounting principles (GAAP)

Term used to describe broadly the body of principles that governs the accounting for financial transactions underlying the preparation of a set of financial statements.

## Goods and services tax (GST) revenue

On 1 July 2000, the Commonwealth introduced GST. Payments from the Commonwealth return the GST revenue to the states and territories, replacing the previous general purpose grants.

## Government business division (GBD)

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

## Government finance statistics (GFS)

Refers to statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. GFS 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 in which its objectives are to operate at least as efficiently as any corporate business and maximise sustainable return to government. The *Government Owned Corporations Act* adopts the shareholder model of corporate governance. The Territory has three government owned corporations, Power and Water Corporation, power generation (Territory Generation) and power retail corporation (Jacana Energy).

## Grants

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

Grants can be paid as general purpose grants, which refer to grants 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 (GDP)

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.

## Guarantee

An undertaking to answer for the debt or obligations of another person or entity.

## Indemnity

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

## Intergovernmental agreement

An agreement signed by all states and the Commonwealth in December 2008 defining the framework for federal financial relations, encompassing Commonwealth funding to states through general revenue assistance, specific purpose payments and national partnership payments.

## Loan Council

The Australian Loan Council coordinates borrowing by Commonwealth and state governments. Current arrangements seek to emphasise transparency of public sector finances, through financial market scrutiny of proposed borrowing to restrict borrowing to prudent levels.

## Loan Council Allocation

The nomination to the Loan Council of the level of financing required.

## Memorandum items – Loan Council

Memorandum items are used to adjust the cash surplus/deficit to include in the Loan Council Allocation certain transactions that may have the characteristics of public sector borrowings but do not constitute formal borrowings.

## National partnership agreements

National partnership (NP) agreements are agreements between the Commonwealth, states and territories with defined objectives, outcomes, outputs and performance measures related to the delivery of projects of national significance or to facilitate reforms.

## National partnership payments

NP payments are tied Commonwealth grants provided to states and territories to enable them to achieve the outcomes and outputs of an NP agreement.

## Net cash flows from investments in financial assets (liquidity management purposes)

Cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

## Net cash flows from investments in financial assets (policy purposes)

Cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disasters.

## Net debt

Net debt measures a government's net stock of selected gross financial liabilities less financial assets.

Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements.

## Net financial liabilities

Total liabilities less financial assets, other than equity in public non financial corporations and public financial corporations. This measure is broader than net debt, as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). For the public non financial corporation and public financial corporation sectors, it is equal to negative net financial worth.

## Net financial worth

A measure of a government's net holdings of financial assets. It is calculated from the Uniform Presentation Framework Balance Sheet as financial assets minus liabilities. Net financial worth is a broader measure than net debt as it incorporates provisions (such as superannuation, but excludes depreciation and doubtful debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities.

## Net operating balance

The revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

## Net worth

Provides a relatively comprehensive picture of a government's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. It includes a government's non financial assets such as land and other fixed assets, which may be sold and used to repay debt, as well as its financial assets and liabilities including debtors, creditors and superannuation liabilities. Net worth also shows asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.

## Non financial assets

Assets that are not financial assets, predominantly land and other fixed assets.

## Non financial public sector

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

## Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions (such as revaluations and other changes in the volume of assets).

## Other superannuation expense

Includes all superannuation expenses from transactions except superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.

## Payables

Includes short-term and long-term trade debt and accounts payable, grants and interest payable.

## Public financial corporations

Government-controlled entities that perform central bank functions and or have the authority to incur liabilities and acquire financial assets in the market on their own account.

## Public non financial corporations

Public enterprises primarily engaged in the production of goods or services of a non financial nature, for sale in the market place, at prices that aim to recover most of the costs involved.

## Receivables

Includes short-term and long-term trade credit and accounts receivable, grants, taxes and interest receivable.

## Sale of goods and services

Revenue from the direct provision of goods and services and includes fees and charges for services rendered, sale of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets, such as buildings and entertainment, but excludes rental income from the use of non-produced assets, such as land. User charges include sale of goods and services revenue.

## Specific purpose payments (SPPs)

A Commonwealth financial contribution to support state delivery of services in a particular sector. Payments are made from the Commonwealth Treasury to state treasuries and are appropriated to the relevant Territory agency.

## State final demand (SFD)

Final consumption expenditure plus gross fixed capital formation in each jurisdiction. It represents the total expenditure on consumption and investment in a jurisdiction.

## Treasurer's Advance

An appropriation purpose of that name as specified in an *Appropriation Act*, which provides a pool of funds specifically set aside in each Budget to meet one-off unexpected costs that arise during the year and are substantial enough to warrant additional appropriation.

## Uniform Presentation Framework (UPF)

A uniform framework agreed by the Australian Loan Council in 2000, which is a revision of the agreement reached at the 1991 Premiers' Conference. The UPF was further updated and re-issued in April 2008 to incorporate accounting standard AASB 1049 Whole of Government and General Government Sector Financial Reporting. The UPF specifies that the Commonwealth, state and territory governments will present a minimum set of budget and financial outcome information based on the government finance statistics, according to an agreed format and specified Loan Council reporting arrangements.



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