NORTHERN TERRITORY

BUDGET 2022-23

Budget Paper No. 2

BUDGET STRATEGY AND OUTLOOK

Budget Strategy and Outlook

2022-23

Budget Paper No. 2

Contents

Under Treasurer's Certification

In accordance with provisions of the *Fiscal Integrity and Transparency Act 2001*, I certify that the financial projections included in the May 2022 Budget documentation are based on Northern Territory Government decisions that I was aware of or that were made available to me by the Treasurer before 4 May 2022. The projections presented here are in accordance with the Uniform Presentation Framework.

Craig Graham
Under Treasurer

4 May 2022

Chapter 1
Executive summary

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

Fiscal outlook

Despite short lockdowns in early 2021-22 associated with the Delta variant of COVID-19, the effectiveness of the vaccine rollout and improved consumer confidence has bolstered national economic activity and resulted in significant improvements to all the Territory's budgeted fiscal aggregates. For the first time since 2016, the Territory is projecting a net operating balance surplus (from 2024-25) and a modest fiscal balance deficit of $17 million is forecast in 2025-26.

GST revenue, the Territory's single largest revenue source, is expected to improve by $2.43 billion over the budget cycle to 2025-26 when compared to the 2021-22 Budget. This is primarily due to an increase in the national GST pool attributable to improved economic expectations and the effect of national inflation. An increase in the Territory's GST relativity from 4.79985 in 2021-22 to 4.86988 in 2022-23 also contributes to the improvement.

The 2022-23 Budget includes new policy commitments aimed at attracting new investment, creating new jobs and maintaining core government services. Additional funding was also provided to support the delivery of government's infrastructure program.

All key fiscal measures have improved since the 2021-22 Budget. Key estimates for the 2022-23 Budget include:

- total revenue for the non financial public sector of $7.6 billion in 2022-23 and total expenditure, including net capital investment, of $9.27 billion
- general government net operating balance deficit of $253 million in 2022-23
- non financial public sector fiscal balance deficit of $1.11 billion in 2022-23
- net debt for the non financial public sector of $8.71 billion in 2022-23, with a net debt to revenue ratio of 115%.

In accordance with section 9(1)(c) of FITA, the government must specify the key fiscal indicators it considers important and against which fiscal policy will be assessed. The key fiscal indicators are the general government sector's net operating balance, and the non financial public sector's fiscal balance, net debt and net debt to revenue ratio. Accordingly, Table 1.1 provides the updated projections for these indicators for the 2022-23 Budget.

Table 1.1: Key fiscal indicators

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
General government sector					
Net operating balance	- 415	- 253	- 80	60	90
Non financial public sector					
Fiscal balance	- 854	- 1 110	- 551	- 330	- 17
Net debt	7 702	8 712	9 242	9 443	9 366
Net debt to revenue (%)	98	115	120	121	121

Further discussion on the explanations for material differences between the updated financial projections contained in the 2022-23 Budget and those projected at the time of the 2021-22 Budget is provided in Chapter 2 *Fiscal outlook*. Assessment of expected outcomes for fiscal strategy objectives and key fiscal targets is provided in Chapter 4 *Fiscal strategy statement*.

Economic outlook

Strengthened private investment and public consumption have contributed to estimated economic growth in 2021-22 being higher than previously forecast as part of the 2021-22 Budget. Inflation as measured by the consumer price index (CPI) has also increased in the past year. Looking forward, the majority of forecasts for 2022-23 and the forward estimates are broadly in line with those reported in the 2021-22 Budget.

In 2021-22, gross state product (GSP) is estimated to increase by 4.4% and state final demand (SFD) by 8.8% as an increase in private investment is partially offset by an increase in imports associated with large engineering and construction projects.

Economic growth in 2022-23 is forecast to be 3.7% with growth forecast to average 2.9% over the budget cycle to 2025-26, and will be heavily influenced by the Barossa Project.

Private sector investment is expected to make a significant contribution to economic growth in 2021-22 and 2022-23. This is attributable to a large portion of the US$3.6 billion offshore construction of the Barossa Project, but also incorporates construction related to the Finniss lithium project and the United States (US) defence fuel storage facility at East Arm – projects committed since the 2021-22 Budget.

While goods exports are expected to increase in 2021-22 and 2022-23, these will be more than offset by large increases in imports related to private investment, and net exports are forecast to detract from GSP growth across both years. In 2023-24, there is an anticipated pause in production at the Darwin liquefied natural gas (LNG) plant as it transitions to the Barossa field as the source of gas, and this is reflected as a reduction in exports and detracts from economic growth, contributing to the weak GSP forecast. In early 2025, when gas from the Barossa field is projected to be available, the resumption of exports from the plant is expected to contribute to a forecast return to GSP growth in 2024-25 and 2025-26.

Table 1.2 details the revised outlook for the Territory's key economic indicators for 2021-22, 2022-23 and the forward estimates.

Table 1.2: Territory key economic indicators (%)

	2021-22e	2022-23f	2023-24f	2024-25f	2025-26f
Gross state product[1]	4.4	3.7	- 0.7	4.3	2.9
State final demand[1]	8.8	5.4	0.3	- 2.5	- 1.8
Population[2]	0.1	0.6	0.8	0.9	0.9
Employment[1]	1.1	2.3	0.9	1.4	1.7
Unemployment rate[3]	3.9	4.2	4.4	4.4	4.4
Consumer price index[1]	5.7	3.1	1.0	1.3	1.7
Wage price index[1]	1.9	1.6	2.2	2.4	3.0

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

The Territory's population growth is estimated to be 0.1% in 2021-22 as easing interstate COVID-19 restrictions in late 2021 allowed for greater interstate migration outflows. Population growth is forecast to be 0.6% in 2022-23 and strengthen over the outlook as employment opportunities drive interstate migration to the Territory and the further easing of restrictions enables the return of overseas migration.

The Territory's labour market rebounded in 2021-22 with estimated employment growth of 1.1%. This is forecast to strengthen to growth of 2.3% in 2022-23, supported by demand for labour associated with major private and public investments in construction projects. The unemployment rate is forecast to remain low at 4.2%. Although private investment and, consequently, SFD are forecast to decline in the outer years of the forecast period, this is driven by the expected completion of Barossa-related construction activity by 2024, and the offshore component of this project is anticipated to have minimal use of local content and employment. Employment over the forecast period will also benefit from the return of international visitation, supporting the labour-intensive tourism sector.

While the year-on-year CPI result for the December quarter 2021 was 5.1%, the Department of Treasury and Finance estimates government policy initiatives contributed around 2.4 percentage points to this result. That is, in the absence of the policy measures, Darwin's year-on-year inflation rate in the December quarter 2021 is estimated to be around 2.7% (Table 1.3). This parameter has been applied to the Territory Government's 2022-23 Budget.

Table 1.3: Darwin consumer price index[1] (%)

Calendar year	2021a	2022f	2023f	2024f	2025f
Consumer price index	5.1[2]	4.9	1.5	0.9	1.6

a: actual; f: forecast
1 Year-on-year percentage change.
2 Department of Treasury and Finance estimates that the year-on-year growth in December 2021, excluding the impact of government policy initiatives, was 2.7%.
Source: Department of Treasury and Finance, ABS

Most of these one-off measures will have minimal impact on the 2022-23 forecast of 3.1%, which is more reflective of rents, housing construction costs, and the impact of geopolitical tensions and disrupted supply chains on household goods and services. Wage growth is expected to remain moderate over the forecast period, constrained in part by low growth in public sector wages.

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

Further discussion on the explanations for material differences between the updated key economic indicators contained in the 2022-23 Budget and those projected at the time of the 2021-22 Budget is provided in Chapter 3 *Economic outlook*.

Intergovernmental financial relations outlook

The Territory's GST revenue is expected to be $3.54 billion in 2021-22, an increase of $385 million or 12.2% greater than estimated in the 2021-22 Budget. The increase is largely driven by improved national GST collections in 2021-22 due to easing COVID-19 restrictions and a $173 million balancing adjustment for the Territory, received in 2021-22 for underpaid GST revenue from 2020-21.

Table 1.4: Territory GST revenue

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
Territory GST revenue[1] ($M)	3 544	3 576	3 683	3 833	3 981
Annual change in Territory GST revenue (%)		0.9	3.0	4.1	3.9

1 2021-22 includes a $173 million balancing adjustment for 2020-21 GST entitlements. 2022-23 includes a no-worse-off guarantee payment of $3 million. 2023-24 includes a no-worse-off guarantee payment of $4 million.

As shown in Table 1.4, in 2022-23 the Territory expects to receive $3.58 billion in GST revenue. This is an increase of 0.9% from 2021-22, or 6.1% after excluding the one-off $173 million balancing adjustment. The estimate reflects an increase to the Territory's GST relativity from 4.79985 in 2021-22 to 4.86988 in 2022-23 and expected growth to the national GST pool of 6.5% in 2022-23. This is the highest GST pool growth since the global financial crisis (GFC), excluding the exceptional post-COVID-19 recovery in 2020-21, and is 2.2 percentage points higher than the 4.3% average growth rate since 2007-08. Growth in the national GST pool is attributable to improved economic expectations and the effect of national inflation. Due to significant economic uncertainty, the Territory's 6.5% GST pool growth forecast for 2022-23 is more conservative than the Commonwealth 2022-23 Budget forecast of 9.1%.

Over the forward estimates, the Territory forecasts annual pool growth of an average 4.5%, consistent with Commonwealth forecasts, before gradually returning to a long-run growth rate of 3% in the medium-term projections. The Territory's relativity is expected to decline over the forward estimates period, in line with GST distribution reforms that phase in from 2021-22 to 2026-27. Further details on GST estimates are discussed in Chapter 5 *Intergovernmental financial relations issues*.

Territory taxes and royalties outlook

As reported in Table 1.5, taxation and mining royalties are expected to total $1.01 billion in 2021-22, a $122 million increase from the $889 million forecast in the 2021-22 Budget. This is largely due to higher than expected conveyance duty revenue, reflecting improvements in the residential property market in both prices and volumes, combined with a small number of large one-off commercial transactions. Smaller improvements are also expected across most revenue lines during this period and over the forward estimates, which broadly reflects an improved economic outlook.

In 2022-23 total taxation and mining royalties are expected to decline from the 2021-22 revised estimate by $40 million to $971 million. This is driven by conveyance duty returning to more standard pre-COVID-19 patterns, and uncertainty around the number of large one-off transactions going forward.

This decline is partly offset by higher payroll tax receipts (taxes on employers), which are expected to total $233 million in 2022-23. This is a $20 million increase from the previous year, which is greater than the $9 million increase forecast in the 2021-22 Budget, and reflects improving economic and employment conditions. Payroll tax receipts are expected to maintain steady growth over the forward estimates as major investment projects factored into economic forecasts proceed through the construction phase.

Royalty receipts are expected to total $345 million in 2022-23 and average $338 million per annum over the forward estimates. These estimates exceed the forecasts published in the 2021-22 Budget due to continued strength in some key commodity prices and activity in the mining sector. There are no royalty revenues from new onshore gas developments included in the forward estimates. Consistent with economic forecasts contained in the budget, new mine developments are not factored into royalty forecasts until a final investment decision has been announced.

Overall, own-source revenue is expected to remain stable over the forward estimates, averaging $989 million per annum.

Table 1.5: Main taxes and royalties category estimates

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Mining royalties	353	345	346	334	335
Taxes on employers	212	233	241	247	248
Taxes on property	192	149	149	144	140
Taxes on gambling	96	101	105	109	113
Motor vehicle taxes	88	84	86	89	91
Taxes on insurance	69	59	60	62	67
Total	1 011	971	988	984	995

Conclusion

The Territory's concerted effort in containing expenditure growth while GST and own-source revenue projections significantly deteriorated set the foundation to return the budget to a balanced position when Territory and national economic conditions recovered. These efforts are now being realised, with GST revenue forecast to significantly improve and the 2022-23 Budget now projecting net operating and fiscal balance surpluses in the short and medium term, respectively.

Chapter 2

Fiscal outlook

Overview

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

The full set of financial statements is presented in Chapter 8 *Uniform Presentation Framework*, with this chapter providing a comparison of the projections in the 2022-23 Budget with those provided in the 2021-22 Budget and 2021-22 Mid-Year Report.

For 2022-23, the general government net operating balance is expected to be a deficit of $253 million and the non financial public sector fiscal balance a deficit of $1.11 billion. Net debt for the non financial public sector is estimated to be $8.71 billion in 2022-23, with the net debt to revenue ratio forecast to be 115%.

In the 2022-23 Budget, total revenue in the non financial public sector is estimated to be $7.6 billion in 2022-23, increasing to $7.72 billion in 2025-26, with total expenditure (including net capital) estimated to be $9.27 billion in 2022-23 and $8.44 billion by 2025-26. This chapter discusses the budget and forward estimates and assumptions that underpin them.

General government sector net operating balance

Table 2.1 highlights the movements in the general government sector net operating balance and compares the updated projections with those published in the 2021-22 Budget.

Table 2.1: General government sector – net operating balance

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2021-22 Budget	- 497	- 536	- 480	- 570	n/a
2021-22 Mid-Year Report	- 712	- 483	- 553	- 467	n/a
2022-23 Budget	- 415	- 253	- 80	60	90
Variation from 2021-22 Budget	82	283	400	630	n/a

n/a: not available at the time of publishing the 2021-22 Budget and 2021-22 Mid-Year Report

The net operating balance represents total revenue less total operating expenses, with capital spending only recognised in the fiscal balance. As shown in Table 2.1, the general government sector net operating balance is projected to improve across the budget cycle compared to forecasts at the time of the 2021-22 Budget, with a net operating surplus now projected in 2024-25.

For 2021-22, the net operating balance deficit is now estimated to be $415 million, an $82 million improvement from the 2021-22 Budget. A net operating balance deficit of $253 million is budgeted for 2022-23 and operating surpluses are projected from 2024-25. The improved net operating balance deficits since the 2021-22 Budget are predominantly due to:

- improvements in the Territory's GST revenue as a result of upward revisions to forecast growth in the national GST pool and improvement in the Territory's GST relativity
- additional own-source revenue, mainly stamp duty on conveyances

- increased Commonwealth revenue for capital purposes where expenditure is recognised in the fiscal balance only, including for the Manton Dam return to service and Strauss to Middle Arm pipeline projects
- partially offset by the effect of government policy decisions focused on attracting new investment, creating new jobs and maintaining core government services.

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

Non financial public sector fiscal balance

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

Table 2.2 highlights the movements in the non financial public sector fiscal balance and compares the updated projections with those published in the 2021-22 Budget.

Table 2.2: Non financial public sector – fiscal balance

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2021-22 Budget	- 1 356	- 1 215	- 807	- 629	n/a
2021-22 Mid-Year Report	- 1 192	- 1 483	- 800	- 614	n/a
2022-23 Budget	- 854	- 1 110	- 551	- 330	- 17
Variation from 2021-22 Budget	502	105	256	299	n/a

n/a: not available at the time of publishing the 2021-22 Budget and 2021-22 Mid-Year Report

As shown in Table 2.2, the fiscal balance deficit is expected to peak at $1.11 billion in 2022-23 and reduce over the forward estimates to $17 million by 2025-26. When compared with the 2021-22 Budget, the fiscal balance deficit is anticipated to improve in aggregate by $1.16 billion over the budget cycle to 2024-25.

Medium-term fiscal outlook

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

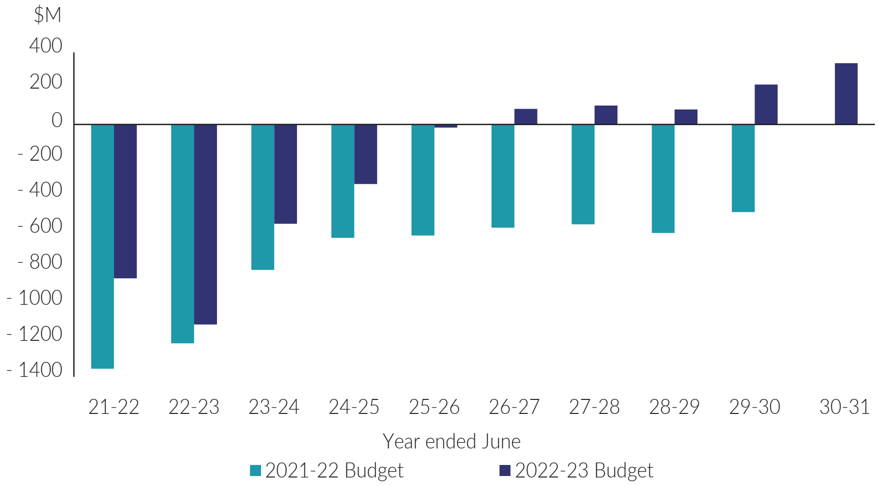
Chart 2.1 compares the updated projections in the 2022-23 Budget for the non financial public sector's fiscal balance with those reported in the 2021-22 Budget. The chart illustrates that the fiscal balance has improved in all years when compared to the 2021-22 Budget and is now projected to return to surplus by 2026-27.

The improvement to the fiscal balance in the medium-term projections is largely attributable to government-approved policy decisions to contain expenditure growth, combined with a significant improvement in the Territory's GST revenue.

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

The Territory has not adopted the Commonwealth's 2022-23 Budget estimates of GST pool growth for 2022-23 of 9.1% due to the uncertainty around the underlying economic assumptions supporting this level of growth. Instead, the Territory has adopted more conservative growth of 6.5% in this year. Any increase in national economic activity and subsequent GST collections above the Territory estimates will have a positive impact on the fiscal balance projections.

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



Given the uncertainty and difficulty associated with predicting economic conditions following the impacts of COVID-19, continued disruptions to labour availability and supply chains, as well as global shocks such as the Russia-Ukraine conflict and heightened fuel prices, there is a higher degree of uncertainty than usual associated with 10-year projections.

Based on current projections, net debt is estimated to be $8 billion by 2030-31, with the net debt to revenue ratio projected to be 94% at that point. When compared to the 2021-22 Budget, net debt is estimated to improve by $5.27 billion by 2029-30, the last year projected at that time, and the net debt to revenue ratio by 80 percentage points. Any improvement in the economic and fiscal outlook as a result of projects proceeding, or upturn in the national economy, would also improve the net debt position.

Reconciliation with previous fiscal projections

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

The most recent fiscal outlook report published under FITA is the 2021-22 Budget. Accordingly, the analysis in the remainder of this chapter reflects policy and non-policy changes since the 2021-22 Budget. Policy variations are the result of government decisions to implement new or expand existing agency programs, and savings and revenue measures. Non-policy variations are the result of influences outside government's control, such as the timing of payments or changes in external economic conditions.

Policy and non-policy changes since 2021-22 Budget

Table 2.3 summarises the effect of policy and non-policy changes on the non financial public sector's fiscal balance since the 2021-22 Budget.

Table 2.3: Non financial public sector fiscal balance – policy and non-policy changes since 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
2021-22 Budget	- 1 356	- 1 215	- 807	- 629
Policy changes	- 154	- 10	- 8	- 3
Non-policy changes	318	- 258	15	18
2021-22 Mid-Year Report	- 1 192	- 1 483	- 800	- 614
Policy changes	- 167	- 144	- 176	- 182
Non-policy changes	505	517	425	465
2022-23 Budget	- 854	- 1 110	- 551	- 330

As shown in Table 2.3, the improvement in the fiscal balance across the budget cycle to 2024-25 is largely attributable to non-policy changes averaging $478 million per annum, notably increased GST revenue and own-source revenue.

