2015-16
Mid-Year Report

Contents

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 2015-16 Mid-Year Report are based on Government decisions that I was aware of, or that were made available to me by the Treasurer, before 26 November 2015. The projections are presented in accordance with the Uniform Presentation Framework.

Jodie Ryan
Under Treasurer
27 November 2015

Chapter 1

Overview

The 2015-16 Mid-Year Report has been prepared in accordance with the *Fiscal Integrity and Transparency Act* (FITA), which requires the Treasurer to prepare and publicly release a mid-year fiscal outlook report each year.

The Mid-Year Report provides an update on the current economic and fiscal outlook for the Territory and includes material variations that have occurred since the 2015-16 Budget and their effect on the remainder of 2015-16 and the forward estimates.

Fiscal Overview

The April 2015 Budget was developed in accordance with the Territory Government's fiscal strategy that focused on improving the Territory's finances by returning the Budget to surplus by 2017-18. Since the April 2015 Budget there have been a number of significant changes, which are reflected in the updated budget projections. The first of which is the effect of the 2014-15 outcome, a fiscal surplus of $286 million, which in isolation has resulted in an improvement in excess of $200 million on the net debt position projected in April 2015.

Net debt in 2015-16 has been further reduced as a result of the long-term lease of the Port of Darwin which was finalised on 16 November 2015. The transaction included up-front proceeds of $506 million for the lease of the Darwin Port land (including the Marine Supply Base) and Fort Hill Wharf for a period of 99 years. Due to the nature of the transaction the proceeds have a minimal impact on the Territory's fiscal balance, however it does result in a material improvement in the Territory's net debt position. At the time of publication no decision had been made in regards to how the proceeds of the Port transaction will be utilised and therefore the forward estimates do not reflect any expenditure of lease proceeds. A further discussion on the lease transaction is provided in Chapter 2.

The projected fiscal balance for 2015-16 is slightly improved when compared to the April 2015 Budget, with increases in Commonwealth revenue more than offsetting the carryover of expenditure from 2014-15 and decisions made since the April 2015 Budget. The result is a projected fiscal balance deficit of $274 million, compared to $285 million estimated in the April 2015 Budget.

From 2015-16 there is a worsening in the fiscal balance position by $36 million in each year over the forward estimates. The higher deficits are due to lower stamp duty transactions as a result of a softening in the property market, the bring forward of Commonwealth revenue into 2015-16, which will be spent in forward years and some new spending decisions. These changes have resulted in the surpluses for 2017-18 and 2018-19 projected in the April Budget now being small deficits.

Despite this, there is a significant improvement in the Territory's net debt position since April 2015, which reflects the improved 2014-15 outcome and the effect of the long-term lease of the Port of Darwin.

Table 1.1 sets out the key fiscal aggregates for the general government sector and non financial public sector including the 2014-15 outcome and the revised 2015-16 Budget and forward estimates.

Table 1.1: Key Fiscal Aggregates

	2014-15[1]	2015-16	2016-17	2017-18	2018-19
	Outcome	Budget	Forward Estimates		
	$M	$M	$M	$M	$M
General government sector					
Net operating balance	887	248	232	160	49
Non financial public sector					
Fiscal balance	**286**	**- 274**	**- 211**	**- 27**	**- 1**
Net debt	2 239	1 917	2 042	2 006	1 974
Net debt to revenue (%)	32	29	31	30	30

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

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

- a general government operating surplus of $248 million in 2015-16 and remaining in a surplus position for all years;
- a non financial public sector fiscal balance deficit of $274 million in 2015-16 with reducing deficits projected over the forward estimate period; and
- net debt of $1.9 billion in 2015-16 rising marginally in 2016-17 to $2 billion and net debt to revenue ratio for the non financial public sector plateauing at 30 per cent from 2017-18.

Further information on the outcome and comparison between the estimates contained in this report and those projected at the time of the April 2015 Budget is provided in Chapter 2.

Economic Overview

The Territory economy grew by 10.5 per cent in 2014-15, the highest growth rate among jurisdictions and well above the national rate of 2.3 per cent. Growth in 2014-15 was dominated by construction, which increased by 61.7 per cent, with public investment also contributing to the strong growth.

Investment by the private and public sectors is expected to continue to support Territory economic growth over the coming years, as construction continues on the Ichthys liquefied natural gas (LNG) project and government infrastructure programs are rolled out. As a result, the Territory's economy is expected to continue to expand over the coming years, albeit at a slower rate.

The estimate of economic growth is unchanged from the April 2015 Budget and is expected to ease to 4.5 per cent in 2015-16 before moderating further to 3.0 per cent over the forward years. This reflects an expected decline in business investment, partly offset by an increase in net exports, as the Ichthys LNG project transitions to the production and export phase. Growth over the coming years will likely be driven by the timing of this transition, as delays to the project may affect levels of, and volatility in, economic growth.

The Territory recorded a subdued result in 2014-15 in terms of population and employment growth. A stronger result is expected in 2015-16 as the labour force demands of major projects draw people to the Territory and negative effects from the curtailment of operations at the Gove alumina refinery during 2014-15 pass. Employment growth is expected to remain below long-term trends as the Ichthys LNG project transitions to the less labour-intensive export phase.

Wage and price pressures in the Territory have eased with both expected to be below trend levels in 2015-16 and the forward years. Inflationary pressure has reduced in recent periods reflecting lower growth in the cost of housing and a decline in fuel prices. More moderate population growth and labour market conditions are expected to maintain growth in wages and prices at long-term trend levels over the forward estimates period.

Table 1.2: Key Economic Forecasts (%)

	2014-15		2015-16	2016-17	2017-18	2018-19
	Budget	Actual	Estimate	Forecast		
Gross state product[1]	4.5	10.5	4.5	3.0	3.0	3.0
Population[2]	0.9	0.4	1.0	1.0	1.0	1.0
Employment[3]	1.5	- 0.4	1.5	0.7	0.7	0.7
Unemployment rate[4]	4.2	4.2	4.5	4.7	4.7	4.7
Consumer price index[5]	2.9	2.9	1.0	2.3	2.5	2.5
Wage price index[5]	2.8	2.8	2.5	2.5	2.5	2.5

1 Year ended June, year-on-year percentage change, inflation adjusted.
2 As at December, annual percentage change.
3 Year-on-year percentage change.
4 Year average.
5 As at December, year-on-year percentage change.
Source: ABS; Department of Treasury and Finance

Chapter 2

Fiscal Outlook

The Fiscal Outlook chapter addresses the requirement under section 10(1)(a) of the *Fiscal Integrity and Transparency Act* (FITA) that each fiscal outlook report contains updated financial projections for the budget year and the following three financial years for the general government and non financial public sectors.

In addition this chapter also provides:

- a comparison with the estimates presented in the previous fiscal outlook report, which was the April 2015 Budget;
- an assessment of the updated fiscal outlook against the fiscal strategy; and
- updated information on the Statement of Risks.

Updated Fiscal Projections

The April 2015 Budget and forward estimates have been updated to reflect:

- the effect of the outcome of the 2014-15 financial year;
- Government decisions since the April 2015 Budget;
- revised Territory revenue estimates; and
- a range of other revenue and expense-related adjustments, largely due to the revised timing of Commonwealth-funded programs.

The updated projections also include the financial implications of the 99 year lease of the Port of Darwin. The lease arrangement reached financial completion on 16 November 2015 and is discussed in greater detail below.

Key Fiscal Indicators – Operating Statement

Table 2.1 presents the key general government and non financial public sector operating statement indicators for 2014-15 through to 2018-19, compared to the estimates provided in the April 2015 Budget.

Table 2.1: Key Fiscal Indicators – Operating Statement

	2014-15[1]	2015-16	2016-17	2017-18	2018-19
	Outcome	Budget	Forward Estimates		
	$M	$M	$M	$M	$M
General government sector					
Net operating balance					
2015-16 Budget	679	227	233	187	78
2015-16 Mid-Year Report	**887**	**248**	**232**	**160**	**49**
Variation	208	21	- 1	- 27	- 30
Non financial public sector					
Fiscal balance					
2015-16 Budget	- 57	- 285	- 174	9	35
2015-16 Mid-Year Report	**286**	**- 274**	**- 211**	**- 27**	**- 1**
Variation	343	11	- 36	- 36	- 36

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

General Government Sector Net Operating Balance

As shown in Table 2.1, the general government sector operating balance for 2015-16 is projected to be a surplus of $248 million compared to the $227 million forecast at the time of the April 2015 Budget.

The improved operating result is primarily due to increased revenue, partly offset by the carryover of expenses from 2014-15 and new policy decisions that have been approved since the April 2015 Budget. The revenue increases are largely related to an up-front payment of Commonwealth funding associated with the delivery of municipal and essential services (MES) under the National Partnership (NP) Agreement on Stronger Futures in the Northern Territory.

While the up-front MES payment has improved the 2015-16 operating balance, these funds are in lieu of $20 million in annual revenue through to 2022-23 that remain budgeted to be spent in all forward years. Combined with a reduction of own-source revenue and some new spending decisions, this has contributed to the worsening of the operating balance in each of the forward years.

Non Financial Public Sector Fiscal Balance

As shown in Table 2.1, the fiscal balance deficit is now projected to peak at $274 million in 2015-16 before improving over the forward years to a small deficit of $1 million in 2018-19.

The fiscal balance is influenced by the same factors affecting the general government operating balance. However, the fiscal balance includes capital payments and receipts and excludes depreciation.

The underlying improvement in the operating balance in 2015-16 has flowed through to the fiscal balance for the non financial public sector, but is partially offset by a minor increase in net capital payments. As a result, the fiscal balance is improved by $11 million, to a deficit of $274 million, when compared to the April 2015 Budget.

The change in the fiscal balance over the forward estimates is also driven by the same factors affecting the operating balance together with some increases in net capital acquisitions. Given the narrow surpluses projected in the April 2015 Budget for 2017-18 and 2018-19, these variations result in small fiscal deficits of $27 million in 2017-18 and $1 million in 2018-19.

The Effect of the Port of Darwin Transaction on Fiscal Aggregates

On 13 October 2015 the Northern Territory Government announced the long-term lease of the Port of Darwin. In order to facilitate the transaction, the land and infrastructure assets subject to the long-term lease were transferred to the Department of Lands, Planning and the Environment, as the lease holder.

