



2009-10
Mid-Year Report



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Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act*, I certify that the financial projections included in the 2009-10 Mid-Year Report are based on Government decisions that I was aware of, or that were made available to me by the Treasurer, before 18 November 2009. The projections are presented in accordance with the Uniform Presentation Framework.



Jennifer Prince
Under Treasurer

19 November 2009

Chapter 1 Overview

The 2009-10 Mid-Year Report has been prepared in accordance with the *Fiscal Integrity and Transparency Act* which requires the Treasurer to prepare and publicly release a mid-year fiscal outlook report each year. The Under Treasurer certifies the accuracy, completeness and reliability of all financial projections and associated information, as required by the Act.

The updated budget projections and economic outlook incorporate both the 2008-09 outcome as presented in the 2008-09 Treasurer's Annual Financial Report (TAFR) and the continued effects of global economic and financial conditions that were outlined in the May 2009 Budget.

The Commonwealth's recently released Mid-Year Economic and Fiscal Outlook presents a slightly improved position for the Australian economy from that projected in May 2009. This improvement flowed to the Territory in the form of GST revenue. This coupled with an increase in Territory own-source revenue shows a strengthening in the Territory's financial position.

The 2009-10 update is also influenced by the 2008-09 outcome, which was a considerable improvement on the May 2009 estimate, due largely to additional tied Commonwealth funding received in June 2009. The improved position in 2008-09 results in consequential additional expenditure requirements in 2009-10. However, this carryover of expenditure into 2009-10 is significantly offset by additional revenue as a result of improving economic conditions nationally and in the Territory. Although there is a small increase in the estimated deficit in 2009-10 due to these timing issues, the underlying financial position for 2009-10 shows a significant improvement. The cash targets for 2010-11 and forward years remain unchanged.

The fiscal highlights in the Mid-Year Report include:

- operating surplus is improved over the forward estimates providing additional capacity to invest in infrastructure;
- the cash deficit has increased to \$249 million in 2009-10 due to timing of Commonwealth funded expenditure. When these timing issues are removed, the underlying financial position is an improvement of \$100 million in 2009-10;
- cash outcome and accrual fiscal balance projected to remain in deficit over the economic cycle but still trending to improvement; and
- ratios of net debt and net financial liabilities to revenue improved since the 2009-10 Budget as a result of the improved 2008-09 outcome, and improved economic conditions, resulting in increased revenue, higher value of the Territory's investments and lower superannuation liability.

From an economic perspective the global economy is recovering more quickly from the global financial crisis than was anticipated at the time of the Budget, driven by a rebound in Asian (especially China's) economies. The stronger than forecast recovery in China has been fuelled by expansionary monetary policy and a 4 trillion yuan stimulus package primarily focused on major infrastructure projects across the country.

The Territory economy is expected to be a major beneficiary of the Chinese stimulus package through increased demand for mineral and energy commodities which should support increasing production at a number of mines in the Territory and increase exports.

Upward revisions to growth in exports are the primary reason for the increased forecast of gross state product for 2009-10 of 2.6 per cent from 2.0 per cent in the May 2009 Budget.

The outlook for state final demand has been revised to 3.9 per cent compared with 5 per cent at the time of the Budget due to an upward revision to engineering construction activity in the year due to the result of major project timelines being extended and higher than expected project expenditure.

The Territory's labour market is also expected to be more resilient than originally forecast with the employment growth revised upwards to 2.8 per cent compared with the Budget estimate of 1.5 per cent. This reflects increased activity in the mining sector, coupled with the Territory Government's record capital works expenditure and forecast strong growth in public and private housing construction across the Territory.

At the time of the 2009-10 Budget, the Territory's resident population was forecast to increase by 1.8 per cent to December 2009. This has been revised upwards to 2.0 per cent based on stronger than anticipated growth of overseas and interstate migrants driven by strong growth in private sector housing construction, increased public housing infrastructure in urban and remote areas, Commonwealth economic stimulus spending particularly on schools and the Territory's record capital works program.

The Mid-Year Report revises forecast growth in the Darwin Consumer Price Index in 2009 from 2.6 per cent to 2.8 per cent based on stronger growth in housing and rental prices in the year than originally forecast.

Changes to revenue from the Commonwealth and Territory own-source revenue since the May 2009 Budget and associated expenditure decisions, are provided in Chapter 2, with the revised financial statements presented in Chapter 4. Chapter 3 includes a discussion on the updated economic estimates and the fiscal strategy outlook for 2009-10 and the forward years.

Chapter 2 Fiscal Position and Outlook

This chapter presents the updated fiscal projections for 2009-10 through 2012-13, compared with the estimates provided in the May 2009 Budget.

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

Fiscal Outlook The 2009-10 Budget and forward estimates have been updated to reflect:

- the outcome for the 2008-09 financial year;
- Cabinet decisions since the 2009-10 Budget;
- revised Territory revenue estimates including updated GST revenue; and
- a range of other revenue-related adjustments, largely due to changes in national partnership agreements (NPs) from the Commonwealth.

The wage and price parameters are consistent with those used in the 2009-10 Budget. In line with usual practice, these will be reviewed in the development of the 2010-11 Budget.

Budget Targets Table 2.1 presents the key fiscal aggregates for the general government sector for the 2009-10 Budget and the 2009-10 Mid-Year Report.

During the preparation of the 2009-10 Budget, Territory Housing merged with the Department of Local Government and Housing, with the exception of home lending activities, which were included in the government business division, NT Home Ownership. At the time of the 2009-10 Budget, NT Home Ownership was reported in the Public Non Financial Corporation Sector. However, the most recent advice received from the Australian Bureau of Statistics is that NT Home Ownership should be included within the General Government Sector. Accordingly all original budget data presented in this Report has been restated for this treatment change. The effect on budget estimates outcomes is not material.

Table 2.1: General Government Sector – 2009-10 Budget and Mid-Year Report Aggregates

	2008-09 ¹	2009-10	Forward Estimates		
			2010-11	2011-12	2012-13
	\$M	\$M	\$M	\$M	\$M
Cash Outcome					
2009-10 Budget	- 13	- 196	- 174	- 92	- 24
2009-10 Mid-Year	136	- 249	- 174	- 92	- 24
Variation	149	- 53	0	0	0
Net Operating Balance					
2009-10 Budget	99	214	115	121	78
2009-10 Mid-Year	187	236	132	134	69
Variation	88	22	17	13	- 9
Fiscal Balance					
2009-10 Budget	- 114	- 248	- 218	- 119	- 44
2009-10 Mid-Year	- 22	- 298	- 222	- 127	- 53
Variation	92	- 50	- 4	- 8	- 9
Net Debt					
2009-10 Budget	993	1 193	1 349	1 422	1 426
2009-10 Mid-Year	837	1 036	1 185	1 251	1 248
Variation	- 156	- 157	- 164	- 171	- 178
Net Financial Liabilities					
2009-10 Budget	4 391	4 666	4 890	5 016	5 066
2009-10 Mid-Year	3 749	4 200	4 415	4 535	4 580
Variation	- 642	- 466	- 475	- 481	- 486

¹ Mid-Year Report reflects actual outcome.

Source: Northern Territory Treasury

Table 2.1 highlights the forward estimates are generally consistent with those predicted in May 2009. The change in the cash outcome is more pronounced in 2009-10 as it now incorporates the carryover of \$150 million in expenditure obligations from 2008-09 as highlighted in the 2008-09 Treasurer's Annual Financial Report (TAFR). For 2009-10 the cash deficit outcome has increased by \$53 million. The carryover from 2008-09 of \$150 million has been substantially offset by an increase of \$98 million in Territory revenue comprising GST revenue, mining royalties and, to a lesser extent, stamp duty on conveyances and demonstrates the growing strength in the Territory and national economies. Overall for 2009-10, when taking into account the 2008-09 outcome, this represents an underlying improvement of around \$100 million. The projected cash outcomes for the forward estimates period remains unchanged, but includes additional receipts being matched by corresponding payments, largely the result of additional tied Commonwealth funding and a small increase in capacity.

Although the cash deficit in 2009-10 has worsened as a result of timing issues, the net operating balance surplus has improved as some of the carryover expenditure from 2008-09 is for capital purposes. Although this also applies to 2010-11 and 2011-12, it is not the case in 2012-13 as agreements relating to some Commonwealth funding in that year have not yet been finalised.

Operating and Cash
Flow Statements
– General
Government

In line with the estimated cash outcome, the fiscal balance shows a similar increase in deficit for the 2009-10 year with slightly increased deficits over the forward estimates.

Net debt over the forward years is expected to decrease from that projected at Budget-time to \$1248 million by 2012-13, a reduction of \$178 million. This is mainly due to the flow on effect of the improved 2008-09 outcome, a projected increase in revenues and a higher market value of the Territory's investments.

Net financial liabilities are also expected to decrease compared with that recorded in May 2009, largely as a result of the decreased net debt position and the effect of a higher bond rate used to value the Territory's superannuation liabilities. By 2012-13 net financial liabilities are expected to be \$4580 million, a decrease of \$486 million from that published at Budget-time.

Table 2.2 summarises the key movements in the 2009-10 general government cash flow and operating statements since the 2009-10 Budget. Variations are categorised into policy and non-policy variations. Policy variations are the result of Government decisions to implement or expand agency programs. Non policy variations are either due to influences outside the Government's control, such as the timing of receipts from the Commonwealth, or changes in economic parameters.

Table 2.2: Variations to the Cash Flow and Operating Statements since May 2009

	2009-10	
	Accrual	Cash
	\$M	\$M
2009-10 BUDGET	- 247.5	- 196.5
REVENUE/RECEIPTS		
Revenue/Receipts – Policy		
Bookmaker taxation	- 2.1	- 2.1
Total Revenue/Receipts – Policy	- 2.1	- 2.1
Revenue/Receipts – Non Policy		
Taxation	14.6	14.6
GST revenue	42.3	42.3
Commonwealth revenue	130.2	130.2
Interest income	- 5.9	2.1
Mining royalties	41.2	41.2
Agency own-source revenue	7.0	7.0
Other	1.1	2.0
Total Revenue/Receipts – Non Policy	230.5	239.4
TOTAL REVENUE/RECEIPTS	228.4	237.3
OPERATING EXPENSES/PAYMENTS		
Expenses/Payments – Policy		
New initiatives	3.9	3.9
Total Expenses/Payments – Policy	3.9	3.9
Expenses/Payments – Non Policy		
Transfer of expenditure between years	114.7	114.7
New/expanded commonwealth funded programs	84.8	84.8
Employee entitlements	0.2	11.0
Other	2.9	2.5
Total Expenses/Payments – Non Policy	202.6	213.0
TOTAL OPERATING EXPENSES/PAYMENTS	206.5	216.9
NET CAPITAL PAYMENTS		
New/expanded commonwealth funded programs	38.3	38.3
Transfer of capital payments between years	36.0	36.0
Other	- 1.5	- 1.1
TOTAL NET CAPITAL PAYMENTS	72.8	73.2
TOTAL EXPENSES/PAYMENTS	279.3	290.1
TOTAL VARIATION	- 50.9	- 52.8
2009-10 REVISED BUDGET	- 298.4	- 249.3

Source: Northern Territory Treasury

Since May 2009, significant increases have occurred in expenses/payments, partially offset by increases in revenue/receipts. This has resulted in a reduction in both the accrual and cash outcomes compared to May 2009.

