



NORTHERN TERRITORY

MID-YEAR REPORT

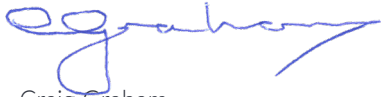
2022-23

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Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act 2001*, I certify that the financial projections included in the 2022-23 Mid-Year Report are based on government decisions that I was aware of, or were made available to me by the Treasurer, before 23 November 2022. The projections are presented in accordance with the Uniform Presentation Framework.



Craig Graham
Under Treasurer

23 November 2022

Chapter 1

Executive summary

The 2022-23 Mid-Year Report has been prepared in accordance with the *Fiscal Integrity and Transparency Act 2001* (FITA), which requires the Treasurer to prepare and publicly release a mid-year fiscal outlook report by the end of February each year, or within six months following the last budget, whichever is later.

The 2022-23 Mid-Year Report provides an update on the fiscal and economic outlook for the Territory and includes explanations for material variations that have occurred since the 2022-23 Budget and their effect on the remainder of 2022-23 and forward estimates. It also provides an assessment of government's updated fiscal projections against the fiscal strategy objectives and targets set out in the 2022-23 Budget.

Fiscal overview

The 2022-23 Mid-Year Report incorporates new and revised Commonwealth funding, updated GST and government decisions made since the 2022-23 Budget, combined with the flow-on effect of the 2021-22 outcome.

Aside from timing changes between years, the 2022-23 Mid-Year Report shows the general government sector net operating balance projections are largely consistent with the 2022-23 Budget, with improving operating deficits over the budget cycle and projected surpluses from 2024-25.

The updated non financial public sector fiscal balance deficit estimates are projected to peak in 2022-23 at \$1.04 billion before declining over the forward estimates.

Consistent with projected fiscal balance deficits, the updated projections for net debt and net debt to revenue ratios are projected to increase in all years across the budget cycle.

Table 1.1 highlights the key fiscal indicators for the general government sector and the non financial public sector for the 2022-23 Mid-Year Report.

Table 1.1: Key fiscal indicators

	2021-22	2022-23	2023-24	2024-25	2025-26
	Outcome ¹	Budget	Forward estimate		
	\$M	\$M	\$M	\$M	\$M
General government sector					
Net operating balance	- 137	- 299	- 34	61	50
Non financial public sector					
Fiscal balance	- 330	- 1 041	- 757	- 466	- 186
Net debt	7 638	8 666	9 441	9 808	9 906
Net debt to revenue (%)	96	112	121	124	127

1 Actual outcome as per the 2021-22 Treasurer's Annual Financial Report.

The key outcomes for the fiscal outlook presented in the 2022-23 Mid-Year Report are:

- a general government operating deficit of \$299 million in 2022-23 and operating surpluses from 2024-25
- a non financial public sector fiscal balance deficit of \$1.04 billion in 2022-23, decreasing to a deficit of \$186 million by 2025-26
- net debt of \$8.67 billion in 2022-23, increasing to \$9.91 billion in 2025-26
- a net debt to revenue ratio of 112% in 2022-23, rising to 127% in 2025-26.

Further information on the comparison between the estimates contained in the 2022-23 Mid-Year Report and those forecast at the time of the 2022-23 Budget is provided in Chapter 2.

Economic overview

The 2022-23 Mid-Year Report incorporates revised forecasts for consumer price index (CPI) and wage price index (WPI) across the forward estimates, and an upwards revision for 2021-22 population growth. Estimates of other key economic indicators are unchanged from the 2022-23 Budget. Table 1.2 provides the latest actuals and forecasts for key economic indicators for the Territory.

Table 1.2: Key economic results and forecasts (%)

	2021-22		2022-23	2023-24	2024-25	2025-26
	Budget	Actual	Estimate	Forecast		
Gross state product ¹	4.4	4.7	3.7	- 0.7	4.3	2.9
State final demand ¹	8.8	7.7	5.4	0.3	- 2.5	- 1.8
Population ²	0.1	0.7 ^e	0.6	0.8	0.9	0.9
Employment ¹	1.1	1.5	2.3	0.9	1.4	1.7
Unemployment rate ³	3.9	4.0	4.2	4.4	4.4	4.4
Consumer price index ¹	5.7	6.0	6.3	2.5	2.1	2.4
Wage price index ¹	1.9	2.1	2.7	3.1	3.1	3.2

e: estimate

1 Year-on-year percentage change.

2 June quarter compared with June quarter the previous year.

3 Year average.

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

Further detail on economic forecasts is provided in Chapter 3.

Chapter 2

Fiscal outlook and strategy

Overview

The information provided in this chapter meets the requirement of section 10(1)(a) of FITA for each fiscal outlook report to contain updated financial projections for the budget year and following three financial years for the general government and non financial public sectors. The full financial statements are presented in Chapter 4.

This chapter provides a comparison of the projections in the 2022-23 Mid-Year Report with those in the 2022-23 Budget, an assessment of the updated projections against the government's fiscal strategy objectives and targets, and an update on the potential risks to the budget.

Fiscal outlook

Key fiscal indicators – operating statement

Table 2.1 presents the movements in the general government and non financial public sector operating statement key fiscal indicators and compares the updated projections for 2022-23 Mid-Year Report to those published in the 2022-23 Budget.

Table 2.1: Key fiscal indicators – operating statement

	2021-22	2022-23	2023-24	2024-25	2025-26
	Outcome ¹	Budget	Forward estimate		
	\$M	\$M	\$M	\$M	\$M
General government sector					
Net operating balance					
2022-23 Budget	- 415	- 253	- 80	60	90
2022-23 Mid-Year Report	- 137	- 299	- 34	61	50
Variation from 2022-23 Budget	277	- 46	46	1	- 40
Non financial public sector					
Fiscal balance					
2022-23 Budget	- 854	- 1 110	- 551	- 330	- 17
2022-23 Mid-Year Report	- 330	- 1 041	- 757	- 466	- 186
Variation from 2022-23 Budget	524	69	- 206	- 136	- 169

¹ 2022-23 Mid-Year Report reflects the actual outcome as per the 2021-22 Treasurer's Annual Financial Report.

General government sector net operating balance

The net operating balance represents total revenue less total operating expenses, with capital spending recognised in the fiscal balance.

As shown in Table 2.1, the net operating balance deficit is projected to increase in 2022-23 compared with the 2021-22 outcome, largely as a result of the revised timing of expenditure commitments from 2021-22 into 2022-23 and future years. When compared with the 2022-23 Budget, the net operating balance deficit has improved in aggregate by a net \$238 million from 2021-22 and across the budget cycle. This net improvement is largely due to the flow-on effect of the improved 2021-22 actual outcome as reported in the 2021-22 Treasurer's Annual Financial Report resulting from higher own-source revenues.

For 2022-23, the net operating balance deficit is estimated to be \$299 million, a \$46 million increase from forecasts at the time of the 2022-23 Budget. Over the forward estimates, projected net operating balances in aggregate remain largely unchanged, improving by a net \$7 million, reflecting the revised timing of revenue and expenditure commitments between years.

The variation in net operating balances since the 2022-23 Budget predominantly reflect:

- the effect of government operational policy decisions, largely due to a change in the Northern Territory Public Sector (NTPS) Wages Policy that will replace the non-cumulative lump sum payment policy with an annual 2% compounding pay increase
- the carryover of operational expenses from 2021-22 to 2022-23 and forward years
- revised timing of Commonwealth revenue for road and remote housing projects from 2022-23 into 2023-24, combined with increased funding for road projects from 2024-25. Revenue for capital items is recognised in the net operating balance but expenditure is recognised in the fiscal balance. Further detail on revenue variations is provided later in this chapter
- partially offset by a one-off GST revenue balancing adjustment to be received in 2022-23 relating to 2021-22 national GST pool collections.

Non financial public sector fiscal balance

The fiscal balance is influenced by the same factors affecting the general government sector net operating balance, however the fiscal balance includes net capital investment and excludes depreciation.

As shown in Table 2.1, the fiscal balance deficit is projected to increase in 2022-23 in comparison to the 2021-22 outcome. When compared with the 2022-23 Budget, the fiscal balance deficit has improved in aggregate by a net \$82 million from 2021-22 and across the budget cycle. This improvement is largely a result of the flow-on effect of the improved 2021-22 fiscal balance outcome, offset by the effect of new government policy decisions.

For 2022-23, the fiscal balance is expected to improve by \$69 million from that estimated in the 2022-23 Budget, with a projected fiscal balance deficit of \$1.04 billion. This improvement for 2022-23 is largely due to the revised timing of Territory-funded capital projects from 2022-23 into 2023-24, combined with the same factors affecting the net operating balance (after excluding the effects of Commonwealth revenue for capital purposes as the associated expenditure is recognised in the fiscal balance). Over the forward estimates, fiscal balance deficits are projected to increase in each year by an average \$170 million when compared with the 2022-23 Budget, largely due to the effect of new government policy decisions.

Further analysis of government policy and non-policy changes affecting the fiscal balance is provided below.

Reconciliation with previous fiscal projections

Section 10(1)(f) of FITA requires the Territory Government to explain factors and considerations that contributed to any material differences between the updated financial projections and equivalent projections published in the last fiscal outlook report.

The following analysis addresses this requirement by explaining the variations between updated projections in the 2022-23 Mid-Year Report and projections in the 2022-23 Budget. Variations have been categorised as policy and non-policy changes. Policy variations are the result of government decisions to implement new or expanded agency programs, or savings, efficiency or revenue measures, while non-policy variations are due to influences outside government's control, such as timing of payments or changes in external economic conditions.

Table 2.2 summarises the effect of policy and non-policy changes on the non financial public sector's fiscal balance since the 2022-23 Budget.

Table 2.2: Non financial public sector fiscal balance – policy and non-policy changes since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
2022-23 Budget	- 1 110	- 551	- 330	- 17
Policy changes	- 34	- 116	- 124	- 119
Non-policy changes	103	- 90	- 12	- 51
2022-23 Mid-Year Report	- 1 041	- 757	- 466	- 186

As shown in Table 2.2, the main reason for the improvement in the fiscal balance in 2022-23 is the effect of non-policy changes, largely one-off GST revenue and leases between years, while the increasing fiscal balance deficits from 2023-24 are largely due to policy changes.

Policy changes since 2022-23 Budget

Table 2.3 highlights the effect of policy changes on the non financial public sector's fiscal balance since the 2022-23 Budget.

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

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
Operating commitments	- 32	- 44	- 84	- 119
Capital commitments	- 2	- 72	- 40	
Total policy changes	- 34	- 116	- 124	- 119

Overall, policy decisions have increased the fiscal balance deficit by \$393 million over the budget and forward estimates since the 2022-23 Budget, and largely relate to the change to the NTPS Wages Policy and increased funding for the Darwin ship lift facility.

Total new operating commitments over the budget cycle since the 2022-23 Budget of \$279 million largely reflect:

- \$245 million over 2022-23 to 2025-26 reflecting the change to the NTPS Wages Policy that will replace the non-cumulative lump sum payment policy with an annual 2% compounding pay increase
- \$9.8 million in 2022-23 to meet additional COVID-19 expenditure pressures relating to St John Ambulance, pathology and hospital services
- \$7.1 million in 2022-23 to provide a capital grant to Charles Darwin University to meet costs associated with relocating the NT Library to the Education and Community Precinct
- \$3 million in 2022-23 to provide capital grants for the construction of interim accommodation for displaced Wadeye residents during the wet season and associated road upgrades
- \$3 million in 2022-23 for anti-social behaviour activities including security patrol services and other community safety initiatives through the Safer Territory Places grants program
- \$3 million in 2022-23 to support a temporary blitz in courts and correctional services to reduce remand-related pressures
- \$2 million in 2022-23 to enable Victims of Crime NT to provide sustained support to Territorians across the Territory.