On 16 November 2015, financial close was reached and an up-front payment of $506 million (inclusive of stamp duty) was received by the Northern Territory.

In accordance with Australian Accounting Standards and the Uniform Presentation Framework, despite the Territory receiving an up-front payment, the long-term lease is classified as a financial transaction and as such is excluded from the net operating balance and fiscal balance outcomes. But for this accounting treatment, the lease would have resulted in a fiscal balance surplus of $209 million in 2015-16.

However, the transaction does improve the Territory's net debt position in 2015-16 by the full amount, with the improvement in net debt flowing through to all forward years.

At the time of publication no decision had been made as to how the cash receipts of the Port transaction will be utilised. However, to the extent that the proceeds are re-invested into infrastructure projects or new initiatives, this will worsen the projected fiscal balance and net debt position contained in this report, once a decision is made.

Movements in the Fiscal Balance since April 2015

The key revenue and expense-related variations that have contributed to the movements in the fiscal balance are described in more detail below.

Revenue

Table 2.2: Non Financial Public Sector – Revenue

	2014-15[1]	2015-16	2016-17	2017-18	2018-19
	Outcome	Budget	Forward Estimates		
	$M	$M	$M	$M	$M
Revenue					
2015-16 Budget	6 873	6 508	6 660	6 737	6 689
2015-16 Mid-Year Report	**6 987**	**6 641**	**6 611**	**6 666**	**6 584**
Variation	114	133	- 49	- 71	- 105

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

As shown in Table 2.2 there is a significant reduction in revenue in 2015-16 when compared to the 2014-15 actual outcome, which is due to the one-off sale of the Territory Insurance Office (TIO) in 2014-15. Once the effect of the $411 million sale is removed, the underlying growth in total revenue is projected to increase on average by 0.6 per cent per annum from 2014-15 through to 2017-18. This compares to the 1.4 per cent in April 2015 and reflects the up-front payment of MES funding in 2015-16, lower taxation collections, lower agency revenues, including the effect of the wind up of the Darwin Port Corporation following the long-term lease, and the effect of the decision to reduce regulated retail electricity tariffs by 5 per cent from 1 January 2016. These variations flow through to the forward estimates, with the reduction in revenue in 2018-19 due to the cessation in 2017-18 of the three year Indigenous Primary Health Care Services Project, combined with revised funding under the Students First – A Fairer Funding Agreement (Students First) to match revised Commonwealth estimates.

GST Revenue

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

It is estimated that the Territory will receive $3271 million in GST revenue in 2015-16, consistent with estimates at the time of the April 2015 Budget, as while there has been a downward revision in the Territory's estimated share of the national population, there is also an increase in the estimated GST collections in 2015-16. The estimate also incorporates a negative $8.4 million balancing adjustment in respect of an overpayment of GST revenue to the Territory in 2014-15, which will be deducted from 2015-16 payments. There have been no revisions to the Territory's 2015-16 GST relativity, as relativities were determined by the Commonwealth Treasurer in April 2015 and are final.

Forward estimates of the Territory's GST revenue remain unchanged from the April 2015 Budget, as the offsetting impacts of the flow-on effect of changes in population and the GST collections are expected to continue over the forward estimates period.

Taxation Revenue

Taxation revenue is the most significant component of the Territory's own-source revenue and is predicted to decrease in all years compared with the April 2015 Budget projections.

The reduction in taxation revenue in 2015-16 is attributable to lower stamp duty on conveyances as a result of a decrease in the volume of residential transactions. In 2015-16 this is partially offset by the effect of some large one-off commercial transactions. As a result, for 2015-16 overall stamp duty estimates have been revised downwards by $16.7 million. For 2015-16 this reduction in stamp duty has been more than offset by a $19.2 million increase in mining royalties, which has been revised upwards based on updated forecasts provided by miners. Although the increase in mineral royalties is also projected in forward years, it is not expected to fully offset the reduction in stamp duty collections to the same extent as in 2015-16. Overall this results in lower total taxation and mineral royalty collections of an average of $10 million per annum over the forward estimates.

Tied Commonwealth Funding

The remaining significant change in revenue estimates since the April 2015 Budget relates to tied Commonwealth funding, which has increased by $191 million in 2015-16 but is lower over the forward years. As mentioned earlier in this chapter, the increase is mainly due to the up-front payment of an additional $134 million in 2015-16 for the delivery of municipal essential services in remote communities across the Territory under the National Partnership Agreement on Stronger Futures in the Northern Territory.

Generally, these tied funding adjustments tend not to affect the fiscal outcome over time as increases and decreases in revenue are matched by corresponding changes in expenditure. However, in this instance, while the up-front receipt of MES funding significantly improves the fiscal result in 2015-16, it is in lieu of annual funding related to the delivery of municipal essential services over the next seven years, with the timing of the expenditure in the forward estimates remaining unchanged. Consequently it worsens the fiscal outcome by around $20 million per annum over the same period, from 2016-17.

Table 2.3: Non Financial Public Sector – Operating Expenses and Net Capital Payments

	2014-15[1]	2015-16	2016-17	2017-18	2018-19
	Outcome	Budget	Forward Estimates		
	$M	$M	$M	$M	$M
Operating expenses					
2015-16 Budget	6 179	6 280	6 391	6 496	6 547
2015-16 Mid-Year Report	**6 085**	**6 398**	**6 347**	**6 456**	**6 474**
Variation	- 94	119	- 44	- 40	- 73
Net capital payments					
2015-16 Budget	750	513	444	232	107
2015-16 Mid-Year Report	**615**	**516**	**475**	**238**	**112**
Variation	- 135	3	31	6	5

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

Total operating expenses in 2014-15 were $6085 million and are projected to grow on average by 0.5 per cent per annum over the forward estimates to $6474 million in 2018-19. This compares to 1.4 per cent growth at the time of the April 2015 Budget.

In all years the growth in operating expenses incorporates the effect of parameters that are unchanged from the April 2015 Budget and are:

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

The increase in operating expenses in 2015-16 since the April 2015 Budget is largely reflective of the carryover of expenditure from 2014-15 related to the timing of delivery of Commonwealth-funded programs.

The growth in expenses in 2015-16 also incorporates additional policy decisions made since the April 2015 Budget, some of which flow through to forward years. These decisions primarily relate to additional funding for the Office of Major Projects, Infrastructure and Investment, the Northern Territory Major Events Company, remote telecommunications, remote morgues, and the establishment of new bakeries in 10 remote communities across the Territory.

The reduction in operating expenses from 2016-17, when compared to the April 2015 Budget, is largely as a result of the wind-up of the Darwin Port Corporation in 2015-16. Consistent with the revenue estimates, the higher reduction in total expenditure in 2018-19 reflects the conclusion of the three-year Indigenous Primary Health Care Services Project in 2017-18, combined with revised timing of funding for the Students First agreement.

In all years the growth in operating expenses is moderated by the continuing effect of efficiency and reprioritisation measures on overall spending levels.

There has also been moderate increases in net capital payments in all forward years since the April 2015 Budget.

Consolidated Table of Changes since April 2015

Table 2.4 sets out changes in the fiscal balance for 2015-16 for the non financial public sector since the April 2015 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 2.4: Variations to the Non Financial Public Sector's Fiscal Balance since April 2015

	2015-16
	$M
2015-16 BUDGET FISCAL BALANCE	**- 285.2**
REVENUE	
Revenue – policy	
Decrease in regulated retail electricity tariffs	- 5.8
Total revenue – policy	**- 5.8**
Revenue – non-policy	
Stamp duty	-16.7
Tied Commonwealth revenue	191.8
Mining royalties	19.2
Discontinuation of the Darwin Port Corporation	- 42.5
Other revenue	- 13.1
Total revenue – non-policy	**138.8**
TOTAL REVENUE	**133.0**
OPERATING EXPENSES	
Expenses – policy	
New and expanded policy decisions	21.4
Total expenses – policy	**21.4**
Expenses – non-policy	
Commonwealth expenses and transfers between years and to capital	131.3
Interest expense	- 18.2
Discontinuation of the Darwin Port Corporation	- 31.8
Other	16.1
Total expenses – non-policy	**97.3**
TOTAL OPERATING EXPENSES	**118.7**
Net Capital	
Net acquisitions of non-financial assets	3.2
TOTAL NET CAPITAL PAYMENTS	**3.2**
TOTAL EXPENSES	**121.9**
TOTAL VARIATION	**11.1**
2015-16 REVISED FISCAL BALANCE OUTCOME	**- 274.2**

Source: Department of Treasury and Finance

Since April 2015, a number of policy and non-policy-related changes to revenue and expenses in 2015-16 have resulted in a $11.1 million improvement in the fiscal balance outcome.

Non financial public sector revenue has increased by $133 million since the April 2015 Budget and total expenses have increased by $121.9 million.

The revenue policy change since April 2015 relates to the decision to reduce regulated retail electricity tariffs by 5 per cent from 1 January 2016, with $5.8 million being a half-year effect. The reduction in revenue is to be met by operational efficiencies to be achieved by the Territory's Government Owned Corporations and therefore does not affect the fiscal balance outcome.

The main revenue non-policy variations since the April 2015 Budget are:

- $16.7 million decrease in stamp duty on conveyances as a result of a decrease in the volume of residential transactions, partially offset by an increase in one-off commercial transactions;
- $191.8 million increase in tied funding from the Commonwealth. The key variations include:
  - $145.2 million for the delivery of municipal and essential services ($134 million) and the Indigenous Housing Healthy Homes program ($11.2 million) as part of the NP Agreement on Stronger Futures in the Northern Territory; and
  - $28.7 million for various health national partnership agreements and other Commonwealth agreements;
- $19.2 increase in mining royalties based on revised forecasts provided by miners;
- a reduction of $42.5 million in revenue as a result of the wind-up of the Darwin Port Corporation; and
- $13.1 million net decrease in other revenue across government agencies.

Non financial public sector operating expenses have increased since the April 2015 Budget by $118.7 million.