General government operating revenue and receipts have increased by \$228.4 million and \$237.3 million respectively.

The revenue-related policy variation is a decrease in taxation revenue of \$2.1 million due to changes in bookmakers tax from 2010 to introduce a capped profit-based tax replacing the turnover based tax.

The main non-policy related variations to revenue since the May 2009 Budget are:

- higher Territory taxation revenue of \$14.6 million, reflecting increased stamp duty receipts on residential and commercial conveyances as a result of higher economic activity;
- GST revenue revised up by \$42.3 million, due to an increase in the Commonwealth's estimates of the national GST pool, as published in the Mid-Year Economic and Fiscal Outlook;
- an increase in tied funding from the Commonwealth of \$130.2 million due to new agreements being finalised or re-negotiated since May 2009, largely related to education, policing and health;
- increased mining royalties revenue of \$41.2 million, associated with increased mining profitability and based on higher collections received year to date; and
- an increase in agency own-source revenue of \$7 million, mainly the result of an increase in hospital cross-border and other patient revenue.

General government expenses increased by \$206.5 million and payments by \$216.9 million due to:

- policy decisions of \$3.9 million approved by Government since the 2009-10 Budget including funding for police beat offices, Fire and Rescue Services and sports;
- the carryover of expense obligations from 2008-09 of \$114.7 million, largely related to timing of the delivery of Commonwealth funded programs; and
- increased expenses of \$84.8 million related to additional tied funding from the Commonwealth with some minor timing differences between years.

In addition to the above operating variations, there have been some changes to capital spending. These are reflected in both the Operating Statement and the Cash Flow Statement, with increases of \$72.8 million in capital expenses and \$73.2 million in capital payments. The key variations are:

- increased tied funding from the Commonwealth of \$38.3 million mainly related to science and language centres under Building the Education Revolution stimulus package and remote police stations; and
- the carryover of capital obligations from 2008-09 of \$36 million, related to receipts from the Commonwealth late in that financial year.

Operating Statement Forward Estimates – General Government

Operating revenue and expenses are projected to fluctuate over the forward years with increases through to 2011-12 before a decline in 2012-13 in line with lower levels of Commonwealth tied funding. This decline is expected to be reversed when further agreements are finalised.

The increases in both revenue and operating expenses since May 2009 are largely matching in all years. Net capital spending has increased by \$73 million in 2009-10 and around \$20 million in 2010-11 and 2011-12 as

a result of a greater proportion of Commonwealth funding being applied to infrastructure in those years.

Overall, the net operating balance remains in surplus in all years. The fiscal balance, which includes the effect of both capital and operating transactions, remains in deficit in all years trending towards a balance, largely in line with that projected in May 2009.

Table 2.3: General Government Sector – Operating Statement – 2009-10 Budget and Mid-Year Report

	2009-10	2010-11	2011-12	2012-13
	\$M	\$M	\$M	\$M
2009-10 Budget				
Operating Revenue	4 226	4 261	4 376	4 359
Operating Expenses	4 012	4 146	4 255	4 281
Net Operating Balance	214	115	121	78
Net Capital	462	334	240	122
Fiscal Balance	- 248	- 218	- 119	- 44
2009-10 Mid-Year Report				
Operating Revenue	4 454	4 428	4 541	4 459
Operating Expenses	4 218	4 296	4 407	4 390
Net Operating Balance	236	132	134	69
Net Capital	534	354	261	122
Fiscal Balance	- 298	- 222	- 127	- 53
Variation				
Operating Revenue	228	167	165	100
Operating Expenses	206	150	152	109
Net Operating Balance	21	17	13	- 9
Net Capital	73	20	21	0
Fiscal Balance	- 50	- 4	- 8	- 9

Source: Northern Territory Treasury

Operating Revenue

The majority of the Territory's revenue is from the Commonwealth in the form of GST, specific purpose payments (SPPs) and national partnership agreements (NPs) (around 80 per cent).

The level of GST revenue received by each state is dependent on total GST collections, states' population shares and relativities as determined by the Commonwealth Grants Commission (the Commission).

The Territory has adopted the Commonwealth's 2009-10 Mid-Year Economic and Fiscal Outlook estimates for GST revenue to 2012-13 that reflect an increase in expected GST pool growth rates from that predicted by the Commonwealth at Budget-time. This is as a result of the slight recovery in the Australian economy brought on by the significant stimulus measures undertaken by the Commonwealth Government and the Reserve Bank of Australia, a stronger and earlier than expected world recovery (particularly in China), and the resilience of the Australian economy. The effect of this variation is a projected increase in GST revenue to the Territory of \$42.3 million in 2009-10, with a flow on effect to all forward years.

Tied Commonwealth funding in the form of NPs have also been revised upwards since the 2009-10 Budget. These adjustments tend not to affect the fiscal outcome over time as increases in revenue are matched by a

corresponding increase in expenditure, although timing differences may affect the outcome in particular years. The increase in 2009-10 of \$130.2 million is the result of a number of agreements being finalised, predominantly:

- public safety-related increase of \$35.6 million, due to further contributions relating to the Northern Territory Emergency Response;
- education-related increase of \$59.5 million, due to Closing The Gap Teacher Quality, Enhancing Literacy and funding under the Building the Education Revolution stimulus package; and
- health-related increase of \$26 million, due to Indigenous Early Childhood education, Preventative Health, Family Support Package and Royal Darwin Hospital Emergency Department Upgrade.

These were slightly offset by \$20 million, due to Municipal and Essential Services (MUNS) funding being budgeted to be received in 2009-10 but being actually received in 2008-09.

Despite this growth in tied Commonwealth funding in 2009-10, going forward there is an estimated decrease in funding by 2012-13 as a number of agreements are for fixed periods and at this stage their continuation has not been incorporated into projections beyond the life of the existing agreements.

Taxation revenue is the most significant component of the Territory's own-source revenue and is expected to decrease from 2010-11 and forward estimate years from that projected at Budget-time. The majority of this is as a result of the Government's decision to change the basis of the bookmaker turnover tax from 1 January 2010 to a capped profit-based tax. This is offset by a projected increase in stamp duty on residential conveyances and motor vehicle registration collections over the forward estimate years. The upward revision to stamp duty collections is based on higher residential conveyances received to date in 2009-10.

The balance of other Territory own-source revenue largely relates to mining royalties. The estimates for mining royalty collections have been revised upwards for 2009-10 since Budget-time by \$41.2 million on the basis of collections received to date. Projections remain unchanged in all forward years.

Operating and Net Capital Expenses

Operating expenses are projected to increase in all years compared to the 2009-10 Budget, largely as a result of an increase in expenditure commitments relating to tied Commonwealth funding in 2009-10 and future years, as discussed above.

As highlighted in the 2008-09 TAFR, the significant expenditure increase in 2009-10 relates to the carryover of funding from 2008-09, predominantly relating to the timing of expenditure of tied Commonwealth funding, of which \$114.7 million relates to operational and \$36 million relates to net capital spending.

New programs tied to Commonwealth funding have also contributed to an increase in net capital spending in 2009-10 and outer years, largely due to Closing the Gap for remote police stations and science and language centres under the Building the Education Revolution stimulus package.

Assets and Liabilities – General Government Sector

Table 2.4: General Government Sector – Balance Sheet – 2009-10 Budget and Mid-Year Report

Table 2.4 presents the key measures for the general government sector balance sheet as presented in the May 2009 Budget Papers and the 2009-10 Mid-Year Report.

	2009-10	2010-11	2011-12	2012-13
2009-10 Budget				
Net Worth (\$M)	2 824	2 975	3 193	3 367
Net Debt (\$M)	1 193	1 349	1 422	1 426
Net Debt to Revenue (%)	28	32	32	33
Net Financial Liabilities (\$M)	4 666	4 890	5 016	5 066
Net Financial Liabilities to Revenue (%)	110	115	115	116
2009-10 Mid-Year Report				
Net Worth (\$M)	4 880	5 067	5 316	5 498
Net Debt (\$M)	1 036	1 185	1 251	1 248
Net Debt to Revenue (%)	23	27	28	28
Net Financial Liabilities (\$M)	4 200	4 415	4 535	4 580
Net Financial Liabilities to Revenue (%)	94	100	100	103
Variation				
Net Worth (\$M)	2 056	2 092	2 123	2 131
Net Debt (\$M)	- 157	- 164	- 171	- 178
Net Debt to Revenue (%)	- 5	- 5	- 5	- 5
Net Financial Liabilities (\$M)	- 466	- 475	- 481	- 486
Net Financial Liabilities to Revenue (%)	- 16	- 15	- 15	- 13

Source: Northern Territory Treasury

The estimate of net worth has improved significantly for 2009-10 and over the forward estimates period since the 2009-10 Budget. This is largely due to the flow on effect of the improved balance sheet position, including the upward revision of the Territory's assets (road and bridge assets), as reported in the 2008-09 TAFR.

Net debt is estimated to decrease by \$178 million to \$1248 million in 2012-13 from Budget-time, due to a combination of the flow on effect of the cash surplus achieved in 2008-09 and a projected increase in the Territory's financial asset base, partly offset by an increased cash deficit in 2009-10. Net debt as a percentage to revenue is estimated to be lower than that predicted in May 2009, dropping to 28 per cent by 2012-13.

Financial investments held by the Territory Government comprise a range of instruments including short-term securities, fixed interest securities, fixed rate notes and equities. These financial assets are structured in separate portfolios to ensure that they meet the purpose for which the investments have been designated. The majority of assets are held in short-dated low-risk investments to match the relatively short-dated nature of their requirements.

In the case of the Conditions of Service Reserve (COSR) these investments are managed by three external fund managers and relate to amounts that have been set aside to fund the Territory Government's long-term employee liabilities in future years. Accordingly these investments have a weighting to long-term growth assets in order to match the long-term nature of the liability.

Statement of Risks

During 2008-09 the COSR experienced an unrealised decline in market value and was valued at \$345 million at 30 June 2009. In line with the recent increase in economic and financial market conditions, the unrealised loss experienced in 2008-09 has largely been reversed and the value of the COSR is \$387.8 million at 31 October 2009. The returns on these investments to 31 October 2009 are 12.32 per cent.