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

Policy changes since 2021-22 Budget

Table 2.4 outlines the effect of policy changes on the non financial public sector's fiscal balance since the 2021-22 Budget. The policy changes over the budget and forward estimates largely relate to government's operational and capital commitments, offset by savings measures.

Table 2.4: Non financial public sector fiscal balance – policy changes since 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Revenue measures	nil	- 2	- 2	- 2
Operational commitments	- 308	- 159	- 100	- 96
Savings measures	15	31	31	31
Net recurrent	- 292	- 130	- 71	- 67
Capital commitments	- 29	- 25	- 114	- 117
Total policy changes	- 321	- 155	- 185	- 184

The policy changes over the budget cycle largely relate to attracting new investment, creating new jobs and maintaining core government services. Additional funding was also provided to support the delivery of government's infrastructure program. Policy decisions are discussed in more detail below.

Revenue measures

Revenue measures reflect the cessation of the Property Activation Levy from 1 July 2022 following the improvement in the visual presentation and attractiveness of the Darwin central business district (CBD) since the introduction of the levy in 2019.

Operational commitments

Total operational commitments of $663 million over the budget cycle to 2024-25 are summarised below.

Operational commitments reflected in the 2021-22 Mid-Year Report:

- $62.3 million in 2021-22 and over the forward estimates relating to the reprioritisation of 2020-21 underspends to fund new policy initiatives including capital grants to community housing providers and for homelands, ICT systems development, increased funding for school resourcing and support for community events
- $53.6 million in 2021-22 towards government's response to COVID-19 including:
  - estimated fixed costs associated with domestic quarantine at the Centre for National Resilience
  - priority projects including affordable housing capital upgrades, rental subsidy scheme for key workers, enhancing telecommunications in small communities and tourist locations, and funding to address critical COVID-19 skills shortages
  - steady state community safety and border control activity
  - business support packages
- $15 million in 2021-22 for initiatives to address domestic and family violence in the Territory, including $12.9 million to upgrade domestic violence shelters and safe houses, $1.5 million for domestic family violence program development and interventions, and $0.6 million for mental health training and resources
- $4.5 million in 2021-22 to support the Aboriginal Justice Agreement Action Plan.

New funding initiatives approved in the 2022-23 Budget include:

- initiatives aimed at attracting new industries and creating new jobs for Territorians:
  - $5.2 million per annum for four years from 2022-23 and $2.2 million ongoing to accelerate the attraction of private investment and maximise conversion of existing pipeline of major and significant projects into actual investments that will add value to local businesses and the economy
  - $4.6 million per annum in 2022-23 and 2023-24, $4.4 million in 2024-25, $4.2 million in 2025-26 and $3.2 million ongoing from 2026-27 to support jobs growth by accelerating hydrogen industry development and investing in additional biosecurity and aquaculture activities
  - $4.2 million per annum for three years from 2022-23 to support regional and remote development projects
  - $3.2 million per annum ongoing from 2022-23 for enhanced water assessment and planning, and regional ecosystem and landscape mapping
  - $2 million in 2022-23 and $4 million per annum in 2023-24 and 2024-25 to support new and upgraded common user facilities at the Gove Port Maritime Industry Commercial Precinct
- initiatives to grow the Territory:
  - $1.9 million per annum ongoing from 2022-23 to support the work of Infrastructure NT
  - $1.8 million per annum ongoing from 2022-23 to support accelerated land development activities
  - $1 million per annum in 2022-23 and 2023-24 to fast track sacred site clearances related to large scale development projects

- initiatives aimed at supporting tourism:
  - $6.8 million per annum in 2022-23 to 2024-25 and $6 million ongoing from 2025-26 to maintain the heightened level of major events
  - $2 million in 2022-23 for the Roadhouse to Recovery grant program and $14.1 million for marketing and priority activities to maintain tourism and events
- initiatives to maintain core government services for Territorians:
  - $60 million in 2021-22 and $7.5 million in 2022-23 to support the Territory's COVID-19 response and demand pressures at the Royal Darwin Hospital
  - $20 million in 2021-22 to meet the operational costs of the Alice Springs quarantine facility
  - $13.5 million in 2021-22, $14.4 million in 2022-23 and $1 million ongoing from 2023-24 to meet correctional services demand pressures and support increased capacity at the Darwin Correctional Precinct
  - $8 million per annum in 2021-22 and 2022-23 for youth detention services
  - $6.1 million per annum ongoing from 2022-23 to increase sworn police officer numbers and $4.1 million per annum ongoing from 2022-23 for the permanent establishment of the Community Resilience and Engagement Command
  - $3.2 million per annum in 2022-23 to 2025-26 to implement the Aboriginal Justice Agreement including $2.7 million per annum for alternatives to custody in Alice Springs and Groote Eylandt, $0.3 million per annum to support law and justice groups and $0.25 million per annum for community courts
  - $0.4 million in 2022-23 and $1.4 million per annum ongoing from 2023-24 to establish and operate a dedicated youth hub in the northern suburbs.

Savings measures

The 2022-23 Budget incorporates savings of $108 million from 2021-22 to 2024-25 arising from enforcement of the COVID-19 vaccine mandate to offset the impact of funding the public sector annual bonus payments made in line with the 2021–2024 Wages Policy and enterprise agreements.

Capital commitments

New Territory Government approved capital commitments include:

- $100 million per annum in 2023-24 and 2024-25, including $50 million brought forward from 2025-26, to progress Territory-funded capital projects on the infrastructure program
- $60 million over six years from 2022-23 to progressively underground the Darwin electricity distribution network to improve network resilience and responsiveness to cyclones and other severe weather events
- $20.5 million in capital commitments reflected in the 2021-22 Mid-Year Report including $19 million in 2021-22 for increased capital works and $1.5 million over 2021-22 and 2022-23 for increased CCTV capabilities
- $16 million in 2022-23, including the redirection of $7 million of reprioritised 2020-21 underspends, to facilitate public housing upgrades to support the Community Housing Growth Strategy
- $4 million per annum in 2022-23 and 2023-24 and $7 million in 2024-25 to facilitate land acquisition to progress the Adelaide River Off-Stream Water Storage project.

Non-policy changes since 2021-22 Budget

Table 2.5 highlights the effect of non-policy changes on the non financial public sector's fiscal balance since the 2021-22 Budget.

Table 2.5: Non financial public sector fiscal balance – non-policy changes since 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
GST revenue	385	449	476	531
Taxation and other regulatory fees	141	69	80	46
Interest variations[1]	16	27	28	25
Government owned corporations	10	- 89	- 45	- 17
Leases	82	- 117	nil	7
Revised timing of ship lift facility	75	103	- 92	- 86
Commonwealth and agency-related adjustments	113	- 183	- 8	- 23
Total non-policy changes	823	259	440	483

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

The non-policy changes since the 2021-22 Budget result in significant improvement to the fiscal balance in all years over the budget cycle to 2024-25. Key variations include:

- an increase in GST revenue forecasts averaging $460 million per annum from 2021-22 compared to the 2021-22 Budget, largely as a result of upward revisions to national GST pool growth and an increase in the Territory's GST relativity for 2022-23
- increases in taxation and other regulatory fees across all years, largely attributable to higher stamp duty on conveyances as a result of improvement in the residential property market combined with several large one-off commercial transactions in 2021-22, revised royalty estimates from miners, increases in 2021-22 in gambling and motor vehicle tax receipts, and domestic quarantine fees relating to the Centre for National Resilience
- an improvement to net interest variations from 2021-22 due to lower interest expenses than previously forecast as a result of decreased borrowing requirements following the GST revenue increases, partially offset by expected interest rate increases over the forward estimates
- revised revenue and expense assumptions and capital requirements incorporated in the government owned corporations' statements of corporate intent (SCIs)
- the revised timing and valuation assumptions relating to lease renewals of office accommodation, now anticipated to occur in 2022-23
- the revised timing of payments for the ship lift facility over 2021-22 to 2024-25 in line with estimated timing of construction
- Commonwealth and agency-related adjustments, resulting in a net worsening of $101 million over the budget cycle to 2024-25. Key variations include:
  - the carryover of expenses from 2020-21 into 2021-22 and forward years
  - the revised timing of milestone payments for ICT systems and operational expenses and programs including for school resourcing, domestic and family violence and tourism support activities. These timing variations have no net effect on the fiscal balance over the budget cycle
  - partially offset by improved income tax and dividends income expected to be received from the Northern Territory Treasury Corporation (NTTC).

2022-23 Budget and forward estimates

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

Operating revenue – 2022-23 Budget and forward estimates

Table 2.6 shows the composition of Territory revenue for the non financial public sector for the 2021-22 revised estimate, 2022-23 Budget and forward estimates. Territory revenue is projected to decline between 2021-22 and 2022-23, predominantly due to one-off COVID-19-related funding from the Commonwealth in 2021-22, before stabilising around $7.7 billion per annum across the forward estimates.

Table 2.6: Non financial public sector – revenue

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Revenue					
Taxation revenue	658	626	642	651	660
GST revenue	3 544	3 576	3 683	3 833	3 981
Current grants	1 585	1 237	1 152	1 040	987
Capital grants	398	463	412	422	239
Sales of goods and services	1 110	1 121	1 233	1 270	1 280
Interest income	89	92	93	96	100
Dividend and income tax equivalent income	39	48	48	44	44
Mining royalties	353	345	346	334	335
Other revenue	115	90	91	93	94
Total revenue	7 892	7 599	7 701	7 783	7 719

Table 2.7 compares the revised revenue projections for 2022-23 and the forward estimates with those published in the 2021-22 Budget.

Table 2.7: Non financial public sector – variation in revenue since 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2021-22 Budget	7 396	6 943	7 005	6 888	n/a
2021-22 Mid-Year Report	7 456	7 043	6 944	6 992	n/a
2022-23 Budget	7 892	7 599	7 701	7 783	7 719
Variation from 2021-22 Budget	496	656	696	895	n/a

n/a: not available at the time of publishing the 2021-22 Budget and 2021-22 Mid-Year Report

As shown in Table 2.7, when compared to the 2021-22 Budget, total revenue is projected to be an average $686 million per annum higher in all years. Table 2.8 identifies the variations in revenue components since the 2021-22 Budget.

Table 2.8: Non financial public sector – variations in revenue components since 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Taxation revenue	113	58	54	40
GST revenue	385	449	476	531
Current grants	127	162	149	78
Capital grants	- 158	- 3	- 47	204
Sales of goods and services	3	- 32	35	35
Interest income	8	8	6	6
Dividend and income tax equivalent income	- 2	7	10	10
Mining royalties	9	9	23	3
Other revenue	9	- 2	- 10	- 13
Total variation	496	656	696	895

Taxation revenue

Taxation revenue represents the Territory's primary source of income that government can directly influence. It comprises payroll tax, stamp duty on conveyances, taxes on gambling, taxes on insurance, and motor vehicle fees and taxes.

As shown in Table 2.8, taxation revenue is projected to increase by $113 million or 20.7% to $658 million in 2021-22. This significant increase is largely attributable to increased stamp duty on conveyances, reflecting growth in the residential property market in terms of both median dwelling sale prices and transaction volumes, combined with several large one-off commercial transactions.

From 2022-23, taxation revenue is expected to increase on average by $51 million or 8.6% per annum, when compared to the 2021-22 Budget due to the same factors affecting 2021-22, excluding the impacts of one-off commercial transactions, which are sporadic in nature and cannot be forecast with certainty.

Table 2.6 shows that taxation revenue is expected to grow from $626 million in 2022-23 to $660 million by 2025-26 and represents an average 1.8% per annum growth in line with expected economic activity.

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

GST revenue

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

In 2021-22, the Territory's GST revenue is expected to be $3.54 billion, an increase of $385 million or 12.2% greater than estimated in the 2021-22 Budget. The increase is largely driven by a $173 million balancing adjustment for underpaid GST revenue relating to 2020-21 that will be received in 2021-22, combined with improved GST collections in 2021-22 due to easing COVID-19 restrictions.

From 2022-23, GST revenue is expected to increase on average by $485 million or 15.1% per annum from the 2021-22 Budget projections, reflecting an increase in the Territory's GST relativity from 4.79985 in 2021-22 to 4.86988 in 2022-23, combined with revised estimates of national GST collections reflecting economic growth expectations and the effect of national inflation.

As shown in Table 2.6, GST revenue is projected to increase from $3.58 billion in 2022-23 to $3.98 billion in 2025-26 which represents an average of 3.6% per annum growth, anticipating a return to long-term growth rates, albeit from a higher base.

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

Current and capital grants

During each budget year there are significant changes in tied Commonwealth funding estimates as the timing of delivery is revised or as funding agreements commence, are renewed or cease. Funding levels are not included in the estimates unless a funding agreement has been signed with the Commonwealth. Tied funding agreements generally do not affect the Territory's fiscal balance as the revenues are matched with corresponding expenditure.

As shown in Table 2.6, current grant revenue in 2021-22 is elevated when compared to 2022-23 and forward years due to the cessation of Commonwealth funding of $273 million for the Provision of COVID-19 Quarantine Arrangements at the Northern Territory Centre for National Resilience for Organised National Repatriation of Australians program from 2022-23. When excluding this significant one-off agreement, current grant revenue steadily declines by an average 7.2% per annum to $987 million by 2025-26 in line with relevant Commonwealth funding agreements.

The variation in capital grants across the budget cycle as shown in Table 2.8, is largely due to the revised timing of delivering Commonwealth-funded road and remote housing projects from 2021-22 and 2022-23 into future years, partially offset by new Commonwealth-funded capital projects from 2022-23 including $189 million for the Manton Dam return to service project and $93.5 million for the Strauss to Middle Arm pipeline.

Sales of goods and services

Sales of goods and services include fees and charges, rent and tenancy income collected by various government agencies. The most significant component relates to gas sales, and electricity, water and sewerage charges collected by government owned corporations. As shown in Table 2.6, sales of goods and services revenue over 2021-22 to 2022-23 is expected to remain largely stable at around $1.12 billion per annum. From 2023-24 and over the forward estimates, sales of goods and services are expected to remain elevated due to forecast gas sales in the Power and Water Corporation before returning to long-term average growth of 3.6% from 2025-26.

Interest income

Interest income includes returns on short-term and fixed interest investments combined with realised gains on Conditions of Service Reserve investments. As shown in Table 2.8, interest income is projected to increase on average by $7 million or 8.2% per annum compared to the 2021-22 Budget, reflecting the anticipated recovery of financial markets. Table 2.6 shows that over the budget and forward estimates, interest income is expected to grow on average by 2.8% per annum in line with continued growth in financial investments.

Dividend and income tax equivalent income

Dividend and income tax equivalent income recognised in the non financial public sector comprises estimated payments by NTTC. The variations as shown in Table 2.8 largely reflect improved NTTC profitability in line with the expected increase in interest rates charged to government owned corporations that more than offsets the effect of lower overall government borrowings.

Mining royalties

Mining and petroleum royalty forecasts are largely reliant on advice from mining companies and petroleum producers for estimated liability and related company estimates of commodity price movements, production levels and the value of the Australian dollar. Mining and petroleum receipts are forecast to increase across the budget cycle from 2021-22 by an average $11 million or 3.2% per annum when compared to the 2021-22 Budget, reflecting recent revisions of mineral royalty forecasts (based on royalty payer estimates) and stronger than expected commodity prices. From 2022-23 and over the forward estimates, Table 2.6 shows that mining royalties remain largely constant and average $340 million per annum.

Other revenue

Other revenue is miscellaneous revenue, including reimbursements and research funding from non-government organisations, and is expected to remain relatively stable at an average $92 million per annum from 2022-23.

Expenditure – 2022-23 Budget and forward estimates

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

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

Since the 2021-22 Budget, the government's 2021–2024 Wages Policy was revised to increase the non-cumulative lump sum bonus payment from $1,000 in each of the four years to $4,000 in 2021-22, and $2,000 in each of the subsequent three years. The wages indexation factor remained unchanged at nil from 2021-22 to 2024-25 and 2% ongoing from 2025-26.

As part of the 2022-23 Budget, agency budgets were adjusted to reflect the revised wages policy. Consistent with the 2021-22 Budget, the first $1,000 lump sum payment in each year is to be funded from within existing agency resources. The remaining impact of the bonus payments was offset by approved savings measures arising from enforcement of the COVID-19 vaccine mandate that resulted in the redistribution of budget between agencies.

The CPI parameter for the budget year is generally adjusted to match the year-on-year change in the Darwin CPI for the latest December quarter to better reflect actual price trends. While the Darwin CPI increased by 5.1% in the December 2021 quarter, compared to 2.9% nationally, a policy neutral CPI factor of 2.7% has been applied to operational costs in 2022-23 to remove the significant one-off distortions caused by COVID-19-related stimulus as they are not relevant to agency budgets.

From 2023-24, CPI parameters remained unchanged from previous estimates, with 1.8% estimated for 2023-24 and 2.2% per annum thereafter, reflecting the long-term average inflation rate. Property management, undertaken on behalf of government by the Department of Corporate and Digital Development, receives a parameter of 3%, in line with contractual arrangements.

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

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

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

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

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

Government owned corporation forward estimates are based on forecasts provided by the corporations during the development of their SCIs. The forecasts reflect future expectations in revenue, contracted and regulated costs, capital investments, operational efficiencies and other factors agreed by a corporation's shareholding minister and the board. Due to the concurrent development of the Territory budget and SCIs, the final approved SCIs for 2022-23 may differ from the estimates contained in the 2022-23 Budget.

Final SCIs will be tabled in the Legislative Assembly within six sitting days after the commencement of 2022-23.

Table 2.9 sets out the Territory's expenditure projections for the non financial public sector for the 2021-22 revised estimate, 2022-23 Budget and forward estimates. Total expenditure comprises the day-to-day running costs of government including salaries, supplies and services consumed, and grants to non-government organisations, combined with net capital expenditure including the construction of assets and capital purchases, such as vehicles, ICT and equipment, offset by asset sales.

Table 2.9: Non financial public sector – expenditure

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Expenses					
Employee expenses	2 944	2 809	2 714	2 663	2 637
Superannuation expenses	492	478	480	483	497
Depreciation and amortisation	785	782	788	766	774
Other operating expenses	2 378	2 158	2 118	2 117	2 094
Interest expenses	413	436	462	482	504
Current grants	1 137	1 073	1 050	1 040	1 019
Capital grants	143	53	36	31	27
Subsidies and personal benefit payments	67	72	69	65	65
Total expenses	8 360	7 861	7 717	7 647	7 617
Net capital	1 108	1 412	1 288	1 204	818
Total expenditure	9 468	9 273	9 005	8 851	8 436

As shown in Table 2.9, total expenditure is projected to decline over the budget cycle to 2025-26 in line with the conclusion of Commonwealth funding agreements and constrained parameter growth applied to Territory-funded expenses, as detailed earlier in this chapter.

Table 2.10 compares the revised expenditure projections for the 2022-23 Budget with those published in the 2021-22 Budget.

Table 2.10: Non financial public sector – variation in expenditure since the 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Total expenses					
2021-22 Budget	7 940	7 499	7 464	7 432	n/a
2021-22 Mid-Year Report	8 215	7 544	7 476	7 432	n/a
2022-23 Budget	8 360	7 861	7 717	7 647	7 617
Variation from 2021-22 Budget	420	362	253	215	n/a
Net capital					
2021-22 Budget	1 422	1 313	1 074	796	n/a
2021-22 Mid-Year Report	1 160	1 527	1 006	896	n/a
2022-23 Budget	1 108	1 412	1 288	1 204	818
Variation from 2021-22 Budget	- 314	99	214	408	n/a

n/a: not available at the time of publishing the 2021-22 Budget and 2021-22 Mid-Year Report

The increase in total expenses over the budget cycle to 2025-26 reflects new government policy decisions as detailed earlier in this chapter, combined with expenditure associated with delivering new tied Commonwealth funding agreements.