The key policy and non-policy expense variations in 2015-16 are:

- policy decisions approved by Government since the April 2015 Budget totalling $21.4 million;
- Commonwealth payments and transfers between years and to capital of $131.3 million related to additional funding and revised timing of the delivery of Commonwealth-funded programs including the NP Agreement on Remote Indigenous Housing, various health-related programs and other programs under the Stronger Futures package;
- lower interest expenses of $18.2 million reflecting the better than expected 2014-15 outcome and the Government's revised borrowing program;
- lower expenses of $31.8 million as a result of the wind-up of the Darwin Port Corporation; and
- $16.1 million in minor increases in other operating expenses across various agencies.

There has also been a small increase in net capital acquisitions of $3.2 million in 2015-16.

Key Fiscal Indicators – Balance Sheet

Table 2.5: Non Financial Public Sector – Net Debt and Net Debt to Revenue Ratio

	2014-15[1]	2015-16	2016-17	2017-18	2018-19
	Outcome	Budget	Forward Estimates		
Net debt ($M)					
2015-16 Budget	2 451	2 641	2 742	2 684	2 628
2015-16 Mid-Year Report	**2 239**	**1 917**	**2 042**	**2 006**	**1 974**
Variation	- 212	- 724	- 700	- 678	- 654
Net debt to revenue (%)					
2015-16 Budget	36	41	41	40	39
2015-16 Mid-Year Report	**32**	**29**	**31**	**30**	**30**
Variation	- 4	- 12	- 10	- 10	- 9

1 Mid-Year Report reflects actual outcome.
Source: Department of Treasury and Finance

As shown in Table 2.5, net debt and net debt to revenue have improved in all years when compared to the April 2015 Budget.

The improvement in 2014-15 is a result of the $343 million better outcome for the 2014-15 fiscal balance than projected in the April 2015 Budget. The improvement from 2015-16 largely reflects the flow-on of the 2014-15 outcome together with the effect of the finalisation of the long-term lease of the Port of Darwin. Net debt is now projected to be under $2 billion by 2018-19, compared to the Budget-time estimate of $2.6 billion. In addition, the net debt to revenue ratio in 2018-19 is now estimated at 30 per cent, compared to 39 per cent in the April 2015 Budget.

Assessment of Updated Fiscal Outlook against the Fiscal Strategy

This section addresses the requirement under section 10(1)(g) of FITA that each fiscal outlook report is to contain an explanation of the factors and considerations that contribute to any material differences between the updated financial projections and the expected outcomes for the key fiscal indicators, as specified in the Government's fiscal strategy statement.

The fiscal strategy is an important element in setting out and measuring adherence to a government's fiscal objectives. The Territory's fiscal strategy's primary aim is returning the Territory Budget to a fiscal surplus by 2017-18. The strategy was developed against a background of a deteriorating fiscal position evidenced by the emergence of operating deficits, increased annual borrowing requirements and rising debt. The analysis in this chapter provides an assessment of the 2015-16 Mid-Year Report against the Government's fiscal strategy, medium-term objectives and key fiscal indicators as set out in the April 2015 Budget.

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

The Government has adopted, as its immediate fiscal objective, the stabilising of the Territory's debt burden by targeting the elimination of the overall fiscal deficit in the non financial public sector by 2017-18.

The Government achieved a fiscal surplus of $286 million in 2014-15, as reported in the 2014-15 Treasurer's Annual Financial Report. However timing variations associated with the up-front payment of Commonwealth funding for the delivery of MES under the NP Agreement on Stronger Futures in the Northern Territory, lower own-source revenues, some new spending decisions and net capital acquisitions, has resulted in a revised fiscal balance deficit of

$27 million being forecast for 2017-18 compared to the $9 million fiscal surplus projected at the time of the April 2015 Budget. The non-policy changes affecting the 2017-18 fiscal balance total $25.8 million and, as highlighted by the updated projections in the Mid-Year Report, these minor non-policy variations demonstrate the difficulty in maintaining small surpluses over the forward estimates.

Achieving a fiscal surplus in the targeted year will require an increase in revenue, additional budget improvement measures and a continued focus on sound financial management.

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

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

As highlighted in the 2013-14 and 2014-15 Treasurer's Annual Financial Reports, the Government has achieved this element of the strategy three years ahead of the fiscal strategy target and surpluses continue to be projected in 2015-16 and all forward years.

The decline in the surpluses over the forward estimates since April 2015 is primarily due to the same items affecting the fiscal balance. Government will need to maintain its focus on continuous service delivery improvements and efficiencies to ensure operating deficits do not emerge.

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

Taxation effort assesses the extent to which a particular jurisdiction's capacity to raise revenue is above or below the Australian average of 100 per cent. This measure is a lagging indicator as the CGC updates the information annually based on the actual outcome of the previous year. The Territory's taxation effort has improved from 78 per cent in 2011-12, to 87 per cent in 2013-14, as presented in the April 2015 Budget, the latest year assessed by the CGC.

Despite the reduction in stamp duty collections in 2015-16, it is expected that the Territory's taxation effort will continue to move towards the average of the states.

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

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

The commercial rate of capital employed associated with this target is 6 per cent. In the 2015-16 Budget the government owned corporations are trending to achieving a commercial rate of return, with 2015-16 projecting a 4 per cent return on capital employed and improving to 6 per cent by 2018-19. These estimates remain unchanged for the 2015-16 Mid-Year Report.

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

As discussed earlier in this chapter, the net debt to revenue projections have improved significantly since the April 2015 Budget with Government achieving this element of the fiscal strategy well before the 2020 stated target. The net debt to revenue ratio for the non financial public sector is projected to be 29 per cent in 2015-16 compared to 41 per cent at the time of the April 2015 Budget. The net debt to revenue percentage remains relatively flat over the forward years but at half the 60 per cent target.

Maintaining this element of the fiscal strategy is contingent on the other elements of the strategy being met and further improving over time.

Conclusion

The April 2015 Budget projected the achievement of returning the non financial public sector Budget to surplus by 2017-18, being Government's key fiscal target. However, revised timing of Commonwealth funding combined with a reduction in own-source revenues has presented an immediate challenge for Government returning the Territory Budget to a surplus position by 2017-18.

As a result, the Mid-Year Report forecasts a small fiscal deficit of $27 million in 2017-18 compared to the $9 million surplus published in the April 2015 Budget. Although the updated projections highlight the achievement of a fiscal surplus in 2014-15 and a significant improvement in net debt and the net debt to revenue ratio, a continued focus on sound fiscal management and expenditure restraint is required to ensure the fiscal deficit is eliminated by 2017-18.

Risks to the Updated Financial Projections

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

This section outlines the potential effect of risks to the Budget due to changes in revenue and expense estimates, and the likelihood of contingent liabilities becoming actual liabilities. Any changes in risks or liabilities that is apparent since the April 2015 Budget are also identified.

Revenue

GST Revenue

GST revenue is the Territory's most significant revenue source, accounting for around 50 per cent of total Territory revenue. Consequently, volatility in GST revenue is the main revenue risk for the Territory, and changes in GST revenue estimates can significantly impact the Territory's budget outcome and capacity to deliver government services.

The Territory's GST entitlement is determined by three parameters: national GST collections, the Territory's share of the national population and GST relativities as recommended by the CGC. Each of these parameters is influenced by many variables, adding to the complexity of forecasting GST revenue to the Territory over the forward estimates period.

Risks regarding fluctuations in the parameters that affect the Territory's GST revenue remain unchanged from those included in the April 2015 Budget.

Other Commonwealth Grants and Subsidies

Commonwealth funding is provided under either the Intergovernmental Agreement on Federal Financial Relations (IGA) through specific purpose payments (SPPs), National Health Reform (NHR) payments, Students First payments and NP payments, or through Commonwealth own-purpose expenses (COPE) provided directly to agencies. These arrangements provide a degree of certainty for the Territory's budgeting, although the continuation of funding and the adequacy of indexation in terms of capturing cost growth remains an ongoing risk.

With the potential budget issues prevailing at the Commonwealth level, there is a further risk to all state and territory tied and untied agreements of reduced funding levels if these funds are used to achieve revised priorities of the Commonwealth.

The expiry of NP agreements, which by their nature are time limited, potentially poses a risk to the Territory's Budget, particularly where funding has raised service delivery expectations. The Territory has eight NP agreements, including schedules under agreements expiring during 2015-16, for which a maximum total funding of $7.5 million is expected to be received in 2015-16. Should funding under these agreements not be renewed, the Territory would need to either reduce service delivery levels or provide additional funding. Timing of Commonwealth decisions regarding the treatment of expiring NP agreements and their funding is critical to sound budget development and ensuring alternative service delivery approaches can be considered, should Commonwealth funding cease.

Own-Source Revenue

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

The risks in forecasting the various elements of the Territory's own-source revenue remain unchanged from those included in the April 2015 Budget.

Expenses and Payments

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

The parameter for wages growth in all forward years is 3 per cent and CPI is 2.5 per cent, these have remained unchanged since the April 2015 Budget. The efficiency dividend also remains unchanged in 2015-16 and all forward years.

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

In accordance with FITA, the April 2015 Budget included forward estimates up to 2018-19. There is the potential for fiscal aggregates beyond the forward estimates period to be affected by existing commitments. These could either take the form of recurrent costs that are not expected to crystallise until later in the forward estimates period, recurrent initiatives that roll out over time and have therefore not yet reached their peak of funding, or capital infrastructure for which the associated recurrent costs are not fully incorporated into forward years as their completion falls either close to or outside of the forward estimates period.

Government Owned Corporations

PWC has now been restructured into three distinct government owned corporations. While it is expected that this reform will result in additional operational efficiencies, there is a risk that there may be an initial impact on the estimates already factored into the Budget.

Updated revenue estimates, combined with reduced operating and capital costs of the three government owned corporations, which form the basis of their 2015-16 Statements of Corporate Intent (SCI), were factored into the April 2015 Budget and forward estimates. The extent to which they are unable to achieve their SCI targets combined with the recent decision for further operational efficiencies represents an ongoing risk to the Budget.

Contingent Liabilities

Contingent liabilities are potential future costs to Government that may arise from guarantees, indemnities, legal and contractual claims as they constitute a risk to the Territory's financial position. The Territory's contingent liabilities are predominantly unchanged from the April 2015 Budget.

For more information on contingent liabilities, refer to Chapter 2 in the April 2015 Budget Paper No. 2: Budget Strategy and Outlook and the 2014-15 Treasurer's Annual Financial Report.