The net financial liabilities measure is expected to reduce to \$4580 million by 2012-13, a \$486 million decrease on that estimated at Budget-time. This is in line with the decrease in net debt and a reduction in the value of the Territory's superannuation liability as a result of a higher discount rate being used to value the liability than anticipated in May 2009.

When measured as a percentage to revenue, it is expected that the net financial liabilities ratio will be lower than that projected in May 2009, dropping to 103 per cent by 2012-13.

The *Fiscal Integrity and Transparency Act* requires that each Fiscal Outlook Report must contain "a statement of risks, quantified as far as practical, that could materially affect the updated financial projections, including any contingent liabilities and any Government negotiations that have yet to be finalised".

The risks identified and explained in detail at the time of the 2009-10 Budget remain appropriate, with the following providing a summary of those risks that have been updated to reflect recent events.

Revenue

GST Revenue – The most significant risk to the Territory's Budget is GST revenue changes. GST revenue accounts for over half the Territory's budget and therefore even small variations in key parameters can have a significant impact on Government's funding capacity and budget outcomes.

The three parameters affecting the amount of GST to be received are: the Territory's relativity; the size of national GST pool; and the Territory's share of the national population. The most significant risks are in the national GST collections and GST relativity components.

The estimates for GST collections for 2009-10 to 2012-13 are higher than those used in the Territory's 2009-10 Budget and are based on the Commonwealth's Mid-Year Economic and Fiscal Outlook forecasts. The increased GST revenue projections reflect the expected slight improvement in the Australian economy. However, a slower and or weaker recovery than that predicted represents a significant downside risk over this period.

GST relativities are generally affected by cyclical economic circumstances, however the 2010 Major Review of State Revenue Sharing Relativities currently being undertaken by the Commonwealth Grants Commission is a significant risk to the Territory's GST revenue. The outcome of the 2010 Review (which will be based on a major methodology revision) will not be known until February 2010. However, the 2010 Review draft report published in July 2009 suggests a significant decrease in the Territory's relativity which, if realised, would result in an ongoing reduction in the Territory's GST revenue of around \$340 million annually. Although the Commission prefaced the draft report by stating that its results may not be indicative of the final outcome, the

risk of a significant decrease in the Territory's relativity resulting from the 2010 Review remains a major concern.

The Territory's population estimates to 2012-13 reflect the expected performance of the Territory's economy based on confirmed projects. There is significant upside risk should the Inpex or other major projects proceed in the short term. The effect of a 1 per cent variation in the Territory's population estimates is estimated at +/- \$22 million in 2009-10 and +/- \$24 million in 2012-13. The cumulative impact would be +/- \$99 million by 2012-13.

Other Commonwealth Revenue Grants and Subsidies – SPP agreements have historically posed risks to state budgets in several ways. The recent reforms to Commonwealth-State financial relations arising from the new Intergovernmental Agreement on Federal Financial Relations (the new IGA) have provided greater clarity in relation to tied Commonwealth funding. However, the adequacy of indexation of SPPs remains a key risk. The structure of some NPs (introduced under the new IGA) also poses a risk to the Territory's revenue should the Territory not be deemed by the Commonwealth to have met the necessary milestones for payment.

Own-Source Revenue – The amount of revenue received from Territory taxes and royalties is dependent upon the performance of the Territory economy and other external factors. Mining royalty revenue is mainly affected by changes in mining production levels, commodity prices and exchange rate conditions. Mining revenue forecasts rely on advice from mining companies of their expected estimated liability for the financial year and unpredicted market changes in any of these factors will have a material impact on mining royalty revenue. The state of current global financial markets and world economies have continued to result in volatility of commodity prices and exchange rates.

Forecasting conveyance stamp duty is also difficult because it is linked to activity in the property market. Although there had been evidence that growth in residential property market activity had eased, the extent and timing of any drop is difficult to predict, as demonstrated by current strong property markets. In addition, the Territory has a relatively small conveyance duty base which includes valuable commercial properties including pastoral properties and mining projects. These factors introduce significant variability in collections as a result of the impact of the duty collected from large commercial transactions.

Expenditure

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

The Territory Government's Closing the Gap initiatives first introduced in 2008-09 could present a risk to expense and capital spending estimates in future years due to the potential for significant additional investment and flow on effects to service delivery areas. Any additional amounts approved over and above the funding committed over the forward years may affect future budget outcomes.

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

Contingent Liabilities

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

For more information on Statement of Risks, refer to Chapter 3 in the 2009-10 Budget Paper No. 2: Fiscal and Economic Outlook.

Chapter 3 Economic Outlook and Fiscal Strategy

This chapter meets the *Fiscal Integrity and Transparency Act* requirement for the Mid-Year Report to provide updated information on both the economic assumptions and Fiscal Strategy as set out in the 2009-10 Budget Papers.

Structure of the Economy

The structure of the Northern Territory economy is markedly different to other Australian jurisdictions, reflecting its abundance of natural resources, its comparatively large public sector, and the importance of the large defence presence. Territory gross state product (GSP), at around \$14.6 billion, accounts for approximately 1.3 per cent of national gross domestic product (GDP).

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

Recent Economic Performance

Table 3.1: Summary of Economic Parameters

% Change	2005-06	2006-07	2007-08	Budget Estimate	ABS		Revised Forecast
					Latest Estimate	Budget Forecast	
GSP	6.5	5.2	3.9	4.1	n/a	2.0	2.6
SFD	7.1	2.1	5.0	5.6	6.2	-5.0	-3.9
Employment	3.2	5.1	5.9	2.5	4.2	1.5	2.8
Population ¹	2.3	1.9	2.4	2.0	2.2	1.8	2.0
CPI ²	2.6	4.4	3.4	4.0	4.0	2.6	2.8

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

² Year-on-year ended December percentage change.

n/a. not available

Source: Northern Territory Treasury, Australian Bureau of Statistics

Territory GSP growth forecasts for 2008-09 have been revised upwards from 4.1 per cent at the time of the Budget to 4.9 per cent in the Mid-Year Report. The upward revision is primarily driven by stronger than forecast increases in engineering construction activity.

State final demand (SFD), a measure of consumption and investment expenditure, is reported by the Australian Bureau of Statistics to have increased by 6.2 per cent in 2008-09, stronger than the 5.6 per cent growth estimated by Treasury at the time of the Budget. The main contributor to growth was private sector engineering construction activity, which increased by 70.5 per cent to \$1.75 billion, contributing 4.6 percentage points to growth in 2008-09. This reflects construction work undertaken for a number of resource-related major projects such as the:

- Bonaparte gas pipeline;
- ENI Blacktip project;
- Montara, Skua, Swift and Swallow oil field developments; and
- GEMCO refinery expansion.

Public consumption increased by 5.2 per cent in 2008-09, contributing 1.5 percentage points to growth. Growth was driven by increased expenditure by Defence and the Territory Government. The increase in Defence expenditure primarily relates to the build up of personnel numbers associated with the 5/7 Royal Australian Regiment (RAR) Battalion being split into two separate battalions, 5 RAR and 7 RAR. The increase in Territory Government expenditure reflects increased outlays related to the Closing the Gap strategy and additional government services.

Despite Commonwealth stimulus payments to households and declining interest rates, growth in private consumption expenditure in the Territory moderated to 1.9 per cent in 2008-09. This reflected households becoming more cautious in their discretionary spending as a result of increased uncertainty about the effect of the global financial crisis on the national and Territory economies.

In volume terms, net exports (exports less imports) of goods to the Territory declined by 26.1 per cent in 2008-09 driven by a 70.3 per cent increase in imports. The strong growth in goods imports was driven by increasing volumes of feedstock gas for the ConocoPhillips liquefied natural gas (LNG) plant at Wickham Point and machinery and equipment primarily for the mining and energy industries. Territory goods exports in 2008-09 increased by 30 per cent driven by increasing volumes of mining and energy commodities such as LNG, alumina and iron ore.

Economic Outlook

The GSP, population and the Consumer Price Index (CPI) economic parameters reported in the 2009-10 Budget have been revised for the Mid-Year Report (Table 3.1). Revisions reflect new and or revised data and latest information regarding the status of projects.

Although slowing in 2009-10, the Territory economy is expected to continue outperforming the national economy supported by:

- strong growth in net exports;
- record levels of public investment;
- strong growth in private sector housing construction; and
- Commonwealth stimulus payments.

Gross State Product

The Budget forecast of 2.0 per cent for GSP growth in the Territory in 2009-10 has been revised upwards to 2.6 per cent, on the back of stronger than forecast growth in international exports.

The upward revision to growth in international exports reflects the expectations of a stronger recovery in the global economy over 2010 than was forecast in the Budget. In April 2009, the International Monetary Fund (IMF) forecast that, after contracting by 1.3 per cent in 2009, the global economy would stage a slow recovery over 2010, with below-trend growth of 1.9 per cent forecast. In October 2009, the IMF revised its 2010 growth forecast to 3.1 per cent driven by a stronger than expected rebound in Asian (particularly China's) economies over 2009. The stronger than forecast recovery in China has been fuelled by expansionary monetary policy and

a 4 trillion yuan stimulus package that will be primarily focused on major infrastructure projects across the country.

The Territory economy is expected to be a major beneficiary of the growth in Asia largely through increased demand for mineral and energy commodities. This is expected to support increasing production at a number of mines throughout the Territory that will drive exports growth. Strong growth in exports will also be fuelled by increasing oil production as a new sidetrack well at the Laminaria-Corallina oil fields in the Timor Sea ramps-up production. The forecast growth in oil production and exports growth has been partly offset by the short-term cessation of production at the Montara and Puffin oil fields.

Montara and Puffin oil fields

On 21 August 2009, the West Atlas drilling rig located at the Montara oil and gas field in the Timor Sea began spilling large amounts of oil into the surrounding waters. Numerous attempts were made by the operator PTTEP Australasia to plug the leak and it was during one of these attempts that the oil spill caught fire, leading to substantial damage to the West Atlas rig. Given the degree of damage, it is unlikely the Montara field will produce any oil over the remainder of 2009-10. In the Budget, the commencement of oil from this field and the ramping up of production at the nearby AED Oil Puffin field were expected to be major drivers of increased oil production in the Territory over 2009-10. With AED Oil announcing in May 2009 that it would be indefinitely ceasing production at the Puffin oil field, forecast oil production in the Territory has been revised downwards in the Mid-Year Report.

State Final Demand

SFD is forecast to decline by 3.9 per cent in 2009-10, less than the 5 per cent predicted at the time of the Budget. The reduction from 2008-09 reflects lower engineering construction activity and machinery and equipment expenditure as major projects are completed.

Partly offsetting this decline will be a 36 per cent increase in public investment in 2009-10. This reflects:

- a record capital works program by the Territory Government;
- the Commonwealth's Nation Building and Jobs Plan Package;
- a large increase in the Power and Water Corporation's capital works program; and
- Defence spending for infrastructure projects.