New capital commitments over the budget cycle since the 2022-23 Budget mainly comprise \$112 million for additional capital works cash required for the Darwin ship lift facility, \$1.2 million to facilitate equipment purchases to support biosecurity preparedness and \$0.5 million to implement a prisoner-integrated learning system.

Non-policy changes since 2022-23 Budget

Table 2.4 highlights the effect of non-policy changes on the non financial public sector's fiscal balance since the 2022-23 Budget.

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

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
GST revenue	69			
Taxation and other regulatory fees	6			
Interest variations	6	2	- 14	- 13
Leases	47	- 42		
Commonwealth and agency-related adjustments	- 25	- 50	2	- 38
Total non-policy changes	103	- 90	- 12	- 51

Key non-policy variations since the 2022-23 Budget include:

- one-off GST revenue of \$69 million to be received in 2022-23 as a balancing adjustment relating to 2021-22 national GST pool collections
- interest variations reflecting lower borrowing requirements as a result of the 2021-22 improved fiscal balance, offset by expected interest rate increases over the forward estimates
- revised timing and valuation assumptions relating to lease renewals of office accommodation, now anticipated to occur in 2023-24
- Commonwealth and agency-related adjustments of \$111 million across the budget cycle. Key variations include:
 - the carryover of expenses from 2021-22 into 2022-23 and forward years
 - the revised timing of expenditure from 2022-23 into forward years largely relating to delivery of the Darwin ship lift facility and milestone payments for ICT systems to reflect funding delivery schedules and contractual payments to suppliers.

Operating revenue – forward estimates

Table 2.5 compares revised revenue projections for 2022-23 and the forward estimates with those published in the 2022-23 Budget.

Table 2.5: Non financial public sector – revenue

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
Revenue				
2022-23 Budget	7 599	7 701	7 783	7 719
2022-23 Mid-Year Report	7 756	7 829	7 906	7 804
Variation from 2022-23 Budget	157	128	123	85

As shown in Table 2.5, when compared with the 2022-23 Budget, total revenue is projected to be higher in all years. Table 2.6 identifies the variations in revenue components since the 2022-23 Budget.

Table 2.6: Non financial public sector – variations in revenue components since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
Taxation revenue				
GST revenue	69			
Current grants	75	18	1	- 5
Capital grants	- 13	105	106	85
Sales of goods and services	24	5	16	5
Interest income	- 1			
Dividend and income tax equivalent income				
Other revenue	3			
Total variation	157	128	123	85

GST revenue

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

Each year the Commonwealth Final Budget Outcome (FBO), typically released in September, reports the final GST pool for the prior financial year, which may result in a balancing adjustment for any overpaid or underpaid GST revenue to states and territories. The 2021-22 FBO resulted in a \$69 million balancing adjustment for the Territory of underpaid GST revenue that will be received in 2022-23, following stronger than expected national GST pool collections in 2021-22.

Detail on the risks affecting GST revenue is provided later in this chapter.

Other Commonwealth funding

During each budget year there are significant changes to Commonwealth funding to reflect timing changes and or new funding agreements. These adjustments do not affect the fiscal balance outcome as variations in revenue are matched by a corresponding adjustment in expenditure.

The 2022-23 Mid-Year Report reflects a net \$89 million increase in current grants revenue from 2022-23 and across the forward estimates when compared with the 2022-23 Budget, mainly due to increased Commonwealth funding for health, roads and remote housing repairs and maintenance, implementation of a remote store licensing scheme and management of the former Rum Jungle mine site.

As shown in Table 2.6, the reduction in capital grants revenue in 2022-23 of \$13 million predominantly reflects the revised timing of Commonwealth revenue for capital projects from 2022-23 to the forward estimates including road projects, remote police stations in Ngukurr and Maningrida, Katherine flood mitigation and the Royal Darwin Hospital mental health inpatient unit expansion. This reduction was largely offset by the acceleration of Commonwealth funding for remote housing projects previously anticipated to be completed in 2023-24, now expected to be delivered in 2022-23.

Across the forward estimates, increased capital grants revenue is mainly attributable to Commonwealth funding for the Alice Springs Hospital ambulatory care centre of \$25 million over 2023-24 and 2024-25, and a net increase in funding for road projects of \$209 million.

Sales of goods and services

Sales of goods and services include fees and charges from the delivery of government services including petroleum and mining regulatory fees, and various other recoveries for services provided by government agencies. The greater increases in 2022-23 and 2024-25, as reported in Table 2.6, reflect revenue from expected residential and industrial land sales.

Operating expenses – forward estimates

Table 2.7 sets out the revised projections of total expenditure for 2022-23 and the forward estimates.

Table 2.7: Non financial public sector – expenditure

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
Operating expenses				
2022-23 Budget	7 861	7 717	7 647	7 617
2022-23 Mid-Year Report	8 063	7 798	7 762	7 742
Variation from 2022-23 Budget	202	81	115	125
Net capital				
2022-23 Budget	1 412	1 288	1 204	818
2022-23 Mid-Year Report	1 361	1 500	1 352	948
Variation from 2022-23 Budget	- 51	212	148	130

The increase in operating expenses in the budget and forward estimates since the 2022-23 Budget mainly relates to the carryover of expenditure from 2021-22 to 2022-23 and the forward estimate years combined with new operating commitments, largely due to the change to the NTPS Wages Policy as discussed earlier in this chapter.

The main parameters approved by government to adjust forward estimates are:

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

In October 2022, in response to significant changes in the external economic environment, the government's 2021–2024 Wages Policy was revised from the non-cumulative lump sum payment policy as reported in the 2022-23 Budget, to an annual 2% compounding pay increase. Employees covered by enterprise agreements finalised under the previous lump-sum-based wages policy (such as those under the General NTPS agreement) will retain the first two lump sum payments and receive the greater of the previously agreed lump sum amounts or percentage-based increases in the final two years of the agreement. The effect of this policy change is a \$245 million increase in employee expenses over 2022-23 to 2025-26 compared with the 2022-23 Budget.

The basis of expenditure parameters for CPI and the efficiency dividend remain unchanged from the 2022-23 Budget.

Net capital

Net capital comprises the purchases of non financial assets (incorporating the construction of assets) less sales of non financial assets as reported in the comprehensive operating statement. Variations to net capital payments reflect the revised delivery of key capital commitments resulting in payments fluctuating over the forward estimates. These variations, as shown in Table 2.7, are mainly the result of the revised timing of Commonwealth-funded infrastructure, roads and remote housing projects, and the revised delivery of whole of government ICT systems and the Darwin ship lift facility from 2022-23 into 2023-24 and future years.

Net capital across the budget cycle from 2022-23 is \$439 million greater than projected in the 2022-23 Budget. This is due to additional payments in line with increased Commonwealth capital grant revenue as detailed earlier in this chapter, the carryover of 2021-22 capital underspends, and increased capital works cash requirements for the Darwin ship lift facility, combined with lower sales of assets from the divestment of public housing stock across all years.

Key fiscal indicators – balance sheet

Key measures for the balance sheet are net debt and the resulting net debt to revenue ratio. As shown in Table 2.8, net debt is now projected to be \$8.67 billion in 2022-23, increasing to \$9.91 billion by 2025-26. In 2022-23, net debt is estimated to be \$46 million lower than the 2022-23 Budget largely a result of the flow-on effect of the improved 2021-22 outcome, as reported in the 2021-22 Treasurer's Annual Financial Report. From 2023-24, net debt is projected to increase cumulatively per annum by an average \$195 million when compared with the 2022-23 Budget, largely in line with increased fiscal balance deficits as discussed earlier in this chapter.

Similarly, the net debt to revenue ratio is estimated to improve in 2022-23 to 112%, before rising to 127% by 2025-26. From 2023-24, the net debt to revenue ratio is expected to increase by an average 3 percentage points per annum from the estimates in the 2022-23 Budget. While changes to net debt to revenue ratios over the budget cycle are in line with variations in net debt, the improvement in 2022-23 is more pronounced due to the one-off increase in GST revenue.

Table 2.8: Non financial public sector – net debt and net debt to revenue ratio

	2021-22	2022-23	2023-24	2024-25	2025-26
	Outcome ¹	Budget	Forward estimate		
	\$M	\$M	\$M	\$M	\$M
Net debt					
2022-23 Budget	7 702	8 712	9 242	9 443	9 366
2022-23 Mid-Year Report	7 638	8 666	9 441	9 808	9 906
Variation from 2022-23 Budget	- 63	- 46	199	365	540
Net debt to revenue (%)					
2022-23 Budget	98	115	120	121	121
2022-23 Mid-Year Report	96	112	121	124	127
Variation from 2022-23 Budget	- 2	- 3	1	3	6

¹ 2022-23 Mid-Year Report reflects actual outcome as per the 2021-22 Treasurer's Annual Financial Report.

Factors affecting net debt are the combined result of policy and non-policy changes. Policy changes outlined earlier in this chapter include government's operational and capital commitments. Non-policy changes include increased GST, the effect of renewed and extended leases of office accommodation and timing of payments. Table 2.9 provides further detail on the cumulative factors that have contributed to the variation in net debt over the budget cycle since the 2022-23 Budget.

Table 2.9: Non financial public sector – detailed cumulative changes to net debt since 2022-23 Budget

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
2021-22 net debt outcome	- 63	- 63	- 63	- 63
Operational commitments	32	76	160	279
Capital commitments	2	74	114	114
GST revenue	- 69	- 69	- 69	- 69
Taxation and other regulatory fees	- 6	- 6	- 6	- 6
Interest variations	- 6	- 7	7	20
Leases	- 47	- 5	- 5	- 5
Commonwealth and agency-related adjustments	110	199	226	270
Net cumulative changes	- 46	199	365	540

Fiscal strategy statement

The information provided in this section addresses the requirements under section 14 of FITA that fiscal outlook reports are required to provide updated information to allow the assessment of government's fiscal performance against the fiscal strategy set out in its current fiscal strategy statement.

Assessment of updated fiscal outlook against the fiscal strategy

This section addresses the requirement under section 10(1)(g) of FITA that each fiscal outlook report is to contain an explanation of the factors and considerations contributing to any material differences between the updated fiscal projections against the government's fiscal objectives and targets.

The analysis in this section is an assessment of the updated 2022-23 Mid-Year Report fiscal projections against the government's short and medium-term fiscal objectives, and targets as set in the 2022-23 Budget.

Principle 1: Sustainable service provision

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

Table 2.10 shows the updated Territory-funded expense projections are expected to decrease by an aggregate 0.2% over the budget and forward estimates, below anticipated own-source and untied revenue growth of 7.7% over the same period, meeting this fiscal strategy objective.

When compared with the 2022-23 Budget, the updated projections for Territory-funded expenses have increased over the budget and forward estimates by an aggregate \$294 million predominantly due to new government operational commitments of \$279 million, combined with increased interest expense over the same period of \$20 million. The increase in estimated own-source and untied revenue in 2022-23 is mainly due to the one-off increase in GST revenue since the 2022-23 Budget.