Chapter 3

Economic Outlook

Key Economic Indicators

The Territory economy performed well above expectations in 2014-15, growing by 10.5 per cent. The higher than anticipated growth was largely due to higher than expected growth in private investment and follows a downward revision to growth in 2013-14 to 3.0 per cent. Economic growth is expected to moderate to 4.5 per cent in 2015-16, before easing further to 3.0 per cent in the outer years.

Despite the stronger than anticipated growth in the economy, growth in population and employment has been weaker than expected at the time of the April 2015 Budget. As a result, there has been a downward revision in the forecast for 2015-16 for population, however inflationary pressures are also expected to be lower in 2015-16.

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

Table 3.1: Key Economic Forecasts (%)

	2014-15		2015-16	2016-17	2017-18	2018-19
	Budget	Actual	Estimate	Forecast		
Gross state product[1]	4.5	10.5	4.5	3.0	3.0	3.0
Population[2]	0.9	0.4	1.0	1.0	1.0	1.0
Employment[3]	1.5	- 0.4	1.5	0.7	0.7	0.7
Unemployment rate[4]	4.2	4.2	4.5	4.7	4.7	4.7
Consumer price index[5]	2.9	2.9	1.0	2.3	2.5	2.5
Wage price index[5]	2.8	2.8	2.5	2.5	2.5	2.5

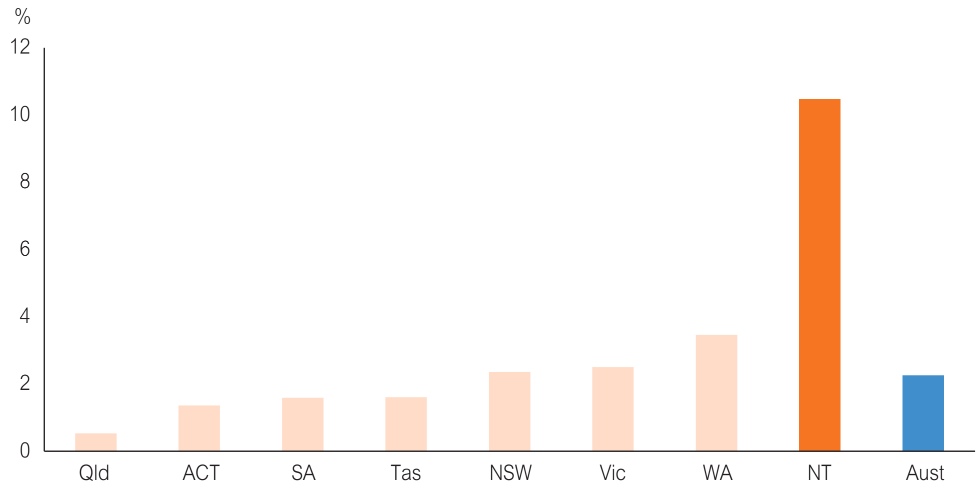
1 Year ended June, year-on-year percentage change, inflation adjusted.
2 As at December, annual percentage change.
3 Year-on-year percentage change.
4 Year average.
5 As at December, year-on-year percentage change.
Source: ABS; Department of Treasury and Finance

Economic Growth

The Territory economy expanded by 10.5 per cent in 2014-15. Growth continues to be driven by private investment, largely related to the construction of the Ichthys liquefied natural gas (LNG) plant at Bladin Point. A strong increase in public investment also contributed to growth in 2014-15.

The Territory recorded the highest economic growth of the jurisdictions, which ranged from 0.5 per cent in Queensland to 3.5 per cent in Western Australia (Figure 3.1). Nationally, gross domestic product increased by 2.3 per cent in 2014-15.

Figure 3.1: Change in Gross State Product, Gross Domestic Product, 2014-15



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

At 10.5 per cent, economic growth in 2014-15 was much stronger than the 4.5 per cent forecast in the April 2015 Budget. The result was driven by much higher than anticipated levels of private investment, which increased by 16.1 per cent. Public investment also contributed to growth in 2014-15, increased imports detracted from growth in 2014-15, as did a decline in dwelling investment.

Since the April 2015 Budget there have been changes to the economic environment both within the Territory and externally. The commencement of exports from the Ichthys LNG project is now expected to be delayed until the third quarter of 2017. While this will likely extend the period over which private investment remains at elevated levels, it will also delay the expected increase in exports. As a result, the economic growth forecasts remain largely unchanged from these presented in the April 2015 Budget.

Announcements by Rio Tinto that it will not be continuing with its 3 Deeps underground expansion at the Ranger uranium mine along with Glencore's confirmation that it will scale back operations at its McArthur River mine are expected to affect economic growth in the Territory over the coming years, as production declines at both mines.

The potential moderation of growth in mining output is expected to be partly offset by strengthening growth in other minerals such as gold along with the agricultural sector through increasing exports of live cattle and the potential emergence of new products and specialised crops.

Territory economic growth over the forward estimates period could be volatile if there are changes to the timing of construction completion of the Ichthys LNG project and the corresponding commencement of exports. Other potential major projects could also have a significant effect on economic growth in the outer years.

Household Consumption

Growth in household consumption moderated to 1.6 per cent in 2014-15, slightly below the 2.0 per cent increase forecast in the April 2015 Budget.

Early indications for 2015-16 are for a modest increase in household consumption with current levels of growth below long-term trends. Growth in retail trade in the Territory continues to ease, while sales of motor vehicles, which have been declining since late 2013, remain at a low level. Slowing residential unit construction may also detract from household consumption through reduced spending on furnishings and household items. However, this may be partly offset by the continued strength in house construction and building alterations and additions. Downward revisions to population and employment growth are also expected to constrain growth in household consumption over the coming years.

Dwelling Investment

In 2014-15, dwelling investment in the Territory declined by 6.7 per cent. The decline was largely anticipated and follows record growth in 2013-14, when there were high levels of residential unit construction, as well as house construction.

The decline in dwelling investment is expected to continue in the short term, with the number and value of building approvals continuing to decline, partially reflecting more moderate growth in population and employment. In the medium term, ongoing land release and subsequent house construction in new suburbs such as Zuccoli in Palmerston, and Katherine South are expected to support dwelling investment.

Business Investment

Business investment continued to be the largest contributor to growth in the Territory in 2014-15, increasing by 18.7 per cent. Growth in business investment has been strong for the past four years, reflecting investment in a number of major projects over that period.

A key driver of growth in business investment in the Territory in 2014-15 was the Ichthys LNG project, which is expected to continue to heavily influence the outlook for business investment over the forward estimates period.

Business investment is expected to remain at elevated levels in the short term, as construction on the Ichthys LNG project reaches its peak, before declining over the later years. Over the medium term, the decline in business investment is expected to be offset by an increase in exports as the Ichthys LNG project transitions from the construction to the production phase.

Public Final Demand

Public final demand in the Territory increased by 4.8 per cent in 2014-15, slightly below expectations in the April 2015 Budget. The lower than anticipated result was largely due to slower growth in public consumption, which increased by 0.8 per cent.

However, public investment a smaller component of public final demand, increased by 23.4 per cent, reflecting the completion of the Darwin Correctional Precinct and the Government's substantial capital works program.

Public investment is expected to continue to strengthen over the short to medium term, driven by increasing Territory Government infrastructure spending, particularly on roads, as well as projects such as upgrades to the Royal Darwin Hospital and the construction of the Palmerston Regional Hospital.

International Trade

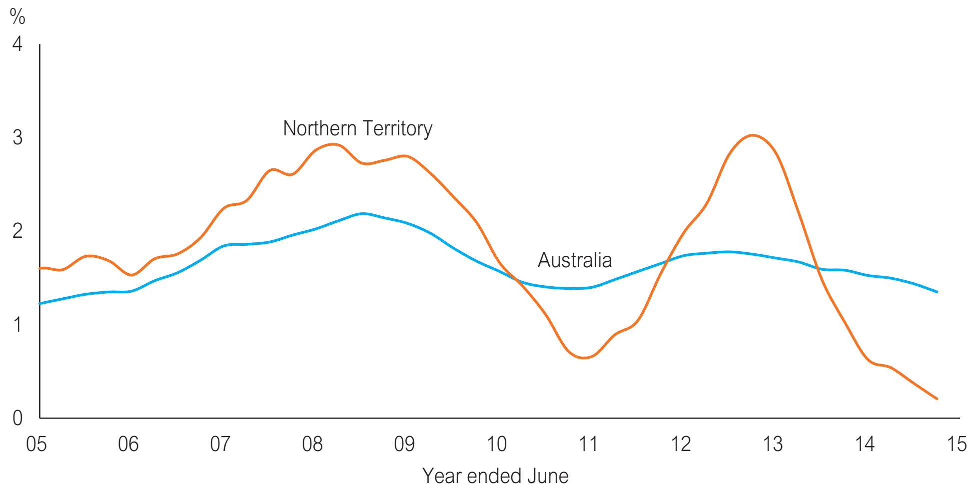
The Territory's trade balance contracted in 2014-15, reflecting an increase in imports, which was largely related to the import of components for the Ichthys LNG project. There was also a decline in exports in the year, reflecting scheduled maintenance works at the Darwin LNG plant as well as slowing exports of a number of mineral commodities.

The announced delay to the expected completion date at the Ichthys LNG project means that an increase in LNG exports is now likely to be later than originally anticipated. Net exports are expected to continue to contract in 2015-16, before strengthening from 2017-18 onward, as exports commence from the Ichthys LNG plant.

Population

Population growth in the Territory moderated from 1.5 per cent in 2013 to 0.4 per cent in 2014 (Figure 3.2). Gains from natural increase (2832 people) and net overseas migration (1461 people) were offset by net interstate migration outflows (3392 people), which were enhanced by population losses associated with the curtailment of operations at the Gove alumina refinery.