Employee and related expenses

Table 2.9 shows that employee and related expenses, including superannuation, continues to account for about 40% of total expenses and are estimated to remain at elevated levels over 2021-22 and 2022-23, before declining by 2.8% in 2023-24. Employee and related expenses in 2021-22 and 2022-23 incorporate time-limited expenditure to maintain the Territory's response to and preparedness for COVID-19, combined with Commonwealth funding for the Provision of COVID-19 Quarantine Arrangements at the Northern Territory Centre for National Resilience for Organised National Repatriation of Australians program. From 2023-24, employee and related expenses largely remain constant and are expected to average $3.16 billion per annum over the forward estimates period in line with government's wages policy.

Depreciation and amortisation

Depreciation and amortisation expenses represent the consumption of physical and intangible asset values over their expected useful life. These expenses will vary over the budget cycle as new assets are purchased or constructed, as assets reach the end of their useful life or are revalued in line with accounting standards.

Other operating expenses

As shown in Table 2.9, other operating expenses are similarly expected to remain elevated in 2021-22 before decreasing by 9.3% in 2022-23 due to the same factors affecting employee and related expenses. The reduction is however, to a greater extent, due to a larger proportion of Commonwealth funding in 2021-22 for COVID-19 quarantine arrangements allocated to other operating expenses than to employee expenses. Over the forward estimates, other operating expenses are projected to remain largely constant at an average $2.11 billion per annum.

Interest expenses

Interest expenses are projected to increase over the budget cycle in line with borrowing requirements to fund projected fiscal balance deficits. While government's overall borrowing requirements are lower than projected in the 2021-22 Budget, due to the projected improvement to the fiscal balance over the budget cycle, Table 2.11 shows that estimates of interest expenses remain largely unchanged. The effect of anticipated increases in interest rates across the forward estimates, which are more pronounced on government owned corporation borrowings, largely offsets the anticipated reduction in interest expense associated with lower borrowings.

Table 2.11: Non financial public sector – interest expenses

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2021-22 Budget	421	447	468	478	n/a
2021-22 Mid-Year Report	410	428	446	456	n/a
2022-23 Budget	413	436	462	482	504
Variation from 2021-22 Budget	- 8	- 11	- 6	4	n/a

n/a: not available at the time of publishing the 2021-22 Budget and 2021-22 Mid-Year Report

Current grants

Table 2.9 shows that current grant expenses are projected to decline by $64 million or 5.6% in 2022-23, mainly due to one-off COVID-19 support measures in 2021-22. From 2022-23 and over the forward estimates, current grants remain constant at around $1 billion per annum, largely in line with relevant Commonwealth funding agreements.

Capital grants

As highlighted in Table 2.9, capital grant expenses are projected to decline by $90 million or 63.2% in 2022-23, predominantly as a result of one-off funding approved in 2021-22 to upgrade affordable housing and homelands, enhance telecommunications in small communities and tourist locations, and funding to address critical COVID-19 skills shortages. This is combined with underspent capital grants from 2020-21 now being paid in 2021-22, including from the Local Jobs Fund and Community Benefit Fund. In 2023-24, capital grants are expected to decline a further 32.3% to average $31 million per annum over the forward estimates period following one-off grants in 2022-23 to upgrade domestic violence shelters and safe houses.

Net capital

The variation in net capital expenditure, as shown in Table 2.10, reflects the revised delivery of capital projects from 2021-22 and 2022-23 to the forward estimates and beyond, relating to Commonwealth-funded roads and housing projects, Territory-funded projects, including the ship lift facility and development costs associated with major ICT systems. Over the budget cycle to 2024-25, estimated net capital expenditure increases in total by $407 million when compared to 2021-22 Budget projections largely due to new Commonwealth-funded capital projects for the Manton Dam return to service project ($189 million) and the Strauss to Middle Arm pipeline ($93.5 million) and new government capital commitments as detailed earlier in this chapter ($285 million).

Key fiscal indicators – balance sheet

The key measures for the balance sheet are net debt and the resulting net debt to revenue ratio. When compared to the 2021-22 Budget, both net debt and the net debt to revenue ratio have significantly improved, largely in line with improved fiscal balance deficits. As shown in Table 2.12, net debt is projected to be $8.71 billion in 2022-23, increasing to $9.37 billion by 2025-26. The net debt to revenue ratio is projected to be 115% in 2022-23, increasing to 121% by 2025-26. When compared to the 2021-22 Budget, net debt in 2024-25 is expected to improve by $1.96 billion and the net debt to revenue ratio by 45 percentage points.

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

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Net debt					
2021-22 Budget	9 001	10 163	10 866	11 405	n/a
2021-22 Mid-Year Report	7 882	9 367	10 153	10 671	n/a
2022-23 Budget	7 702	8 712	9 242	9 443	9 366
Variation from 2021-22 Budget	- 1 299	- 1 451	- 1 624	- 1 962	n/a
Net debt to revenue (%)					
2021-22 Budget	122	146	155	166	n/a
2021-22 Mid-Year Report	106	133	146	153	n/a
2022-23 Budget	98	115	120	121	121
Variation from 2021-22 Budget	- 24	- 31	- 35	- 45	n/a

n/a: not available at the time of publishing the 2021-22 Budget and 2021-22 Mid-Year Report

Factors affecting net debt are the net result of policy and non-policy changes. Policy changes outlined earlier in this chapter include government's operational, revenue and capital commitments, offset by new savings measures. Non-policy changes include increased GST, taxation and other regulatory fee revenue, the effect of renewed and extended leases of office accommodation, operating and capital results of government owned corporations, and timing of Commonwealth and agency payments. Table 2.13 summarises the effect of policy and non-policy changes on net debt since the 2021-22 Budget and demonstrates that non-policy changes are the main contributor to the improvement in net debt.

Table 2.13: Non financial public sector – cumulative changes to net debt since 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Policy changes	321	476	660	845
Non-policy changes	- 1 620	- 1 927	- 2 284	- 2 807
Net cumulative change	- 1 299	- 1 451	- 1 624	- 1 962

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

Table 2.14 provides details on the cumulative factors that have contributed to the improvement in net debt over the forward estimates since the 2021-22 Budget.

Table 2.14: Non financial public sector – detailed cumulative changes to net debt since 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
2020-21 net debt outcome	- 898	- 898	- 898	- 898
Revenue measures	nil	2	3	5
Operational commitments	308	467	567	664
Savings measures	- 15	- 46	- 77	- 108
Capital commitments	29	53	167	284
GST revenue	- 385	- 834	- 1 310	- 1 841
Taxation and other regulatory fees	- 141	- 210	- 290	- 336
Interest variations[1]	- 16	- 43	- 71	- 97
Government owned corporations	- 10	78	123	140
Leases	- 82	35	35	27
Revised timing of ship lift facility	- 75	- 177	- 86	nil
Commonwealth and agency-related adjustments	- 13	123	213	197
Net cumulative change	- 1 299	- 1 451	- 1 624	- 1 962

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

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

Chapter 3

Economic outlook

Overview

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

This chapter provides a summarised assessment of the Territory economy, including a description of recent economic performance and the outlook for economic growth, population, employment, prices and wages, as well as a description of the structure of the economy and the external economic environment. More detailed commentary is in the 2022-23 *Northern Territory Economy* publication and on the website at nteconomy.nt.gov.au. The website content is updated regularly as new data becomes available and should be read in conjunction with budget papers.

Following the onset of COVID-19 in early 2020, the Territory's economic recovery in 2020-21 was stronger than previously anticipated. While GSP declined by 0.6%, driven by declines in LNG production and related exports from the trade-exposed mining industry, the non-trade-exposed SFD increased by 6.1%, driven by a strong rebound in household consumption.

This was due to significant levels of government support at both the Territory and national levels, and the Territory's successful COVID-19 response, which enabled retailers to continue operating largely unchanged with minimal lockdowns and trading restrictions. However, the tourism sector is still affected by the absence of international visitors and disrupted interstate travel. While Australia's international border opened up in early 2022, the resumption of travel is expected to be gradual, and is contingent on many factors such as reciprocated border access and consumer confidence abroad.

In 2021-22, GSP is estimated to increase by 4.4% and SFD by 8.8% as an increase in private investment is partially offset by weaker net exports, with an increase in imports associated with large engineering and construction projects. Economic growth in 2022-23 is forecast to be 3.7% and is forecast to average 2.9% over the five years to 2025-26, and is expected to be heavily influenced by the Barossa Project – a large scale offshore LNG facility and upgraded onshore processing plant.

Private sector investment is estimated to increase by 36.6% in 2021-22 and forecast to increase by 24.3% in 2022-23. This is attributable to a large portion of the US$3.6 billion offshore construction of the Barossa Project, but also incorporates construction related to the Finniss lithium project and the US defence fuel storage facility at East Arm – projects committed since the 2021-22 Budget.

Household consumption remains strong in 2021-22, and is forecast to provide a modest contribution to economic growth over the outlook period, supported by employment and population growth. Public consumption is estimated to provide a significant contribution to growth in 2021-22, and then detract from growth in 2022-23 as expenditure on the Centre for National Resilience and other COVID-19 response measures are scaled back.

Following reduced mining production in 2020-21, goods exports are expected to increase in 2021-22 and 2022-23. However, these will be more than offset by large increases in imports related to private investment, and net exports are forecast to detract from GSP growth across both years. In 2023-24, an anticipated pause in production at the Darwin LNG plant reflects the transition to the Barossa field as the source of gas, and this is reflected as a reduction in exports, detracting from economic growth and contributing to the lower GSP forecast. In early 2025, when gas from the Barossa field is projected to be available, the resumption of exports from the plant is expected to contribute to a forecast return to GSP growth in 2024-25 and 2025-26.

The Territory's key economic forecasts for the 2022-23 Budget are detailed in Table 3.1.

Table 3.1: Territory key economic indicators (%)

	2020-21a	2021-22e	2022-23f	2023-24f	2024-25f	2025-26f
Gross state product[1]	- 0.6	4.4	3.7	- 0.7	4.3	2.9
State final demand[1]	6.1	8.8	5.4	0.3	- 2.5	- 1.8
Population[2]	- 0.1	0.1	0.6	0.8	0.9	0.9
Employment[1]	- 1.7	1.1	2.3	0.9	1.4	1.7
Unemployment rate[3]	5.2	3.9	4.2	4.4	4.4	4.4
Consumer price index[1]	2.0	5.7	3.1	1.0	1.3	1.7
Wage price index[1]	1.7	1.9	1.6	2.2	2.4	3.0

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

The Territory's population growth is estimated to be 0.1% in 2021-22 as the easing of interstate COVID-19 restrictions in late 2021 allowed for greater interstate migration outflows. Population growth is forecast to be 0.6% in 2022-23 and strengthen over the outlook, as employment opportunities drive improved interstate migration and the further easing of restrictions enables the return of overseas migration.

The Territory's labour market rebounded in 2021-22 with estimated employment growth of 1.1%. This is forecast to strengthen to growth of 2.3% in 2022-23, supported by demand for labour associated with major private and public investments in construction projects. Private investment and, consequently, SFD are forecast to decline in the outer years of the forecast period, driven by the completion of Barossa-related construction activity by 2024. However, the use of local content and employment for the offshore component of the project is expected to be minimal, and employment outcomes over the outlook are likely to be tied to onshore project and industry activity more broadly, as well as improved population growth. Employment over the forecast period should also benefit from the return of international visitation supporting the labour-intensive tourism sector.

While the year-on-year CPI result for the December quarter 2021 was 5.1%, DTF estimates government policy initiatives contributed around 2.4 percentage points to this result. That is, in the absence of the policy measures, Darwin's year-on-year inflation rate in the December quarter 2021 is estimated to be around 2.7% (Table 3.2). This parameter has been applied to the Territory Government's 2022-23 Budget.

Table 3.2: Darwin consumer price index[1] (%)

Calendar year	2021a	2022f	2023f	2024f	2025f
Consumer price index	5.1[2]	4.9	1.5	0.9	1.6

a: actual; f: forecast
1 Year-on-year percentage change.
2 Department of Treasury and Finance estimates that the year-on year growth in December 2021, excluding the impact of government policy initiatives, was 2.7%.
Source: Department of Treasury and Finance, ABS

Most of these one-off measures will have minimal impact on the 2022-23 forecast of 3.1%, which is more reflective of rents, housing construction costs, and the impact that geopolitical tensions and disrupted supply chains are likely to have on household goods and services. Wage growth is expected to remain moderate over the forecast period, constrained in part by low growth in public sector wages.

There is significant potential upside to the economic outlook, with a number of major projects on the horizon yet to reach final investment decision. The economic contributions arising from these projects are not included in the economic forecasts. Any projects that commence over the forward estimates will have a positive impact particularly from 2023-24 onwards, on the Territory's macroeconomic forecasts.

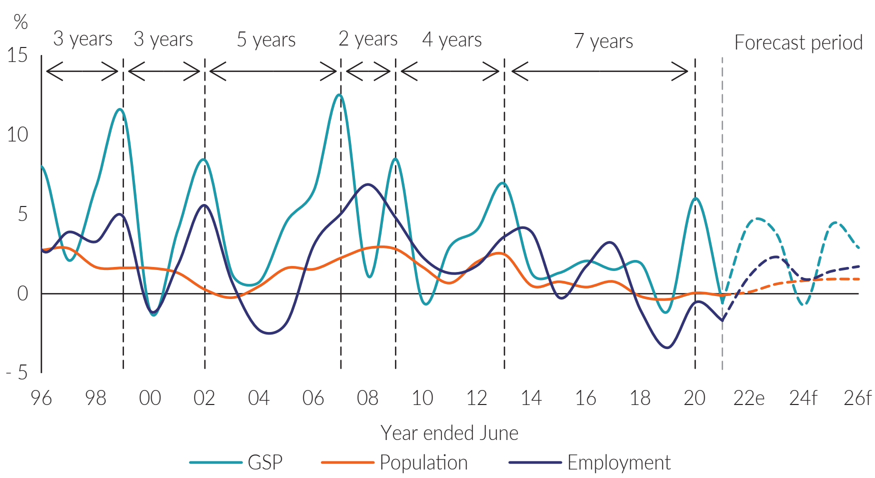
The majority of forecasts for 2022-23 and the forward estimates period are broadly in line with those reported in the 2021-22 Budget. Explanations for material variations are provided in the relevant sections that follow.

Structure of the economy

All economies are subject to cycles. The frequency, magnitude and length of cycles are influenced by the structure of the economy, reliance on key industries and vulnerability to external factors such as commodity prices and exchange rates. The characteristics of the Territory economy result in economic cycles being more pronounced compared with other jurisdictions in Australia.

Chart 3.1 presents the economic cycles of GSP, population and employment for the Territory over the past 25 years, and shows that business cycles average four years, with a range from two to seven years. These cycles have been driven by major projects, where domestic conditions are impacted by resource exploration, construction and production cycles. Employment and population broadly follow GSP growth, although not to the same magnitude given the capital-intensive nature of investments in the Territory and the higher productivity per worker that results.

Chart 3.1: Economic cycles in the Territory



e: estimate; f: forecast; GSP: gross state product
Source: ABS, *Australian National Accounts: State Accounts*, Cat. No. 5220.0, *Labour Force, Australia*, Cat. No. 6202.0, *Australian Demographic Statistics*, Cat. No. 3101.0; Department of Treasury and Finance

In addition to major investment projects, the size of the Territory economy, measured by economic growth, is driven by more fundamental factors such as population growth; business sentiment; household consumption and confidence; public sector expenditure; and small to medium-scale private investment that relies on domestic demand or niche interstate and international trade opportunities.

In 2020-21, the Territory's GSP was $26.2 billion, a 0.6% decrease from 2019-20 while SFD increased by 6.1%. The decrease in GSP was largely attributable to a decline in LNG production, driving a 12.1% reduction in output for the mining industry overall (which includes oil and gas), detracting 3.4 percentage points from GSP in 2020-21.

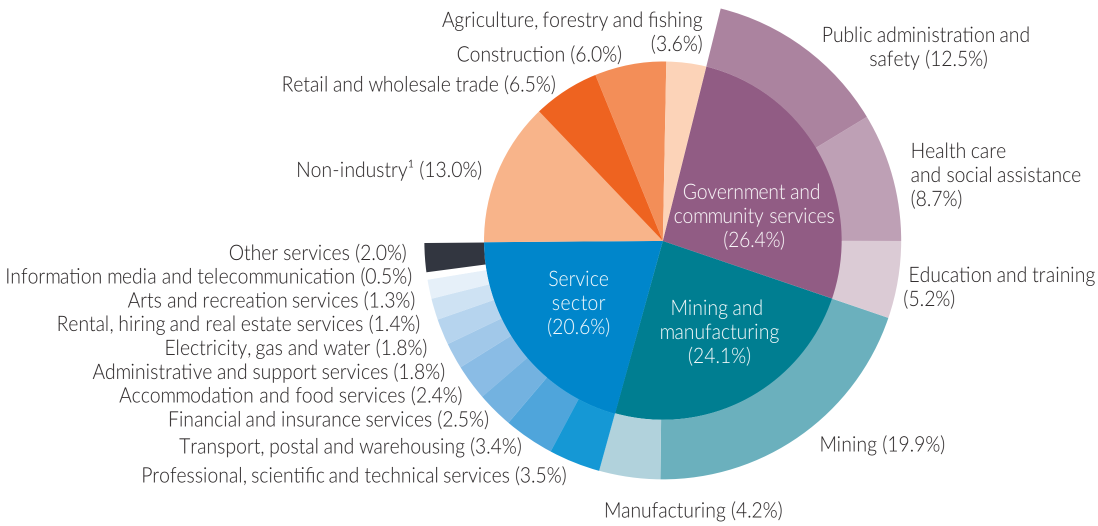
In the past decade, the Territory economy has increased by 25.6% from $20.9 billion in 2010-11. Over the same period, the Territory's population increased by around 15,000 to 246,000 people (6.3%), while employment increased by about 8,600 to almost 130,000 people (7.1%).

As shown in Chart 3.2, mining and manufacturing, tourism, and government and community services, are the Territory's most significant sectors, accounting for almost two-thirds of economic activity in 2020-21.

The share of industry contributions can be volatile in the short term, while changes in the underlying structure of the economy tend to occur over the long term, reflecting comparative economic advantages.

Chart 3.2 presents the contribution of each industry to Territory GSP in 2020-21.