Table 2.10: General government sector – Territory-funded expense growth, and own-source and untied revenue growth

	2022-23	2023-24	2024-25	2025-26	Growth	Target met
	Budget	Forward estimate				
	\$M	\$M	\$M	\$M	%	
2022-23 Budget						
Territory-funded expenses	5 305	5 170	5 131	5 154	- 2.8	yes
Own-source and untied revenue	5 183	5 352	5 522	5 667	9.3	
2022-23 Mid-Year Report						
Territory-funded expenses	5 295	5 234	5 239	5 286	- 0.2	yes
Own-source and untied revenue	5 264	5 358	5 527	5 672	7.7	

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

As discussed earlier in this chapter, the government's 2021–2024 Wages Policy was revised from the non-cumulative lump sum payment policy, as reflected in the 2022-23 Budget, to a 2% compounding annual pay increase, incorporated into the 2022-23 Mid-Year Report.

Employees covered by enterprise agreements finalised under the previous lump sum based wages policy (such as those under the General NTPS agreement) will retain the first two lump sum payments and receive the greater of the previously agreed lump sum amounts or percentage based increases in the final two years of the agreement. This policy change has resulted in a composite wages parameter of 1.7% in 2022-23, reflecting a 0% wages growth for employees covered under the lump sum payment policy and 2% for all other employees plus the long-term population factor of 1.4%, less an efficiency dividend. From 2023-24, the wages parameter is 2.9%, reflecting 2% wages growth for all employees plus the long-term population factor, less an efficiency dividend. The efficiency dividend used to adjust employee expenses remains unchanged from the 2022-23 Budget at 0.5%, reflecting the proportion of government expenditure by frontline agencies that receive a two-thirds discount on the efficiency dividend.

Table 2.11 highlights that while updated projections for Territory-funded employee expense growth have increased across all years from those reported in the 2022-23 Budget, updated growth projections remain below the wages policy parameter plus the Territory's 1.4% long-term population growth. The expected 0% growth in Territory-funded employee expenses in 2023-24 reflects the effect of the 2% wages parameter offset by the cessation of time-limited funding in 2022-23.

Table 2.11: General government sector – Territory-funded employee expense growth

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	%	%	%	%
2022-23 Budget				
Territory-funded employee expense growth	- 3.1	- 1.5	- 0.4	1.6
Wages policy parameter plus long-term population growth	0.9	0.9	0.9	2.9
Target met	yes	yes	yes	yes
2022-23 Mid-Year Report				
Territory-funded employee expense growth	- 2.6	0.0	1.3	2.9
Wages policy parameter plus long-term population growth	1.7	2.9	2.9	2.9
Target met	yes	yes	yes	yes

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

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

As shown in Table 2.12, the general government sector net operating balance is projected to improve, with an operating surplus projected from 2024-25 in the 2022-23 Mid-Year Report. Accordingly, this fiscal strategy objective and target are met, with a net operating balance surplus projected three years ahead of target.

For 2022-23, the net operating balance deficit has increased since the 2022-23 Budget due to new government operational commitments and the carryover of expenditure from 2021-22. Over the forward estimates, projected net operating balances in aggregate remain largely unchanged, improving by a net \$7 million from the estimates in the 2022-23 Budget. The revised timing of Commonwealth funding for capital projects, where expenditure is reported in the fiscal balance, has contributed to the fluctuation in the net operating balance over the forward estimates period since the 2022-23 Budget.

Table 2.12: General government sector – net operating balance

	2022-23	2023-24	2024-25	2025-26	Target met
	Budget	Forward estimate			
	\$M	\$M	\$M	\$M	
2022-23 Budget	- 253	- 80	60	90	yes
2022-23 Mid-Year Report	- 299	- 34	61	50	yes
Variation from 2022-23 Budget	- 46	46	1	- 40	

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

Sustainable service provision objectives and targets, such as limiting expenditure growth and net operating balance surpluses, will facilitate achievement of the long-term fiscal strategy target to ensure new general government capital investment is funded through revenues rather than borrowings.

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

As shown in Table 2.13, general government sector borrowing (net) is projected to decline in 2022-23 from the 2022-23 Budget, reflecting the repayment of \$515 million in maturing debt from surplus cash as a result of the improved 2021-22 fiscal balance outcome, partially offset by accelerated payment of a loan originally budgeted for 2024-25, now expected to be received in 2022-23 and 2023-24, from the Northern Australia Infrastructure Facility (NAIF) in line with projected payments for the Darwin ship lift facility. From 2023-24, borrowing requirements have increased since the 2022-23 Budget in line with new government policy commitments and revised timing of the NAIF loan for the Darwin ship lift facility.

Although borrowing requirements have increased since the 2022-23 Budget, borrowings (net) reported in the 2022-23 Mid-Year Report are projected to decline over the forward estimates period, indicating this fiscal strategy objective is on track to being achieved over the medium to long term.

Table 2.13: General government sector – borrowing (net)

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
2022-23 Budget	315	647	454	68
2022-23 Mid-Year Report	- 171	786	522	193
Variation from 2022-23 Budget	- 486	139	68	125

Principle 2: Infrastructure for economic and community development

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

As shown in Table 2.14, updated projections for the general government sector's total infrastructure investment (comprising capital works, minor new works, and repairs and maintenance expenses) are consistent with the first element of this objective, with average infrastructure investment over the budget cycle of \$1.1 billion per annum, well above average depreciation of \$570 million per annum in the 2022-23 Mid-Year Report.

The second element of this objective has also been achieved with updated projections for Territory-funded infrastructure investment not exceeding twice the level of depreciation in any single year, with the Territory-funded infrastructure investment to depreciation ratio peaking at 1.5 in 2023-24 before declining to 1.0 in 2025-26.

When compared with the 2022-23 Budget, planned Territory-funded infrastructure investment has increased by a net \$114 million over the budget and forward estimates period largely as a result of increased capital works cash requirements for the Darwin ship lift facility.

Table 2.14: General government sector – infrastructure investment to depreciation ratio

	2022-23	2023-24	2024-25	2025-26	Average	Target met
	Budget	Forward estimate				
2022-23 Budget						
Total infrastructure investment (\$M)	1 147	1 104	1 060	750	1 015	
Depreciation (\$M)	577	571	565	564	569	yes
<hr/>						
Territory-funded infrastructure investment (\$M)	646	761	727	506	660	
Depreciation (\$M)	577	571	565	564	569	
Territory-funded infrastructure investment to depreciation ratio	1.1	1.3	1.3	0.9	1.2	
Target met	yes	yes	yes	yes	yes	
<hr/>						
2022-23 Mid-Year Report						
Total infrastructure investment (\$M)	1 109	1 281	1 205	869	1 116	
Depreciation (\$M)	577	572	566	564	570	yes
<hr/>						
Territory-funded infrastructure investment (\$M)	612	834	766	541	688	
Depreciation (\$M)	577	572	566	564	570	
Territory-funded infrastructure investment to depreciation ratio	1.1	1.5	1.4	1.0	1.2	
Target met	yes	yes	yes	yes	yes	

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

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

Since the 2022-23 Budget, there were no new Territory-funded capital works projects exceeding \$30 million, to be progressed through the framework.

Principle 3: Competitive tax environment

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

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

This measure is a lagging indicator as the CGC updates information annually based on the actual outcome of the previous year. Consequently, assessment of this element of the strategy has remained unchanged from the 2022-23 Budget with the Territory's 2020-21 total taxation effort assessed as 76.1%. Therefore this fiscal strategy target has not been achieved.

Increased taxation revenue reported in the 2021-22 Treasurer's Annual Financial Report is anticipated to have a positive effect on the Territory's taxation effort in the next update.

Ongoing objective: Generate own-source revenue efficiently

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

Since the 2022-23 Budget, there have been no changes to projections for Territory taxes and royalties or operating expenditure for the Territory Revenue Office. Consequently, assessment of this objective has remained unchanged from the 2022-23 Budget, with the Territory Revenue Office's operating expenditure half of the fiscal strategy target of 1% of total taxes and royalty revenue across the budget and forward estimates.

Principle 4: Prudent management of debt and liabilities

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

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

The Territory's credit rating was last assessed by Moody's Investors Service (Moody's) on the 2022-23 Budget in June 2022 and an unchanged credit rating was issued for the Territory at Aa3 with a stable outlook. Therefore this fiscal strategy target has not been achieved.

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

As shown in Table 2.15, the non financial public sector's net debt to revenue ratio is projected to improve in 2022-23 before increasing from 2023-24 when compared with the 2022-23 Budget. The variations to net debt to revenue ratios over the budget cycle are in line with changes to the net debt measure.

Table 2.15: Non financial public sector – net debt to revenue ratios

	2022-23	2023-24	2024-25	2025-26	Target met
	Budget	Forward estimate			
	%	%	%	%	
2022-23 Budget	115	120	121	121	no
2022-23 Mid-Year Report	112	121	124	127	no
Variation from 2022-23 Budget (ppt)	- 3	1	3	6	

ppt: percentage point

Since July 2021, FITA incorporates a debt ceiling cap on total borrowings at the non financial public sector (excluding leases) of \$15 billion. Accordingly, Table 2.16 presents the assessable borrowings for the 2022-23 Mid-Year Report compared with those reported in the 2022-23 Budget. The table shows that updated projections for assessable borrowings have decreased from those reported in the 2022-23 Budget and remain below the \$15 billion cap in all years over the budget cycle.

When compared with the 2022-23 Budget, assessable borrowings have reduced in all years reflecting the flow-on effect of the repayment of maturing debt of \$515 million in 2022-23, partially offset by increased borrowings to fund new government policy commitments and the revised timing of NAIF loans for the Darwin ship lift facility.

Table 2.16: Non financial public sector – debt ceiling assessment

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	\$M	\$M	\$M	\$M
2022-23 Budget				
Total borrowings	11 847	12 575	13 024	13 150
Less: Leases	1 775	1 732	1 616	1 507
Total assessable debt	10 072	10 843	11 408	11 643
Target met	yes	yes	yes	yes
2022-23 Mid-Year Report				
Total borrowings	11 376	12 284	12 801	13 052
Less: Leases	1 730	1 656	1 543	1 479
Total assessable debt	9 646	10 628	11 258	11 573
Target met	yes	yes	yes	yes

Principle 5: Commercial management of government owned corporations

Projections for government owned corporations are revised through each respective Statement of Corporate Intent, which are prepared annually and form part of the Territory's budget development process. Consequently, assessment of the fiscal strategy objectives and targets within this fiscal strategy principle remain unchanged from the 2022-23 Budget.

Risks and contingent liabilities

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

This section meets FITA requirements by providing an update on potential risks that have changed since the 2022-23 Budget due to changes in factors underpinning revenue and expenditure estimates, and the likelihood of contingent liabilities becoming actual liabilities.

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

Since the 2022-23 Budget, risks to the Territory have remained largely unchanged with the exception of risks of erosion of the Territory's revenue base relating to GST collections and tax and royalty revenues; risks to expenses and payments and risks to economic forecasts. Further details on the changes in factors since the 2022-23 Budget affecting these risks are provided below.

For information on all the Territory's risks and contingent liabilities, refer to the 2022-23 Budget Paper No. 2 Fiscal Strategy and Outlook Chapter 7, *Risks and contingent liabilities* and the 2021-22 Treasurer's Annual Financial Report Note 42, *Contingent assets and liabilities*.

Risk of erosion of the Territory's revenue base

National GST collections

National GST collections determine the total amount of GST revenue available to be distributed to all states and are heavily reliant on nominal national household consumption and patterns of expenditure. Increased cost of living pressures for items that do not attract GST such as rent, changes to monetary policy and continued global supply chain disruptions have increased the risks and volatility to national GST collections since the 2022-23 Budget.

A ± 1 percentage point change to GST collections is estimated to have a $\pm \$34$ million impact on the Territory's GST revenue in 2022-23, all else being equal.