Growth in private consumption expenditure is forecast to strengthen from 1.9 per cent in 2008-09 to 2.7 per cent in 2009-10. Although strengthening over 2009-10, growth in household consumption is expected to remain below long-term trend levels. This largely reflects the unwinding effect of Commonwealth stimulus payments to households, rising interest rates and more moderate growth in the Territory economy over the year. Nevertheless, growth is expected to be underpinned by high levels of consumer confidence and ongoing population and employment growth. Strong growth in private housing construction will also be supportive of growth, particularly in the retail sector, reflecting the need to furnish these new dwellings.

Employment

The ABS reports Territory employment increased by 4.2 per cent in 2008-09, stronger than the 2.5 per cent rise in employment estimated at the time of the 2009-10 Budget. The employment growth forecast for 2009-10 of 2.8 per cent is above the 1.5 per cent forecast in the Budget.

Employment growth is expected to be driven by record levels of public sector investment associated with the Commonwealth's infrastructure-related stimulus spending, Defence infrastructure projects and the Territory Government's record capital works program. Large scale land releases coupled with a strong rebound in housing construction both in the public and private sectors will also be supportive of employment growth over the year.

Sampling variability and higher standard errors than other jurisdictions continue to be a factor affecting ABS labour force data in the Territory.

Population

Population estimates at 31 December each year are a key determinant of the allocation of the national GST revenue pool. Accurate population estimates are very important to the Territory, which is estimated to receive just over half its revenue from the GST. Population growth in the Territory is particularly difficult to forecast, as a result of volatile net interstate migration estimates, remoteness and the high proportion of Indigenous people resident in remote areas. Population growth is also heavily influenced by major projects, which results in highly volatile growth patterns.

At the time of the 2009-10 Budget, the Territory's resident population was forecast to increase by 1.8 per cent to December 2009. This has been revised upwards to 2.0 per cent based on strong population growth levels experienced over the last year, as the result of stronger than expected overseas and interstate migration figures.

Activity related to increased public housing in urban and remote areas and the Territory's record capital works program are likely to continue to stimulate growth in the short term, while the recent turnaround in the global economy, particularly in the Chinese economy, is likely to sustain strong population growth levels. Population growth is forecast to continue at 2.0 per cent to December 2010, revised up from 1.6 per cent.

Consumer Price Index

The Darwin inflation outlook reported at the time of the Budget was that declining fuel prices, subdued consumer spending and significant falls in commodity prices as a result of the slowing global and Territory economies would lead to a moderation in growth from 4 per cent in 2008 to 2.6 per cent in 2009. Although fuel prices have declined and consumer spending moderated as forecast, housing purchase and rental prices have increased by more than expected. As a result, the growth forecast for the Darwin CPI in 2009 has been revised upwards to 2.8 per cent.

Moderating growth in housing prices, tight rental markets in 2010

Despite large increases in 2009, growth in housing prices in the Darwin region are expected to moderate in 2010. This reflects the impact of:

- substantial amounts of new residential land being released over the year;
- strong growth in private sector housing construction, which will significantly add to supply;
- moderating first home buyer activity following the cessation of the First Home Owner Boost in January 2010; and
- expected increases in interest rates by the Reserve Bank of Australia.

Nevertheless, the housing component of the CPI is expected to continue to be a significant driver of inflation, reflecting ongoing pressure on rental prices. The continuing tightness in the rental market reflects forecasts of strong population growth, low rental vacancy rates and lower net rental stocks. The reduction in net rental stocks over 2009 has been affected by the increased number of first home buyers purchasing established properties, especially at the lower end of the market, that have not been replaced with new supplies. New rental housing supplies (especially unit developments in the Darwin CBD) have been constrained by tighter credit markets and increased risk aversion by financial institutions. This is reflected in the decline in the number of building approvals for units in the Darwin region over 2009. Although building approvals for units may recover over 2010, driven by investors attracted by relatively high rental yields, substantial increases in supply are not expected to come onto the market until 2011.

Appreciating Australian dollar detracting from growth

Strengthening demand for resource commodities coupled with increasing interest rates and the ongoing underperformance of the US economy, is forecast to lead to the continuing appreciation of the Australian dollar over the remainder of 2009 and into 2010. This will help to partly offset the impact on Darwin's inflation rate of forecast increases in \$US denominated crude oil prices, driven by the strengthening global economy, over the year.

CPI outlook

The slowing Territory economy, increasing interest rates and the forecast appreciation of the Australian dollar are expected to detract from growth in the Darwin CPI over 2010. Nevertheless, growth is expected to remain above long-term trend levels driven by increasing housing-related prices, especially for rental accommodation. As a result, the Budget forecast of 2.5 per cent growth in the Darwin CPI has been revised upwards to 2.9 per cent in the Mid-Year Report.

Fiscal Strategy

The *Fiscal Integrity and Transparency Act* requires the Mid-Year Report to provide updated information to allow an assessment of the Government's fiscal performance against fiscal strategy targets, as set out in the 2009-10 Budget.

The fiscal strategy was revised in the 2009-10 Budget as a result of the global financial crisis. The 2009-10 Mid-Year Report has also been framed against this backdrop. The revised strategy contains short-term and medium-term measures and is encapsulated by the Territory Government's commitment to increase investment in both infrastructure and service delivery programs to support jobs and maintain growth in the Territory.

The Government's short and medium term fiscal objectives as set out in the 2009-10 Budget papers and the assessment of this strategy against the updated fiscal projections follows.

Sustainable Service Provision

Target: Expenditure growth not to exceed revenue growth, excluding tied Commonwealth funding.

Assessment: Return budget to surplus once economy improves

The cash outcome still projected to trend towards a surplus position.

Infrastructure for Economic and Community Development

Target: Maintain infrastructure investment at appropriate levels.

Assessment: Infrastructure spending of at least twice depreciation expenses on average over the current economic cycle and at least equal thereafter.

Updated fiscal projections continue to project infrastructure spending in excess of target measure.

Competitive Tax Environment

Target: Ensure Territory taxes and charges are competitive with the average of the states and territories.

Assessment: Taxation below the state average.

The Territory's taxation revenue per capita remains significantly below the state average.

Prudent Management of Liabilities

Target: Reduce debt to pre-GFC levels once the economy rebounds.

Assessment: Once economy improves, debt levels to reduce on average by 5 per cent per annum of additional debt incurred since 2007-08.

The measures of net debt and net financial liabilities have improved since May 2009.

The purpose of the Mid-Year Report is to provide updated estimates for the Budget and three forward years. Many of the fiscal strategy targets provide both absolute measures for the Territory as well as comparative state measures. Although information for the states is generally available for the

Sustainable Service Provision

2008-09 outcome, updated state estimates for 2009-10 are not yet available. Thus the comparisons that follow provide updated information for the Territory and, only where possible, updated comparative state data.

Target: Expenditure growth not to exceed revenue growth, excluding tied Commonwealth funding

This element of the fiscal strategy aims to limit growth in general government operating expenses to less than the growth in revenue, excluding tied Commonwealth revenue, over the economic cycle, thereby achieving a sufficient operating balance to fund general government capital spending.

During the economic downturn of falling revenue growth and increased infrastructure spending, this aim will limit cash deficits to a minimum to support growth in the local economy. Once the economy and government revenues return to more normal levels, the aim is to have sufficient cash surpluses to fund capital spending and provide capacity to retire debt to pre-GFC levels.

As stated in the 2008-09 TAFR, the cash surplus in 2008-09 that primarily resulted from additional tied funding received from the Commonwealth late in the financial year has resulted in a worsening effect on the 2009-10 revised estimate compared to the May 2009 Budget. This is offset by the increase in GST revenue, mining royalties and stamp duty on conveyances, and results in a revised deficit of \$249 million, which when the effect of the carryover of expenditure from 2008-09 is excluded, is an underlying improvement of around \$100 million.

All forward year cash targets remain unchanged with the net operating balance remaining in a surplus position in all years, providing some capacity to invest in infrastructure.

Table 3.2 compares the net operating balance, including as a proportion of revenue, and the cash outcome for 2009-10 and forward estimates against those predicted in May 2009.

Table 3.2: General Government Sector – Net Operating Balance and Cash Outcome

	2008-09 ¹	2009-10	2010-11	2011-12	2012-13
2009-10 Budget					
Net Operating Balance (\$M)	99	214	115	121	78
As a Proportion of Total Revenue (%)	2.44	5.06	2.70	2.77	1.79
Cash Outcome (\$M)	- 13	- 196	- 174	- 92	- 24
2009-10 Mid-Year Report					
Net Operating Balance (\$M)	187	236	132	134	69
As a Proportion of Total Revenue (%)	4.47	5.30	2.98	2.96	1.54
Cash Outcome (\$M)	136	- 249	- 174	- 92	- 24
Variation					
Net Operating Balance (\$M)	88	22	17	13	- 9
As a Proportion of Total Revenue (%)	2.03	0.24	0.28	0.19	- 0.25
Cash Outcome (\$M)	149	- 53	0	0	0

¹ Mid-Year Report reflects actual outcome.

Source: Northern Territory Treasury

Infrastructure for Economic and Community Development

Target: Maintain infrastructure investment at appropriate levels

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

Short-term counter-cyclical increases in infrastructure spending during the period of economic downturn are required to support economic recovery and sustain jobs in the Territory. Accordingly, the Territory Government has committed to spending at least twice its level of depreciation expenses on capital infrastructure on average over the current economic cycle.

Once the economy and government revenues return to more usual levels, the strategy is to maintain infrastructure spending to at least equal to depreciation charges to support medium-term economic growth while trending towards the objective of a general government fiscal balance.

As shown in Table 3.3 and 3.4, all years through 2011-12 show a further increase in investment in infrastructure since Budget-time and all years continue to exceed the revised fiscal strategy target of spending twice depreciation levels over the current economic cycle.

The Government's infrastructure investment comprises purchases of non financial assets (including construction and capital items) and capital grants to non government organisations.

Table 3.3: General Government
Sector – Capital Investment

	2008-09 ¹	2009-10	2010-11	2011-12	2012-13
	\$M	\$M	\$M	\$M	\$M
2009-10 Budget					
Purchases of Non Financial Assets	465	735	600	509	394
Capital Grants	178	157	157	117	54
Total	643	892	757	626	448
2009-10 Mid-Year Report					
Purchases of Non Financial Assets	449	810	621	530	395
Capital Grants	228	212	173	117	51
Total	676	1 022	794	647	445
Variation					
Purchases of Non Financial Assets	- 16	75	21	21	1
Capital Grants	50	55	16	0	- 2
Total	34	130	37	21	- 3

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

The increase in capital investment since May 2009 is mainly the result of increased Commonwealth-funded infrastructure investment under the Building the Education Revolution stimulus package, funding for remote police stations and Indigenous housing.