Figure 3.2: Annual Change in Estimated Resident Population, Northern Territory and Australia



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

In the March quarter 2015, annual population growth in the Territory declined to 0.2 per cent with net interstate migration outflows continuing to detract from growth. While this is typically the case, the extent of the loss is expected to be lower in 2015 as negative effects associated with the Gove alumina refinery pass and the workforce requirements for the Ichthys LNG project continue to draw people to the Territory. The population effects of the Ichthys LNG project have, however, yet to show the patterns typically associated with major projects where flows of interstate arrivals increase and interstate departures ease. This may in part reflect the large number of fly-in fly-out workers employed on the Ichthys LNG project who are not counted in the Territory's resident population. Accordingly, the April 2015 Budget estimate for population growth in 2015 has been revised downward from 1.8 per cent to 1.0 per cent.

The 2015-16 Budget estimates for population growth in the forward years remain unchanged at 1.0 per cent. The Ichthys LNG project is likely to remain a major determinant of population growth during this period with the demand for labour during the construction phase expected to peak in 2016 then decline as the project transitions toward the less labour intensive operations phase. As a consequence, outward population flows associated with the project are expected to constrain population growth largely to levels reflective of natural increase.

Labour Market

Employment

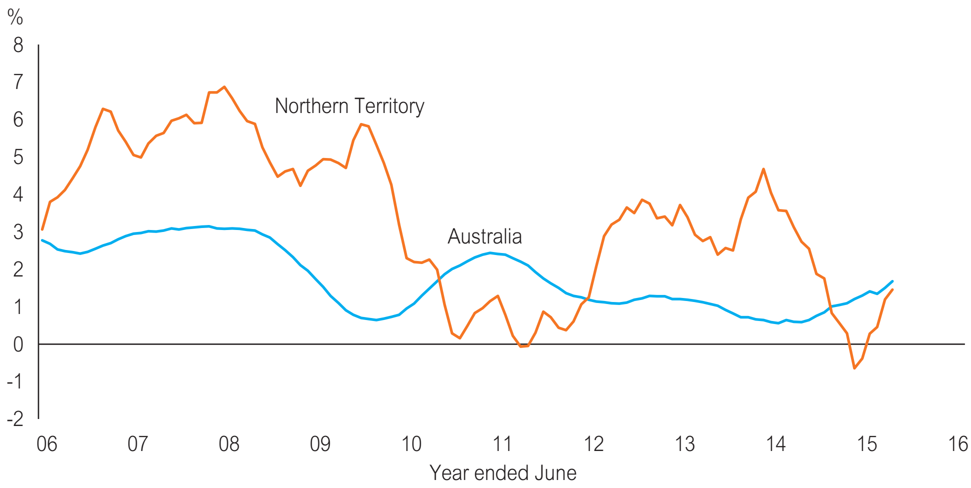
Resident employment in the Territory declined by 0.4 per cent in 2014-15, weaker than the 1.5 per cent growth forecast in the April 2015 Budget (Figure 3.3). The decline was driven by a reduction in full-time employment (down 1.1 per cent), which was partially offset by an increase in part-time employment (up 2.8 per cent).

A key influence on the 2014-15 result was a decline in employment in the mining sector due to the closure of the Frances Creek iron ore mine and an easing in activity in the sector due to the decline in commodity prices. The retail and manufacturing industries also experienced declines in employment while the level of growth in the construction sector has eased with the moderation in residential building activity.

Employment is expected to increase in 2015-16 due to employment growth coming off a lower base and the delay in the labour-intensive construction phase of the Ichthys LNG project expected to lift employment in the short term. The Territory's road infrastructure program, construction of the Palmerston Regional Hospital and development of several shopping precincts are expected to contribute to employment growth in the short term.

In the forward years, employment is expected to increase at a lower rate with growth no longer driven by the construction phase of the Ichthys LNG project and more reliant on general growth across the Territory's key industries.

Figure 3.3: Year-on-Year Change in Employment



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

Unemployment

The Territory's unemployment rate averaged 4.2 per cent in 2014-15, consistent with the estimate in the April 2015 Budget.

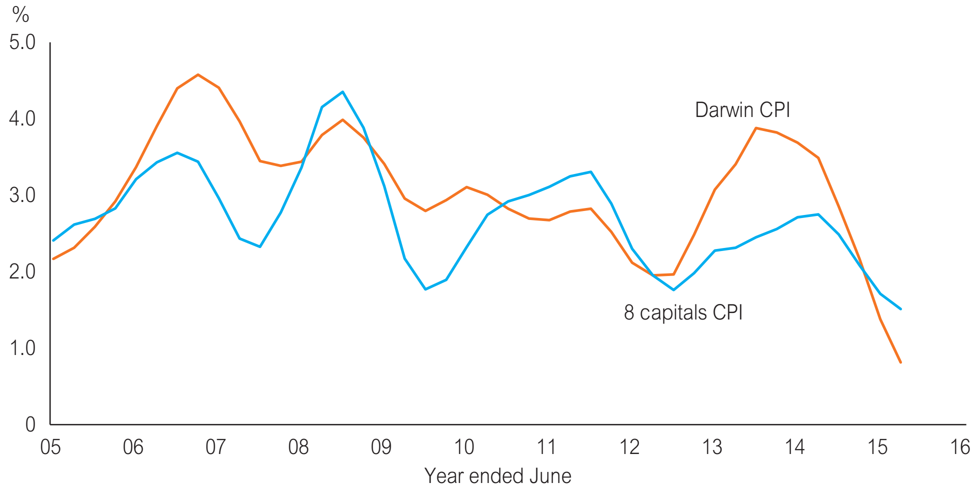
In October 2015, average annual unemployment in the Territory has increased slightly to 4.3 per cent. The upward movement is consistent with expectations in the April 2015 Budget with the unemployment rate expected to average 4.5 per cent in 2015-16. The upward trend reflects an easing in labour market conditions in the Territory.

In the forward years, unemployment is expected to remain as forecast in the April 2015 Budget. The Ichthys LNG project is expected to have drawn people from interstate and overseas, therefore as the project moves towards the export phase workers will likely depart the Territory unless other projects extend their stay. This outward movement is expected to limit the impact of the wind down of the Ichthys LNG project's construction phase on the Territory's unemployment rate.

Consumer Price Index

The Darwin consumer price index (CPI) moderated sharply over the past year, down from 3.5 per cent in the September quarter 2014 to 0.8 per cent in the September quarter 2015. CPI at a national level also declined over the same period, but to a lesser extent (Figure 3.4). As a result, growth in the Darwin CPI is now well below the eight capitals average of 1.5 per cent.

Figure 3.4: Annual Change in Consumer Price Index, Darwin and Eight Capital Cities



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

The moderation in the Darwin CPI largely reflects much slower growth in the price of housing (primarily, rents, purchases for owner-occupier dwellings and utilities), food and non-alcohol beverages, transportation (primarily automotive fuel), and recreation and culture (primarily holiday travel and accommodation).

Growth in the last quarter of 2015 is expected to remain subdued, but some upward pressure on prices is expected from alcohol excise and indexation and the lower exchange rate. As a result, the April 2015 Budget estimate for year-on-year growth in the Darwin CPI in 2015 has been revised down from 2.9 per cent to 1.0 per cent.

Growth in the Darwin CPI is expected to increase to 2.3 per cent in 2016 as the benefits in 2015 from the reduction in fuel prices and the removal of the carbon tax pass, and tobacco and fuel excises add to inflation. In the forward years, the forecast for the Darwin CPI remains unchanged at 2.5 per cent; however, a key risk to the forecast is downward movements in the exchange rate, which could increase the cost of imported goods including fuel, home furnishings, appliances, and clothing and footwear.

Wage Price Index

Wage growth in the Territory moderated in the first three quarters of 2015, and by year's end is expected to be slightly lower than the forecast of 2.7 per cent in the April 2015 Budget. This is consistent with trends in other jurisdictions and largely due to an easing in private sector wages growth as the demand for labour softens in that sector. Growth in public sector wages remains at a higher level reflecting annual increments in Northern Territory Public Sector enterprise agreements.

Growth in the wage price index (WPI) is expected to stabilise at 2.5 per cent in the forward years, in line with Budget forecasts. This reflects anticipated trends in inflation and weak labour market conditions.

Chapter 4

Uniform Presentation Framework

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

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

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

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

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

The financial statements include the original April 2015 Budget for 2015-16, revised 2015-16 Estimate and 2016-17 to 2018-19 forward estimates.

Also included are supplementary tables presenting general government sector taxes and the revised 2015-16 Loan Council Allocation.

Table 4.1

General Government Sector Comprehensive Operating Statement

		2015-16 Budget	2015-16 Revised	2016-17 Forward Estimates	2017-18	2018-19
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	629 849	612 541	605 753	623 278	641 265
	Current grants	4 135 739	4 293 122	4 301 081	4 454 299	4 441 454
	Capital grants	266 439	301 264	256 369	124 419	13 413
	Sales of goods and services	375 592	386 414	391 756	393 362	392 139
	Interest income	100 138	89 061	95 005	101 482	103 815
	Dividend and income tax equivalent income	79 255	59 623	65 761	86 847	81 835
	Other revenue	208 925	228 641	224 549	224 018	223 576
	TOTAL REVENUE	**5 795 937**	**5 970 666**	**5 940 274**	**6 007 705**	**5 897 497**
less	**EXPENSES**					
	Employee benefits expense	2 075 154	2 094 870	2 136 277	2 212 440	2 263 085
	Superannuation expenses					
	Superannuation interest cost	138 337	138 337	133 639	129 094	128 080
	Other superannuation expenses	214 951	215 953	220 395	223 344	225 122
	Depreciation and amortisation	327 706	328 014	327 466	327 481	326 877
	Other operating expenses	1 400 753	1 460 613	1 499 466	1 528 455	1 548 881
	Interest expenses	253 354	233 332	217 836	215 993	217 508
	Other property expenses					
	Current grants	846 256	895 684	878 285	909 861	838 445
	Capital grants	104 960	142 779	60 047	50 102	45 562
	Subsidies and personal benefit payments	207 443	213 243	235 077	250 904	255 363
	TOTAL EXPENSES	**5 568 914**	**5 722 825**	**5 708 488**	**5 847 674**	**5 848 923**
equals	**NET OPERATING BALANCE**	**227 023**	**247 841**	**231 786**	**160 031**	**48 574**
plus	Other economic flows – included in operating result	42 044	153 865	49 428	51 052	52 650
equals	**OPERATING RESULT**	**269 067**	**401 706**	**281 214**	**211 083**	**101 224**
plus	Other economic flows – other comprehensive income	311 392	279 686	335 336	345 932	354 903
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**580 459**	**681 392**	**616 550**	**557 015**	**456 127**
	NET OPERATING BALANCE	**227 023**	**247 841**	**231 786**	**160 031**	**48 574**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	861 991	865 872	814 936	582 809	421 698
	Sales of non financial assets	- 88 982	- 75 382	- 95 034	- 92 621	- 87 708
	less Depreciation	327 706	328 014	327 466	327 481	326 877
	plus Change in inventories					
	plus Other movements in non financial assets	- 20 830	- 37 546			
	equals **Total net acquisition of non financial assets**	**424 473**	**424 930**	**392 436**	**162 707**	**7 113**
equals	**FISCAL BALANCE**	**- 197 450**	**- 177 089**	**- 160 650**	**- 2 676**	**41 461**