Territory taxes and royalties

The Territory's tax and royalty revenues mainly comprise revenue from mining and petroleum royalties, as well as payroll tax, conveyance and related duties. Risks to the Territory's tax and royalty revenues largely arise from changes to external economic factors and indicators, such as business formation, growth in wages, employment, average hours worked, business investment, global commodity prices, market conditions and activity, and currency exchange rates.

Despite stronger than expected tax and royalty revenue receipts in 2021-22, a moderation in the property market following seven increases to the cash rate by the Reserve Bank of Australia since May 2022, as well as inflation and supply chain issues impacting business costs, structures and profitability, have significantly increased forecasting risk and pose an increased risk to the Territory's revenue base.

By maintaining adherence to the 2022-23 fiscal strategy, the risk of eroding the Territory's revenue base will reduce by adopting tax policies that maintain taxation at levels competitive with other jurisdictions and encourage increased levels of business activity in the Territory. This also supports the generation of own-source revenue to contribute to government's service delivery costs.

Risks to expenses and payments

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

The 2022-23 Mid-Year Report incorporates a change to the NTPS Wages Policy from a nil wages indexation for four years with non-cumulative lump sum payments as reflected in the 2022-23 Budget, to an annual 2% compounding pay increase. However, the potential for outcomes of outstanding enterprise agreements to exceed the indexation currently factored into the forward estimates presents uncertainty for budgetary forecasts.

Rising inflation and interest rates have increased the risks to the budget relating to the cost of delivering government services. The full effect of changes in the external economic environment are yet to be seen and pose an increased risk to the fiscal aggregates from those in this report.

These risks are mitigated through the Territory's fiscal strategy objectives, focused on ensuring government operates within its means and is supported by robust monitoring and reporting obligations within the Territory's Financial Management and Accountability Framework, enabling the early identification of budget pressures.

Risks to economic forecasts

As a small commodity dependent economy, Territory economic forecasts are subject to a number of upside and downside risks and uncertainties. While the longevity and subsequent impact of the Russia-Ukraine conflict remains a key risk to the global outlook, other global and domestic economic challenges have emerged since the 2022-23 Budget, including:

- pressure on real incomes from persistent inflation
- tightening of monetary policy
- supply chain disruptions due to extreme weather events on the east coast of Australia
- COVID-19 containment measures in China, the Territory's second largest export market.

The impact of these factors is unpredictable and adds uncertainty to the international, national and local economic outlook.

Also as a small jurisdiction, the reliability of economic data and potentially significant revisions to previously reported data continue to present risks to Territory economic forecasts. This uncertainty reflects that, even when using best practice statistical techniques, generating reliable estimates from small samples of diverse populations is challenging.

Contingent liabilities

Contingent liabilities are potential future costs to government that may arise from guarantees, indemnities, and legal and contractual claims. Contingent liabilities pose a risk to the Territory's financial position, and have the potential to materially affect the budget due to the likelihood of an actual liability arising, however, most are considered low risk.

The Territory's contingent liabilities are predominantly unchanged from the 2022-23 Budget, however the Territory continues to monitor risks associated with contingent liabilities to ensure they are appropriately recognised.

Chapter 3

Economic outlook

Key economic indicators

Although the 2021-22 outcomes have been largely in line with estimates in the 2022-23 Budget, population growth to June 2022 (to be released in December 2022) is now estimated to be higher than previously anticipated. CPI forecasts have been revised, notably in 2022-23 as elevated inflation is expected to persist in the short term, and WPI forecasts have been revised upwards to incorporate the NTPS Wages Policy. All other forecasts are unchanged from the 2022-23 Budget. Table 3.1 provides the latest actuals and forecasts for key economic indicators for the Territory. Recent trends and factors underpinning the forecasts are discussed in the following sections.

Table 3.1: Key economic results and forecasts (%)

	2021-22		2022-23	2023-24	2024-25	2025-26
	Budget	Actual	Estimate	Forecast		
Gross state product ¹	4.4	4.7	3.7	- 0.7	4.3	2.9
State final demand ¹	8.8	7.7	5.4	0.3	- 2.5	- 1.8
Population ²	0.1	0.7 ^e	0.6	0.8	0.9	0.9
Employment ¹	1.1	1.5	2.3	0.9	1.4	1.7
Unemployment rate ³	3.9	4.0	4.2	4.4	4.4	4.4
Consumer price index ¹	5.7	6.0	6.3	2.5	2.1	2.4
Wage price index ¹	1.9	2.1	2.7	3.1	3.1	3.2

e: estimate

1 Year-on-year percentage change.

2 June quarter compared with June quarter the previous year.

3 Year average.

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

More detail on historical and current economic conditions in the Territory is provided through the Territory Economy website at nteconomy.nt.gov.au. This website is updated regularly with the latest economic data and analysis as it becomes available.

Economic activity

The Territory's gross state product (GSP) increased by 4.7% to \$26.1 billion in 2021-22, slightly above the 4.4% growth estimated in the 2022-23 Budget. Domestic demand remained strong as anticipated with growth across all major components, while growth in exports (up by 6.4%) was offset by a strong increase in imports (up by 48.5%), resulting in net exports (down by 4.8%) detracting from headline growth overall. The growth in exports partially reflects increased demand for liquefied natural gas (LNG) due to disrupted international gas supplies associated with the Russia-Ukraine conflict, while the significant increase in imports is likely associated with large engineering and construction projects. Nationally, gross domestic product increased by 3.6% over the same period.

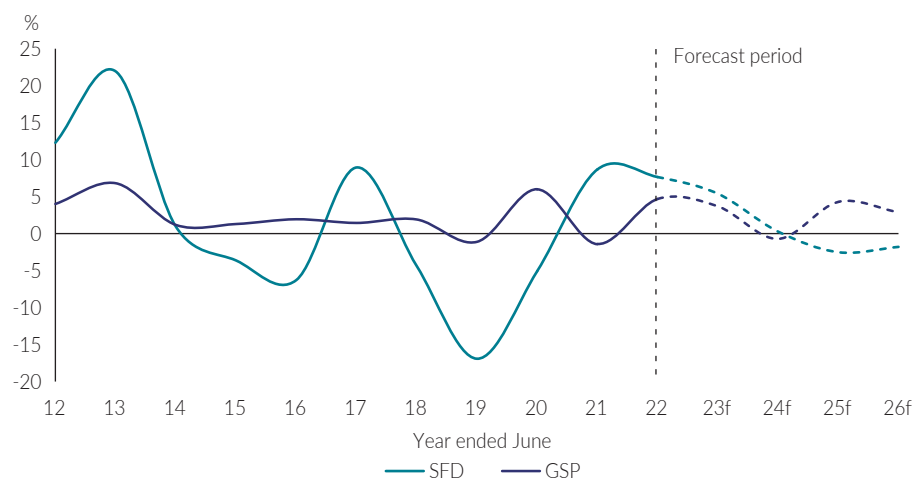
At the industry level, the strong GSP result for the Territory was driven by mining and petroleum (up by 13.4% and contributing 2.7 percentage points to growth), as production volumes in oil and gas extraction increased in response to rising commodity prices. Manufacturing, health and construction were the other main contributors to growth, though all industries reported an increase in 2021-22, with the exception of wholesale trade (down by 1.5%), mostly due to strength in the year prior, and accommodation and food services (down by 6.1%), impacted by COVID-19 restrictions and border closures around the nation that reduced the output of the tourism sector.

The Territory reported total SFD growth of 7.7% in 2021-22, the strongest result of the jurisdictions, and following growth of 8.7% in 2020-21. All major components of the Territory’s state final demand (SFD) reported growth in 2021-22, with private investment the main driver (up by 26%, contributing 4 percentage points to growth). The growth in private investment reflects continued strength in business investment, particularly non-dwelling construction, likely related to progress on the Barossa project – a large-scale offshore LNG facility and upgraded onshore processing plant. Public consumption was also a strong contributor to growth (up by 5.5% and contributing 2.1 percentage points), mainly due to additional services provided to deliver public health measures in response to COVID-19.

Household consumption, the largest component of SFD, increased by 2.3% in 2021-22 (and contributed 1 percentage point), more than the 0.8% estimated at budget. The growth in household consumption reflects the recovery in discretionary spending over the year, notably on hotels, cafés and restaurants, recreation and culture, and transport services, as COVID-19 restrictions were eased in early 2022 and borders had reopened. Household consumption was also supported by stronger population growth in 2021-22 than previously estimated (see the following *Population* section).

Territory GSP and SFD forecasts remain unchanged from the 2022-23 Budget (Figure 3.1).

Figure 3.1: Changes to Territory gross state product and state final demand



f: forecast; GSP: gross state product; SFD: state final demand

Source: ABS, Australian National Accounts: State Accounts, Cat. No. 5220.0; Department of Treasury and Finance

Over the forward estimates, economic growth in the Territory is expected to be driven by the Barossa project. While the level of business investment is significant in the near term, a decline in GSP is forecast for 2023-24, as output from the Darwin LNG plant pauses while it transitions from Bayu-Undan source gas to the new Barossa field. Bayu-Undan gas is expected to be depleted by early 2023, with production from Barossa expected to recommence in the first half of 2025. However, suspension of drilling activities and legal proceedings associated with Santos’ environmental plans add a level of uncertainty to the project, and any variations to the current projected timeline present a risk to the economic forecasts.

The global economic outlook, which has been deteriorating in recent months, also adds uncertainty and presents downside risk to the appetite of investors and the global demand for Territory resources.

Over the short term, investment, employment and consumption will be supported by defence infrastructure spending and significant investments by the Commonwealth and Territory governments, including the Darwin ship lift facility and marine industry project, the Darwin Education and Community Precinct, works at Jabiru and Kakadu, and significant road works across the Territory.

Over the medium term, development of the unconventional gas sector, including possible production in Beetaloo as early as 2024, has the potential to create significant employment and economic opportunities in the Territory. There is also a significant pipeline of projects that remain subject to final approvals or investment decisions, and are not yet included in forecasts. These projects and investment opportunities will, if they proceed, positively influence the Territory's economic outlook.

Population

Following the release of 2021 Census data in June 2022, the Australian Bureau of Statistics (ABS) rebased the Territory's estimated population for the June quarter 2021 from 245,900 persons to 249,200 persons. The rebasing represents a population increase of 1.3% since the 2022-23 Budget. This higher population means that the Territory's average annual population growth between 2016-17 and 2020-21 improved from being flat to 0.3% (Figure 3.2).

Figure 3.2: Annual population growth pre and post 2021 Census rebase (%)

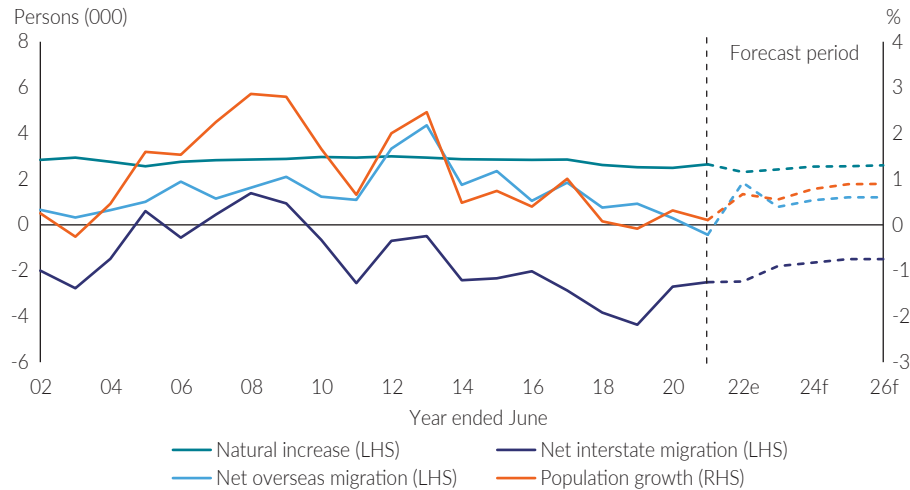


Source: Department of Treasury and Finance; ABS Australian Demographic Statistics Cat. No. 3101.0

The Territory's population has continued to strengthen since 2020-21, growing annually by 0.4% to 250,400 persons in the March quarter 2022 and estimated to grow annually by 0.7% in 2021-22. The estimated growth for 2021-22 is higher than forecast in the 2022-23 Budget and reflects a faster than expected return of overseas migration (Figure 3.3). The Territory has seen a significant increase in overseas arrivals, in particular holders of student and other temporary visas, since the easing of Australia's international travel restrictions in late 2021.