Table 3.4: General Government Sector – Capital Investment to Depreciation Ratio

	2008-09 ¹	2009-10	2010-11	2011-12	2012-13
2009-10 Budget					
Total Capital Investment (\$M)	643	892	757	626	448
Depreciation (\$M)	193	196	199	202	204
Capital Investment to Depreciation Ratio (%)	3.3	4.6	3.8	3.1	2.2
2009-10 Mid-Year Report					
Total Capital Investment (\$M)	676	1022	794	647	445
Depreciation (\$M)	196	197	199	202	205
Capital Investment to Depreciation Ratio (%)	3.4	5.2	4.0	3.2	2.2
Variation					
Total Capital Investment (\$M)	34	130	37	21	- 2
Depreciation (\$M)	3	1	0	0	1
Capital Investment to Depreciation Ratio (%)	0.1	0.6	0.2	0.1	0.0

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

The fiscal balance is an accrual measure that includes the effect of both capital and operating transactions and demonstrates the Territory's investment balance. A fiscal balance deficit is consistent with a developing jurisdiction such as the Territory.

Table 3.5 presents the general government sector's fiscal balance over the forward years and as a proportion of total revenue against those predicted in May 2009.

Table 3.5: General Government Sector – Fiscal Balance

	2008-09 ¹	2009-10	2010-11	2011-12	2012-13
2009-10 Budget					
Fiscal Balance (\$M)	- 114	- 248	- 218	- 119	- 44
As a Proportion of Total Revenue (%)	- 2.81	- 5.87	- 5.12	- 2.72	- 1.01
2009-10 Mid-Year Report					
Fiscal Balance (\$M)	- 22	- 298	- 222	- 127	- 53
As a Proportion of Total Revenue (%)	- 0.53	- 6.70	- 5.02	- 2.79	- 1.20
Variation					
Fiscal Balance (\$M)	92	- 50	- 4	- 8	- 9
As a Proportion of Total Revenue (%)	2.28	- 0.83	0.10	- 0.07	- 0.19

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

Although the Territory's fiscal balance remains in deficit over the budget cycle, it continues to improve to a projected fiscal balance deficit of \$53 million in 2012-13, albeit at a slower rate than projected in May 2009.

Competitive Tax Environment

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

The Government is committed to maintaining taxation at levels that are competitive with other states and territories and to encourage increased levels of business activity in the Territory. Accordingly this element of the strategy is constant irrespective of prevailing economic conditions.

Comparisons of relative tax competitiveness are complex due to inherent differences in respective economies and in taxation regimes. Therefore in order to measure and assess the competitiveness of the Territory's tax system, the following are utilised:

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

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

Table 3.6 shows that the Territory's tax collection for 2009-10 is estimated to increase by \$56 to \$1871 per capita from original 2009-10 Budget estimates but remains well below the average of the other jurisdictions of \$2399 per capita. This movement since May 2009 is due to the increase in economic activity offset by the decrease in bookmakers tax.

Table 3.6: General Government Sector – Comparison Taxation Revenue Per Capita

	2008-09 Estimate	2008-09 Outcome ¹	2009-10 Budget	2009-10 Revised ²
	\$ per capita	\$ per capita	\$ per capita	\$ per capita
State Average	2 332	2 335	2 399	2 399
Northern Territory	1 850	1 815	1 815	1 871

¹ Actual 2008-09 data not available for ACT and South Australia (Budget estimate used).

² 2009-10 revised reflects original Budget for state average.

Source: State and territory outcome reports, state and territory budget papers, ABS Cat. No. 3101.0

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

A more useful measure of tax competitiveness is the Commission's analysis of 'tax effort', which adjusts for the extent to which a particular state's capacity to raise revenue is above or below average. Table 3.7 details the Territory's revenue-raising capacity and effort expressed as a percentage of the Australian average in 2007-08, the latest year assessed by the Commission.

Table 3.7: Northern Territory Revenue – Raising Capacity and Effort 2007-08

	Capacity ¹	Effort ²
	%	%
Total Taxation	77	102
Total Own-Source Revenue	89	99

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

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

Source: Commonwealth Grants Commission 2009 Update

The Commission's assessment shows that the Territory's tax effort (102 per cent) is slightly above the Australian average reflecting the continued growth in the housing market in that year. In regard to own-source revenue, the Territory's effort is at 99 per cent, slightly below the Australian average.

The Commission's assessment combined with the per capita measure of taxation revenue demonstrates that the Government continues to provide a competitive tax environment for Territorians.

Prudent Management of Liabilities

Target: Reduce debt to pre-GFC levels once the economy rebounds

This element of the revised fiscal strategy provides that during the current economic cycle, short-term increases in general government debt levels are expected as a result of increased investment in infrastructure to support Territory jobs and the economy. It also aims to ensure that debt is prudently managed, taking into consideration service delivery needs and capital investment in infrastructure to promote social wellbeing and economic growth.

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

Once the economy recovers the sustainable service provision target of limiting expenditure growth will provide the capacity to reduce any additional debt incurred on average by 5 per cent per annum.

The measures of net debt and net financial liabilities for the general government sector provide the means of assessing the Territory's performance against this element of the fiscal strategy.

Table 3.8: General Government Sector – Net Debt and Net Financial Liabilities

	2008-09 ¹	2009-10	2010-11	2011-12	2012-13
2009-10 Budget					
Net Debt (\$M)	993	1 193	1 349	1 422	1 426
Net Debt to Revenue (%)	24	28	32	32	33
Net Financial Liabilities (\$M)	4 391	4 666	4 890	5 016	5 066
Net Financial Liabilities to Revenue (%)	108	110	115	115	116
2009-10 Mid-Year Report					
Net Debt (\$M)	837	1 036	1 185	1 251	1 248
Net Debt to Revenue (%)	20	23	27	28	28
Net Financial Liabilities (\$M)	3 749	4 200	4 415	4 535	4 580
Net Financial Liabilities to Revenue (%)	90	94	100	100	103
Variation					
Net Debt (\$M)	- 156	- 157	- 164	- 171	- 178
Net Debt to Revenue (%)	- 4	- 5	- 5	- 5	- 5
Net Financial Liabilities (\$M)	- 642	- 466	- 475	- 481	- 486
Net Financial Liabilities to Revenue (%)	- 18	- 16	- 15	- 15	- 13

¹ Mid-Year Report reflects actual outcome.

Source: Northern Territory Treasury

Over the forward estimates period, the ratio of net debt to revenue has decreased from that estimated in May 2009 predominately due to the 2008-09 cash surplus and the market value of the Territory's investments. This has then flowed through to the forward estimates with the ratio to revenue now projected to be 28 per cent in 2012-13.

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

Table 3.8 highlights that the level of net financial liabilities is estimated to continue to fall over the forward estimates from that projected at Budget-time to \$4580 million by 2012-13.

When compared to the 2008-09 outcome of 90 per cent, net financial liabilities as a ratio to revenue is expected to increase in all forward years. This increase is predominantly due to the long-term bond rate used to value the Territory's superannuation liability. A discount rate of 5.6 per cent, as required by accounting standards, was applied in the 2008-09 actual outcome resulting in a lower liability. However since 30 June 2009, the 10-year bond rate has reduced to around 5 per cent at the time of writing this Report. Accordingly 5 per cent has been used in valuing the Territory's superannuation liability for 2009-10 and all forward estimate years. This compares to 4 per cent that was estimated in the May 2009 Budget and largely accounts for the improvement in the revised estimate on that projected at Budget-time for all years.

Conclusion

Overall the Territory continues to maintain its trend towards its objectives and targets as set out in the fiscal strategy, which was revised in the 2009-10 Budget due to the GFC, the effects of which on the Territory's economic and financial conditions continue to be experienced.

The operating balance continues to remain in surplus over the budget cycle, largely as a greater proportion of revenue is applied to capital investment with deficit cash and fiscal balances still predicted in all years.

This reflects the slower than historic growth in the Territory's revenue base despite the slight increase in GST revenue, and the ongoing Territory Government's commitment to stimulating the economy during the current economic and financial conditions.

In addition, the Territory Government is continuing its commitment to maintain taxation at competitive levels, relative to the rest of Australia, in order to encourage increased levels of business activity.

The measures of net debt and net financial liabilities to revenue have improved since that projected in May 2009. This is despite the continued backdrop of economic uncertainty and the record levels of investment in the Territory's infrastructure base that mean short-term budget deficits and increased debt are inevitable. However, as reflected in the medium-term objectives of the strategy, the Government remains committed to return the budget to surplus and retire debt as soon as it is economically prudent to do so.

The most significant risk to the Territory's Budget remains the effect of GST revenue changes from the 2010 Major Review of State Revenue Sharing Relativities currently being undertaken by the Commonwealth Grants Commission.

Chapter 4 Uniform Presentation Framework

Under the Uniform Presentation Framework (UPF), jurisdictions have agreed to publish information in a standard format in their budget papers, outcome and mid-year reports to facilitate a basis for meaningful comparisons of each government's financial results and projections.

Consistent with 2008-09, the 2009-10 Mid-Year Report financial statements are presented in accordance with accounting standard AASB 1049 – Whole of Government and General Government Sector Financial Reporting.

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

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

During the preparation of the 2009-10 Budget, Territory Housing merged with the Department of Local Government and Housing, with the exception of home lending activities, which were included in the government business division, NT Home Ownership. At the time of the 2009-10 Budget, NT Home Ownership was reported in the Public Non Financial Corporation Sector. However, the most recent advice received from the Australian Bureau of Statistics is that NT Home Ownership should be included within the General Government Sector. Accordingly all original budget data presented in this Report has been restated for this treatment change. The effect on budget estimates outcomes is not material.

Also included are tables presenting general government sector taxes and the revised 2009-10 Loan Council Allocation.