Chart 3.2: Contributions to gross state product, 2020-21



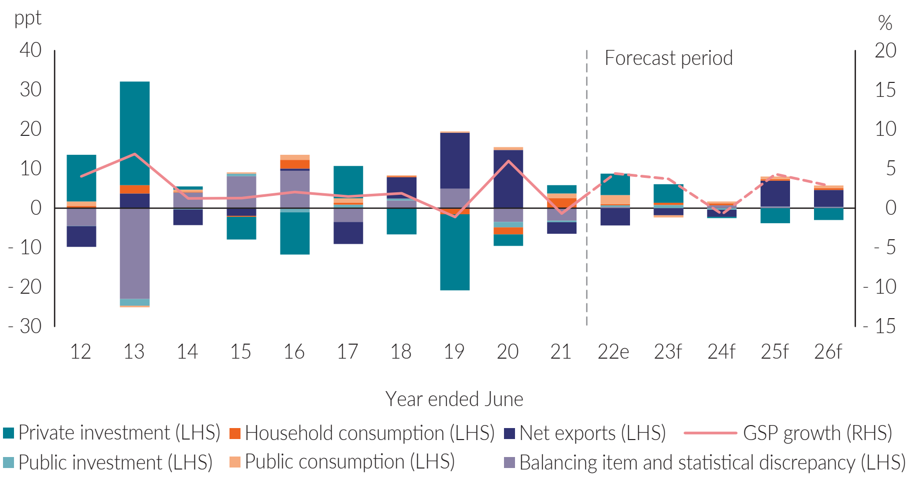
1 Non-industry components of GSP are ownership of dwellings, taxes less subsidies and statistical discrepancy.
Source: ABS, *Australian National Accounts: State Accounts*, Cat. No. 5220.0

Economic growth

GSP is forecast to increase by 3.7% in 2022-23, after increasing by an estimated 4.4% in 2021-22, and a reduction of 0.6% in 2020-21. This compares with the 2021-22 Budget estimate that the economy would grow by 2.3% in 2021-22 and 3.1% in 2022-23. The key factors contributing to the revisions are stronger estimated public consumption in 2021-22 and stronger private investment across both years. The revisions include investment related to projects that have been confirmed since the 2021-22 Budget such as the Finniss lithium project and the US defence fuel storage facility.

Chart 3.3 reports the contribution of each of the major components of demand to GSP, including over the forward estimates period. It demonstrates private investment is expected to be the major contributor to growth in 2022-23, followed by public investment.

Chart 3.3: Contribution to Territory economic growth



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

There are potential major projects proposed across the Territory that are not included in the economic forecasts as they are yet to reach final investment decision. It is likely some of these projects will reach final investment decision during the forecast period, and therefore there is considerable scope for a more positive economic outlook (see Chapter 2 *Major projects and investment opportunities* of the *Northern Territory Economy* publication).

Similarly, the Commonwealth's announced $2.6 billion in investment in Territory infrastructure under its Energy Security and Regional Investment Plan will strengthen economic growth over the medium term but is not yet included in forecasts as timing will depend on finalisation of project-specific business cases.

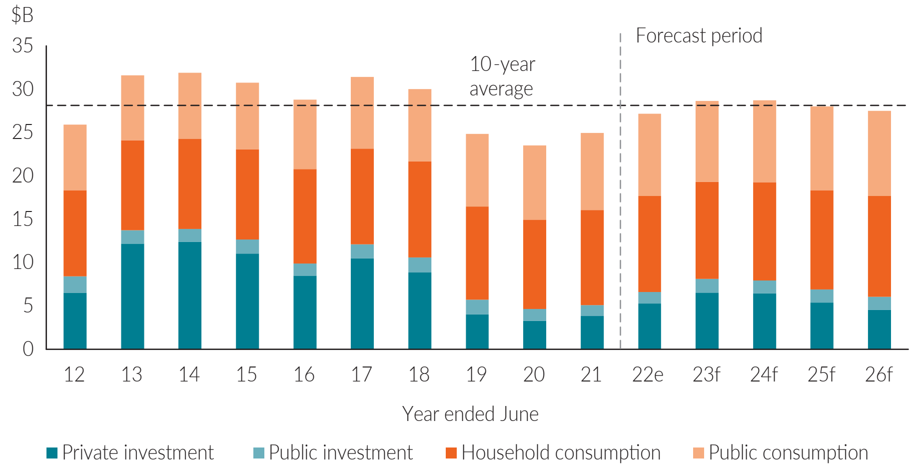
State final demand

SFD is forecast to increase by 5.4% in 2022-23, with business investment the major contributor to growth, followed by public investment and household consumption. Following strong growth in 2021-22, public consumption is expected to moderate in 2022-23, detracting from SFD growth.

Compared with the forecast in the 2021-22 Budget, stronger SFD growth in 2022-23 reflects an improved outlook for public investment, as well as the addition of confirmed new private investment projects. SFD is forecast to increase each year to 2023-24, largely supported by private investment associated with the Barossa Project, before declining in 2024-25 as Barossa-related investment comes to an end.

Chart 3.4 reports Territory consumption, investment and SFD, including over the forward estimates period.

Chart 3.4: Territory state final demand



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

Investment

Private investment is forecast to increase by 24.3% in 2022-23, after increasing by an estimated 36.6% in 2021-22 and by 16.7% in 2020-21. Business investment (the largest component of private investment) is expected to be the major contributor to growth in 2022-23, with public investment also making a contribution. The 2022-23 Budget forecasts strong growth in business investment, with increases in 2021-22 (up by 48.5%) and 2022-23 (up by 28.5%), more than reported in the 2021-22 Budget.

This outlook includes construction projects with final investment confirmed since the 2021-22 Budget, but remains heavily influenced by the Barossa Project's US$3.6 billion in offshore construction and the related US$600 million onshore upgrade of the Darwin LNG plant. The Finniss lithium project and the US defence fuel storage facility are indicative of investor confidence and a transition away from COVID-19-related uncertainty to more historical investment patterns going forward. In the long term, global demand for Territory resources and the Territory's cost competitiveness in producing resources will drive investment.

In 2022-23, public investment is forecast to increase by 17.1%, after increasing by an estimated 8.3% in 2021-22. Strong growth in 2022-23 reflects revised timing of investment of Territory-funded projects, including the commencement of construction of the $400 million Darwin ship lift and marine industry project, with the facility expected to be operating in 2024-25.

Public investment is expected to continue to provide significant support to the Territory economy and jobs over the medium term and is forecast to average $1.5 billion per annum over 2021-22 to 2025-26.

Consumption

Household consumption is forecast to increase by 1.3% in 2022-23, after increasing by an estimated 0.8% in 2021-22 and an increase of 6.6% in the strong rebound of 2020-21. The outlook for household consumption is broadly in line with growth forecasts reported in the 2021-22 Budget, reflecting a return to long-term trends in line with population growth.

Public consumption is forecast to decline by 1.8% in 2022-23 and detract from economic growth, after increasing by an estimated 6.7% in 2021-22 and making a significant contribution to economic growth. Expenditure related to the vaccine rollout, personal protective equipment, rapid antigen tests and the Centre for National Resilience and Alice Springs quarantine facilities have supported public consumption through 2021-22, but are expected to be scaled back in 2022-23. Beyond 2022-23, public consumption is expected to provide a modest contribution to economic growth, constrained by the Territory Government's commitment to fiscal repair.

External economic environment

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

The International Monetary Fund forecasts the global economy to grow by 3.6% in calendar year 2023, after increasing by 3.6% in 2022 and by 6.1% in 2021.

The COVID-19 Omicron variant is expected to have slowed Australia's economic growth in the March quarter 2022, but not as severely as the Delta outbreaks of 2021. The International Monetary Fund forecasts the Australian economy to grow by 4.2% in 2022 before moderating to growth of 2.5% in 2023, in line with the growth forecast for advanced economies around the world (2.4%). The Commonwealth estimates growth of 4.25% in 2021-22 before moderating to 3.5% in 2022-23 and 2.5% in 2023-24.

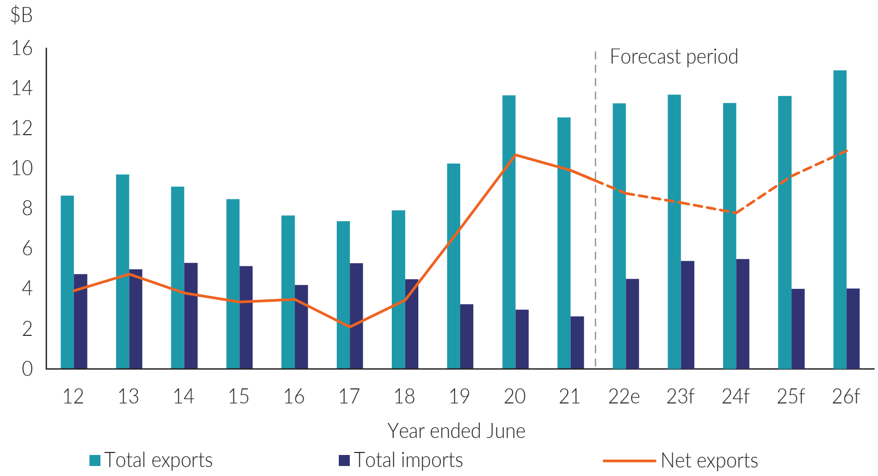
International trade

The Territory's net export balance is forecast to decline by 5.3% to $8.3 billion in 2022-23, after declining by an estimated 11.5% in 2021-22 and a reduction of 7.2% in 2020-21. The current forecast for 2022-23 is broadly in line with the decline of 4.0% anticipated in the 2021-22 Budget, due to increased imports associated with large engineering and construction projects. The estimated decline for 2021-22 is larger than previously forecast due to revised timing of imports.

The forecast period has exports falling by 3% in 2023-24 as production from the Darwin LNG plant temporarily ceases when Bayu-Undan gas feedstock is depleted. It is expected the Darwin LNG plant will recommence production in early 2025 using gas from the Barossa field, contributing to growth in exports in 2024-25 and 2025-26.

As shown in Chart 3.5, after averaging $5.2 billion per annum over the past decade, net exports are expected to average $9.1 billion per annum over the forecast period.

Chart 3.5: Territory net exports



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

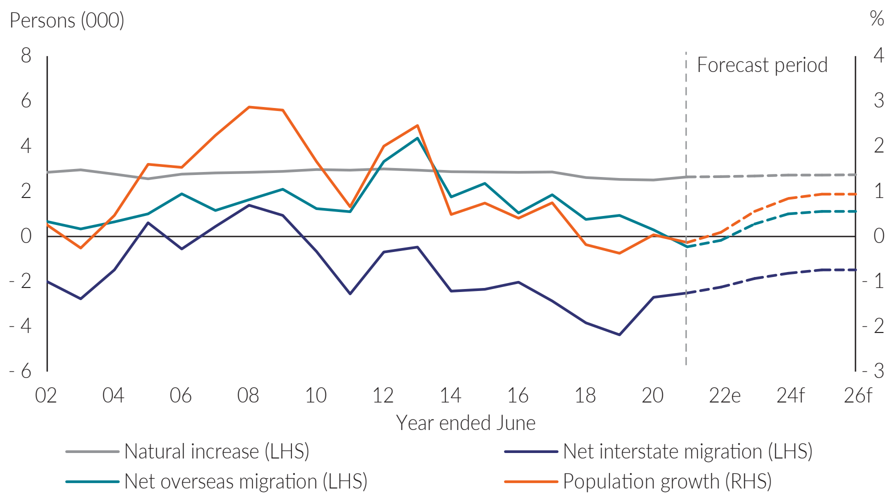
Population

The Territory's population is forecast to grow by 0.6% in 2022-23, after remaining largely unchanged with estimated growth of 0.1% in 2021-22 and a reduction of 0.1% in 2020-21. The updated forecast for 2022-23 is slightly weaker than the 0.8% forecast in the 2021-22 Budget, as ongoing international border closures and quarantine requirements have delayed the recovery of overseas migration. The outlook remains broadly in line with population growth, approaching 1% over the forecast period.

From 2022-23 onwards, population growth is expected to strengthen as several major construction projects commence, adding to the pipeline of activity already driving economic growth and creating demand for more workers in the Territory. Overseas migration is expected to pick up following the opening of Australia's international border in early 2022, with a return to long-term trends anticipated by the outer years of the forecast period.

Growth in the Territory's population over the five years to 2025-26 is estimated to be 0.7% per annum on average. Chart 3.6 reports the components of Territory population growth and annual growth rates, including over the forward estimates period.

Chart 3.6: Population growth[1]



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

Labour market

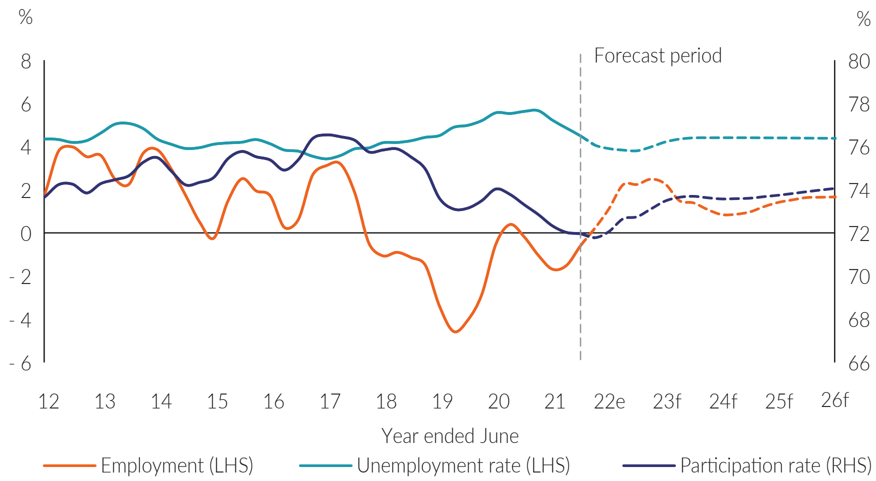
Employment in the Territory is forecast to increase by 2.3% in 2022-23, after increasing by an estimated 1.1% in 2021-22 and a reduction of 1.7% in 2020-21. The updated forecast for 2022-23 is stronger than the 1.7% forecast in the 2021-22 Budget, reflecting stronger investment, including new construction projects that have had final investment confirmed.

The unemployment rate is forecast to be 4.2% in 2022-23, up from 3.9% estimated in 2021-22. The updated forecast for 2022-23 is an improvement from the 5.1% forecast in the 2021-22 Budget, reflecting fewer unemployed people than previously estimated and weaker labour force participation, noting there is considerable volatility in reported labour market data for the Territory.

Although private investment and, consequently, SFD are forecast to decline in the outer years of the forecast period, this is driven by the expected completion of Barossa-related construction activity by 2024, and the offshore component of this project is anticipated to have minimal use of local content and employment. From 2022-23, employment will be supported by improved population growth and the gradual resumption of international travel, notably for the labour-intensive tourism sector.

Chart 3.7 reports changes in employment, unemployment and participation rates in the Territory, including over the forward estimates.

Chart 3.7: Territory labour market



e: estimate; f: forecast; LHS: left-hand side; RHS: right-hand side
Source: ABS, *Labour Force, Australia*, Cat. No. 6202.0; Department of Treasury and Finance

Prices and wages

Darwin's CPI is forecast to increase by 3.1% in 2022-23, after increasing by an estimated 5.7% in 2021-22, and growth of 2% in 2020-21. The updated forecast for 2022-23 and estimate for 2021-22 are higher than the forecasts of 1.4% and 1.8%, respectively, from the 2021-22 Budget, reflecting stronger than anticipated increases in fuel prices and rents, as well as the one-off impacts of various government policies.

Across 2020, Darwin's inflation rate was subdued by a range of Commonwealth and Territory Government policy initiatives in response to COVID-19, including the Commonwealth's childcare subsidy and the Territory's Home Improvement Scheme. As these measures ended, consumer prices for childcare and home renovations rose accordingly (in a CPI sense). This also coincided with some of the largest quarter-on-quarter movements of the past 10 years in 2021 alone, resulting in significant year-on-year CPI growth.

While the year-on-year CPI result for the December quarter 2021 was 5.1%, DTF estimates government policy initiatives contributed around 2.4 percentage points to this result. That is, in the absence of the policy measures, Darwin's year-on-year inflation rate in the December quarter 2021 is estimated to be around 2.7%. This parameter has been applied to the Territory Government's 2022-23 Budget. Most of these one-off measures will have minimal impact on the 2022-23 forecast, which is more reflective of rents, housing construction costs, geopolitical tensions and the impacts of disrupted supply chains.

The Territory's wage price index is forecast to increase by 1.6% in 2022-23, after increasing by an estimated 1.9% in 2021-22, and growth of 1.7% in 2020-21. These forecasts are broadly in line with those in the 2021-22 Budget.

While public sector wage growth remains subdued with no increases in pay rates in line with the 2021–2024 Wages Policy, the outlook for private sector wage growth has improved slightly, with some upwards pressure anticipated from a consistently low unemployment rate over the forecast period and demand for skilled workers.

Chapter 4

Fiscal strategy statement

Overview

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

The government's fiscal strategy

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

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

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

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

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

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

2022-23 Fiscal strategy

The fiscal strategy objectives and targets in the 2022-23 Budget remain unchanged from those established in the 2019-20 Budget and reported in subsequent budgets. Detailed assessment of expected outcomes for fiscal strategy objectives and key fiscal targets follows.

Assessment of the fiscal strategy

Principle 1: Sustainable service provision

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

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

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

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

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

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

As shown in Table 4.1, Territory-funded expenses, excluding depreciation, are projected to decline by 2.8% in aggregate over the budget and forward estimates when compared to a 9.3% anticipated growth in own-source and untied revenue over the same period. As a result, this fiscal strategy objective and target has been met over the budget cycle. The decline in Territory-funded expenses is largely driven by one-off government operational commitments ceasing beyond 2022-23 combined with constrained parameter growth applied to Territory-funded expenses, including a nil wages indexation from 2022-23 to 2024-25 in line with the government's 2021–2024 Wages Policy, as detailed in Chapter 2 *Fiscal outlook*. Growth in own-source and untied revenue of 9.3% reflects significant improvements in both GST revenue and own-source revenue estimates since the 2021-22 Budget.

Table 4.1: Territory-funded expense growth, and own-source and untied revenue growth

	2022-23	2023-24	2024-25	2025-26		
	Budget	Forward estimate			Growth	Target met
	$M	$M	$M	$M	%	
Territory-funded expenses[1]	5 305	5 170	5 131	5 154	- 2.8	yes
Own-source and untied revenue	5 183	5 352	5 522	5 667	9.3	

1 Excludes depreciation and expenses carried over from prior years.

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

Given the Territory's public service employee expenses account for about 40% of the general government sector's total expenses, maintaining a financially sustainable public service is critical in containing expenditure growth.

As the Territory Government is a major contributor to the Territory economy and the single largest employer in the Territory, this fiscal strategy objective takes a balanced approach. This objective is premised on ensuring service provision does not outpace population growth. Accordingly, the target has been set that general government Territory-funded employee expense growth is not to exceed the wages policy parameter, net of efficiency dividends, plus the Territory's long-term annual population growth of 1.4% in any year over the budget and forward estimates. The long-term annual population growth of 1.4% is the latest available population data for the Territory as based on the 2016 Australian census. Population data from the most recent census conducted in 2021 will not be available until later in 2022.

Table 4.2 highlights that Territory-funded employee expense growth is well below the sum of the wages policy parameter net of efficiency dividends and the Territory's 1.4% long-term population growth. It also demonstrates that government is containing growth in the general government sector's single largest expenditure item.

While the wages policy parameter and efficiency dividend used to adjust employee expenses remain unchanged from the 2021-22 Budget, the 2022-23 Budget incorporates an increase to the non-cumulative lump sum bonus payment from $1,000 in each of the four years to $4,000 in 2021-22, and $2,000 in each of the subsequent three years. The higher lump sum bonus payment in 2021-22 than subsequent years, combined with one-off policy commitments affecting 2021-22 has driven the greater decline in Territory-funded employee expense growth in 2022-23 than across the forward estimates. Growth rates from 2025-26 reflect a return to the long-term wages indexation factor of 2%.

Table 4.2: Territory-funded expense growth and wages growth

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

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

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

Table 4.3 shows the net operating balance is projected to improve across the budget cycle, with a net operating surplus now projected from 2024-25. Accordingly, the fiscal strategy objective and target have been met, with a net operating balance surplus projected three years ahead of the target.