Natural increase and net interstate migration estimates for 2021-22 are largely in line with the forecasts of the 2022-23 Budget.

Figure 3.3: Components of Territory population growth (moving annual total)



e: estimate; f: forecast

Source: Department of Treasury and Finance; ABS Australian Demographic Statistics Cat. No. 3101.0

Population growth from 2022-23 onwards remains unchanged from the 2022-23 Budget and is forecast to strengthen as migration patterns normalise and major investment projects support economic and population growth in the Territory.

COVID-19 significantly disrupted interstate and overseas migration patterns over the last two years. While the impact on future migration patterns remains uncertain, the forecasts have assumed migration patterns will return to pre-pandemic patterns over the forecast period following the ending of travel restrictions and lockdown measures seen during 2021.

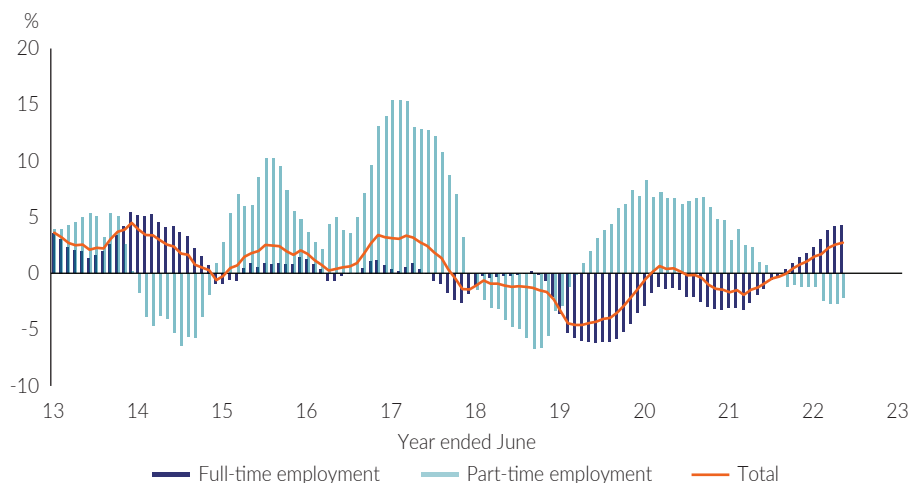
Labour market

Employment

Resident employment in the Territory increased by 1.5% in 2021-22, a stronger result than the 1.1% growth estimated in the 2022-23 Budget. This reflects a 2.3% increase in full-time employment, partly offset by a 1.2% fall in part-time employment (Figure 3.4). Employment growth has continued to improve to 2.7% in the year to October 2022, underpinned by several large construction projects.

As construction projects near completion or transition to an operational phase, employment growth is expected to moderate over the medium term. Territory employment growth is expected to report a 2.3% increase in 2022-23, then increase by 0.9% in 2023-24.

Figure 3.4: Territory employment change by status



Source: ABS Labour Statistics Cat. No. 6202.0

Unemployment

In 2021-22, the Territory's unemployment rate averaged 4%, largely in line with the 2022-23 Budget estimate of 3.9%. It is the third lowest rate of all jurisdictions, with all other jurisdictions reporting rates between 3.7% and 4.7%. The fall in the unemployment rate compared with 2020-21 reflects strong employment growth and an ongoing labour shortage following the unavailability of skilled migration through 2020 and 2021. Despite continued employment growth in the year to October 2022, the annual average unemployment rate has remained steady.

In the latest data, the level of job vacancies in the Territory has started to decline after trending up over the past two years. As the inflow of working migrants improves with support from the Commonwealth and Territory governments, the tight job market is expected to ease over the forecast period. The unemployment rate is estimated to increase to 4.2% in 2022-23 then remain steady at 4.4% over the forward estimates.

Consumer price index

The Darwin CPI increased by 6% in 2021-22, well above the 10-year average of 1.8% per annum and slightly higher than the 5.7% estimated in the 2022-23 Budget. Higher growth compared to the budget estimate reflects greater than anticipated increases in the costs of food and transport, especially fruit and vegetables, and automotive fuel. The main contributors to growth in 2021-22 were housing, transport, food and non-alcoholic beverages, insurance and financial services, and furnishings, household equipment and services, while clothing and footwear and communication were the only categories to decrease over the year.

At 6%, the Darwin CPI growth was stronger than growth of 4.4% for the eight capital cities. A large part of this difference can be attributed to housing, with rents in Darwin increasing earlier than seen elsewhere in Australia, and the conclusion of the Home Improvement Scheme in late 2020 causing repair and maintenance prices to return to normal (unsubsidised) levels. Prior to 2021-22, inflation in Darwin had been weak for a number of years, with year-on-year CPI growth below the Reserve Bank of Australia's inflation target band of 2% to 3% from 2014-15 to 2020-21 (Figure 3.5).

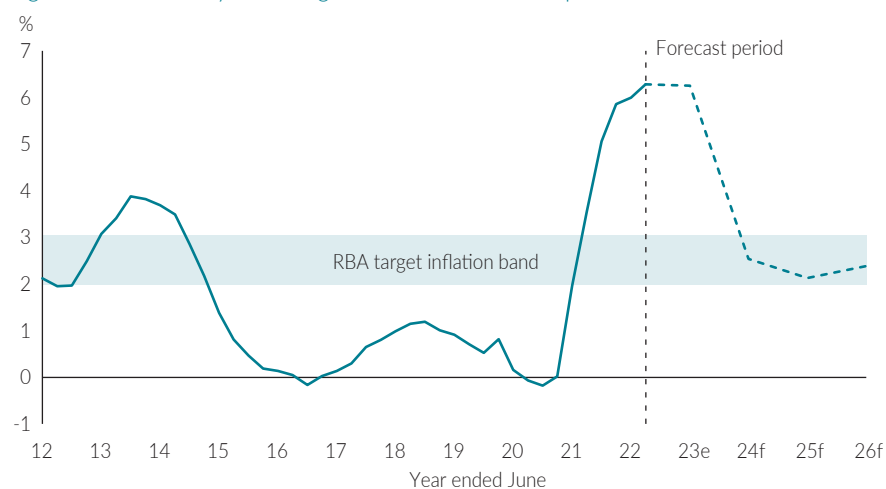
Above average growth is expected for most categories over 2022-23, with the largest contributions to CPI to come from food, housing (rents and new dwelling construction), transport (mainly fuel) and recreation and culture (particularly holiday goods and services). Persistently high input costs have resulted in firms passing on cost increases to consumers, resulting in a broad base for inflation growth.

Flooding in key agricultural regions has contributed significantly to fruit and vegetable price inflation over the past year, with prices up 18.2% in annual terms to September 2022. Prices are expected to remain elevated into early 2023 following recent flooding in south and eastern Australia.

Low vacancy rates and high demand have allowed investors to increase the asking rent for rental properties over the last two years. With vacancy rates still near historic lows, rents are expected to remain higher in the medium term. This will continue to progressively flow through to Darwin's headline CPI result over the next year as existing leases expire and roll over to new tenants and higher rents.

Based on the most recent data, the Darwin CPI estimate for 2022-23 has been revised upwards to 6.3%. Beyond 2022-23, growth in Darwin's CPI is expected to moderate considerably, while still remaining above the unusually low levels seen in the years immediately preceding the pandemic. It is expected that inflation in Darwin will subside at a faster pace than elsewhere in Australia, noting electricity prices, which are a key driver of the outlook in the eastern states, are not expected to increase to the same extent as those for consumers connected to the National Electricity Market.

Figure 3.5: Year-on-year change in Darwin consumer price index



RBA: Reserve Bank of Australia; e: estimate; f: forecast
 Source: ABS Consumer Price Index, Australia, Cat. No. 6401.0

Wage price index

In 2021-22, the Territory's wage price index increased by 2.1%, slightly above the 2022-23 Budget estimate of 1.9%. The result is higher than the 1.7% recorded in 2020-21 and slightly below the 10-year average of 2.2%. The higher wage growth in 2021-22 reflects increased wages growth for the private sector (increasing by 2.4% compared with 1.6% in 2020-21) partially offset by lower wages growth for the public sector (increasing by 1.7% compared with 2% in 2020-21).

Wages growth in the Territory is expected to continue to pick up over the short term. Low unemployment rates and high numbers of job vacancies are placing upward pressure on private sector wages. Wages growth will be supported on the public side by the Territory Government's new NTPS Wages Policy, which includes an annual 2% compounding pay increase. Based on the latest available data and underlying assumptions, Territory wage forecasts have been revised upwards across the forecast period, with growth of 2.7% now estimated in 2022-23.

Chapter 4

Uniform Presentation Framework

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

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

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

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

The financial statements for the general government, public non financial corporation and non financial public sectors include the 2022-23 budget, 2022-23 revised budget and 2023-24 to 2025-26 forward estimates.

Table 4.1

General government sector comprehensive operating statement

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	633 091	633 091	649 552	657 953	668 645
Current grants	4 813 139	4 956 677	4 852 965	4 874 667	4 962 449
Capital grants	459 903	446 725	512 442	524 757	321 163
Sales of goods and services	403 141	413 826	408 136	412 935	413 367
Interest income	91 589	90 894	92 438	95 815	99 381
Dividend and income tax equivalent income	77 849	77 849	121 022	134 594	113 758
Other revenue	401 569	403 826	403 846	392 723	395 801
TOTAL REVENUE	6 880 281	7 022 888	7 040 401	7 093 444	6 974 564
<i>less</i> EXPENSES					
Employee benefits expense	2 679 994	2 735 243	2 650 241	2 624 738	2 632 740
Superannuation expenses					
Superannuation interest cost	86 054	86 054	86 054	86 054	86 054
Other superannuation expenses	381 979	387 635	389 058	395 413	410 119
Depreciation and amortisation	576 671	577 347	572 498	565 830	564 164
Other operating expenses	1 592 841	1 635 379	1 524 505	1 501 477	1 484 092
Interest expenses	365 654	359 627	383 260	413 540	428 625
Other property expenses					
Current grants	1 136 381	1 194 411	1 111 407	1 096 824	1 076 556
Capital grants	119 556	160 080	173 148	170 909	66 068
Subsidies and personal benefit payments	194 227	186 372	184 354	178 115	176 200
TOTAL EXPENSES	7 133 357	7 322 148	7 074 525	7 032 900	6 924 618
<i>equals</i> NET OPERATING BALANCE	- 253 076	- 299 260	- 34 124	60 544	49 946
<i>plus</i> Other economic flows – included in operating result	62 698	50 799	72 774	79 319	81 002
<i>equals</i> OPERATING RESULT	- 190 378	- 248 461	38 650	139 863	130 948
<i>plus</i> Other economic flows – other comprehensive income	- 13 174	- 19 003	54 654	66 362	- 8 119
<i>equals</i> COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	- 203 552	- 267 464	93 304	206 225	122 829
NET OPERATING BALANCE	- 253 076	- 299 260	- 34 124	60 544	49 946
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	1 101 988	1 046 312	1 172 186	1 081 674	744 007
Sales of non financial assets	- 31 187	- 25 687	- 24 497	- 25 172	- 25 172
<i>less</i> Depreciation	576 671	577 347	572 498	565 830	564 164
<i>plus</i> Change in inventories		- 12 489			
<i>plus</i> Other movements in non financial assets	211 635	163 806	63 911	20 545	72 842
<i>equals</i> Total net acquisition of non financial assets	705 765	594 595	639 102	511 217	227 513
<i>equals</i> FISCAL BALANCE	- 958 841	- 893 855	- 673 226	- 450 673	- 177 567