Table 4.1

General Government Sector Operating Statement

	2009-10 Budget	2009-10 Revised	2010-11 Forward Estimates	2011-12 Forward Estimates	2012-13 Forward Estimates
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	404 930	417 385	414 953	428 575	425 041
Current grants	3 081 764	3 215 432	3 286 118	3 478 784	3 526 174
Capital grants	304 650	343 474	287 316	181 030	56 112
Sales of goods and services	151 053	158 114	161 883	158 277	158 515
Interest income	65 228	59 280	57 154	58 243	59 396
Dividend and income tax equivalent income	20 831	20 831	22 316	41 851	39 654
Other	197 201	239 597	198 190	194 053	193 648
TOTAL REVENUE	4 225 657	4 454 113	4 427 930	4 540 813	4 458 540
<i>less</i> EXPENSES					
Employee expenses	1 462 252	1 518 020	1 590 745	1 673 968	1 710 925
Superannuation expenses					
Superannuation interest cost	117 771	129 868	132 613	135 221	137 422
Other superannuation expenses	159 189	140 313	137 326	137 142	134 452
Depreciation and amortisation	196 270	196 647	199 423	202 062	204 725
Other operating expenses	996 485	1 056 427	1 166 482	1 209 931	1 230 181
Interest expenses	127 634	129 590	137 282	148 014	150 610
Other property expenses					
Current grants	687 253	727 326	649 663	668 263	652 975
Capital grants	157 025	211 910	172 591	117 038	50 544
Subsidies and personal benefit payments	107 672	107 917	109 946	114 939	118 043
TOTAL EXPENSES	4 011 551	4 218 018	4 296 071	4 406 578	4 389 877
<i>equals</i> NET OPERATING BALANCE	214 106	236 095	131 859	134 235	68 663
<i>plus</i> Other economic flows – included in operating result	- 11 435	397 637	17 920	20 864	21 561
<i>equals</i> OPERATING RESULT	202 671	633 732	149 779	155 099	90 224
<i>plus</i> Other economic flows – other non-owner movements in equity	103 240	29 940	37 239	93 687	91 938
<i>equals</i> COMPREHENSIVE RESULT – Total change in net worth before transactions with owners as owners	305 911	663 672	187 018	248 786	182 162
NET OPERATING BALANCE	214 106	236 095	131 859	134 235	68 663
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	735 414	810 030	620 996	530 249	394 568
Sales of non financial assets	- 77 494	- 78 914	- 67 471	- 67 298	- 67 734
<i>less</i> Depreciation	196 270	196 647	199 423	202 062	204 725
<i>plus</i> Change in inventories					
<i>plus</i> Other movements in non financial assets					
<i>equals</i> Total net acquisition of non financial assets	461 650	534 469	354 102	260 889	122 109
<i>equals</i> FISCAL BALANCE	- 247 544	- 298 374	- 222 243	- 126 654	- 53 446

Table 4.2

General Government Sector Balance Sheet

	2009-10 Budget	2009-10 Revised	2010-11	2011-12	2012-13
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	66 145	101 616	95 795	119 086	118 085
Advances paid	155 804	129 339	129 730	130 121	130 512
Investments, loans and placements	572 353	747 537	798 689	843 930	863 474
Receivables	129 871	127 653	129 139	134 930	134 568
Equity					
Investments in other public sector entities	1 335 619	1 376 120	1 413 359	1 507 046	1 598 984
Investments – other		100	100	100	100
Other financial assets					
Total financial assets	2 259 792	2 482 365	2 566 812	2 735 213	2 845 723
Non financial assets					
Inventories	8 264	8 797	8 797	8 797	8 797
Property, plant and equipment	6 102 405	7 649 033	8 019 425	8 299 193	8 440 501
Investment property	40 656	43 272	37 915	32 558	27 201
Other non financial assets	3 409	3 252	3 241	3 230	3 219
Total non financial assets	6 154 734	7 704 354	8 069 378	8 343 778	8 479 718
TOTAL ASSETS	8 414 526	10 186 719	10 636 190	11 078 991	11 325 441
LIABILITIES					
Deposits held	130 967	157 451	162 668	211 699	237 441
Advances received	245 124	245 491	218 707	211 129	203 226
Borrowing	1 611 575	1 611 051	1 828 017	1 921 171	1 918 952
Superannuation	3 010 020	2 652 268	2 704 426	2 748 446	2 782 352
Other employee benefits	442 766	474 772	484 532	494 715	504 125
Payables	105 146	102 178	102 214	102 179	102 181
Other liabilities	44 863	63 216	68 316	73 556	78 906
TOTAL LIABILITIES	5 590 461	5 306 427	5 568 880	5 762 895	5 827 183
NET ASSETS/(LIABILITIES)	2 824 065	4 880 292	5 067 310	5 316 096	5 498 258
Contributed equity					
Accumulated surplus/(deficit)	342 023	899 792	1 049 571	1 204 670	1 294 894
Reserves	2 482 043	3 980 500	4 017 739	4 111 426	4 203 364
NET WORTH	2 824 066	4 880 292	5 067 310	5 316 096	5 498 258
NET FINANCIAL WORTH ¹	- 3 330 669	- 2 824 062	- 3 002 068	- 3 027 682	- 2 981 460
NET FINANCIAL LIABILITIES ²	4 666 288	4 200 182	4 415 427	4 534 728	4 580 444
NET DEBT³	1 193 364	1 035 501	1 185 178	1 250 862	1 247 548

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

	2009-10 Budget	2009-10 Revised	2010-11	2011-12	2012-13
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	404 930	417 385	414 953	428 575	425 041
Receipts from sales of goods and services	151 942	160 976	163 998	160 392	160 630
Grants and subsidies received	3 386 414	3 558 906	3 573 434	3 659 814	3 582 286
Interest receipts	65 228	59 280	57 154	58 243	59 396
Dividends and income tax equivalents	16 750	16 750	20 831	36 060	40 016
Other receipts	189 354	230 624	189 102	184 950	184 530
Total operating receipts	4 214 618	4 443 921	4 419 472	4 528 034	4 451 899
Cash payments for operating activities					
Payments for employees	- 1 657 214	- 1 717 032	- 1 791 849	- 1 885 196	- 1 932 536
Payment for goods and services	- 992 537	- 1 052 479	- 1 161 393	- 1 204 691	- 1 224 831
Grants and subsidies paid	- 951 905	- 1 047 108	- 932 155	- 900 195	- 821 517
Interest paid	- 127 633	- 129 583	- 137 236	- 148 049	- 150 608
Other payments					
Total operating payments	- 3 729 289	- 3 946 202	- 4 022 633	- 4 138 131	- 4 129 492
NET CASH FLOWS FROM OPERATING ACTIVITIES	485 329	497 719	396 839	389 903	322 407
Cash flows from investments in non financial assets					
Sales of non financial assets	77 494	78 914	67 471	67 298	67 734
Purchases of non financial assets	- 735 414	- 810 030	- 620 996	- 530 249	- 394 568
Net cash flows from investments in non financial assets	- 657 920	- 731 116	- 553 525	- 462 951	- 326 834
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 172 591	- 233 397	- 156 686	- 73 048	- 4 427
Net cash flows from investments in financial assets for policy purposes ¹	- 640	- 391	- 391	- 391	- 391
Net cash flows from investments in financial assets for liquidity purposes	209 753	220 830	- 44 143	- 37 877	- 11 803
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 448 807	- 510 677	- 598 059	- 501 219	- 339 028
Net cash flows from financing activities					
Advances received (net)	- 340	- 6 520	- 26 784	- 7 578	- 7 903
Borrowing (net)	- 8 799	- 2 619	216 966	93 154	- 2 219
Deposits received (net)	- 24 433	- 35 788	5 217	49 031	25 742
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 33 572	- 44 927	195 399	134 607	15 620
NET INCREASE/DECREASE IN CASH HELD	2 950	- 57 885	- 5 821	23 291	- 1 001
Net cash flows from operating activities	485 329	497 719	396 839	389 903	322 407
Net cash flows from investments in non financial assets	- 657 920	- 731 116	- 553 525	- 462 951	- 326 834
CASH SURPLUS (+)/DEFICIT (-)	- 172 591	- 233 397	- 156 686	- 73 048	- 4 427
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 172 591	- 233 397	- 156 686	- 73 048	- 4 427
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 172 591	- 233 397	- 156 686	- 73 048	- 4 427
Future infrastructure and superannuation contributions/earnings ²	- 23 894	- 15 891	- 17 751	- 18 816	- 19 946
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 196 485	- 249 288	- 174 437	- 91 864	- 24 373

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

² Contributions for future infrastructure and superannuation requirements.

Table 4.4

Public Non Financial Corporation Sector Operating Statement

	2009-10	2009-10	2010-11	2011-12	2012-13
	Budget	Revised	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Current grants	118 254	118 261	118 570	122 527	125 578
Capital grants	18 900	18 900	15 331	15 727	16 135
Sales of goods and services	465 240	465 240	505 061	543 506	568 324
Interest income	1 037	1 037	952	945	950
Other	50 935	50 935	35 872	36 573	38 077
TOTAL REVENUE	654 366	654 373	675 786	719 278	749 064
<i>less</i> EXPENSES					
Employee expenses	70 898	70 898	82 210	81 770	88 546
Superannuation expenses	10 998	10 998	11 248	11 248	11 505
Depreciation and amortisation	89 042	89 042	95 129	96 891	100 862
Other operating expenses	424 136	424 143	414 742	378 313	393 217
Interest expenses	47 224	45 520	62 062	74 887	84 654
Other property expenses	184	184	166	18 491	16 044
Current grants					
Capital grants					
Subsidies and personal benefit payments	5 023	5 023	5 148	5 277	5 277
TOTAL EXPENSES	647 505	645 808	670 705	666 877	700 105
<i>equals</i> NET OPERATING BALANCE	6 861	8 565	5 081	52 401	48 959
<i>plus</i> Other economic flows – included in operating result	75 827	- 1 545	- 1 110	- 1 213	- 1 271
<i>equals</i> OPERATING RESULT	82 688	7 020	3 971	51 188	47 688
<i>plus</i> Other economic flows – other non-owner movements in equity	- 214	- 214	- 194	- 194	- 194
<i>equals</i> COMPREHENSIVE RESULT – Total change in net worth before transactions with owners as owners	82 474	6 806	3 777	50 994	47 494
NET OPERATING BALANCE	6 861	8 565	5 081	52 401	48 959
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	286 575	286 575	292 291	241 310	259 376
Sales of non financial assets	- 186	- 186	- 126	- 126	- 126
<i>less</i> Depreciation	89 042	89 042	95 129	96 891	100 862
<i>plus</i> Change in inventories	- 17	- 17	16 846	21 959	23 554
<i>plus</i> Other movements in non financial assets	23 850	23 850	14 196	14 551	14 915
<i>equals</i> Total net acquisition of non financial assets	221 180	221 180	228 078	180 803	196 857
<i>equals</i> FISCAL BALANCE	- 214 319	- 212 615	- 222 997	- 128 402	- 147 898