Table 4.3: General government sector – net operating balance

	2022-23	2023-24	2024-25	2025-26	
	Budget	Forward estimate			Target met
	$M	$M	$M	$M	
2022-23 Budget	- 253	- 80	60	90	yes

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

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

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

As shown in Table 4.4, general government sector borrowings (net) are projected to decline across the forward estimates from 2023-24, indicating this fiscal strategy objective is on track to being achieved over the medium to long term. Accordingly, this will satisfy the FITA principle of managing debt at prudent levels by avoiding new borrowings and utilising surpluses to either fund capital investments or retire debt.

Table 4.4: General government sector – borrowing (net)

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	$M	$M	$M	$M
2022-23 Budget	315	647	454	68

The satisfaction of all ongoing and medium-term objectives and targets within government's principle of sustainable service provision combined with fiscal balance surpluses now projected from 2026-27, as detailed in Chapter 2 *Fiscal outlook*, support the achievement of the FITA principle of ensuring funding for current services is provided by the current generation and debt is not passed on to future generations.

Principle 2: Infrastructure for economic and community development

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

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

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

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

As shown in Table 4.5, projected general government infrastructure investment, inclusive of Commonwealth-funded projects (comprising capital works, minor new works, and repairs and maintenance expenses) is consistent with the first element of this objective, with annual average infrastructure investment over the budget cycle of $1.02 billion, well above annual average depreciation of $569 million.

This measure differs from total infrastructure payments of $1.69 billion, as reported in Budget Paper No. 4 *The Infrastructure Program*, as it excludes capital-related grants and is presented for the general government sector only.

The second element of this objective supports the government's primary agenda of budget repair by restraining growth by ensuring Territory-funded infrastructure investment does not exceed twice the level of depreciation in any single year. Table 4.5 highlights that this element of the strategy is also being achieved, with the ratio of Territory-funded infrastructure to depreciation peaking at 1.3 in 2023-24 and 2024-25 before falling to 0.9 in 2025-26.

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

	2022-23	2023-24	2024-25	2025-26		
	Budget	Forward estimate			Average	Target met
Total infrastructure investment ($M)	1 147	1 104	1 060	750	1 015	
Depreciation ($M)	577	571	565	564	569	yes
Territory-funded infrastructure investment ($M)	646	761	727	506	660	
Depreciation ($M)	577	571	565	564	569	
Territory-funded infrastructure investment to depreciation ratio	1.1	1.3	1.3	0.9	1.2	
Target met	yes	yes	yes	yes	yes	

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

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

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

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

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

Since the 2021-22 Budget, the Civic and State Square Redevelopment – stage 2 project of $30 million was added to the capital works program and has progressed in accordance with the framework. There have been no other new Territory-funded capital works projects that have exceeded $30 million since the 2021-22 Budget.

Once fiscal surpluses are achieved, it is intended that all infrastructure projects will be funded through revenues as per long-term objectives of sustainable service provision.

Principle 3: Competitive tax environment

While the Territory's revenue base is small in comparison to other jurisdictions, taxation and own-source revenues provide the government with a reasonable degree of stability and predictability, which are key principles of FITA. This stability provides consistent revenue streams to fund service delivery, unlike the volatility experienced with GST revenue in past years.

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

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

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

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

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

Taxation effort assesses the extent to which a particular jurisdiction's actual revenue collections are above or below its assessed capacity to raise revenue if it imposed national average tax settings. A ratio above 100 indicates a state is collecting more revenue than it would if it applied state average settings, whereas a ratio below 100 indicates that it collects less revenue than it has the assessed capacity to do so. The fiscal strategy aims to achieve assessed taxation effort of at least 90% in order to maximise revenue generation but remain competitive when compared to other states.

Table 4.6 shows that the Territory is the lowest taxing jurisdiction with a taxation effort of 76.1% for 2020-21, the latest year assessed by the CGC. Accordingly, this fiscal strategy target has not been achieved. The Territory generally demonstrates below-average taxation effort as the Territory does not impose land tax and levies lower than average motor vehicle taxes.

Table 4.6: 2020-21 Taxation effort by jurisdiction

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average	Target met
	%	%	%	%	%	%	%	%	%	
Total taxation effort	102.2	97.9	98.4	99.8	93.8	90.7	148.9	76.1	100	no

Source: CGC 2022 Update

Despite a below-average taxation effort, the Territory's taxation effort increased from 74.9% as reported in 2019-20. The increase in taxation effort was largely due to higher gaming and motor vehicle tax receipts in 2020-21 than 2019-20.

The improvement in housing values and market activity combined with further increases in gambling and motor vehicle taxes, and stamp duty on conveyances relating to several large one-off commercial transactions in 2021-22, are anticipated to have a positive effect on the Territory's taxation effort for 2021-22 and future assessments.

Ongoing objective: Generate own-source revenue efficiently

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

As discussed earlier, own-source revenue generation is critical in providing stability and predictability. However, in order to maximise the capacity to allocate to service delivery and new initiatives, the collection of own-source revenue must be efficient through maintaining low direct operating costs. Accordingly, the fiscal strategy aims for the Territory Revenue Office's operating expenditure to be less than 1% of total taxes and royalties collected to ensure efficient revenue collection.

Table 4.7 demonstrates this element of the fiscal strategy has been achieved with Territory Revenue Office operating expenditure projected to be half of the target 1% of total taxes and royalty revenue across the budget and forward estimates.

Table 4.7: Territory Revenue Office expenditure to taxation revenue raised

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
Territory Revenue Office expenditure ($M)	5	5	5	5
Territory taxes and royalties ($M)	971	988	984	995
Expenditure to revenue (%)	0.5	0.5	0.5	0.5
Target met	yes	yes	yes	yes

Principle 4: Prudent management of debt and liabilities

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

During periods of low economic growth and constrained revenues, it may be prudent to raise higher levels of debt in order to maintain government expenditure and support services to the economy. When economic growth and own-source revenues are strong, lower borrowings are justified as they present an opportunity for government to pay down debt while there is strong revenue growth and private sector investment. Consequently, prudent debt management cannot be explicitly defined but rather is an assessment made in developing a budget in light of the economic and fiscal conditions faced by the Territory at that point in time.

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

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

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

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

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

The Territory's credit rating was last assessed by Moody's on the 2021-22 Budget, confirming an unchanged credit rating for the Territory at Aa3 with a stable outlook. Moody's acknowledged that the effective management of COVID-19 has led to stronger and faster than expected recovery in Australian economic activity and, given the Territory's significant reliance on Commonwealth funding, has contributed to the improvement to the Territory's projected fiscal deficits as reported in the 2021-22 Budget. Accordingly, this fiscal strategy target has not yet been met.

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

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

As shown in Table 4.8, the non financial public sector's net debt to revenue ratio is projected to be 115% in 2022-23, increasing to 121% by 2025-26. It is anticipated that the net debt to revenue ratio will peak at 121% in 2024-25 and 2025-26 before declining over the medium term, in line with the projected fiscal balance surpluses, and fall below 100% by 2030-31. Despite the projected decline in the net debt to revenue ratio over the medium term, the net debt to revenue ratio will not be at or below 50% and therefore this fiscal strategy objective and target has not been met.

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

	2022-23	2023-24	2024-25	2025-26	
	Budget	Forward estimate			Target met
	%	%	%	%	
2022-23 Budget	115	120	121	121	no

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

Lease liabilities have been explicitly excluded from the cap as their valuation is subject to changes in discount rates and does not correlate with actual cash proceeds sought from financial markets to fund operating and capital activities of government.

Net debt is a fiscal measure as determined by the Australian Bureau of Statistics (ABS) and accounting standards. Total borrowings will always be greater than reported net debt figures as borrowings only represent gross debt liabilities, while net debt comprises gross debt liabilities less select liquid financial assets. Targeting borrowings is an indirect means of controlling net debt but represents a more directly controllable measure by government as net debt can be influenced by valuations of leases and returns on investments.

Table 4.9 presents the assessable borrowings for the 2022-23 Budget in accordance with the FITA debt ceiling. The table shows that total borrowings, excluding leases, are below the $15 billion cap in all years over the budget cycle.

Table 4.9: Non financial public sector – debt ceiling assessment

	2022-23	2023-24	2024-25	2025-26
	Budget	Forward estimate		
	$M	$M	$M	$M
Total borrowings	11 847	12 575	13 024	13 150
Less: leases	1 775	1 732	1 616	1 507
Total assessable debt	10 072	10 843	11 408	11 643
Target met	yes	yes	yes	yes

Principle 5: Commercial management of government owned corporations

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

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

As detailed earlier in Chapter 2 *Fiscal outlook*, given the concurrent development of the Territory budget and the SCIs, the fiscal strategy targets reported in final SCIs may differ from those reported in this chapter.

At the time of drafting, not all SCIs were finalised.

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

Similar to the general government sector's fiscal strategy principle of sustainable service provision, this fiscal strategy objective aims to improve profitability and restrain expenditure growth specifically in government trading entities. Table 4.10 shows that all three government owned corporations are expected to meet this element of the fiscal strategy. The Power and Water Corporation's high growth rate for revenue is driven by a forecast increase in gas sales and recoverable electricity network revenue from 2023-24. The reduction in Territory Generation's operating expenses is largely the result of lower energy and maintenance costs following the completion of major capital projects. Jacana Energy expects to meet the target through subdued expenditure growth as new utility-scale solar electricity generation commences production.

Table 4.10: Government owned corporation growth rates over 2022-23 to 2025-26

	Power and Water Corporation growth	Territory Generation growth	Jacana Energy growth
	%	%	%
Revenue	22.0	5.4	4.0
Operating expenses[1]	11.6	- 6.1	1.2
Target met	yes	yes	yes

1 Excludes depreciation, impairments, interest and tax expenses.

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

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

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

This element of the fiscal strategy is expected to be achieved with each government owned corporation reporting their respective agreed targets in their 2022-23 SCIs.

Ongoing objective: Debt ratios should improve annually

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

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

As demonstrated in Table 4.11, the government owned corporations are expected to meet this fiscal strategy objective. The Power and Water Corporation's marginally improved debt to equity position over the SCI period is driven by improved forecast profitability in 2024-25 and 2025-26 due to higher forecast gas and recoverable electricity network revenue. Territory Generation's ratio is largely maintained over the SCI period.

Table 4.11: Government owned corporations 2022-23 statement of corporate intent debt to equity ratios

	2022-23	2023-24	2024-25	2025-26	
	Budget	Forward estimate			Target met
Power and Water Corporation	1.1	1.1	1.0	1.0	yes
Territory Generation	1.9	2.0	1.9	1.9	yes
Jacana Energy[1]	n/a	n/a	n/a	n/a	n/a

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

Ongoing objective: Reduce controllable costs and improve operating efficiencies

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

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

Table 4.12 shows that all three government owned corporations are estimating they will meet this fiscal strategy objective and reduce or maintain controllable costs over the SCI period. The reduction to Territory Generation's controllable costs over the SCI period is driven by one-off project costs in 2022-23 and declining maintenance costs over the forward estimates.

Table 4.12: Government owned corporations 2022-23 statement of corporate intent controllable[1] costs

	2022-23	2023-24	2024-25	2025-26	
	Budget	Forward estimate			Target met
	$M	$M	$M	$M	
Power and Water Corporation	207	193	200	203	yes
Territory Generation	92	85	83	82	yes
Jacana Energy	18	18	18	18	yes

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

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

Target: Dividends paid/payable greater than zero

Returns to government from the corporations support the delivery of essential social services including health, education and community safety. Increased returns also indicate a corporation's profitability has improved, increasing capacity to retire debt and subsequently leading to improvements in government debt targets. Table 4.13 shows that all government owned corporations are expected to meet this element of the fiscal strategy, with dividends projected to be paid across the SCI period.

Table 4.13: Government owned corporations 2022-23 statement of corporate intent dividends paid

	2022-23	2023-24	2024-25	2025-26	
	Budget	Forward estimate			Target met
	$M	$M	$M	$M	
Power and Water Corporation	2.0	2.0	13.2	21.9	yes
Territory Generation	3.5	3.4	5.5	8.6	yes
Jacana Energy	0.6	3.9	6.2	7.2	yes

The Power and Water Corporation is projecting to pay smaller dividends in both 2022-23 and 2023-24 as a result of carried forward net operating losses projected for 2021-22 and negligible profit projected for 2022-23. The net losses and reduced profitability for these years are largely the result of lower gas and recoverable electricity network revenue forecasts.

Chapter 5

Intergovernmental financial relations issues

The information provided in this chapter meets the requirements of sections 10(1)(b), 10(1)(c) and 10(1)(f) of FITA in respect of Commonwealth revenues, both tied and untied. It includes forecasts of Commonwealth revenues and the assumptions on which they are based, explanations of material differences between the revised forecasts and those published in the 2021-22 Budget, and an analysis of the changes in the forecasts.

Overview

Total Commonwealth funding to the Territory in 2022-23 is estimated at $5.28 billion. This comprises $3.58 billion in untied revenue and $1.7 billion in tied funding. Commonwealth funding represents 69% of total Territory revenue in 2022-23.

The Territory's untied revenue is principally GST revenue, which is the largest single fiscal transfer from the Commonwealth. The Territory is expected to receive $3.54 billion in GST revenue in 2021-22 based on Commonwealth 2022-23 Budget estimates. This is an improvement of $385 million, or 12.2%, compared to the Territory 2021-22 Budget forecast. The increase is largely driven by improved GST collections in 2021-22 due to easing COVID-19 restrictions and a $173 million balancing adjustment received in 2021-22 for underpaid GST revenue from 2020-21.

In 2022-23, the Territory expects to receive $3.58 billion in GST revenue. This is an increase of 0.9% from 2021-22, or 6.1% after excluding the one-off $173 million balancing adjustment. This reflects an increase to the Territory's GST relativity from 4.79985 to 4.86988 and estimated GST pool growth of 6.5% in 2022-23.

This is the highest GST pool growth since the GFC, excluding the exceptional post-COVID-19 recovery in 2020-21, and is 2.2 percentage points higher than the 4.3% average annual growth rate since 2007-08. Growth in the pool is attributable to improved economic expectations and the effect of national inflation. Due to significant economic uncertainty, the Territory's forecast for GST pool growth in 2022-23 is more conservative than the Commonwealth 2022-23 Budget forecast of 9.1%.

Tied Commonwealth revenue is estimated to contribute $1.7 billion in 2022-23, compared to $1.98 billion in 2021-22. The decrease is primarily attributable to decreases in Federation Funding Agreement (FFA) framework payments associated with the:

- National Partnership (NP) on COVID-19 Quarantine Arrangements at the Northern Territory Centre for National Resilience for Organised National Repatriation of Australians ($273.1 million)
- NP for Remote Housing Northern Territory ($45.5 million)
- project agreement on the Darwin City Deal ($27.3 million)
- NP on COVID-19 Response ($19.6 million).

These were partially offset by a year-on-year increase in funding in 2022-23 for the NP Agreement on Land Transport Infrastructure Projects ($90.4 million), FFA Schedule on National Water Grid Fund ($16.4 million), FFA Schedule on Family, Domestic and Sexual Violence Responses 2021-23 ($13.1 million) and NP on Northern Territory Remote Aboriginal Investment (NTRAI) ($8.6 million). Details on key tied revenue arrangements are set out in this chapter.

Federal financial relations

Australia's federal system is characterised by a high level of vertical fiscal imbalance, whereby the expenditure requirements of states and territories (states) under the Australian Constitution far outweigh their capacities to raise revenue, while the opposite applies for the Commonwealth, requiring significant revenue transfers from the Commonwealth to the states.

Commonwealth funding to the Territory includes both untied revenue and tied funding to be used for specific purposes. Untied revenue is discretionary, allowing states to determine how to spend this funding according to their specific priorities, as sovereign governments. Tied funding includes national funding agreements, payments under an FFA, including the former NP and project agreement models, and specific purpose payments (SPPs). The Territory also received untied grants in lieu of uranium royalties in 2021-22, which are not expected to continue due to the closure of the Ranger uranium mine. From 2021-22 to 2026-27, the Commonwealth will also make untied payments under a no-worse-off guarantee if a state or territory is worse off under legislated GST distribution reforms (discussed later in this chapter).

Table 5.1 shows total Commonwealth payments to the Territory are estimated at $5.28 billion in 2022-23, of which 68% is untied funding and the remaining 32% is tied funding.

Compared with 2021-22, Commonwealth payments to the Territory are expected to decrease by $250 million, or about 4.5%, in 2022-23.

Table 5.1: Components of Territory revenue, 2021-22 to 2022-23[1]

	2021-22 Budget	2021-22 Revised	2022-23 Budget
	$M	$M	$M
Untied revenue	3 159	3 547	3 576
GST revenue[2]	3 159	3 544	3 576
Grants in lieu of uranium royalties	nil	3	nil
Tied revenue	2 013	1 980	1 700
National funding agreements[3]	823	818	868
Federation Funding Agreement payments[4]	1 007	926	682
Specific purpose payments[5]	15	15	15
Other Commonwealth payments[6]	169	220	136
Total Commonwealth revenue	5 172	5 526	5 276
Territory own-source revenue	2 224	2 365	2 322
Total revenue	7 396	7 892	7 599

1 Includes non financial public sector.
2 2021-22 includes a $173 million balancing adjustment for 2020-21 GST entitlements. 2022-23 includes a no-worse-off guarantee payment of $3 million. Variance from 2021-22 budget to 2021-22 revised reflects the balancing adjustment and higher than expected GST pool growth.
3 Includes National Health Reform Agreement, National School Reform Agreement (including payments 'through' the Territory for non-government schools), National Housing and Homelessness Agreement, and National Mental Health and Suicide Prevention Agreement funding.
4 Includes all payments under an FFA, including NTRAI, NP for Remote Housing Northern Territory, NP Agreement on Land Transport Infrastructure Projects, NP on COVID-19 Response (health), COVID-19 Quarantine Arrangements at the Northern Territory Centre for National Resilience for Organised National Repatriation of Australians, and other FFA payments.
5 SPP on National Skills and Workforce Development.
6 Includes funding under the Disaster Recovery Funding Arrangements and Commonwealth own-purpose expenditure.

GST revenue

Overview

GST revenue is the largest revenue transfer from the Commonwealth, estimated to account for 68% of Commonwealth payments to the Territory or 47% of total Territory revenue in 2022-23.

Prior to 2021-22, a state or territory's GST revenue allocation was dependent on three parameters: its GST relativity as recommended by the CGC and approved by the Commonwealth Treasurer; the total amount of GST revenue collections available for distribution, referred to as the GST pool; and the state's share of the national population. From 2021-22 onwards, GST revenue allocation is also affected by the Commonwealth's legislated GST distribution reforms.

GST is paid to states and territories in line with Commonwealth GST entitlement forecasts. Actual GST entitlements are determined in the Commonwealth *Final Budget Outcome*, and differences are reconciled through a balancing adjustment in the following financial year. A description of the balancing adjustment is provided later in this chapter.

Table 5.2 details the Territory's GST revenue forecast across 2021-22 to 2025-26.