Table 4.2

General Government Sector Balance Sheet

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	204 982	629 864	773 458	835 436	833 656
Advances paid	163 143	152 480	134 070	119 942	105 814
Investments, loans and placements	2 487 269	2 223 101	2 010 762	2 031 639	2 162 348
Receivables	296 820	302 402	315 466	343 821	349 066
Equity					
Investments in other public sector entities	2 846 539	3 467 391	3 507 375	3 568 301	3 644 895
Investments – other					
Other financial assets					
Total financial assets	**5 998 753**	**6 775 238**	**6 741 131**	**6 899 139**	**7 095 779**
Non financial assets					
Inventories	11 288	11 546	11 546	11 546	11 546
Property, plant and equipment	12 090 542	13 678 323	14 087 886	14 267 830	14 292 180
Investment property	69 773	109 983	99 923	89 863	79 803
Other non financial assets	122 358	122 272	122 260	122 248	122 236
Total non financial assets	**12 293 961**	**13 922 124**	**14 321 615**	**14 491 487**	**14 505 765**
TOTAL ASSETS	**18 292 714**	**20 697 362**	**21 062 746**	**21 390 626**	**21 601 544**
LIABILITIES					
Deposits held	249 242	249 795	252 394	277 759	329 888
Advances received	300 147	286 367	275 784	267 798	259 218
Borrowing	3 746 475	3 215 653	3 207 205	3 200 078	3 192 148
Superannuation	3 689 212	3 556 114	3 275 114	2 994 114	2 713 114
Other employee benefits	607 199	623 460	627 460	628 460	628 460
Payables	190 515	184 619	184 817	185 898	186 070
Other liabilities	754 376	754 306	796 374	835 906	835 906
TOTAL LIABILITIES	**9 537 166**	**8 870 314**	**8 619 148**	**8 390 013**	**8 144 804**
NET ASSETS/(LIABILITIES)	**8 755 548**	**11 827 048**	**12 443 598**	**13 000 613**	**13 456 740**
Contributed equity					
Accumulated surplus/(deficit)	1 651 950	2 795 510	3 372 076	3 868 165	4 247 698
Reserves	7 103 598	9 031 538	9 071 522	9 132 448	9 209 042
NET WORTH	**8 755 548**	**11 827 048**	**12 443 598**	**13 000 613**	**13 456 740**
NET FINANCIAL WORTH[1]	- 3 538 413	- 2 095 076	- 1 878 017	- 1 490 874	- 1 049 025
NET FINANCIAL LIABILITIES[2]	6 384 952	5 562 467	5 385 392	5 059 175	4 693 920
NET DEBT[3]	**1 440 470**	**746 370**	**817 093**	**758 618**	**679 436**

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

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	629 699	612 391	605 753	623 278	641 265
Receipts from sales of goods and services	410 856	421 705	427 000	428 606	427 479
Grants and subsidies received	4 402 178	4 594 386	4 557 450	4 578 718	4 454 867
Interest receipts	100 138	89 061	95 005	101 482	103 815
Dividends and income tax equivalents	91 164	84 000	65 963	72 778	76 590
Other receipts	401 086	421 353	417 763	417 349	415 454
Total operating receipts	**6 035 121**	**6 222 896**	**6 168 934**	**6 222 211**	**6 119 470**
Cash payments for operating activities					
Payments for employees	- 2 391 364	- 2 414 027	- 2 469 073	- 2 556 986	- 2 616 092
Payment for goods and services	- 1 625 681	- 1 664 251	- 1 701 892	- 1 733 630	- 1 778 719
Grants and subsidies paid	- 1 137 468	- 1 213 799	- 1 173 243	- 1 210 867	- 1 139 370
Interest paid	- 253 508	- 233 603	- 217 931	- 215 963	- 217 613
Other payments					
Total operating payments	**- 5 408 021**	**- 5 525 680**	**- 5 562 139**	**- 5 717 446**	**- 5 751 794**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**627 100**	**697 216**	**606 795**	**504 765**	**367 676**
Cash flows from investments in non financial assets					
Sales of non financial assets	88 982	75 382	95 034	92 621	87 708
Purchases of non financial assets	- 861 991	- 865 872	- 814 936	- 582 809	- 421 698
Net cash flows from investments in non financial assets	**- 773 009**	**- 790 490**	**- 719 902**	**- 490 188**	**- 333 990**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 145 909**	**- 93 274**	**- 113 107**	**14 577**	**33 686**
Net cash flows from investments in financial assets for policy purposes[1]	47 784	456 711	18 410	14 128	14 128
Net cash flows from investments in financial assets for liquidity purposes	- 69 951	190 889	254 723	23 021	- 85 213
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 795 176	- 142 890	- 446 769	- 453 039	- 405 075
Net cash flows from financing activities					
Advances received (net)	- 39 948	- 39 948	- 10 583	- 7 986	- 8 580
Borrowing (net)	- 7 590	- 495 590	- 8 448	- 7 127	- 7 930
Deposits received (net)	15 385	705	2 599	25 365	52 129
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 32 153	- 534 833	- 16 432	10 252	35 619
NET INCREASE/DECREASE IN CASH HELD	- 200 229	19 493	143 594	61 978	- 1 780
Net cash flows from operating activities	627 100	697 216	606 795	504 765	367 676
Net cash flows from investments in non financial assets	- 773 009	- 790 490	- 719 902	- 490 188	- 333 990
CASH SURPLUS (+)/DEFICIT (-)	**- 145 909**	**- 93 274**	**- 113 107**	**14 577**	**33 686**
Future infrastructure and superannuation contributions/earnings[2]	- 26 789	- 26 789	- 28 397	- 30 101	- 31 907
UNDERLYING SURPLUS (+)/DEFICIT (-)	**- 172 698**	**- 120 063**	**- 141 504**	**- 15 524**	**1 779**
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 145 909	- 93 274	- 113 107	14 577	33 686
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 145 909	- 93 274	- 113 107	14 577	33 686

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

Table 4.4

Public Non Financial Corporation Sector Comprehensive Operating Statement

		2015-16	2015-16	2016-17	2017-18	2018-19
		Budget	Revised	Forward Estimates		
		$000	$000	$000	$000	$000
	REVENUE					
	Current grants	146 696	146 696	171 748	186 702	191 361
	Capital grants	31 998	31 998	31 903	31 574	26 359
	Sales of goods and services	747 101	699 085	704 721	712 731	740 376
	Interest income	3 325	3 175	3 394	2 764	2 646
	Other revenue	30 382	28 134	31 722	32 741	33 769
	TOTAL REVENUE	**959 502**	**909 088**	**943 488**	**966 512**	**994 511**
less	**EXPENSES**					
	Employee benefits expense	119 082	109 095	107 445	106 878	103 185
	Superannuation expenses	17 366	16 324	16 905	17 096	16 934
	Depreciation and amortisation	180 963	173 705	155 385	154 543	155 257
	Other operating expenses	527 030	509 727	515 710	497 503	515 635
	Interest expenses	68 248	68 089	69 598	73 449	79 210
	Other property expenses	20 119	16 186	16 323	25 679	18 042
	Current grants	254	254	261	267	274
	Capital grants					
	Subsidies and personal benefit payments	2 174	2 582	2 229	2 285	2 342
	TOTAL EXPENSES	**935 236**	**895 962**	**883 856**	**877 700**	**890 879**
equals	**NET OPERATING BALANCE**	**24 266**	**13 126**	**59 632**	**88 812**	**103 632**
plus	Other economic flows – included in operating result	- 3 482	- 35 765	- 3 239	- 3 344	- 3 446
equals	**OPERATING RESULT**	**20 784**	**- 22 639**	**56 393**	**85 468**	**100 186**
plus	Other economic flows – other comprehensive income	5 270	- 77 768	10 535	14 088	18 063
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**26 054**	**- 100 407**	**66 928**	**99 556**	**118 249**
	NET OPERATING BALANCE	**24 266**	**13 126**	**59 632**	**88 812**	**103 632**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	250 617	248 119	217 012	206 286	237 699
	Sales of non financial assets			- 1 026	- 154	- 1 359
	less Depreciation	180 963	173 705	155 385	154 543	155 257
	plus Change in inventories	2 408	393	5 170	5 719	5 748
	plus Other movements in non financial assets	16 659	16 659	17 075	17 502	17 940
	equals **Total net acquisition of non financial assets**	**88 721**	**91 466**	**82 846**	**74 810**	**104 771**
equals	**FISCAL BALANCE**	**- 64 455**	**- 78 340**	**- 23 214**	**14 002**	**- 1 139**