Table 4.5
Public Non Financial Corporation Sector Balance Sheet

	2009-10 Budget	2009-10 Revised	2010-11	2011-12	2012-13
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	42 149	86 995	82 630	99 799	105 596
Advances paid					
Investments, loans and placements					
Receivables	71 920	64 952	74 010	78 945	82 480
Equity	3	3	3	3	3
Other financial assets					
Total financial assets	114 072	151 950	156 643	178 747	188 079
Non financial assets					
Inventories	21 187	18 128	34 974	56 933	80 487
Property, plant and equipment	1 908 630	1 891 167	2 102 519	2 261 483	2 434 906
Investment property					
Other non financial assets	3 943	2 361	2 361	2 361	2 361
Total non financial assets	1 933 760	1 911 656	2 139 854	2 320 777	2 517 754
TOTAL ASSETS	2 047 832	2 063 606	2 296 497	2 499 524	2 705 833
LIABILITIES					
Deposits held		392	392	392	392
Advances received					
Borrowing	814 416	805 930	1 028 335	1 177 312	1 330 857
Superannuation					
Other employee benefits	27 238	29 894	32 154	33 384	34 671
Payables	60 930	56 231	60 728	57 982	62 558
Other liabilities	12 132	15 916	15 868	20 440	19 847
TOTAL LIABILITIES	914 716	908 363	1 137 477	1 289 510	1 448 325
NET ASSETS/(LIABILITIES)	1 133 116	1 155 243	1 159 020	1 210 014	1 257 508
Contributed equity	361 549	362 172	362 172	362 172	362 172
Accumulated surplus/(deficit)	751 431	772 935	776 712	827 706	875 200
Reserves	20 136	20 136	20 136	20 136	20 136
TOTAL EQUITY	1 133 116	1 155 243	1 159 020	1 210 014	1 257 508
NET FINANCIAL WORTH¹	- 800 644	- 756 413	- 980 834	- 1 110 763	- 1 260 246
NET DEBT²	772 267	719 327	946 097	1 077 905	1 225 653

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

	2009-10	2009-10	2010-11	2011-12	2012-13
	Budget	Revised	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Receipts from sales of goods and services	467 528	470 344	496 634	539 102	565 015
Grants and subsidies received	137 154	137 161	133 901	138 254	141 713
Interest receipts	1 032	1 032	949	942	947
Other receipts	28 838	26 022	19 926	20 272	21 692
Total operating receipts	634 552	634 559	651 410	698 570	729 367
Cash payments for operating activities					
Income tax equivalents paid	- 266	- 236	- 185	- 13 874	- 16 658
Payments for employees	- 87 153	- 87 180	- 97 543	- 98 442	- 105 380
Payment for goods and services	- 436 326	- 436 336	- 421 881	- 397 063	- 405 891
Grants and subsidies paid	- 5 023	- 5 023	- 5 148	- 5 277	- 5 277
Interest paid	- 46 254	- 44 905	- 61 044	- 74 344	- 84 465
Other payments					
Total operating payments	- 575 022	- 573 680	- 585 801	- 589 000	- 617 671
NET CASH FLOWS FROM OPERATING ACTIVITIES	59 530	60 879	65 609	109 570	111 696
Cash flows from investments in non financial assets					
Sales of non financial assets	186	186	126	126	126
Purchases of non financial assets	- 286 575	- 286 575	- 292 291	- 241 310	- 259 376
Net cash flows from investments in non financial assets	- 286 389	- 286 389	- 292 165	- 241 184	- 259 250
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 226 859	- 225 510	- 226 556	- 131 614	- 147 554
Net cash flows from investments in financial assets for policy purposes ¹					
Net cash flows from investments in financial assets for liquidity purposes					
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 286 389	- 286 389	- 292 165	- 241 184	- 259 250
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	207 566	200 566	222 405	148 977	153 545
Deposits received (net)					
Dividends paid	- 168	- 168	- 214	- 194	- 194
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	207 398	200 398	222 191	148 783	153 351
NET INCREASE/DECREASE IN CASH HELD	- 19 461	- 25 112	- 4 365	17 169	5 797
Net cash flows from operating activities	59 530	60 879	65 609	109 570	111 696
Net cash flows from investments in non financial assets	- 286 389	- 286 389	- 292 165	- 241 184	- 259 250
Dividends paid	- 168	- 168	- 214	- 194	- 194
CASH SURPLUS (+)/DEFICIT (-)	- 227 027	- 225 678	- 226 770	- 131 808	- 147 748
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 227 027	- 225 678	- 226 770	- 131 808	- 147 748
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 227 027	- 225 678	- 226 770	- 131 808	- 147 748

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

Table 4.7

Non Financial Public Sector Operating Statement

	2009-10 Budget	2009-10 Revised	2010-11	2011-12	2012-13
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	398 722	411 177	408 607	421 957	418 423
Current grants	3 084 964	3 218 632	3 286 118	3 478 784	3 526 174
Capital grants	304 650	343 474	287 316	181 030	56 112
Sales of goods and services	593 250	598 749	642 166	677 005	702 267
Interest income	65 330	59 382	57 166	58 243	59 396
Dividend and income tax equivalent income	20 433	20 433	21 956	23 166	23 416
Other	242 580	284 976	228 491	225 040	226 124
TOTAL REVENUE	4 709 929	4 936 823	4 931 820	5 065 225	5 011 912
<i>less</i> EXPENSES					
Employee expenses	1 533 150	1 588 918	1 672 955	1 755 738	1 799 471
Superannuation expenses					
Superannuation interest cost	117 771	129 868	132 613	135 221	137 422
Other superannuation expenses	164 681	145 805	143 053	142 854	140 406
Depreciation and amortisation	285 312	285 689	294 552	298 953	305 587
Other operating expenses	1 391 320	1 449 707	1 550 050	1 556 798	1 592 158
Interest expenses	173 923	174 175	198 404	221 956	234 314
Other property expenses					
Current grants	638 389	678 455	599 736	617 042	600 427
Capital grants	138 125	193 010	157 260	101 311	34 409
Subsidies and personal benefit payments	46 505	46 750	46 451	48 910	50 290
TOTAL EXPENSES	4 489 176	4 692 377	4 795 074	4 878 783	4 894 484
<i>equals</i> NET OPERATING BALANCE	220 753	244 446	136 746	186 442	117 428
<i>plus</i> Other economic flows – included in operating result	64 392	396 092	16 810	19 651	20 290
<i>equals</i> OPERATING RESULT	285 145	640 538	153 556	206 093	137 718
<i>plus</i> Other economic flows – other non-owner movements in equity	20 766	23 134	33 462	42 693	44 444
<i>equals</i> COMPREHENSIVE RESULT – Total change in net worth before transactions with owners as owners	305 911	663 672	187 018	248 786	182 162
NET OPERATING BALANCE	220 753	244 446	136 746	186 442	117 428
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	1 021 989	1 096 605	913 287	771 559	653 944
Sales of non financial assets	- 77 680	- 79 100	- 67 597	- 67 424	- 67 860
<i>less</i> Depreciation	285 312	285 689	294 552	298 953	305 587
<i>plus</i> Change in inventories	- 17	- 17	16 846	21 959	23 554
<i>plus</i> Other movements in non financial assets	23 850	23 850	14 196	14 551	14 915
<i>equals</i> Total net acquisition of non financial assets	682 830	755 649	582 180	441 692	318 966
<i>equals</i> FISCAL BALANCE	- 462 077	- 511 203	- 445 434	- 255 250	- 201 538

Table 4.8

Non Financial Public Sector Sector Balance Sheet

	2009-10 Budget	2009-10 Revised	2010-11	2011-12	2012-13
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	69 440	105 329	99 906	119 530	118 529
Advances paid	155 804	129 339	129 730	130 121	130 512
Investments, loans and placements	572 353	747 537	798 689	843 930	863 474
Receivables	189 506	184 498	195 077	201 219	205 001
Equity					
Investments in other public sector entities	202 503	220 877	254 339	297 032	341 476
Investments – other	3	103	103	103	103
Other financial assets					
Total financial assets	1 189 609	1 387 683	1 477 844	1 591 935	1 659 095
Non financial assets					
Inventories	29 451	26 925	43 771	65 730	89 284
Property, plant and equipment	8 011 035	9 540 200	10 121 944	10 560 676	10 875 407
Investment property	40 656	43 272	37 915	32 558	27 201
Other non financial assets	7 352	5 613	5 602	5 591	5 580
Total non financial assets	8 088 494	9 616 010	10 209 232	10 664 555	10 997 472
TOTAL ASSETS	9 278 103	11 003 693	11 687 076	12 256 490	12 656 567
LIABILITIES					
Deposits held	92 113	74 561	84 541	112 736	132 681
Advances received	245 124	245 491	218 707	211 129	203 226
Borrowing	2 425 991	2 416 981	2 856 352	3 098 483	3 249 809
Superannuation	3 010 020	2 652 268	2 704 426	2 748 446	2 782 352
Other employee benefits	470 003	504 666	516 686	528 099	538 796
Payables	159 677	150 998	155 528	152 744	157 319
Other liabilities	51 110	78 436	83 526	88 757	94 126
TOTAL LIABILITIES	6 454 038	6 123 401	6 619 766	6 940 394	7 158 309
NET ASSETS/(LIABILITIES)	2 824 065	4 880 292	5 067 310	5 316 096	5 498 258
Contributed equity					
Accumulated surplus/(deficit)	1 093 454	1 672 727	1 826 283	2 032 376	2 170 094
Reserves	1 730 612	3 207 565	3 241 027	3 283 720	3 328 164
NET WORTH	2 824 066	4 880 292	5 067 310	5 316 096	5 498 258
NET FINANCIAL WORTH ¹	- 5 264 429	- 4 735 718	- 5 141 922	- 5 348 459	- 5 499 214
NET FINANCIAL LIABILITIES ²	5 466 932	4 956 595	5 396 261	5 645 491	5 840 690
NET DEBT³	1 965 631	1 754 828	2 131 275	2 328 767	2 473 201

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

	2009-10 Budget	2009-10 Revised	2010-11	2011-12	2012-13
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	398 722	411 177	408 607	421 957	418 423
Receipts from sales of goods and services	596 427	606 715	635 854	674 716	701 073
Grants and subsidies received	3 389 614	3 562 106	3 573 434	3 659 814	3 582 286
Interest receipts	65 330	59 382	57 166	58 243	59 396
Dividends and income tax equivalents	16 343	16 343	20 433	21 956	23 166
Other receipts	218 142	256 596	208 978	205 172	206 172
Total operating receipts	4 684 578	4 912 319	4 904 472	5 041 858	4 990 516
Cash payments for operating activities					
Payments for employees	- 1 738 183	- 1 798 001	- 1 883 047	- 1 976 984	- 2 031 300
Payment for goods and services	- 1 405 773	- 1 464 160	- 1 558 446	- 1 576 926	- 1 606 100
Grants and subsidies paid	- 822 974	- 918 170	- 803 402	- 767 218	- 685 081
Interest paid	- 172 957	- 173 558	- 197 343	- 221 451	- 234 126
Other payments					
Total operating payments	- 4 139 887	- 4 353 889	- 4 442 238	- 4 542 579	- 4 556 607
NET CASH FLOWS FROM OPERATING ACTIVITIES	544 691	558 430	462 234	499 279	433 909
Cash flows from investments in non financial assets					
Sales of non financial assets	77 680	79 100	67 597	67 424	67 860
Purchases of non financial assets	- 1 021 989	- 1 096 605	- 913 287	- 771 559	- 653 944
Net cash flows from investments in non financial assets	- 944 309	- 1 017 505	- 845 690	- 704 135	- 586 084
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 399 618	- 459 075	- 383 456	- 204 856	- 152 175
Net cash flows from investments in financial assets for policy purposes ¹	- 640	- 391	- 391	- 391	- 391
Net cash flows from investments in financial assets for liquidity purposes	209 753	220 830	- 44 143	- 37 877	- 11 803
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 735 196	- 797 066	- 890 224	- 742 403	- 598 278
Net cash flows from financing activities					
Advances received (net)	- 340	- 6 520	- 26 784	- 7 578	- 7 903
Borrowing (net)	198 767	197 947	439 371	242 131	151 326
Deposits received (net)	- 4 411	- 10 115	9 980	28 195	19 945
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	194 016	181 312	422 567	262 748	163 368
NET INCREASE/DECREASE IN CASH HELD	3 511	- 57 324	- 5 423	19 624	- 1 001
Net cash flows from operating activities	544 691	558 430	462 234	499 279	433 909
Net cash flows from investments in non financial assets	- 944 309	- 1 017 505	- 845 690	- 704 135	- 586 084
CASH SURPLUS (+)/DEFICIT (-)	- 399 618	- 459 075	- 383 456	- 204 856	- 152 175
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 399 618	- 459 075	- 383 456	- 204 856	- 152 175
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 399 618	- 459 075	- 383 456	- 204 856	- 152 175
Future infrastructure and superannuation contributions/earnings ²	- 23 894	- 15 891	- 17 751	- 18 816	- 19 946
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 423 512	- 474 966	- 401 207	- 223 672	- 172 121

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

² Contributions for future infrastructure and superannuation requirements.