Table 4.2

General government sector balance sheet

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	576 872	297 452	228 446	191 035	146 474
Advances paid	248 095	216 893	231 893	230 893	229 893
Investments, loans and placements	2 733 634	2 632 163	2 793 246	2 969 285	3 142 795
Receivables	503 921	639 461	650 095	651 840	668 299
Equity					
Investments in other public sector entities	2 271 248	2 327 951	2 412 695	2 509 837	2 504 718
Equity accounted investments					
Investments – shares	65 000	62 000	77 000	77 000	77 000
Other financial assets	26 106	26 104	27 932	29 888	31 981
Total financial assets	6 424 876	6 202 024	6 421 307	6 659 778	6 801 160
Non financial assets					
Inventories	21 154	20 456	20 456	20 456	20 456
Property, plant and equipment	19 040 446	18 834 258	19 452 981	19 977 148	20 217 537
Investment property	32 406	35 924	31 924	27 924	23 924
Other non financial assets	494 327	460 084	488 863	485 513	482 237
Total non financial assets	19 588 333	19 350 722	19 994 224	20 511 041	20 744 154
TOTAL ASSETS	26 013 209	25 552 746	26 415 531	27 170 819	27 545 314
LIABILITIES					
Deposits held	382 200	459 204	452 290	452 262	420 207
Advances received	233 901	228 901	216 740	203 544	189 200
Borrowing	9 894 289	9 398 079	10 249 006	10 793 928	11 061 079
Superannuation	3 442 156	3 088 222	3 083 240	3 079 708	3 073 737
Other employee benefits	806 497	829 511	829 511	829 511	829 511
Payables	323 072	383 759	385 301	386 375	387 914
Other liabilities	1 028 658	986 893	927 962	947 785	983 131
TOTAL LIABILITIES	16 110 773	15 374 569	16 144 050	16 693 113	16 944 779
NET ASSETS/(LIABILITIES)	9 902 436	10 178 177	10 271 481	10 477 706	10 600 535
NET WORTH	9 902 436	10 178 177	10 271 481	10 477 706	10 600 535
NET FINANCIAL WORTH ¹	- 9 685 897	- 9 172 545	- 9 722 743	- 10 033 335	- 10 143 619
NET FINANCIAL LIABILITIES ²	11 957 145	11 500 496	12 135 438	12 543 172	12 648 337
NET DEBT³	6 951 789	6 939 676	7 664 451	8 058 521	8 151 324

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

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	638 091	638 091	649 552	657 953	668 645
Receipts from sales of goods and services	437 305	447 230	442 300	447 099	447 531
Grants and subsidies received	5 315 969	5 421 720	5 274 211	5 383 278	5 283 612
Interest receipts	89 318	89 318	92 438	95 815	99 381
Dividends and income tax equivalents	62 684	62 684	109 089	125 845	97 299
Other receipts	401 333	389 178	402 676	391 487	393 708
Total operating receipts	6 944 700	7 048 221	6 970 266	7 101 477	6 990 176
Cash payments for operating activities					
Payments for employees	- 3 148 027	- 3 224 284	- 3 130 335	- 3 109 737	- 3 134 884
Payment for goods and services	- 1 285 224	- 1 327 562	- 1 211 687	- 1 180 311	- 1 168 837
Grants and subsidies paid	- 1 446 664	- 1 536 222	- 1 468 109	- 1 443 498	- 1 317 274
Interest paid	- 365 105	- 358 938	- 382 351	- 412 500	- 428 116
Other payments	- 313 054	- 313 054	- 313 054	- 313 054	- 313 054
Total operating payments	- 6 558 074	- 6 760 060	- 6 505 536	- 6 459 100	- 6 362 165
NET CASH FLOWS FROM OPERATING ACTIVITIES	386 626	288 161	464 730	642 377	628 011
Cash flows from investments in non financial assets					
Sales of non financial assets	31 187	25 687	24 497	25 172	25 172
Purchases of non financial assets	- 1 101 988	- 1 046 312	- 1 171 786	- 1 081 674	- 744 007
Net cash flows from investments in non financial assets	- 1 070 801	- 1 020 625	- 1 147 289	- 1 056 502	- 718 835
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 684 175	- 732 464	- 682 559	- 414 125	- 90 824
Net cash flows from investments in financial assets for policy purposes ¹	- 55 857	- 105 707	- 60 090	- 29 780	- 2 000
Net cash flows from investments in financial assets for liquidity purposes	- 91 139	508 861	- 93 898	- 102 309	- 98 097
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 217 797	- 617 471	- 1 301 277	- 1 188 591	- 818 932
Net cash flows from financing activities					
Advances received (net)	- 11 508	- 11 508	- 12 161	- 13 196	- 14 344
Borrowing (net)	315 412	- 170 556	786 216	522 027	192 759
Deposits received (net)	- 39 625	- 72 129	- 6 914	- 28	- 32 055
Other financing (net)			400		
NET CASH FLOWS FROM FINANCING ACTIVITIES	264 279	- 254 193	767 541	508 803	146 360
NET INCREASE/DECREASE IN CASH HELD	- 566 892	- 583 503	- 69 006	- 37 411	- 44 561
Net cash flows from operating activities	386 626	288 161	464 730	642 377	628 011
Net cash flows from investments in non financial assets	- 1 070 801	- 1 020 625	- 1 147 289	- 1 056 502	- 718 835
CASH SURPLUS (+)/DEFICIT (-)	- 684 175	- 732 464	- 682 559	- 414 125	- 90 824
Future infrastructure and superannuation contributions/ earnings ²	- 49 927	- 49 927	- 52 922	- 56 097	- 59 463
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 734 102	- 782 391	- 735 481	- 470 222	- 150 287

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

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Current grants	186 242	186 242	179 847	179 428	180 796
Capital grants	70 320	74 120	138 576	141 353	41 490
Sales of goods and services	781 927	795 580	894 239	936 278	935 282
Interest income	1 285	1 816	1 394	985	976
Other revenue	35 788	36 588	36 381	37 008	36 213
TOTAL REVENUE	1 075 562	1 094 346	1 250 437	1 295 052	1 194 757
<i>less</i> EXPENSES					
Employee benefits expense	128 707	128 707	124 189	129 738	121 754
Superannuation expenses	12 561	12 561	13 098	13 662	17 182
Depreciation and amortisation	206 366	206 366	217 693	202 522	211 590
Other operating expenses	635 303	652 994	677 545	691 483	671 646
Interest expenses	71 150	71 194	78 513	82 980	89 373
Other property expenses	22 397	22 397	61 916	65 909	37 805
Current grants					
Capital grants					
Subsidies and personal benefit payments	1 348	1 348	1 348	1 348	1 348
TOTAL EXPENSES	1 077 832	1 095 567	1 174 302	1 187 642	1 150 698
<i>equals</i> NET OPERATING BALANCE	- 2 270	- 1 221	76 135	107 410	44 059
<i>plus</i> Other economic flows – included in operating result	- 3 839	- 3 839	- 8 832	- 13 825	- 13 818
<i>equals</i> OPERATING RESULT	- 6 109	- 5 060	67 303	93 585	30 241
<i>plus</i> Other economic flows – other comprehensive income					
<i>equals</i> COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	- 6 109	- 5 060	67 303	93 585	30 241
NET OPERATING BALANCE	- 2 270	- 1 221	76 135	107 410	44 059
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	340 757	340 757	351 955	295 665	229 073
Sales of non financial assets					
<i>less</i> Depreciation	206 366	206 366	217 693	202 522	211 590
<i>plus</i> Change in inventories	3 058	1	12 337	1 762	268
<i>plus</i> Other movements in non financial assets					
<i>equals</i> Total net acquisition of non financial assets	137 449	134 392	146 599	94 905	17 751
<i>equals</i> FISCAL BALANCE	- 139 719	- 135 613	- 70 464	12 505	26 308

Table 4.5

Public non financial corporation sector balance sheet

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	193 951	253 699	260 372	259 733	238 486
Advances paid					
Investments, loans and placements	3	3	3	3	3
Receivables	170 772	188 896	207 473	215 064	214 210
Equity					
Investments in other public sector entities					
Equity accounted investments					
Investments – shares					
Other financial assets	4 952	5 290	4 210	3 073	1 879
Total financial assets	369 678	447 888	472 058	477 873	454 578
Non financial assets					
Inventories	178 780	187 457	199 794	201 556	201 824
Property, plant and equipment	3 849 494	3 906 718	4 042 550	4 131 717	4 144 305
Investment property					
Other non financial assets	64 913	59 397	44 268	22 845	22 306
Total non financial assets	4 093 187	4 153 572	4 286 612	4 356 118	4 368 435
TOTAL ASSETS	4 462 865	4 601 460	4 758 670	4 833 991	4 823 013
LIABILITIES					
Deposits held	951	2 146	2 146	2 146	2 146
Advances received					
Borrowing	1 969 036	1 995 049	2 051 031	2 022 183	2 004 799
Superannuation					
Other employee benefits	59 320	57 471	67 344	65 914	62 821
Payables	78 507	92 954	95 386	100 283	97 864
Other liabilities	105 081	140 763	143 560	144 622	155 454
TOTAL LIABILITIES	2 212 895	2 288 383	2 359 467	2 335 148	2 323 084
NET ASSETS/(LIABILITIES)	2 249 970	2 313 077	2 399 203	2 498 843	2 499 929
NET WORTH	2 249 970	2 313 077	2 399 203	2 498 843	2 499 929
NET FINANCIAL WORTH ¹	- 1 843 217	- 1 840 495	- 1 887 409	- 1 857 275	- 1 868 506
NET DEBT²	1 776 033	1 743 493	1 792 802	1 764 593	1 768 456