Table 4.5

Public Non Financial Corporation Sector Balance Sheet

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	172 472	150 442	158 726	182 224	231 785
Advances paid					
Investments, loans and placements					
Receivables	120 333	117 601	118 865	124 083	130 855
Equity	3	3	3	3	3
Other financial assets					
Total financial assets	**292 808**	**268 046**	**277 594**	**306 310**	**362 643**
Non financial assets					
Inventories	183 183	185 643	190 813	196 532	202 280
Property, plant and equipment	3 836 729	4 386 781	4 455 988	4 503 602	4 579 199
Investment property					
Other non financial assets	118 427	82 656	101 660	137 225	178 714
Total non financial assets	**4 138 339**	**4 655 080**	**4 748 461**	**4 837 359**	**4 960 193**
TOTAL ASSETS	**4 431 147**	**4 923 126**	**5 026 055**	**5 143 669**	**5 322 836**
LIABILITIES					
Deposits held	10 002	909	909	909	909
Advances received					
Borrowing	1 363 003	1 319 937	1 382 937	1 429 132	1 525 132
Superannuation					
Other employee benefits	50 633	48 645	50 763	52 976	55 288
Payables	105 158	25 697	20 359	20 266	23 490
Other liabilities	77 443	82 178	85 343	93 716	94 753
TOTAL LIABILITIES	**1 606 239**	**1 477 366**	**1 540 311**	**1 596 999**	**1 699 572**
NET ASSETS/(LIABILITIES)	**2 824 908**	**3 445 760**	**3 485 744**	**3 546 670**	**3 623 264**
Contributed equity	830 486	590 659	590 659	590 659	590 659
Accumulated surplus/(deficit)	833 361	817 282	846 731	893 569	952 100
Reserves	1 161 061	2 037 819	2 048 354	2 062 442	2 080 505
TOTAL EQUITY	**2 824 908**	**3 445 760**	**3 485 744**	**3 546 670**	**3 623 264**
NET FINANCIAL WORTH[1]	- 1 313 431	- 1 209 320	- 1 262 717	- 1 290 689	- 1 336 929
NET DEBT[2]	**1 200 533**	**1 170 404**	**1 225 120**	**1 247 817**	**1 294 256**

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

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Receipts from sales of goods and services	760 164	684 470	704 648	701 801	730 902
Grants and subsidies received	178 694	178 694	203 651	218 276	217 720
Interest receipts	3 325	3 226	3 394	2 764	2 646
Other receipts	18 956	29 177	11 972	14 551	13 443
Total operating receipts	**961 139**	**895 567**	**923 665**	**937 392**	**964 711**
Cash payments for operating activities					
Income tax equivalents paid	- 25 996	- 25 767	- 16 719	- 23 334	- 15 417
Payments for employees	- 146 502	- 136 877	- 132 075	- 131 601	- 127 537
Payment for goods and services	- 546 215	- 506 372	- 517 052	- 496 405	- 511 512
Grants and subsidies paid	- 2 428	- 2 836	- 2 490	- 2 552	- 2 616
Interest paid	- 65 227	- 67 317	- 69 515	- 73 121	- 79 098
Other payments					
Total operating payments	**- 786 368**	**- 739 169**	**- 737 851**	**- 727 013**	**- 736 180**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**174 771**	**156 398**	**185 814**	**210 379**	**228 531**
Cash flows from investments in non financial assets					
Sales of non financial assets			1 026	154	1 359
Purchases of non financial assets	- 250 617	- 248 119	- 217 012	- 206 286	- 237 699
Net cash flows from investments in non financial assets	**- 250 617**	**- 248 119**	**- 215 986**	**- 206 132**	**- 236 340**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 75 846**	**- 91 721**	**- 30 172**	**4 247**	**- 7 809**
Net cash flows from investments in financial assets for policy purposes[1]		- 8 614			
Net cash flows from investments in financial assets for liquidity purposes					
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 250 617	- 256 733	- 215 986	- 206 132	- 236 340
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	110 872	62 262	63 000	46 195	96 000
Deposits received (net)					
Dividends paid	- 24 892	- 21 931	- 24 544	- 26 944	- 38 630
Other financing (net)	- 3 952	57 365			
NET CASH FLOWS FROM FINANCING ACTIVITIES	82 028	97 696	38 456	19 251	57 370
NET INCREASE/DECREASE IN CASH HELD	6 182	- 2 639	8 284	23 498	49 561
Net cash flows from operating activities	174 771	156 398	185 814	210 379	228 531
Net cash flows from investments in non financial assets	- 250 617	- 248 119	- 215 986	- 206 132	- 236 340
Dividends paid	- 24 892	- 21 931	- 24 544	- 26 944	- 38 630
CASH SURPLUS (+)/DEFICIT (-)	**- 100 738**	**- 113 652**	**- 54 716**	**- 22 697**	**- 46 439**
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 100 738	- 113 652	- 54 716	- 22 697	- 46 439
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 100 738	- 113 652	- 54 716	- 22 697	- 46 439

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

Table 4.7

Non Financial Public Sector Comprehensive Operating Statement

		2015-16	2015-16	2016-17	2017-18	2018-19
		Budget	Revised	Forward Estimates		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	619 440	602 780	595 914	613 444	631 533
	Current grants	4 135 739	4 292 714	4 301 081	4 454 799	4 441 954
	Capital grants	280 809	315 634	270 203	137 473	20 789
	Sales of goods and services	1 099 433	1 061 463	1 072 768	1 082 223	1 108 917
	Interest income	100 138	89 061	95 005	101 512	103 845
	Dividend and income tax equivalent income	35 813	24 703	22 494	22 538	22 138
	Other revenue	236 354	254 353	253 840	254 319	254 905
	TOTAL REVENUE	**6 507 726**	**6 640 708**	**6 611 305**	**6 666 308**	**6 584 081**
less	**EXPENSES**					
	Employee benefits expense	2 194 236	2 203 965	2 243 722	2 319 318	2 366 270
	Superannuation expenses					
	Superannuation interest cost	138 337	138 337	133 639	129 094	128 080
	Other superannuation expenses	229 621	230 112	235 135	238 275	239 891
	Depreciation and amortisation	508 669	501 719	482 851	482 024	482 134
	Other operating expenses	1 893 857	1 936 286	1 981 362	1 991 979	2 030 911
	Interest expenses	318 277	298 246	284 040	286 708	294 102
	Other property expenses					
	Current grants	789 119	838 547	819 652	849 692	776 700
	Capital grants	87 332	125 151	41 978	31 582	26 579
	Subsidies and personal benefit payments	120 312	126 112	124 452	127 423	128 863
	TOTAL EXPENSES	**6 279 760**	**6 398 475**	**6 346 831**	**6 456 095**	**6 473 530**
equals	**NET OPERATING BALANCE**	**227 966**	**242 233**	**264 474**	**210 213**	**110 551**
plus	Other economic flows – included in operating result	38 562	118 100	46 189	47 708	49 204
equals	**OPERATING RESULT**	**266 528**	**360 333**	**310 663**	**257 921**	**159 755**
plus	Other economic flows – other comprehensive income	313 931	321 059	305 887	299 094	296 372
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**580 459**	**681 392**	**616 550**	**557 015**	**456 127**
	NET OPERATING BALANCE	**227 966**	**242 233**	**264 474**	**210 213**	**110 551**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	1 112 608	1 113 991	1 031 948	789 095	659 397
	Sales of non financial assets	- 88 982	- 75 382	- 96 060	- 92 775	- 89 067
	less Depreciation	508 669	501 719	482 851	482 024	482 134
	plus Change in inventories	2 408	393	5 170	5 719	5 748
	plus Other movements in non financial assets	- 4 171	- 20 887	17 075	17 502	17 940
	equals **Total net acquisition of non financial assets**	**513 194**	**516 396**	**475 282**	**237 517**	**111 884**
equals	**FISCAL BALANCE**	**- 285 228**	**- 274 163**	**- 210 808**	**- 27 304**	**- 1 333**

Table 4.8

Non Financial Public Sector Balance Sheet

	2015-16 Budget	2015-16 Revised	2016-17	2017-18	2018-19
			Forward Estimates		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	214 009	629 893	773 487	835 465	833 685
Advances paid	163 143	152 480	134 070	119 942	105 814
Investments, loans and placements	2 487 269	2 223 101	2 010 762	2 031 639	2 162 348
Receivables	370 856	391 050	403 371	422 920	429 291
Equity					
Investments in other public sector entities	21 631	21 631	21 631	21 631	21 631
Investments – other	3	3	3	3	3
Other financial assets					
Total financial assets	**3 256 911**	**3 418 158**	**3 343 324**	**3 431 600**	**3 552 772**
Non financial assets					
Inventories	194 471	197 189	202 359	208 078	213 826
Property, plant and equipment	15 927 271	18 065 104	18 543 874	18 771 432	18 871 379
Investment property	69 773	109 983	99 923	89 863	79 803
Other non financial assets	240 785	204 928	223 920	259 473	300 950
Total non financial assets	**16 432 300**	**18 577 204**	**19 070 076**	**19 328 846**	**19 465 958**
TOTAL ASSETS	**19 689 211**	**21 995 362**	**22 413 400**	**22 760 446**	**23 018 730**
LIABILITIES					
Deposits held	95 799	100 291	94 606	96 473	99 041
Advances received	300 147	286 367	275 784	267 798	259 218
Borrowing	5 109 478	4 535 590	4 590 142	4 629 210	4 717 280
Superannuation	3 689 212	3 556 114	3 275 114	2 994 114	2 713 114
Other employee benefits	657 832	672 105	678 223	681 436	683 748
Payables	286 102	195 068	189 923	190 910	194 312
Other liabilities	795 093	822 779	866 010	899 892	895 277
TOTAL LIABILITIES	**10 933 663**	**10 168 314**	**9 969 802**	**9 759 833**	**9 561 990**
NET ASSETS/(LIABILITIES)	**8 755 548**	**11 827 048**	**12 443 598**	**13 000 613**	**13 456 740**
Contributed equity					
Accumulated surplus/(deficit)	2 485 311	3 612 792	4 218 807	4 761 734	5 199 798
Reserves	6 270 237	8 214 256	8 224 791	8 238 879	8 256 942
NET WORTH	**8 755 548**	**11 827 048**	**12 443 598**	**13 000 613**	**13 456 740**
NET FINANCIAL WORTH[1]	- 7 676 752	- 6 750 156	- 6 626 478	- 6 328 233	- 6 009 218
NET FINANCIAL LIABILITIES[2]	7 698 383	6 771 787	6 648 109	6 349 864	6 030 849
NET DEBT[3]	**2 641 003**	**1 916 774**	**2 042 213**	**2 006 435**	**1 973 692**