Table 4.10

General Government Sector Taxes

	2009-10 Budget	2009-10 Revised	2010-11 Forward Estimate
	\$000	\$000	\$000
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE	157 380	155 402	160 015
Payroll taxes	157 380	155 402	160 015
TAXES ON PROPERTY	105 645	122 605	117 629
Stamp duties on financial and capital transactions	105 645	122 605	117 629
TAXES ON THE PROVISION OF GOODS AND SERVICES	97 905	93 828	91 056
Taxes on gambling	71 008	66 931	62 839
Taxes on insurance	26 897	26 897	28 217
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES	44 000	45 550	46 253
Motor vehicle registration fees	44 000	45 550	46 253
TOTAL TAXES	404 930	417 385	414 953

Table 4.11

2009-10 Loan Council Allocation

	Budget-time Estimate	Mid-Year Estimate
	\$M	\$M
General government sector cash deficit (+)/surplus (-)	173	233
Public non financial corporations sector cash deficit (+)/surplus (-)	227	226
Non financial public sector cash deficit (+)/surplus (-)	400	459
<i>less</i> Acquisitions under finance leases and similar arrangements		
<i>equals</i> ABS GFS cash deficit (+)/surplus (-)	400	459
<i>less</i> Net cash flows from investments in financial assets for policy purposes	- 1	
<i>plus</i> Memorandum items		
2009-10 LOAN COUNCIL ALLOCATION	401	459

Appendix: Classification of Entities in the Northern Territory Public Sector

Non Financial Public Sector

General Government

Aboriginal Areas Protection Authority
 Auditor-General's Office
 AustralAsia Railway Corporation³
 Batchelor Institute of Indigenous Tertiary Education³
 Central Holding Authority
 Construction Division¹
 Darwin Waterfront Corporation³
 Data Centre Services¹
 Department of Business and Employment
 Department of the Chief Minister
 Department of Education and Training
 Department of Health and Families
 Department of Justice
 Department of the Legislative Assembly
 Department of Local Government and Housing
 Department of Natural Resources, Environment, the Arts and Sport
 Department of Planning and Infrastructure
 Department of Regional Development, Primary Industry, Fisheries and Resources
 Desert Knowledge Australia³
 Government Printing Office¹
 Land Development Corporation
 Natural Resource Management Board³
 Nominal Insurer Fund³
 Northern Territory Electoral Commission
 Northern Territory Legal Aid Commission³
 Northern Territory Major Events Company Pty Ltd³
 Northern Territory Police, Fire and Emergency Services
 Northern Territory Treasury
 NT Build Statutory Corporation³
 NT Fleet¹
 NT Home Ownership¹
 Office of the Commissioner for Public Employment
 Ombudsman's Office
 Territory Discoveries¹
 Territory Wildlife Parks¹
 Tourism NT

Public Non Financial Corporations

Darnor Pty Ltd³
 Darwin Bus Service¹
 Darwin Port Corporation¹
 Gasgo Pty Ltd³
 Indigenous Essential Services Pty Ltd³
 Power and Water Corporation^{2,3}

¹ Government business division.

² Government owned corporation.

³ Non budget sector entity.

Glossary

Advances/Advances Paid	Loans acquired for policy rather than liquidity management purposes. Included are long-term and short-term loans, non marketable debentures and long and short term promissory agreements (bonds and bills) issued to public sector units for achieving government policy objectives.
Capital Grants	Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.
Cash Surplus/Deficit	Reported in the cash flow statement that measures the net impact of cash flows during the period. It equals net cash flows from operating activities plus net cash flows from the acquisition and disposal of non financial assets, less distributions paid, less assets acquired under finance leases and similar arrangements.
Change in Net Worth	Change in net worth (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows, and measures the variation in a government's accumulated assets and liabilities.
Comprehensive Result	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 equity, other than transactions with owners as owners.
Consumer Price Index	A general indicator of the prices paid by household consumers for a specific basket of goods and services in one period, relative to the cost of the same basket in a base period.
Contingent Liability	A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.
Current Grants	Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.
Estimated Resident Population	The official measure of the usual resident population of Australia and the states and territories. It is generated by the Australian Bureau of Statistics every quarter by adding natural increase (the excess of births over deaths), net overseas migration and (for the jurisdictions) net interstate migration occurring during the period to the population at the beginning of each period.
Finance Lease	Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset).

Financial Asset

Any asset that is:

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

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

General Government Sector

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

General Government Agency

An entity or group of entities mainly engaged in providing services or producing goods for the general public, such as education, health and policing services. Goods and services are provided free of charge or at nominal charges.

Goods and Services Tax (GST) Revenue

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

Government Business Division

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

Government Finance Statistics

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

Government Owned Corporation

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

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 that it measures the total value of goods and services produced in a jurisdiction. It is the sum of all income, namely wages salaries and profits, plus indirect taxes less subsidies. It can also be calculated by measuring expenditure, where it is the sum of state final demand and international and interstate trade, changes in the level of stocks and a balancing item.
Guarantee	An undertaking to answer for the debt or obligations of another person or entity.
Indemnity	A written undertaking to compensate, protect or insure another person or entity against future financial loss, damage or liability.
Intergovernmental Agreement	An agreement signed by all states and territories and the Commonwealth in December 2008 defining the framework for federal financial relations, encompassing Commonwealth funding to states through general revenue assistance, specific purpose payments and national partnership payments.
Loan Council	The Australian Loan Council endorses Commonwealth and state government borrowing levels. Current arrangements seek to emphasise transparency of public sector finances, through financial market scrutiny of proposed borrowing to restrict borrowing to prudent levels.
Loan Council Allocation	The nomination to the Loan Council of the level of financing required.
Memorandum Items – Loan Council	Memorandum items are used to adjust the cash surplus/ deficit to include in the Loan Council Allocation certain transactions that may have the characteristics of public sector borrowings but do not constitute formal borrowings.
National Partnership Agreement (NP)	An agreement between a state/territory and the Commonwealth defining the objectives, outputs and performance benchmarks related to the delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.
Net Acquisition/(Disposal) of Non-Financial Assets from Transactions	Purchases (or acquisitions) of non financial assets less sales (or disposals) of non financial assets less depreciation plus changes in inventories and other movements in non financial assets.
Net Cash Flows from Investments in Financial Assets (Liquidity Management purposes)	Cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net Cash Flows from Investments in Financial Assets (Policy Purposes)	Cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.
Net Debt	<p>Net debt measures a government's net stock of selected gross financial liabilities less financial assets.</p> <p>Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings less the sum of cash and deposits, advances paid and investments, loans and placements.</p>
Net Financial Liabilities	Total liabilities less financial assets, other than equity in PNFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC sector, it is equal to negative net financial worth.
Net Financial Worth	Net financial worth measures a government's net holdings of financial assets. It is calculated from the Uniform Presentation Framework balance sheet as financial assets minus liabilities. Net financial worth is a broader measure than net debt, in that it incorporates provisions (such as superannuation, but excludes depreciation and doubtful debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities.
Net Lending/Borrowing (also referred to as Fiscal Balance)	An operating statement measure that differs from the net operating balance in that it includes spending on capital items, but excludes depreciation. The net lending/borrowing measure more accurately reflects the cash requirements of a government in any given year. A net lending (or fiscal surplus) balance indicates that a government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates that a government's level of investment is greater than its level of savings.
Net Operating Balance	Calculated from the operating statement as revenue less expenses from transactions. This excludes capital expenditure and provides a good measure of a government's position over time and an indication of the sustainability of the existing level of government service provision.
Net Worth	Provides a relatively comprehensive picture of a government's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. It includes a government's non financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as its financial assets and liabilities including debtors, creditors and superannuation liabilities. Net worth also shows asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.
Non Financial Assets	Assets that are not financial assets, predominantly land and other fixed assets.

Non Financial Public Sector	The sector formed through a consolidation of the general government and public non financial corporation subsectors.
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 that are 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 (i.e. revaluations such as actuarial gains and losses on defined benefit superannuation plans and other changes in the volume of assets).
Public Non Financial Corporations (PNFC)	A public enterprise primarily engaged in the production of goods or services of a non financial nature, for sale in the market place, at prices which aim to recover most of the costs involved.
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 produced assets such as buildings, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.
Specific Purpose Payments (SPPs)	A Commonwealth financial contribution to support state delivery of service in a particular sector. Payments are made from the Commonwealth Treasury to Northern Territory Treasury, and are appropriated to the relevant Territory Government agency.
State Final Demand	Final consumption expenditure plus gross fixed capital formation in each jurisdiction. It represents the total expenditure on consumption and investment in a jurisdiction.
Other Superannuation Expense	Includes all superannuation expenses from transactions except superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.
Tax Equivalents Regime	The mechanism to ensure that government business divisions and the government owned corporations incur similar tax liabilities to privately owned organisations. Thus, greater parity exists between the cost structures of government controlled trading entities and the private sector, aiding in the achievement of competitive neutrality.
Uniform Presentation Framework	A uniform reporting framework (UPF) agreed by the Australian Loan Council in 2000, which is a revision of the agreement reached at the 1991 Premiers' Conference. The UPF was further updated and reissued in April 2008 to incorporate accounting standard AASB 1049 Whole of Government and General Government Sector Financial Reporting. The UPF specifies that the Commonwealth, state and territory governments will present a minimum set of budget and financial outcome information on the Government Finance Statistics basis according to an agreed format and specified Loan Council reporting arrangements.