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

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Receipts from sales of goods and services	782 676	796 329	873 450	925 784	932 176
Grants and subsidies received	249 616	253 416	313 175	315 683	217 988
Interest receipts	1 286	1 817	1 404	985	976
Dividends and income tax equivalents					
Other receipts	41 736	52 700	36 381	26 748	30 265
Total operating receipts	1 075 314	1 104 262	1 224 410	1 269 200	1 181 405
Cash payments for operating activities					
Income tax equivalents paid	- 17 001	- 17 006	- 49 765	- 53 369	- 21 418
Payments for employees	- 156 898	- 156 893	- 134 790	- 152 220	- 150 944
Payment for goods and services	- 621 924	- 636 558	- 676 724	- 662 059	- 664 949
Grants and subsidies paid	- 1 348	- 1 348	- 1 348	- 1 348	- 1 348
Interest paid	- 70 749	- 70 787	- 78 391	- 82 726	- 88 913
Other payments					
Total operating payments	- 867 920	- 882 592	- 941 018	- 951 722	- 927 572
NET CASH FLOWS FROM OPERATING ACTIVITIES	207 394	221 670	283 392	317 478	253 833
Cash flows from investments in non financial assets					
Sales of non financial assets					
Purchases of non financial assets	- 340 757	- 340 757	- 351 955	- 295 665	- 229 073
Net cash flows from investments in non financial assets	- 340 757	- 340 757	- 351 955	- 295 665	- 229 073
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 133 363	- 119 087	- 68 563	21 813	24 760
Net cash flows from investments in financial assets for policy purposes ¹					
Net cash flows from investments in financial assets for liquidity purposes	1 028	1 028	1 080	1 137	1 194
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 339 729	- 339 729	- 350 875	- 294 528	- 227 879
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	116 750	116 750	55 040	- 29 735	- 18 277
Deposits received (net)					
Dividends paid	- 6 422	- 6 422	- 10 974	- 24 634	- 31 924
Other financing (net)	4 857	4 857	30 090	30 780	3 000
NET CASH FLOWS FROM FINANCING ACTIVITIES	115 185	115 185	74 156	- 23 589	- 47 201
NET INCREASE/DECREASE IN CASH HELD	- 17 150	- 2 874	6 673	- 639	- 21 247
Net cash flows from operating activities	207 394	221 670	283 392	317 478	253 833
Net cash flows from investments in non financial assets	- 340 757	- 340 757	- 351 955	- 295 665	- 229 073
Dividends paid	- 6 422	- 6 422	- 10 974	- 24 634	- 31 924
CASH SURPLUS (+)/DEFICIT (-)	- 139 785	- 125 509	- 79 537	- 2 821	- 7 164

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

Table 4.7

Non financial public sector comprehensive operating statement

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	625 704	625 704	642 174	650 565	659 727
Current grants	4 813 139	4 956 677	4 852 965	4 874 667	4 962 449
Capital grants	463 349	450 171	516 890	527 505	323 911
Sales of goods and services	1 121 301	1 145 636	1 238 742	1 285 575	1 284 995
Interest income	91 799	91 104	92 656	96 084	99 650
Dividend and income tax equivalent income	48 353	48 353	47 839	43 960	43 798
Other revenue	434 862	437 867	437 680	427 184	429 467
TOTAL REVENUE	7 598 507	7 755 512	7 828 946	7 905 540	7 803 997
<i>less</i> EXPENSES					
Employee benefits expense	2 808 701	2 863 950	2 774 430	2 754 476	2 754 494
Superannuation expenses					
Superannuation interest cost	86 054	86 054	86 054	86 054	86 054
Other superannuation expenses	392 330	397 986	399 946	406 865	425 091
Depreciation and amortisation	781 791	782 467	788 945	767 106	774 508
Other operating expenses	2 158 015	2 218 189	2 132 012	2 122 906	2 084 139
Interest expenses	435 631	429 117	460 499	495 706	517 193
Other property expenses					
Current grants	1 073 477	1 131 507	1 048 780	1 033 175	1 011 539
Capital grants	52 682	89 406	39 020	32 304	27 326
Subsidies and personal benefit payments	72 237	64 382	68 482	63 684	61 769
TOTAL EXPENSES	7 860 918	8 063 058	7 798 168	7 762 276	7 742 113
<i>equals</i> NET OPERATING BALANCE	- 262 411	- 307 546	30 778	143 264	61 884
<i>plus</i> Other economic flows – included in operating result	58 859	46 960	63 942	65 494	67 184
<i>equals</i> OPERATING RESULT	- 203 552	- 260 586	94 720	208 758	129 068
<i>plus</i> Other economic flows – other comprehensive income		- 6 878	- 1 416	- 2 533	- 6 239
<i>equals</i> COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	- 203 552	- 267 464	93 304	206 225	122 829
NET OPERATING BALANCE	- 262 411	- 307 546	30 778	143 264	61 884
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	1 442 745	1 387 069	1 524 141	1 377 339	973 080
Sales of non financial assets	- 31 187	- 25 687	- 24 497	- 25 172	- 25 172
<i>less</i> Depreciation	781 791	782 467	788 945	767 106	774 508
<i>plus</i> Change in inventories	3 058	- 12 488	12 337	1 762	268
<i>plus</i> Other movements in non financial assets	215 135	167 306	64 711	22 895	74 392
<i>equals</i> Total net acquisition of non financial assets	847 960	733 733	787 747	609 718	248 060
<i>equals</i> FISCAL BALANCE	- 1 110 371	- 1 041 279	- 756 969	- 466 454	- 186 176

Table 4.8

Non financial public sector balance sheet

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	579 091	298 127	229 121	191 710	147 149
Advances paid	248 095	216 893	231 893	230 893	229 893
Investments, loans and placements	2 733 637	2 632 166	2 793 249	2 969 288	3 142 798
Receivables	664 126	787 366	804 141	800 848	799 832
Equity					
Investments in other public sector entities	21 631	14 754	13 338	10 805	4 566
Equity accounted investments					
Investments – shares	65 000	62 000	77 000	77 000	77 000
Other financial assets	31 058	31 394	32 142	32 961	33 860
Total financial assets	4 342 638	4 042 700	4 180 884	4 313 505	4 435 098
Non financial assets					
Inventories	199 934	207 913	220 250	222 012	222 280
Property, plant and equipment	22 873 669	22 723 575	23 479 376	24 093 956	24 348 179
Investment property	32 406	35 924	31 924	27 924	23 924
Other non financial assets	559 240	519 481	533 131	508 358	504 543
Total non financial assets	23 665 249	23 486 893	24 264 681	24 852 250	25 098 926
TOTAL ASSETS	28 007 887	27 529 593	28 445 565	29 165 755	29 534 024
LIABILITIES					
Deposits held	191 419	208 326	194 739	195 350	184 542
Advances received	233 901	228 901	216 740	203 544	189 200
Borrowing	11 847 408	11 375 607	12 283 728	12 801 013	13 051 992
Superannuation	3 442 156	3 088 222	3 083 240	3 079 708	3 073 737
Other employee benefits	865 817	886 982	896 855	895 425	892 332
Payables	385 921	449 216	453 200	459 171	458 291
Other liabilities	1 138 829	1 114 162	1 045 582	1 053 838	1 083 395
TOTAL LIABILITIES	18 105 451	17 351 416	18 174 084	18 688 049	18 933 489
NET ASSETS/(LIABILITIES)	9 902 436	10 178 177	10 271 481	10 477 706	10 600 535
NET WORTH	9 902 436	10 178 177	10 271 481	10 477 706	10 600 535
NET FINANCIAL WORTH ¹	- 13 762 813	- 13 308 716	- 13 993 200	- 14 374 544	- 14 498 391
NET FINANCIAL LIABILITIES ²	13 784 444	13 323 470	14 006 538	14 385 349	14 502 957
NET DEBT³	8 711 905	8 665 648	9 440 944	9 808 016	9 905 894

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

	2022-23	2022-23	2023-24	2024-25	2025-26
	Budget	Revised	Forward estimate		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	630 704	630 704	642 174	650 565	659 727
Receipts from sales of goods and services	1 156 214	1 179 789	1 252 117	1 309 245	1 316 053
Grants and subsidies received	5 315 969	5 421 720	5 274 211	5 383 278	5 283 612
Interest receipts	89 528	89 528	92 656	96 084	99 650
Dividends and income tax equivalents	39 261	39 261	48 352	47 840	43 960
Other receipts	440 574	439 331	436 510	415 688	421 426
Total operating receipts	7 672 250	7 800 333	7 746 020	7 902 700	7 824 428
Cash payments for operating activities					
Payments for employees	- 3 295 328	- 3 371 585	- 3 255 539	- 3 252 357	- 3 274 703
Payment for goods and services	- 1 844 406	- 1 901 323	- 1 825 751	- 1 779 704	- 1 771 105
Grants and subsidies paid	- 1 198 396	- 1 284 154	- 1 156 282	- 1 129 163	- 1 100 634
Interest paid	- 434 680	- 428 020	- 459 458	- 494 412	- 516 224
Other payments	- 313 054	- 313 054	- 313 054	- 313 054	- 313 054
Total operating payments	- 7 085 864	- 7 298 136	- 7 010 084	- 6 968 690	- 6 975 720
NET CASH FLOWS FROM OPERATING ACTIVITIES	586 386	502 197	735 936	934 010	848 708
Cash flows from investments in non financial assets					
Sales of non financial assets	31 187	25 687	24 497	25 172	25 172
Purchases of non financial assets	- 1 442 745	- 1 387 069	- 1 523 741	- 1 377 339	- 973 080
Net cash flows from investments in non financial assets	- 1 411 558	- 1 361 382	- 1 499 244	- 1 352 167	- 947 908
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 825 172	- 859 185	- 763 308	- 418 157	- 99 200
Net cash flows from investments in financial assets for policy purposes ¹	- 51 000	- 100 850	- 30 000	1 000	1 000
Net cash flows from investments in financial assets for liquidity purposes	- 90 111	509 889	- 92 818	- 101 172	- 96 903
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 552 669	- 952 343	- 1 622 062	- 1 452 339	- 1 043 811
Net cash flows from financing activities					
Advances received (net)	- 11 508	- 11 508	- 12 161	- 13 196	- 14 344
Borrowing (net)	433 374	- 52 594	842 468	493 503	175 694
Deposits received (net)	- 22 475	- 69 255	- 13 587	611	- 10 808
Other financing (net)			400		
NET CASH FLOWS FROM FINANCING ACTIVITIES	399 391	- 133 357	817 120	480 918	150 542
NET INCREASE/DECREASE IN CASH HELD	- 566 892	- 583 503	- 69 006	- 37 411	- 44 561
Net cash flows from operating activities	586 386	502 197	735 936	934 010	848 708
Net cash flows from investments in non financial assets	- 1 411 558	- 1 361 382	- 1 499 244	- 1 352 167	- 947 908
CASH SURPLUS (+)/DEFICIT (-)	- 825 172	- 859 185	- 763 308	- 418 157	- 99 200
Future infrastructure and superannuation contributions/ earnings ²	- 49 927	- 49 927	- 52 922	- 56 097	- 59 463
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 875 099	- 909 112	- 816 230	- 474 254	- 158 663

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

2 Contributions for future infrastructure and superannuation requirements.

Appendix A

Classification of entities in the Northern Territory

Total public sector

Non financial public sector

General government

Aboriginal Areas Protection Authority
Auditor-General's Office
AustralAsia Railway Corporation¹
Batchelor Institute of Indigenous Tertiary Education¹
Central Holding Authority
Darwin Waterfront Corporation¹
Data Centre Services²
Department of the Attorney-General and Justice
Department of the Chief Minister and Cabinet
Department of Corporate and Digital Development
Department of Education
Department of Environment, Parks and Water Security
Department of Health
Department of Industry, Tourism and Trade
Department of Infrastructure, Planning and Logistics
Department of the Legislative Assembly
Department of Territory Families, Housing and Communities
Department of Treasury and Finance
Desert Knowledge Australia¹
Motor Accidents (Compensation) Commission¹
Museums and Art Galleries Board of the Northern Territory¹
Nominal Insurer's Fund¹
Northern Territory Electoral Commission
Northern Territory Legal Aid Commission¹
Northern Territory Major Events Company Pty Ltd¹
Northern Territory Police, Fire and Emergency Services
NT Build¹
NT Fleet²
NT Home Ownership²
Office of the Independent Commissioner Against Corruption
Ombudsman's Office
Territory Wildlife Parks²

Public non financial corporations

Indigenous Essential Services Pty Ltd¹
Jacana Energy^{1,3}
Land Development Corporation²
Power and Water Corporation^{1,3}
Territory Generation^{1,3}

Public financial corporation

Northern Territory Treasury Corporation²

¹ Non-budget sector entity.