Table 5.2: Territory GST revenue

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
Territory GST revenue[1] ($M)	3 544	3 576	3 683	3 833	3 981
Annual change in Territory GST revenue (%)		0.9	3.0	4.1	3.9

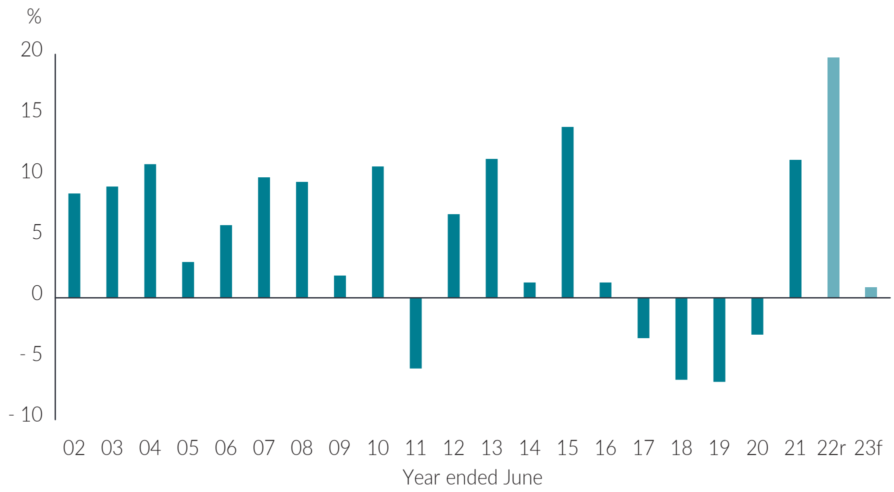
1 2021-22 includes a $173 million balancing adjustment for 2020-21 GST entitlements. 2022-23 includes a no-worse-off guarantee payment of $3 million. 2023-24 includes a no-worse-off guarantee payment of $4 million.

In 2021-22, the Territory's GST revenue is expected to be $3.54 billion, including a $173 million balancing adjustment payment received in 2021-22 relating to 2020-21 GST underpayments. The 2021-22 revised GST revenue estimate adopts the Commonwealth 2022-23 Budget estimate of the Territory's GST entitlement.

In 2022-23, the Territory expects to receive $3.58 billion in GST revenue. This is an increase of 0.9% from 2021-22 or 6.1% after excluding the one-off $173 million balancing adjustment. This estimate reflects increases in the Territory's GST relativity and GST pool growth of 6.5% in 2022-23. The Territory's GST revenue estimate is $167 million lower than the Commonwealth 2022-23 Budget estimate of Territory GST entitlements for 2022-23, and $658 million lower than the Commonwealth estimate across the forward estimates, predominantly due to GST pool growth and relativity forecasts. The key drivers of GST revenue change are set out below.

Since 2000, the Territory's GST revenue has averaged annual growth of about 4.3%. However, as Chart 5.1 shows, the amount of GST revenue the Territory receives can be highly volatile, with annual growth rates ranging from -6.9% to 19.7% across the period 2001-02 to 2022-23.

Chart 5.1: Territory GST revenue, annual growth, 2001-02 to 2022-23[1]



f: forecast; r: revised

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

Source: Commonwealth *Final Budget Outcome* 2001-02 to 2020-21, Department of Treasury and Finance estimates for 2021-22 and 2022-23

Drivers of change to GST revenue

Table 5.3 shows how each of the GST parameters have contributed to the difference in the Territory's GST revenue estimates between 2021-22 and 2022-23. Table 5.4 sets out the revisions and drivers of change compared with the 2021-22 Budget.

Each of these changes are discussed in detail in this chapter.

Table 5.3: Estimated drivers of change in the Territory's GST revenue from 2021-22 to 2022-23

	$M
GST revenue for 2021-22	3 544
Change caused by:	
– GST pool	217
– GST relativities	54
– population share	- 19
– interaction between GST parameters[1]	- 220
Total change	32
GST revenue for 2022-23	3 576

1 Impact of the interaction between the updated parameters in the calculation of states' GST shares. The interaction is primarily driven by the one-off $173 million balancing adjustment in 2021-22. Interaction includes a $3 million no-worse-off guarantee payment in 2022-23.

Table 5.4: Factors contributing to revisions in the Territory's GST revenue estimates since 2021-22 Budget

	2021-22	2022-23
	$M	$M
GST revenue		
As at 2021-22 Budget	3 159	3 127
As at 2022-23 Budget	3 544	3 576
Difference	385	449
Change caused by:		
– GST pool	206	291
– GST relativities	nil	195
– population share	- 15	- 27
– interactions between GST parameters[1]	194	- 10
Total change	385	449

1 Impact of the interaction between the updated parameters in the calculation of states' GST shares. The interaction is primarily driven by the one-off $173 million balancing adjustment in 2021-22. Interaction includes a $3 million no-worse-off guarantee payment in 2022-23.

Effect of significant events on GST

GST collections are directly determined by changes in national consumption, private dwelling investment and the broader performance of the national economy. The GST pool is generally expected to grow in line with historic trends, however significant economic shocks can cause volatility in GST receipts.

The most significant impact on GST collections in recent years has been COVID-19 and associated response. COVID-19 continued to disrupt national economic activity into 2021-22, however the impact has varied as vaccination rates have increased and public policies transitioned from suppression to management in line with the *National Plan to transition Australia's National COVID-19 Response*.

In early 2021-22, the response to the Delta variant of COVID-19 involved significant lockdowns and border restrictions in many jurisdictions, which resulted in lower GST collections. During 2021-22, the COVID-19 response eased as vaccination rates increased, with no major lockdowns applied in 2022, and state and international borders reopened.

In early 2022, a sharp increase in the number of Omicron variant COVID-19 cases reduced consumer confidence which negatively impacted GST despite eased government restrictions. Early indicators for the remainder of 2021-22 suggest confidence and consumption recovered quickly after this Omicron wave peaked and are expected to remain positive for the remainder of the financial year, leading to an improved GST pool estimate compared to the 2021-22 Budget.

From 2022-23, COVID-19 continues to be a source of uncertainty in forecasting GST revenue growth, particularly if new variants emerge or if case numbers rise during the traditional flu season. However, further lockdowns are not expected, in line with the post vaccination phase of the *National Plan to transition Australia's National COVID-19 Response*. Based on Commonwealth 2022-23 Budget forecasts, the national economic outlook into 2022-23 includes higher real and nominal gross domestic product and consumption growth, lower unemployment and stronger private dwelling investment (partly driven by price increases). These factors are forecast to result in strong GST collections growth in the short term.

The Russia-Ukraine conflict is also expected to impact GST collections from late 2021-22 and into 2022-23, predominantly through higher inflation, due to increased global food and fuel prices and the flow-through effect to inputs and transport costs. Higher inflation is also expected in the short term due to continued supply chain constraints associated with COVID-19. As GST is collected on the nominal price of goods and services, inflation is expected to contribute to increased growth in GST collections in the short term. The longer-term impact of the Russia-Ukraine conflict is unknown and presents a source of uncertainty in GST forecasting.

The 2022 floods in Queensland and New South Wales may also have an impact on GST collections in the short term by disrupting consumption for flood-affected communities, although rebuilding efforts will drive investment growth.

The Commonwealth has also introduced a temporary reduction to the fuel excise, which has a corresponding impact on GST collections. The Commonwealth 2022-23 Budget estimates the fuel excise reduction will reduce GST collections by $195 million across 2021-22 and 2022-23, although this is more than offset by underlying increases in the price of fuel.

Based on these factors, the Territory forecasts GST pool growth of 6.5% in 2022-23. Excluding the post-COVID-19 recovery in 2020-21, this is the highest growth since the GFC recovery in 2009-10 and compares with an average annual growth rate in the pool of 4.3% since 2007-08.

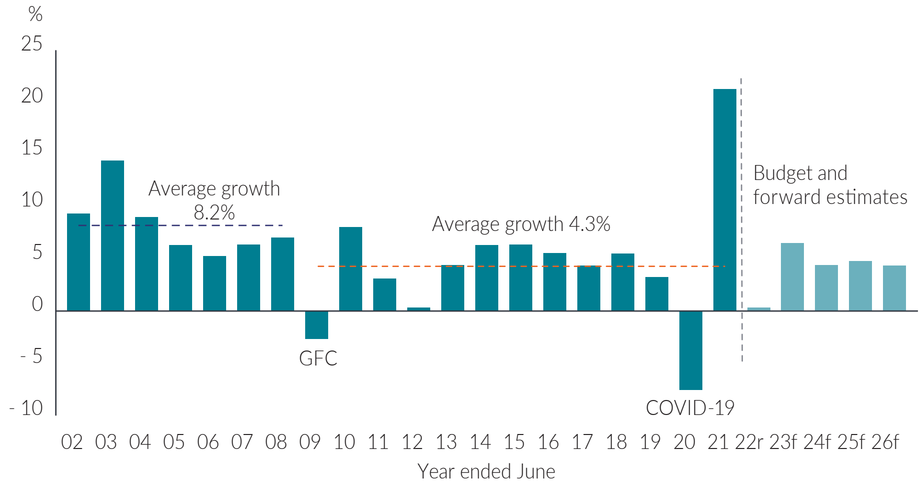
There is significant uncertainty associated with short-term economic outlooks, reflected in differing views of short-term GST pool growth. The Territory's forecast for GST pool growth in 2022-23 is more conservative than the Commonwealth 2022-23 Budget forecast of 9.1% which is underpinned by high increases in employment and wages flowing through to higher nominal consumption.

From 2023-24, the Territory forecasts average annual pool growth of 4.5% over the forward estimates, consistent with Commonwealth forecasts of pool growth.

Prior to COVID-19, GST growth has been characterised by two distinct periods since inception. Pre-GFC, annual GST pool growth averaged 8.2%, while post-GFC, GST grew at a lower average rate of 4.3% and just 3% prior to 2020-21.

GST as a share of national consumption has also changed over time. At its inception, GST was 6.3% of total consumption. However, GST reduced to a lower share of consumption post-GFC. These changes indicated a long-term trend of declining household consumption of taxable discretionary items and unequal growth between taxable and non-taxable goods and services, such as rent, education and health. These periods are illustrated in charts 5.2 and 5.3 which also illustrate the significant shocks caused by COVID-19 and the resulting uncertainty in GST forecasting.

Chart 5.2: Growth in the GST pool, 2001-02 to 2025-26[1]

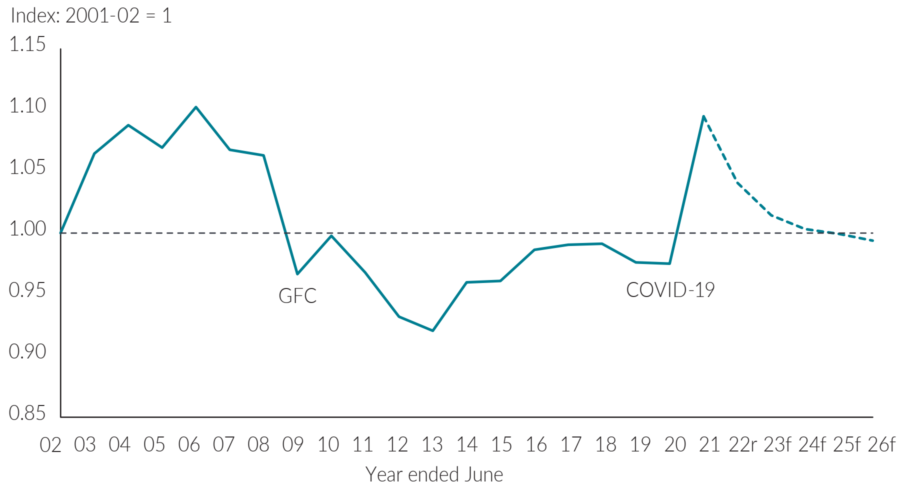


GFC: global financial crisis; f: forecast; r: revised

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

Source: Commonwealth *Final Budget Outcome*, 2001-02 to 2020-21, Department of Treasury and Finance estimates for 2021-22 to 2025-26

Chart 5.3: GST as a proportion of household consumption, 2001-02 to 2025-26



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

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, Cat No. 5206.0, *Taxation Revenue, Australia*, Cat. No. 5506.0; Deloitte Access Economics, *Business Outlook: March 2022*; Department of Treasury and Finance

GST pool

The GST pool determines the total amount of GST revenue that is available to be distributed to all states. GST is a broad-based tax of 10% on most goods and services and is collected by the Australian Taxation Office on behalf of the states. National spending on goods and services that attract GST drives the size of the GST pool. Since 2019-20, the GST pool has been subject to significant volatility due to COVID-19, with pool growth representing the largest driver of change to Territory GST revenue forecasts in 2021-22 and 2022-23.

In 2021-22, the Territory expects the underlying GST pool to remain broadly consistent with 2020-21 actual collections, at 0.3% growth. This reflects a 6.5 percentage point improvement in the GST pool compared to the Territory 2021-22 Budget forecast.

The sustained GST pool size in 2021-22 reflects improved national economic outcomes relating to the impact of COVID-19 compared to 2021-22 Budget, as set out above. The Territory's 2021-22 GST pool estimate is consistent with the Commonwealth 2022-23 Budget forecast for 2021-22.

In 2022-23, the Territory estimates the GST pool will increase by 6.5%, reflecting improved national economic outlooks and fewer COVID-19 restrictions, as set out earlier in this chapter.

GST pool growth from 2021-22 also includes annual Commonwealth contributions to the GST pool as part of the GST distribution reforms, as described later in this chapter.

From 2023-24, the Territory forecasts an average annual pool growth of 4.5% over the forward estimates, consistent with Commonwealth forecasts of pool growth. Outside the forward estimates period, growth is projected to gradually return to a long-run growth rate of 3%.

GST relativity

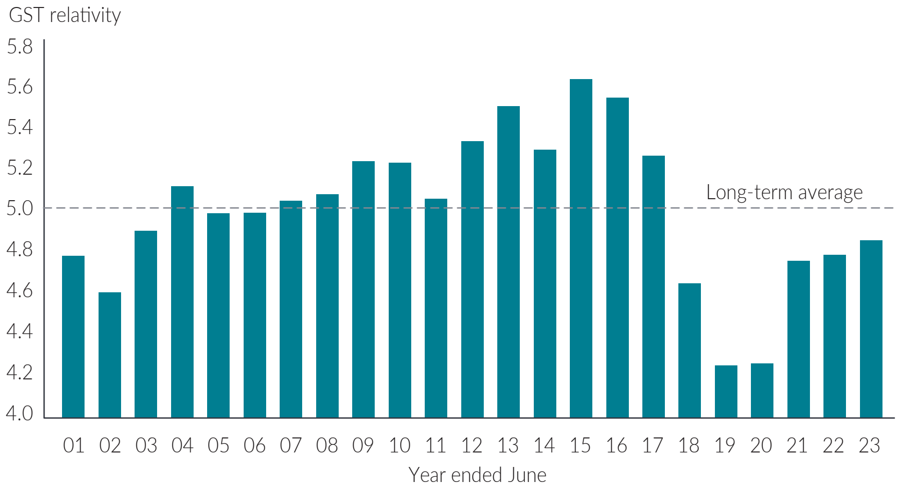
The GST relativity is one of the key parameters used to determine a state's GST revenue. The relativity, combined with a state's population, determines whether a state will receive more or less than its population share of the GST pool.

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

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

In March 2022, the CGC released its 2022 Update which recommended an increase to the Territory's GST relativity to 4.86988 in 2022-23 from 4.79985 in 2021-22. This is an improvement on the Territory's GST relativity, however is still below the Territory's long-term average of 5.02399 as shown in Chart 5.4.

Chart 5.4: Territory GST relativity, 2000-01 to 2022-23



Source: Commonwealth *Final Budget Outcome*, 2001-02 to 2021-22, CGC 2022 Update for 2022-23

Due to the complexities and uncertainty associated with annual relativity calculations, it is difficult to reliably forecast GST relativities over the forward estimates. The Territory 2022-23 Budget adopts the CGC 2022 Update GST relativity for 2022-23. The GST relativity forecast for the forward estimates is based on a three-year average relativity held constant over the forecast period, adjusting for GST distribution reforms.

The 2022-23 GST relativity recognises that the Territory is assessed as having the lowest fiscal capacity of the states, reflecting its:

- above-average assessed expenditure needs due to relatively high shares of disadvantaged population groups, including people living in remote and very remote areas, diseconomies of scale in administration and above-average infrastructure requirements, primarily for roads
- slightly above-average assessed capacity to raise own-source revenue, reflecting its above-average capacity to raise mining revenue, partially offset by its below-average capacity to raise stamp duty and other taxes
- above-average share of Commonwealth payments.

The main contributors that increased the Territory's GST relativity in the 2022 Update as assessed by the CGC are:

- national spending growth and data revisions for Indigenous community and health services, increasing the assessed need for jurisdictions with high Indigenous populations
- reduced assessed Territory capacity to raise payroll tax and mining revenue
- above-average Territory share of national population growth and the consequential increase in service delivery needs.

These positive factors were partly offset by:

- lower wages growth in the Territory relative to other states, which reduced the Territory's assessed cost of service delivery
- shifting national spending on welfare services from remote areas to non-remote areas, reducing the assessed GST need for the Territory.

The 2022-23 GST relativity also incorporates GST distribution reforms, as described later in this chapter.

If the GST distribution reforms had not occurred, the Territory's 2022-23 GST relativity would be 4.93255 rather than 4.86988. In the 2022 Update, the CGC estimates the impact of this change results in a reduction of the Territory's GST revenue by $35 million. However, this has been offset by the Commonwealth pool boost and the temporary no-worse-off guarantee. If the transition had occurred in full, the Territory's relativity would be 4.85329. The Territory can expect its relativity to continue to be negatively impacted by this change as the methodology progressively transitions to 'reasonable' horizontal fiscal equalisation (HFE) by 2026-27.

The 2022 Update is the first year in which COVID-19 had a material impact on state and territory GST relativity calculations. In line with the 2022 Update terms of reference, the methodologies for calculating GST relativities were not changed in response to the pandemic. While COVID-19 did not have a significant direct impact on the Territory's relativity, it materially influenced the relativities of several other states. COVID-19 will continue to impact states' relativities for at least the next three years, as relativities are assessed using data over a rolling three-year period.

Further discussion on the GST relativity risks is found in Chapter 7 *Risks and contingent liabilities*.

Population

A state's share of the national population affects the share of GST revenue it receives. That is, the distribution of GST revenue is influenced by population growth rates in all states, not just the individual state's actual population growth.

Estimates of other states' populations are based on Commonwealth 2022-23 Budget estimates. The Territory uses its own estimates of Territory population growth, given its local knowledge regarding major projects and other one-off events that may affect migration levels. Chapter 5 *Population* of the 2022-23 *Northern Territory Economy* publication provides more detail on the Territory's population characteristics and forecast growth patterns.

The Territory 2022-23 Budget estimates the Territory's share of the national population to decline over the budget and forward estimates from 0.9514% in 2021-22 to 0.9316% in 2025-26. This is marginally below the Commonwealth 2022-23 Budget forecast of 0.9592% to 0.942% over the same period. The declining population share in both Territory and Commonwealth forecasts recognises that the Territory's population growth is expected to be below national population growth rates over the forward estimates, however population growth is likely to increase as new major projects commence.

Balancing adjustment

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

The Territory's 2021-22 balancing adjustment was $173 million, reflecting the variance between the Commonwealth GST entitlement forecast and the Territory's actual GST entitlement relating to 2020-21.

Where Commonwealth budget forecasts are available for the current financial year, the Territory will recognise GST revenue in line with the Commonwealth forecast regardless of underlying GST pool, population and relativity assumptions, reflecting actual payments to be received.

Where Commonwealth forecasts are not available, or in future years, Territory and Commonwealth GST entitlement forecasts may differ due to different relativity, GST pool and population expectations.

GST distribution reforms

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

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

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

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

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

In essence, the change will improve the relativity of any state or territory in a stronger fiscal position than the stronger of New South Wales or Victoria, and reduce the relativity of all other jurisdictions. Currently, this results in an increase to Western Australia's relativity and a reduction in the relativities for all other jurisdictions. These HFE changes are scheduled to transition progressively from 2021-22 to 2026-27.