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

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	619 440	602 780	595 914	613 444	631 533
Receipts from sales of goods and services	1 147 762	1 082 069	1 107 937	1 106 539	1 134 783
Grants and subsidies received	4 416 548	4 608 348	4 571 284	4 592 272	4 462 743
Interest receipts	100 138	89 061	95 005	101 512	103 845
Dividends and income tax equivalents	40 247	36 129	24 703	22 493	22 539
Other receipts	419 785	450 253	429 469	431 625	428 622
Total operating receipts	**6 743 920**	**6 868 640**	**6 824 312**	**6 867 885**	**6 784 065**
Cash payments for operating activities					
Payments for employees	- 2 527 591	- 2 541 295	- 2 591 305	- 2 678 747	- 2 733 899
Payment for goods and services	- 2 148 368	- 2 146 065	- 2 194 974	- 2 205 891	- 2 266 352
Grants and subsidies paid	- 975 572	- 1 051 903	- 985 916	- 1 008 697	- 932 142
Interest paid	- 315 410	- 297 694	- 284 052	- 286 350	- 294 095
Other payments					
Total operating payments	**- 5 966 941**	**- 6 036 957**	**- 6 056 247**	**- 6 179 685**	**- 6 226 488**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**776 979**	**831 683**	**768 065**	**688 200**	**557 577**
Cash flows from investments in non financial assets					
Sales of non financial assets	88 982	75 382	96 060	92 775	89 067
Purchases of non financial assets	- 1 112 608	- 1 113 991	- 1 031 948	- 789 095	- 659 397
Net cash flows from investments in non financial assets	**- 1 023 626**	**-1 038 609**	**- 935 888**	**- 696 320**	**- 570 330**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 246 647**	**- 206 926**	**- 167 823**	**- 8 120**	**- 12 753**
Net cash flows from investments in financial assets for policy purposes[1]	43 832	505 462	18 410	14 128	14 128
Net cash flows from investments in financial assets for liquidity purposes	- 69 951	190 889	254 723	23 021	- 85 213
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 049 745	- 342 258	- 662 755	- 659 171	- 641 415
Net cash flows from financing activities					
Advances received (net)	- 39 948	- 39 948	- 10 583	- 7 986	- 8 580
Borrowing (net)	103 282	- 433 328	54 552	39 068	88 070
Deposits received (net)	9 203	3 342	- 5 685	1 867	2 568
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	72 537	- 469 934	38 284	32 949	82 058
NET INCREASE/DECREASE IN CASH HELD	- 200 229	19 491	143 594	61 978	- 1 780
Net cash flows from operating activities	776 979	831 683	768 065	688 200	557 577
Net cash flows from investments in non financial assets	- 1 023 626	- 1 038 609	- 935 888	- 696 320	- 570 330
CASH SURPLUS (+)/DEFICIT (-)	**- 246 647**	**- 206 926**	**- 167 823**	**- 8 120**	**- 12 753**
Future infrastructure and superannuation contributions/ earnings[2]	- 26 789	- 26 789	- 28 397	- 30 101	- 31 907
UNDERLYING SURPLUS (+)/DEFICIT (-)	**- 273 436**	**- 233 715**	**- 196 220**	**- 38 221**	**- 44 660**
Additional information to the Cash Flow Statement					
CASH SURPLUS (+)/DEFICIT (-)	- 246 647	- 206 926	- 167 823	- 8 120	- 12 753
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 246 647	- 206 926	- 167 823	- 8 120	- 12 753

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

Table 4.10

General Government Sector Taxes

	2015-16 Budget	2015-16 Revised	2016-17 Forward Estimate
	$M	$M	$M
Taxes on employers' payroll and labour force	**284**	**283**	**285**
Payroll taxes	284	283	285
Taxes on property	**152**	**138**	**122**
Stamp duties on financial and capital transactions	152	138	122
Taxes on the provision of goods and services	**122**	**122**	**127**
Taxes on gambling	77	77	80
Taxes on insurance	45	45	47
Taxes on the use of goods and performance of activities	**72**	**69**	**71**
Motor vehicle registration fees	72	69	71
TOTAL TAXES	**630**	**613**	**606**

Table 4.11

2015-16 Loan Council Allocation

		Budget-time Estimate	Mid-Year Estimate
		$M	$M
General government sector cash deficit (+)/surplus (-)		146	93
Public non financial corporations sector cash deficit (+)/surplus (-)		101	114
Non financial public sector cash deficit (+)/surplus (-)		247	207
less	Acquisitions under finance leases and similar arrangements		
equals	ABS GFS cash deficit (+)/surplus (-)	247	207
less	Net cash flows from investments in financial assets for policy purposes	44	505
plus	Memorandum items		
2015-16 LOAN COUNCIL ALLOCATION		**203**	**- 299**

Note: The improved Mid-Year Budget estimate largely reflects the up-front cash proceeds from the long-term lease of the Port of Darwin, recorded as net cash flows from investments in financial assets for policy purposes. This positive movement is outside the 2 per cent tolerance limit of non financial public sector operating cash receipts of $131 million when compared to the original Loan Council Allocation of $39 million.

Appendix A Classification of Entities in the Northern Territory

Non Financial Public Sector

General Government

Aboriginal Areas Protection Authority
Auditor-General's Office
AustralAsia Railway Corporation[1]
Batchelor Institute of Indigenous Tertiary Education[1]
Central Australia Health Service[2]
Central Holding Authority
Darwin Waterfront Corporation[1]
Data Centre Services[2]
Department of Arts and Museums
Department of the Attorney-General and Justice
Department of Business
Department of the Chief Minister
Department of Children and Families
Department of Corporate and Information Services
Department of Correctional Services
Department of Education
Department of Health
Department of Housing
Department of Infrastructure
Department of Land Resource Management
Department of Lands, Planning and the Environment
Department of the Legislative Assembly
Department of Local Government and Community Services
Department of Mines and Energy
Department of Primary Industry and Fisheries
Department of Sport and Recreation
Department of Transport
Department of Treasury and Finance
Desert Knowledge Australia[1]
Motor Accidents (Compensation) Commission[1,3]
Museums and Art Galleries Board of the Northern Territory[1]
Nominal Insurer's Fund[1]
Northern Territory Electoral Commission
Northern Territory Legal Aid Commission[1]
Northern Territory Major Events Company Pty Ltd[1]
Northern Territory Police, Fire and Emergency Services
NT Build Statutory Corporation[1]
NT Fleet[2]
NT Home Ownership[2]
Office of the Commissioner for Public Employment
Ombudsman's Office
Parks and Wildlife Commission of the Northern Territory
Territory Wildlife Parks[2]
Top End Health Service[2]
Tourism NT

Public Non Financial Corporations

Darwin Port Corporation[2,4]
Darwin Port Operations Pty Ltd[1,5]
Indigenous Essential Services Pty Ltd[1]
Jacana Energy[1,6]
Land Development Corporation[2]
Power and Water Corporation[1,6]
Territory Generation[1,6]

1 Non budget sector entity.
2 Government business division.
3 Previously included with the Territory Insurance Office. From January 2015 separately recorded in the general government sector.
4 Government business division ceased operations during 2015-16.
5 No longer a government entity.
6 Government owned corporation.

Appendix B 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.

Agency

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

Appropriation

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

Australian Accounting Standards

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

Capital Grants

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, 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 acquisition and disposal of non financial assets, less distributions paid, less value of assets acquired under finance leases and similar arrangements.

Central Holding Authority (CHA)

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

Commonwealth Own-Purpose Expenses (COPE)

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

Comprehensive Result

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

Consumer Price Index

A general indicator of the prices paid by household consumers for a specific basket of goods and services.

Contingent Liability

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

Current Grants

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

Finance Lease

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

Financial Asset

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions 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.

Fiscal Aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 prescribes net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth and cash surplus/deficit. The Uniform Presentation Framework prescribes additional fiscal aggregates not included in AASB 1049, these are net debt, net financial worth, net financial liabilities and ABS GFS cash surplus/deficit.

Fiscal Balance (Net Lending/Borrowing)

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

General Government Sector

Defined in Government Finance Statistics as an entity or group of entities that 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.

Generally Accepted Accounting Principles (GAAP)

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

Goods and Services Tax (GST) Revenue

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

Government Business Division (GBD)

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

Government Finance Statistics (GFS)

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

Government Owned Corporation

An entity whose objectives are to operate at least as efficiently as any corporate business and maximise sustainable return to government. The *Government Owned Corporations Act* adopts the shareholder model of corporate governance. The Territory has three government owned corporations, Power and Water Corporation, Power Generation (Territory Generation) and Power Retail Corporation (Jacana Energy).

Grants

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

While grants to government may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly, benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

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

Grants for On-Passing

All grants paid to one institutional sector (for example, a state general government) to be passed on to another institutional sector (for example, local government or a non-profit institution).

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.

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.

Interest Expense

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

Intergovernmental Agreement

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

Inventories

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

Loan Council

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

Loan Council Allocation

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

Memorandum Items – Loan Council

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

National Partnership Agreements

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

National Partnership Payments

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

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.

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

Net Actuarial Gains

Includes actuarial gains and losses on defined benefit superannuation plans.

Net Cash Flows from Investments in Financial Assets (Liquidity Management Purposes)

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

Net Cash Flows from Investments in Financial Assets (Policy Purposes)

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

Net Debt

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

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

Net Financial Liabilities

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

Net Financial Worth

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

Net Gain on Equity Investment in other Sector Entities Measured at Proportional Share of the Carrying Amount of Net Assets/(Liabilities)

Comprises the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of intersector balances.

Net Operating Balance (Net result from transactions)

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

Net Worth

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

Non Financial Assets

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

Non Financial Public Sector

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

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 (such as revaluations and other changes in the volume of assets).

Other Operating Expenses

The total value of goods and services used in production and use of goods acquired for resale. Goods and services acquired for use as direct in-kind transfer to households or as grants are excluded.

Other Superannuation Expense

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

Payables

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

Provisions

Amounts set aside by entities from current revenue or income for future payments.

Public Financial Corporations

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

Public Non Financial Corporations

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

Receivables

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

Sale of Goods and Services

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

Specific Purpose Payments (SPPs)

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

Tax Equivalents Regime

The mechanism to ensure government business divisions and 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.

Treasurer's Advance

An appropriation purpose of that name as specified in an *Appropriation Act*, which provides a pool of funds specifically set aside in each Budget to meet operational contingencies that arise during the year.

Uniform Presentation Framework

A uniform framework agreed by the Australian Loan Council in 2000, which is a revision of the agreement reached at the 1991 Premiers' Conference. The Uniform Presentation Framework (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.