² Government business division.

³ Government owned corporation.

Appendix B

Explanation of terms

Administrative Arrangements Order

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

Advances/advances paid

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

Agency

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

Appropriation

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

Appropriation Act

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

Assessable borrowings

Assessable borrowings comprise total borrowings less leases.

Australian accounting standards

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

Australian Bureau of Statistics

The Australian Bureau of Statistics is a Commonwealth entity that coordinates statistical activities and collaborates with official bodies in collecting, compiling, analysing and distributing statistics.

Australian Bureau of Statistics Government Finance Statistics Manual

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

Borrowings

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

Capital grants expense/revenue

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 benefit of equal value are receivable or payable in return.

Capital works

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

Cash and deposits

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

Cash surplus/deficit

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

Central Holding Authority

Created by section 5 of the *Financial Management Act 1995*, Central Holding Authority is a representation of the revenue, expenses, assets and liabilities of the Territory. Credited to this account are all monies received by or on behalf of the Territory or an agency, except those that are required or permitted by or under the *Financial Management Act 1995* or any other Act to be credited to an operating account or to an Accountable Officer's Trust account.

Classifications of functions of government – Australia

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

Commitment

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

Commonwealth Grants Commission

The Commonwealth Grants Commission is a Commonwealth statutory body that makes recommendations to the Commonwealth Treasurer on how revenues raised from GST should be distributed to states and territories.

Commonwealth own-purpose expenses

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

Community service obligation

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

Comprehensive result

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

Consumer price index

The consumer price index measures inflation through changes in prices of items in a representative basket of goods and services for each Australian capital city over time.

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

Contingent liability

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

Controllable costs

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

Current grants expense/revenue

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

Debt ceiling

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

Deposits held

Net increase in cash held by public sector entities as a result of deposits received.

Depreciation and amortisation

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

Employee benefits expense

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

Expected credit loss

Expected credit loss is the probability-weighted average of credit losses (the value of all cash shortfalls) over the expected life of a financial instrument.

Federation funding agreements

Subject to the Intergovernmental Agreement on Federal Financial Relations, these agreements contribute to and facilitate the delivery of initiatives in a specific sector, consolidating payments made under national partnerships and project agreements. The aim is to reduce complexity in funding arrangements from the Commonwealth to states and territories, while maintaining accountability and transparency.

Finance lease

Lease agreement where the Territory is a lessor (legal owner) and transfers substantially all the risks and benefits relating to ownership of an asset from the lessor 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
 - to exchange financial assets or financial liabilities with another entity under conditions potentially favourable to the entity
- 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
 - 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 Territory'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.

Financial instrument

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

Fiscal aggregate

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

Fiscal balance (net lending/borrowing)

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 a government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates a government's level of investment is greater than its level of savings. The fiscal balance equals the net operating balance less the net acquisition of non financial assets.

General government sector

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

Generally Accepted Accounting Principles

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

Goods and services tax (GST)

A broad-based Commonwealth tax of 10% on most goods, services and other items sold or consumed in Australia.

Goods and services tax revenue

The Territory's share of nationally collected GST, based on the Territory's population share weighted by its GST relativity. Revenue-sharing relativities are determined by the Commonwealth Treasurer, informed by the recommendations of the Commonwealth Grants Commission.

Government business division

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

Government finance statistics

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

Government owned corporation

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

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

Grants

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

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

Gross domestic product

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

Gross state product

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

Guarantee

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

Horizontal fiscal equalisation

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

Household consumption

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

Indemnity

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

Interest expense

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

Intergovernmental Agreement on Federal Financial Relations

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

Inventories

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

Investments, loans and placements

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

Key fiscal indicators

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

Labour force

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

The Territory labour force is characterised by a substantial public sector, and a relatively large defence and fly-in fly-out workforce that is not captured in Territory data reported by the Australian Bureau of Statistics. As a result, there is significant under-reporting of on-the-ground employment in official statistics.

Leases

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

Loans

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

Machinery of government changes

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

Minor new works

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

National partnership agreements

Agreements between the Commonwealth, states and territories with defined objectives, outcomes, outputs and performance measures related to the delivery of specified projects or to facilitate reforms of national significance.

National partnership payments

Tied Commonwealth grants provided to states and territories to enable them to achieve the outcomes and outputs of a national partnership agreement.

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

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

Purchases and sales (or net acquisitions) of non financial assets generally include accrued expenses and payables for capital items. Purchases exclude non-produced assets and valuables, which are included in other movements in non financial assets.

Net actuarial gains/losses

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

Net capital

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

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

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

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

Cash receipts from liquidation or repayment of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. 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

A key fiscal aggregate reported in the balance sheet, measuring a government's net stock of selected gross financial liabilities less financial assets. It equals the sum of deposits held, advances received, loans and other borrowings, less the sum of cash and deposits, advances paid and investments, loans and placements.

Net debt to revenue

A fiscal measure that assesses net debt as a proportion of total revenue. It assesses government's ability to repay its borrowings, with a high ratio indicating a lower ability to repay debt and a low ratio indicating a strong ability to repay debt.

Net financial liabilities

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

Net financial worth

Reported in the balance sheet, net financial worth measures a government's net holdings of financial assets. It is calculated as financial assets minus liabilities and is a broader measure than net debt as it incorporates provisions (such as superannuation), as well as holdings of equity.

Net operating balance

Key fiscal aggregate reported in the operating statement, measuring the ongoing sustainability of a government's operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets, and is the component of the change in net worth that is due to transactions and can be attributed directly to government policies. It equals total revenue less total expenses.

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-budget sector entity

An entity in which the Territory has a controlling interest. The entity is consolidated at the whole of government level but not presented separately in the Territory's financial reports. Outside the scope of the *Financial Management Act 1995*, it is generally a statutory body that does not meet the definition of a general government sector agency, public non financial corporation or public financial corporation.

Non cash

Transactions that do not involve the inflow or outflow of cash, and are typically attributed to increases or decreases in the value of assets or liabilities. Non cash transactions include depreciation, amortisation, assets gifted for nil consideration and unrealised gains or losses.

Non financial assets

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

Non financial public sector

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

Non-policy variations

Non-policy variations represent changes in the fiscal balance outcome when compared to budget as a result of factors outside government's control, such as the timing of payments or changes in external economic conditions.

Northern Territory Project Development Framework

The Northern Territory Project Development Framework applies to capital projects that are funded or partially funded by the Territory, where the Territory-funded contribution (either cash or non cash) is \$30 million or more. The framework aims to ensure government-facilitated and funded projects are developed, evaluated and progressed in a consistent way to enhance transparency and public accountability, and maximise outcomes and public benefit of government expenditure.

Operating result

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions such as revaluations, net actuarial gains and losses, and other changes in the volume of assets.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. They also include the total value of goods and services used in production and use of goods acquired for resale.

Other superannuation expenses

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

Own-source revenue

Revenue raised by the Territory, mainly through Territory administered legislation, and largely comprising taxes and mining royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets.

Parameters

Used to adjust the budget and forward estimates for assumption changes in consumer price index (inflator), wages (inflator), demand on frontline services (inflator) and efficiency dividends (deflator).

Payables

Liabilities (or amounts owed) that include short and long-term trade debt, accounts payable, accrued expenses, grants and interest payable.

Policy variations

Policy variations represent changes in the fiscal balance outcomes when compared to budget, that arise from government decisions to implement new or expand existing agency programs and savings, revenue and contingency measures.

Private investment

Private investment is expenditure by producers on fixed assets that are used in the process of production and used repeatedly or continuously for longer than one year. It comprises dwelling investment, ownership transfer costs (fees incurred by the buyer or seller of real estate), non-dwelling construction (industrial, commercial and non-dwelling buildings and other structures such as pipelines and bridges), machinery and equipment, cultivated biological resources (natural resources used repeatedly to produce products such as milk or orchards) and intellectual property products (products as a result of creative activity, research and development and mineral exploration).

Provisions

Amounts set aside for future payments.

Public financial corporations

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

Public investment

Public investment is the expenditure by all levels of government on the purchase of fixed assets that are used over a long time period. Most data for public investment is sourced from state and territory government finance reporting. Adjustments are made to deduct expenditure that is classified as consumption, rather than investment. The Australian Bureau of Statistics' statistical treatment of public investment does not always reconcile with the Territory Government's reporting of investment expenditure and, as a result, is not directly comparable.

Public non financial corporations

Government owned and controlled entities that provide goods and services to consumers on a commercial basis and are funded largely by the sale of these goods and services with the aim to maximise sustainable returns to government. These entities are legally distinguishable from the government that owns them.

Receivables

Assets (or amounts to be received) that include short and long-term trade credit, accounts receivable, prepaid expenses, grants, taxes and interest receivable.

Repairs and maintenance expenses

Recorded in other operating expenses, repairs and maintenance refers to works undertaken to maintain existing government owned assets in working condition or keep an asset functioning at its required capacity. It excludes works that enhance an asset significantly or extend its useful life.

Sale of goods and services

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

Specific purpose payments

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

State final demand

State final demand is a major component of gross state product and a measure of the demand for goods and services in an economy. While state final demand includes consumption and investment expenditure, it does not include the contribution of trade or changes in inventories to economic growth and therefore is not a comprehensive measure of economic growth.

Statutory bodies

Entities established by or under an Act for a public purpose where there is a need for some operational independence from government. These entities are mainly funded from either levies, taxes or grant funding.

Superannuation interest cost

The increase during a period in the present value of a defined benefit obligation that arises because the benefits are one period closer to settlement, as per the relevant accounting standard. The cost is measured net of the return on plan assets of defined benefit schemes.

Tax equivalents regime

Mechanism used to ensure government business divisions and government owned corporations incur similar tax liabilities to privately owned organisations. This facilitates a greater degree of parity between the cost structures of government-controlled trading entities and the private sector, aiding in the achievement of competitive neutrality.

Territory-funded expenses

Expenses funded by the Territory from appropriation and payments made from the Central Holding Authority including interest and employee entitlements.

Tied revenue

Revenue received by the Territory that must be used for specific purposes, and mainly comprises national funding agreements, payments under a Federation Funding Agreement, including national partnership agreements and specific purpose payments.

Total public sector

The sector formed through a consolidation of the non financial public and public financial corporation sectors.

Treasurer's Advance

An appropriation purpose of that name as specified in the *Appropriation Act*, which provides a pool of funds specifically set aside in each budget to meet one-off unexpected costs that arise during the year and are substantial enough to warrant additional appropriation actioned under section 18 of the *Financial Management Act 1995*. Treasurer's Advance is also a legal mechanism to fund all new government decisions affecting the current financial year that require additional Territory appropriation to be paid to agencies.

Unemployment rate

The number of unemployed persons expressed as a percentage of the labour force.

Uniform Presentation Framework

A uniform framework agreed by the Council on Federal Financial Relations to incorporate AASB 1049. The Uniform Presentation Framework requires Commonwealth, state and territory governments to present a minimum set of budget and financial outcome information based on the government finance statistics, according to an agreed format and specified reporting arrangements. This enables users of the information to make valid comparisons between jurisdictions.

Untied revenue

Revenue received by the Territory that can be used for discretionary purposes, and mainly comprises GST revenue.

Wage price index

The wage price index measures changes to hourly rates of pay over time for a fixed range of jobs. The Australian Bureau of Statistics measures the wage price index at the state and territory level (as well as nationally) and for both the public and private sectors. It excludes non-wage costs such as superannuation, payroll tax and workers compensation.

Whole of government financial report

A financial report prepared by a government in accordance with Australian accounting standards, including AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements, and thereby separately recognising assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.

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