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

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

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

To honour this guarantee, the Commonwealth 2022-23 Budget estimated no-worse-off guarantee payments to states totalling $14.8 billion over the budget and forward estimates.

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

The Territory expects to receive $7 million over the budget and forward estimates in no-worse-off guarantee payments as the commencement of the GST relativity floor negatively impacts the Territory by more than the additional Commonwealth pool payments.

In February 2022, the South Australian Department of Treasury and Finance commissioned a report on *Estimating the fiscal effects of the new HFE system*, which included scenario analysis on the impacts of the GST distribution reform on all states. The report found that under a majority of scenarios, all jurisdictions other than Western Australia will be worse off from the GST distribution reforms.

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

Tied Commonwealth revenue

The majority of tied Commonwealth funding is provided under the Intergovernmental Agreement on Federal Financial Relations (IGA) through national funding agreements, payments under an FFA, including the former NP and project agreement models, and SPPs. Tied funding is also provided outside the IGA payment arrangements through Commonwealth own-purpose expenses.

In recent years, major sector-wide funding arrangements have been implemented under the National Health Reform, National School Reform, National Housing and Homelessness, and National Mental Health and Suicide Prevention agreements.

In August 2020, the Council on Federal Financial Relations conducted a major reform of funding arrangements and established the new FFA framework. The FFA framework is a series of five overarching sectoral agreements, with program or project-specific funding arrangements developed in the form of FFA schedules. NP and project agreements have been consolidated into the five FFAs with no new NP or project agreements to be developed. Existing NP and project agreements have not been impacted by the introduction of the FFA framework, rather as these expire over time they will be replaced by newly developed FFA schedules as appropriate.

The National Skills and Workforce Development (NASWD) SPP is the last remaining SPP, with SPPs in other key service delivery areas phased out and replaced with alternative funding arrangements. SPP funding is ongoing, indexed and untied within the relevant sector and distributed among the states on a population-share basis.

Table 5.5 sets out tied Commonwealth revenue recognised by the Territory in 2021-22 and 2022-23 for key agreements.

Table 5.5: Tied Commonwealth revenue, 2021-22 and 2022-23

	2021-22 Revised	2022-23 Budget
	$M	$M
National funding agreements	818	868
National Health Reform Agreement	352	389
National School Reform Agreement	444	454
National Housing and Homelessness Agreement	21	21
National Mental Health and Suicide Prevention Agreement	1	4
Federation Funding Agreement payments	926	682
Northern Territory Remote Aboriginal Investment	94	103
Remote Housing Northern Territory	184	139
Land Transport Infrastructure Projects	195	285
COVID-19 Response (health)	30	10
COVID-19 Quarantine Arrangements at the Northern Territory Centre for National Resilience for Organised National Repatriation of Australians	273	nil
Other Federation Funding Agreement payments[1]	151	145
Specific purpose payments	15	15
National Skills and Workforce Development	15	15
Other tied Commonwealth revenue[2]	220	136
Total tied Commonwealth revenue	1 980	1 700

1 Includes funding under the Barkly Regional Deal and Darwin City Deal: Education and Community Precinct, National Water Grid Fund and COVID-19 Business support payments.
2 Includes funding under the Disaster Recovery Funding Arrangements and Commonwealth own-purpose expenses.

FFA payments included in the Territory's budget represent funding agreed by the Territory and Commonwealth governments. As additional agreements are finalised throughout the year, the Territory's FFA payments for 2022-23 and forward estimates will be adjusted accordingly. The timing and quantum of funding over the life of an agreement may vary subject to the achievement of agreed milestones or performance benchmarks, and the nature of the initiative.

Details on tied revenue expected to be recognised by the Territory in 2022-23 are provided in the following sections.

National funding agreements

National Health Reform Agreement

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

Between 2020-21 and 2024-25, the Commonwealth will continue to cap its total funding contribution growth for NHRA payments at 6.5% nationally per annum. Further, in recognition of the Territory's higher annual health costs, the Commonwealth provides up to an additional $15 million per annum, should there be a gap between the Territory's hospital activity and the Commonwealth's cap over the same period.

The NP on COVID-19 Response was introduced in early 2020 and complemented the NHRA during COVID-19. Further details on the funding arrangements associated with this NP can be found later in this chapter.

NHRA funding for 2021-22 is subject to a Commonwealth minimum funding guarantee, announced in November 2021. This provides a minimum level of total funding between the NHRA and the Hospital Services Payment component of the NP on COVID-19 Response to ensure stability of health funding to offset the disruptive impacts of COVID-19.

In 2022-23, the Territory expects to receive $388.9 million under the NHRA, an increase of $37.3 million from 2021-22 reflecting updated funding estimates based on advice from the National Health Funding body.

National School Reform Agreement

The Territory is a signatory to the National School Reform Agreement 2019-2023 (NSRA) and corresponding bilateral agreement. The agreement sets out national education reforms aimed at driving improved student outcomes and requirements for school funding contributions consistent with the Commonwealth's Quality Schools package.

The NSRA is scheduled to expire in 2022-23, with a Productivity Commission review expected by the end of 2022. The review will inform future school funding arrangements.

Under the NSRA, the Territory has budgeted to receive $453.9 million in 2022-23, an increase of $9.5 million from 2021-22, in line with expected Commonwealth funding for government and non-government schools.

National Housing and Homelessness Agreement

The National Housing and Homelessness Agreement (NHHA) seeks to improve outcomes across the housing spectrum, including outcomes for Australians who are homeless or at risk of homelessness, while maintaining funding levels provided under the previous National Affordable Housing SPP and NP agreement on homelessness.

The NHHA is scheduled to expire in 2022-23, with a Productivity Commission review expected by the end of 2022. The review will inform future housing and homelessness funding arrangements.

Under the NHHA, the Territory estimates receiving $21.1 million in 2022-23, a marginal increase from the $20.7 million expected in 2021-22.

National Mental Health and Suicide Prevention Agreement

The National Mental Health and Suicide Prevention Agreement (NMHSPA) commenced in 2022 and provides a joint commitment by all jurisdictions to improve the mental health of Australians and improve services in the Australian mental health and suicide prevention system. Funding under the NMHSPA is provided through bilateral schedules with each jurisdiction. The Territory's bilateral provides for up to $30.6 million in Commonwealth funding from 2021-22 to 2025-26, with the Territory contributing $13.3 million over the same period.

The Territory estimates receiving $3.8 million in 2022-23 under the NMHSPA, an increase of $2.7 million from 2021-22 on commencement of the agreement, in line with the payment schedule in the Territory's bilateral agreement.

Federation Funding Agreement payments

National Partnership on Northern Territory Remote Aboriginal Investment

The NP on NTRAI commenced in 2015-16 with the aim of improving outcomes for remote Aboriginal people through funding programs in the areas of health; schooling; community safety and justice; tackling alcohol abuse; child, youth, family and community wellbeing; housing; municipal and essential services; and remote engagement and coordination, providing up to $1 billion to the Territory and $42.6 million to non-government schools between 2015-16 and 2021-22.

The original NTRAI expires on 30 June 2022, with the Commonwealth announcing a two-year extension until 2023-24. The extension will largely continue programs and funding on a similar basis to the original agreement.

The extension will allow additional time for the Commonwealth and Territory governments, and Aboriginal stakeholders to design future funding arrangements in line with community needs. Future funding arrangements will also be informed by the NTRAI end-term review, which was published in February 2022.

In 2022-23, the Territory has budgeted to receive NTRAI payments of $102.6 million, an increase of $8.6 million from the $94 million the Territory expects in 2021-22, in line with the expected payment profile in the extension agreement.

National Partnership for Remote Housing Northern Territory

In March 2019, the Territory and Commonwealth signed the NP for Remote Housing Northern Territory, aimed at improving remote housing by addressing overcrowding, homelessness, poor housing conditions and severe housing shortages. The agreement will deliver up to $550 million in Commonwealth funding over five years from 2018-19, with $110 million available per year. This effectively matches five years of the Territory's Remote Housing Investment Package, which provides $1.1 billion over 10 years to improve the housing standards in remote communities.

The Territory estimates receiving $138.8 million in 2022-23, $45.5 million less than the $184.3 million expected in 2021-22. This reflects program delivery expectations and increased construction of Commonwealth-funded dwellings in 2021-22.

National Partnership Agreement on Land Transport Infrastructure Projects

The NP Agreement on Land Transport Infrastructure Projects contributes to a national transport system that is safe, sustainable, drives economic growth and supports a competitive infrastructure market. The agreement is in place for five years from 2019-20 and has a number of components, including Road Investment and Roads of Strategic Importance (ROSI).

In 2022-23, the Territory anticipates receiving $285 million under the agreement, $90.4 million more than the $194.6 million expected in 2021-22, primarily driven by revisions to the timing of program delivery, particularly in the Road Investment component of the agreement as well as newly funded projects under the agreement.

The Road Investment component includes funding for a number of large-scale projects, including the COVID-19 stimulus works announced in 2020 and the Road Safety Program announced in 2021. Key projects under this component include the future overpass at the Tiger Brennan Drive/Berrimah Road intersection, multiple strengthening and widening projects, and new street lighting and guardrails across the Territory. In 2022-23, the Territory expects $186.4 million in Road Investment funding, an increase of $49.3 million compared with expected 2021-22 revenue of $137.1 million.

The ROSI component aims to better connect regional business and communities across Australia. The Territory expects $84.8 million in 2022-23 under ROSI, an increase of $49.5 million from $35.3 million in 2021-22. Significant future projects include road corridor upgrades to the Adelaide River to Wadeye corridor, Alice Springs to Darwin corridor, Alice Springs to Halls Creek corridor and Tennant Creek to Townsville corridor, as well as upgrades to Territory gas industry roads.

National Water Grid Fund

The National Water Grid Fund supports the development of nationally important water infrastructure projects that support primary industries and unlock potential, promote growth and sustainability of regional economies, and build resilience. The fund recognises that the Commonwealth and states have a mutual interest in improving water reliability and security. Under the agreement, Commonwealth funding is provided for a combination of capital works, project development proposals, business cases and science projects. The fund includes support for the Manton Dam return to service project, Strauss to Middle Arm pipeline and project development for the Adelaide River Off-Stream Water Storage. The National Water Grid Fund succeeds the NP for the National Water Infrastructure Development Fund.

The Territory is estimated to receive $0.5 million in 2021-22 and $16.8 million in 2022-23, consistent with the fund's project delivery timeframes.

Key funding agreements in response to COVID-19

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

The following provides commentary on key COVID-19 funding agreements in place in the Territory.

National Partnership on COVID-19 Response

The NP on COVID-19 Response was established in early 2020 with the aim of providing additional funding to assist the states in managing their responses to COVID-19. Funding under the NP on COVID-19 Response included components for hospital services and public health. The public health component included funding the coordination and delivery of the COVID-19 vaccination program across Australia and for aged care preparedness and responses to COVID-19.

The Commonwealth has announced an extension of funding under the NP until September 2022. The Territory expects to receive $9.9 million in 2022-23, a decrease from $29.6 million in 2021-22, reflecting the part-year extension of the agreement.

The Provision of COVID-19 Quarantine Arrangements at the Northern Territory Centre for National Resilience for Organised National Repatriation of Australians

The agreement puts in place the governance and funding framework to operate the Centre for National Resilience to enable the repatriation of Australian citizens and permanent residents back to Australia. The agreement expires on 30 June 2022. Up to $513.5 million in Commonwealth funding is available under the agreement. The Commonwealth has announced an intention to negotiate funding in 2022-23 for maintenance costs for the Centre for National Resilience, to be met from within the resources of the existing agreement. This is not reflected in Territory revenue forecasts as any additional payments are subject to future negotiations.

The Territory expects to receive $273.1 million under the agreement in 2021-22, in line with expected activities and available funding under the agreement.

COVID-19 business support payments

In response to the impact of COVID-19 lockdowns, restrictions and border closures on businesses, the Commonwealth agreed to jointly fund business support packages with each state and territory. In the Territory, the Commonwealth agreed to co-fund rounds 1 and 2 of the Tourism Survival Fund and Visitation Reliant Support Program. These grants supported small to medium sized businesses across the Territory that experienced a significant trading downturn as a result of COVID-19.

The Territory is estimated to receive $2 million in 2021-22 under these arrangements.

Specific purpose payments

In 2022-23, the Territory expects to receive a total of $14.7 million in SPPs, solely through the NASWD SPP, which provides funding to support vocational education and training. Funding for the NASWD is determined in accordance with the SPP and is largely consistent year on year.

Other tied Commonwealth revenue

The Territory also receives other tied revenue from the Commonwealth, including Commonwealth own-purpose expenses, primarily fee-for-service arrangements payable to either government or non-government entities, financial assistance to local governments through the financial assistance grant program and funding under the Disaster Recovery Funding Arrangements. It is estimated revenue for these agreements will total $136.4 million in 2022-23, $83.9 million less than 2021-22.

Barkly Regional Deal

The Barkly Regional Deal is a 10-year initiative, comprising total project funding of $84.7 million, including $51.7 million from the Commonwealth, $30 million from the Territory Government and $3 million from the Barkly Regional Council. The deal is designed to improve the productivity and liveability of the Barkly region through increasing economic growth and enhancing social outcomes by reducing overcrowding, improving child safety and supporting local Aboriginal leadership.

Initiatives supported under the deal include $16 million to construct the Barkly student boarding facility; $9.5 million to construct and operate a visitor park in Tennant Creek to provide a range of accommodation options for transitional and seasonal visitors from outlying communities; $3.6 million, supported by $2 million per annum for the Barkly youth justice accommodation facility; $3 million for the delivery of trauma-informed care training and workshops; and a Local Community Projects Fund for infrastructure in remote communities and homelands.

The total funding from the Commonwealth in 2021-22 under the Barkly Regional Deal is estimated at $5.6 million.

Darwin City Deal: Education and Community Precinct

The Darwin City Deal is a 10-year agreement between the Commonwealth, Territory Government and City of Darwin to position Darwin as a thriving and liveable tropical capital city, supported by a growing population and diverse economy. The deal contains a suite of projects, including the construction of the Darwin Education and Community Precinct, being supported as part of a $97.3 million commitment from the Commonwealth from 2019-20 until 2023-24. Funding is to be provided by the Commonwealth, through the Territory Government, to Charles Darwin University. This project will see a new city campus for Charles Darwin University and community hub on the corner of Cavenagh Street and Garramilla Boulevard. The Territory is expecting $27.3 million in 2021-22 towards completing this project.

The Territory Government has and continues to fund a range of Darwin City Deal projects contributing to the revitalisation of the Darwin city centre, including: $47 million for the State Square Art Gallery; $23.3 million for the 450 bay State Square underground carpark (completed); $15.8 million for the Civic and State Square Masterplan (Stage 1); $5 million for heat mitigation trials (completed); $3.2 million per annum to establish the city activation and promotion entity Activate Darwin (completed); $3 million for the upgrade of Austin Lane (completed); $1.8 million for the Trial Skills Recognition Hub (completed); and $1 million for the Darwin Living Lab, established as a partnership with the Commonwealth, Territory Government and City of Darwin to research, test, monitor and evaluate improvements in Darwin's liveability, sustainability and resilience.

Other Commonwealth announcements for the Territory

Announced as part of the 2022-23 Budget, the Commonwealth will invest $2.6 billion in infrastructure projects across the Territory, transforming it into an industrial hub for next generation exports. The projects include:

- building marine infrastructure at the Middle Arm Sustainable Development Precinct, which includes a modular offloading facility, common user wharf, dredging and land reclamation, common user hard stand facilities, as well as enabling infrastructure, such as a rail spur and a new road network to support modular manufacturing components being brought into the precinct and Territory exports
- building logistics hubs at Alice Springs, Katherine and Tennant Creek to facilitate more export activity from the Territory
- support for low emissions LNG and clean hydrogen production at Darwin, together with associated carbon capture and storage infrastructure
- continuing upgrades and further sealing of the Tanami Road, better connecting mining, resources, tourism and agribusinesses between the Territory and Western Australia.

As the Territory recognises Commonwealth funding when agreements are signed, the funding that will be provided to the Territory Government has not been incorporated in the Territory 2022-23 Budget. Funding over the forward estimates will be incorporated when planning processes are complete and business cases for specific projects are finalised.

Chapter 6

Territory taxes and royalties

Overview

The Territory raises its own revenue from a range of sources. Predominantly, this comprises taxes and mining royalties, but also includes fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets.

The Territory's sources of revenue are broadly comparable with the other states, with the exception of land tax, which the Territory does not levy. The Territory is more reliant on revenue from the Commonwealth, with own-source revenue contributing 31% of total revenue in 2022-23 in the non financial public sector, compared to an average of 50% in other jurisdictions. This is due to a relatively lower own-source revenue capacity, impacted by a population of less than 250,000 and a narrower industry base, when compared to other states. Nonetheless, own-source revenue provides the Territory with a degree of fiscal autonomy to support the delivery of infrastructure and services.

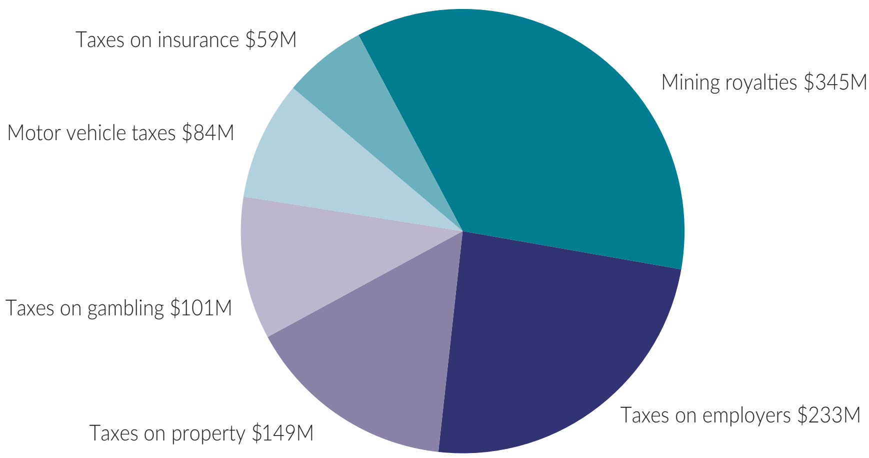
This chapter sets out details of the Territory's own-source revenues from taxes and royalties, which constitute 42% of own-source revenue or 13% of total revenue in 2022-23 in the non financial public sector. This is comparable to 2021-22, in which own-source tax and royalty revenue of $1.01 billion comprised 43% of own-source revenue and 13% of total revenue. In accordance with sections 10(1)(c) and 10(1)(f) of FITA, this chapter includes forecasts of taxes and royalty revenues, explanations of material differences between the revised forecasts and those published in the 2021-22 Budget, and an analysis of the changes in the forecasts. It also includes a comparison of taxes and royalties with other jurisdictions and, in accordance with section 10(1)(d) of FITA, an overview of the Territory's forecast tax expenditure as a result of concessions and exemptions for 2021-22 through to 2025-26.

Analysis of Territory taxes and royalties

The projected revenue from taxes and royalties for 2022-23 for the non financial public sector totals $971 million. The main contributors are mining royalties at $345 million (36%), taxes on employers (payroll tax) at $233 million (24%) and taxes on property at $149 million (15%).

Chart 6.1 shows the Territory's estimated revenue from taxes and royalties for 2022-23 according to the classification used in the UPF adopted for the Territory's reporting requirements.

Chart 6.1: Main taxes and royalties categories, 2022-23



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

Table 6.1 compares the updated projections with those published in the 2021-22 Budget. The most recent estimates demonstrate tax and royalty revenue has been revised upwards across all years, largely due to an increase in conveyance duty.

Table 6.1: Total Territory taxes and royalties

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2021-22 Budget	889	905	911	941	n/a
2022-23 Budget	1 011	971	988	984	995
Variation from 2021-22 Budget	122	66	77	43	n/a

n/a: not available at the time of publishing the 2021-22 Budget

For 2021-22, total Territory taxes and royalties is estimated to be $1.01 billion, an increase of $122 million when compared to the 2021-22 Budget of $889 million. From 2022-23 and across the forward estimates, taxes and royalties are expected to increase on average $62 million per annum as a result of improvements in economic conditions.

Table 6.2 highlights the variation in each tax line by year, compared to that published in the 2021-22 Budget.

Table 6.2: Main tax and royalty variations from 2021-22 Budget

	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Mining royalties	9	9	23	3
Taxes on employers	nil	9	10	8
Taxes on property	88	40	35	24
Taxes on gambling	2	3	3	3
Motor vehicle taxes	12	5	5	6
Taxes on insurance	11	nil	nil	nil
Variation from 2021-22 Budget	122	66	77	43

As demonstrated in Table 6.2, the $122 million increase in taxes and royalties in 2021-22 is largely attributable to:

- $88 million in conveyance duties, due to growth in the residential property market in terms of both median dwelling sale prices and transaction volumes, combined with several large unanticipated commercial transactions
- $12 million in motor vehicle tax receipts, largely as a result of the Commonwealth extension of the instant asset write-off tax incentive to 30 June 2023, which has stimulated demand for new motor vehicles in addition to a general increase in vehicle values (partly reflecting supply chain disruptions)
- $11 million in taxes on insurance reflecting an increase in year-to-date receipts
- $9 million in mining royalties, relating to revised royalty payer estimates and stronger than expected commodity prices.

With the exception of taxes on insurance, taxes and royalty categories remain elevated over the 2022-23 Budget and forward estimates when compared to those reported in the 2021-22 Budget, in line with expected increases in economic activity.

Table 6.3 details the updated projections for taxes and royalties by each tax line, and provides an analysis of material changes across the budget cycle.

Table 6.3: Main taxes and royalties category estimates

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Mining royalties	353	345	346	334	335
Taxes on employers	212	233	241	247	248
Taxes on property	192	149	149	144	140
Taxes on gambling	96	101	105	109	113
Motor vehicle taxes	88	84	86	89	91
Taxes on insurance	69	59	60	62	67
Total	1 011	971	988	984	995

For 2022-23, it is expected that own-source revenue from taxes and royalties will decrease by $40 million when compared to the revised forecast for 2021-22. This is largely due to an expected moderation in receipts from stamp duty on conveyances, following a number of large commercial transactions in 2021-22 which are sporadic in nature and cannot be forecast with certainty. The $43 million downwards adjustment in taxes on property is partly offset by an anticipated increase in payroll tax receipts of $21 million, arising from forecast trends of strengthening employment and an increasingly positive economic outlook, reflecting major project activity, Commonwealth investment and associated job creation, supporting retail trade and broader consumption expenditure. From 2022-23 and across the forward estimates, taxes and royalties are expected to average $985 million per annum.

Revenue initiatives

The 2022-23 Budget includes the following changes to revenue policy:

- from 1 July 2022, an exemption from stamp duty for eligible individuals who acquire newly-developed land from a registered building practitioner on which there is, or will be, a home constructed by the builder, available for five years
- from 1 July 2022, a stamp duty concession of up to $1,500 on registration of new and second-hand battery electric vehicles and plug-in hybrid electric vehicles, available for five years. The same vehicles are also exempt from the registration component of vehicle registration fees
- from 1 July 2022, cessation of the property activation levy, while retaining the obligation to lodge and pay returns for 2021-22
- indexation of revenue units, penalty units and monetary units, adjusted to better reflect policy neutral inflation in the Territory, in 2022-23.

Mining and petroleum revenue

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

Mineral royalties are collected in the Territory from gold, silver, bauxite, iron ore, manganese, lead and zinc. Royalties have also been imposed in the past on commodities such as copper, limestone, vermiculite and mineral sands, and the Territory is highly prospective for several other minerals, including lithium (with the Finniss lithium project expected to commence production in late 2022), phosphate and rare earths. The Territory imposes a royalty based on 20% of the profit from mining activities after deductions for allowable costs. Alternatively, a minimum royalty rate of 1% to 2.5% applies to the gross production value of commodities extracted where the operator is not eligible to pay the profit-based rate.

A key feature of the Territory's mineral royalty scheme is that both commodity prices and mining costs are taken into account in royalty calculations. If commodity prices, production costs or the value of the Australian dollar rise or fall, royalty collections vary accordingly. This variability produces stronger growth in royalty revenues in times of high mineral prices than ad valorem-based royalty schemes (a flat rate that does not vary by profit, location or cost structure of the mine).

In terms of petroleum royalties, the Territory imposes an ad valorem royalty at the rate of 10% on the value of production at the wellhead, which is generally consistent with other Australian jurisdictions, except for Queensland, which has a volumetric royalty model. In the Territory, the value at the wellhead is calculated by deducting certain post-wellhead costs incurred from the final sales value achieved for the petroleum produced.

In 2022-23, mining and petroleum royalty revenues are estimated to be $345 million, an increase of $9 million when compared to the 2021-22 Budget. Receipts are anticipated to moderate over the forward estimates, however exceed the forecasts published in the 2021-22 Budget, mainly reflecting a more positive outlook for key commodity prices.

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

Taxation revenue

The Territory's taxation revenue for 2021-22 is expected to total $658.5 million. In 2022-23, taxation revenue is expected to decrease by 5% to $625.7 million. This largely reflects growth in conveyance duty revenue in 2021-22 returning to more standard pre-COVID-19 patterns in 2022-23 and uncertainty around the number of large, one-off transactions going forward.

The components of the Territory's taxation revenue are payroll tax, stamp duty on conveyances, and taxes on gambling, insurance and motor vehicles. Table 6.4 reports the updated projections in the 2022-23 Budget.

Table 6.4: Territory taxation revenue

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Taxes on employers					
Payroll tax	212 313	232 735	241 306	247 165	248 127
Taxes on property					
Conveyance and related duty	190 348	149 006	149 363	144 096	140 146
Property activation levy	1 700	nil	nil	nil	nil
Taxes on the provision of goods and services					
Taxes on gambling	96 484	101 131	104 803	108 621	112 698
Taxes on insurance	69 416	58 978	60 387	61 828	67 277
Taxes on use of goods and performance of activities					
Motor vehicle taxes	86 238	81 854	84 315	86 855	89 479
Passenger services levy	2 000	2 000	2 000	2 000	2 000
Total	658 499	625 704	642 174	650 565	659 727

Taxes on employers

Payroll tax

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

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

In 2021-22, payroll tax revenue is expected to total $212.3 million, largely consistent with the forecast in the 2021-22 Budget. However, the growth outlook over the forward estimates has improved as major investment projects supporting employment and income growth are anticipated to come online. Payroll tax receipts are expected to increase to $232.7 million in 2022-23 and maintain steady growth over the forward estimates.

Taxes on property

Conveyance and related duty

The Territory's conveyance and related duty is derived from direct and indirect conveyances of dutiable property in the Territory. Dutiable property includes real estate and businesses.

Conveyance and related duty in the Territory is imposed differently depending on the dutiable value of the property. There are four tax brackets for conveyance and related duty. For property in the lowest tax bracket (dutiable value not exceeding $525,000), a formula-derived rate is applied to the dutiable value of the property. Otherwise, a fixed rate dependent on the tax bracket applies to the total dutiable value of the property as demonstrated in Table 6.5.

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

Value range	%
Exceeds $525,000 but less than $3,000,000	4.95
$3,000,000 to less than $5,000,000	5.75
$5,000,000 or greater	5.95

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

In 2021-22, the Territory is expected to collect $190.3 million in conveyance and related duty, an increase of $88.2 million from that forecast in the 2021-22 Budget. This variation reflects elevated residential property values and transaction volumes, as well as a number of large commercial transactions during the year.

In 2022-23, conveyance and related duty is expected to total $149 million, with a stabilisation in receipts at this level over the forward estimates. Conveyance duty receipts are difficult to forecast accurately as large commercial transactions are sporadic and can materially impact receipts in a given year. Nevertheless, revenue is expected to continue to exceed the 2021-22 Budget forecasts as the outlook for residential and commercial property markets has improved considerably and is expected to stabilise at this level over the forward estimates.

Property activation levy

The property activation levy imposes a charge on vacant land and unoccupied buildings in the Darwin CBD at a rate of 1% of unimproved capital value for unoccupied buildings and 2% for vacant land. The property activation levy will cease from 1 July 2022, with government analysis and stakeholder consultation concluding that the levy has achieved its purpose in incentivising investment in underutilised land and buildings within the Darwin CBD.

Taxes on the provision of goods and services

Taxes on gambling

Gambling taxes in the Territory comprise community gaming machine tax, lotteries tax, the community benefit levy, bookmaker tax, casino/internet tax, wagering tax and betting exchange tax. Gambling tax revenue is a significant contributor to Territory own-source revenue, and is forecast to total $96.5 million in 2021-22, which is a modest increase of $1.7 million compared to the 2021-22 Budget forecast.

Collections are projected to steadily increase over the forward estimates, broadly in accordance with trend growth rates. This increase is tempered by a slight reduction in historically high community gaming machine revenue, as temporary Commonwealth COVID-19 income stimulus measures, which had contributed to a spike in gambling services, subside.

While lower than expected lotteries tax revenue is anticipated in 2021-22, with lottery revenue heavily influenced by the number and size of large jackpot draws, these receipts are forecast to return to trend levels over the forward estimates. In 2022-23, the Territory expects to receive $101.1 million in gambling taxes, with a 3.6% annual growth trend in receipts over the forward estimates.

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

Table 6.6: Estimated revenue from gambling taxes

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Community gaming machine tax	40 576	38 315	39 737	41 215	42 752
Lotteries tax	24 528	31 729	33 281	34 909	36 616
Community benefit levy	13 233	13 046	13 373	13 713	14 067
Bookmaker tax	12 317	12 418	12 707	12 995	13 380
Casino/internet tax	4 196	4 136	4 189	4 241	4 295
Betting exchange tax	1 260	1 290	1 320	1 350	1 390
Wagering tax	374	198	198	198	198
Total	96 484	101 131	104 803	108 621	112 698

Community gaming machine tax is based on gross profits (that is, net player losses) from gaming machines and is estimated to total $40.6 million in 2021-22. In 2022-23, gaming machine revenue is expected to return to pre-COVID-19 patterns before increasing over the forward estimates in line with the annual trend growth rate of about 3.7%, reflecting strengthening in population growth and economic activity.

Lotteries tax revenue is expected to total $24.5 million in 2021-22. Revenue from this source is expected to return to normal levels in 2022-23 and resume trend growth of 5% per annum from 2023-24.

The community benefit levy is directed to the Community Benefit Fund and fluctuates according to community gaming machine tax receipts. The levy is expected to increase by $0.5 million in 2021-22 to $13.2 million when compared to the 2021-22 Budget and thereafter stabilise over the forward estimates in line with broader community gaming machine tax revenues.

Bookmaker tax is expected to total $12.3 million in 2021-22. Similarly, annual revenue in 2022-23 and over the forward estimates is expected to be $2.9 million (or 30%) higher than forecast in the 2021-22 Budget. These elevated receipts reflect an anticipated increase in bookmaker-related gambling activity and additional market entrants. Betting exchange tax revenue is expected to total $1.3 million in 2022-23, with forecasts over the forward estimates remaining consistent with the 2021-22 Budget.

The forecast for casino/internet tax revenue is consistent with the 2021-22 Budget. Receipts of $4.2 million are expected in 2021-22 and forecast to total $4.1 million in 2022-23, with receipts anticipated to modestly increase by 1.3% per annum over the forward estimates.

Wagering tax revenue is expected to total $0.4 million in 2021-22. In comparison to forecasts in the 2021-22 Budget, this overall increase of $0.2 million broadly accords with increased sports and racing betting activity. Wagering tax is expecting to stabilise in 2022-23.

Taxes on insurance

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

Revenue from insurance duty is estimated to total $69.4 million in 2021-22, reflecting increased receipts over this period. Insurance receipts are expected to return to pre-COVID-19 levels in 2022-23, at $59 million, before resuming annual trend growth of 2.4% per annum over the medium-term projections.

Taxes on use of goods and performance of activities

Motor vehicle taxes

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

Generally, stamp duty is levied on the purchase price of the vehicle at a rate of $3 per $100 or part thereof. In 2021-22, revenue from this source is estimated to total $27.2 million. This increase is largely due to the extension of the Commonwealth instant asset write-off tax incentive, which brought forward demand for motor vehicles. Receipts in 2022-23 are expected to moderate to $20.3 million, consistent with long-term trend receipts, following cessation of this stimulus measure.

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

In 2021-22, the Territory is forecast to receive $59 million in motor vehicle fees, reflecting the increase in vehicle registrations associated with the Commonwealth's instant asset write-off tax incentive and general increase in values. Revenue is expected to increase to $61.6 million in 2022-23, before achieving per annum growth of 3.4% over the remainder of the forward estimates, in line with revenue unit indexation and steady rates of vehicle registration associated with the overall positive economic outlook.

Passenger services levy

A passenger services levy of $1 is imposed on every trip taken in a taxi, minibus, private hire car or rideshare vehicle. Revenue from the passenger services levy remains unchanged, and is estimated at $2 million in 2021-22 and ongoing.

Interstate tax comparison

The composition of state and territory taxes is broadly similar between jurisdictions, however there are differences in the application of particular taxes. These differences primarily relate to tax rates, tax exemptions and tax thresholds. The ability of states to modify their rates and tax bases promotes competition between these jurisdictions, providing autonomy and capacity to structure tax systems to accommodate the jurisdiction's specific fiscal, economic and social circumstances.

Various approaches to measuring tax competitiveness can be adopted. Two common approaches are CGC measures of taxation effort and capacity, and the representative taxpayer model.

Commonwealth Grants Commission

Revenue effort

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

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

Table 6.7 provides a comparison of the CGC's assessment of taxation and own-source revenue-raising effort in 2020-21 (the most recent year for which an assessment is available). Total own-source revenue effort includes taxation plus mining revenue, contributions by trading enterprises (government owned corporations) and user charges for some government services, including waste management levies, road charges and registry services.

Table 6.7: 2020-21 Revenue effort by jurisdiction

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Total taxation effort	102.2	97.9	98.4	99.8	93.8	90.7	148.9	76.1
Total own-source revenue effort	95.5	94.4	99.1	107.3	104.5	96.1	194.5	111.7

Source: CGC 2022 Update

The Territory's taxation effort remains below the national average, in large part due to the policy position of not imposing a land tax. However, total own-source revenue effort is well above the national average and second only to the Australian Capital Territory due to the Territory's mineral royalty revenue.

The 2020-21 outcomes are higher than the results reported for 2019-20 when the Territory's total taxation and own-source revenue efforts were 74.9% and 110.6%, respectively. The Territory's improving taxation and revenue effort reflect economic factors present during 2020-21, including improving overall economic activity as a result of strong prices for commodities, and resilience in population growth, private investment and household consumption.

Revenue capacity

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

In 2021-22, the Territory's taxation and royalty own-source revenue comprises about 13% of total revenue for the non financial public sector.

State taxation policy provides a balance between raising sufficient revenue to deliver government services, minimising the tax burden on the community, fostering business development and creating a tax environment that is competitive with other jurisdictions.

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

Table 6.8: Assessed revenue-raising capacity, 2020-21

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Payroll tax	104.0	98.2	89.0	135.5	81.2	63.4	88.6	100.1
Land tax	132.3	124.3	59.4	77.2	48.1	38.7	46.5	76.8
Stamp duty	132.9	98.1	83.4	78.9	57.3	59.9	97.8	38.3
Insurance tax	105.2	93.4	97.7	94.4	124.3	82.9	90.1	97.0
Motor tax	90.9	99.4	104.9	114.8	106.1	121.4	84.3	90.9
Total taxation	**113.2**	**101.4**	**87.9**	**102.6**	**79.5**	**72.7**	**87.5**	**79.9**
Mining revenue	23.9	4.9	72.7	697.2	33.0	22.3	0.0	121.6

Source: CGC 2022 Update

The main difference from the Territory's assessed 2019-20 revenue-raising capacity is a reduction in mining revenue from 147.9% to 121.6% in 2020-21. This reflects a reduction in the average mining revenue-raising capacity across most states, due to a significant increase in Western Australia's assessed capacity.

Other than payroll tax and mining royalties, the Territory is assessed as having a relatively low capacity to raise taxes, particularly land tax and conveyance duty, where the Territory's capacity is significantly below the national average of 100%. This reflects the Territory's unique geographical composition, comprising a relatively small number of very high value commercial and residential properties, and a resident population less than 250,000.

Representative taxpayer model

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

Payroll tax

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

Table 6.9: State and territory payroll tax rates and annual thresholds

	NSW	Vic[1]	Qld[2]	WA[3]	SA[4]	Tas[5]	ACT	NT[6]	Average
Threshold ($M)	1.20	0.70	1.30	1.00	1.50	1.25	2.00	1.50	1.31
Rate (%)	4.85	4.85	4.75	5.50	4.95	6.10	6.85	5.50	5.42

1 A reduced rate of 1.2125% applies for regional employers. A mental health and wellbeing surcharge commenced on 1 January 2022, and applies a 0.5% surcharge to annual Victorian taxable wages, where an employer's Australian wages exceed a $10 million threshold. From 30 June 2022, an additional 0.5% surcharge will be levied on annual Victorian taxable wages where Australian wages exceed a $100 million threshold. Between 1 January 2022 and 30 June 2022, the respective annual thresholds are $5 million and $50 million.

2 Rate is 4.75% for wages between $1.3 million and $6.5 million, and 4.95% for wages over $6.5 million. The tax-free threshold reduces as an employer's Australian wages increases, with no deduction provided for employers with wages over $6.5 million. Regional employers may be entitled to a 1% discount until 30 June 2023.

3 Threshold reduces as an employer's wages increase, with no deduction for employers with wages over $7.5 million. A higher tax rate of 6% applies to wages from $100 million to $1.5 billion. For wages above $1.5 billion, a tax rate of 6.5% applies.

4 Rate increases from 0% to 4.95% for employers with wages between $1.5 million and $1.7 million. A maximum deduction of $600,000 is available to employers.

5 Rate is 4% for wages between $1.25 million and $2 million, and 6.1% for wages over $2 million.

6 Threshold reduces as an employer's payroll increases, with no deduction for employers with payrolls over $7.5 million.

Source: State legislation and information available at 21 March 2022

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

Table 6.10: Effective state and territory payroll tax rates at various wage levels

Wages	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
$M	%	%	%	%	%	%	%	%	%
1	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.2
2	1.9	3.2	1.5	3.2	3.5	1.5	0.0	1.7	2.1
3	2.9	3.7	2.6	4.2	4.0	3.0	2.3	3.4	3.3
4	3.4	4.0	3.1	4.8	4.2	3.8	3.4	4.3	3.9
5	3.7	4.2	3.4	5.1	4.4	4.3	4.1	4.8	4.2
10	4.3	4.8	5.0	5.5	4.7	5.2	5.5	5.5	5.0
20	4.6	5.1	5.0	5.5	4.8	5.6	6.2	5.5	5.3

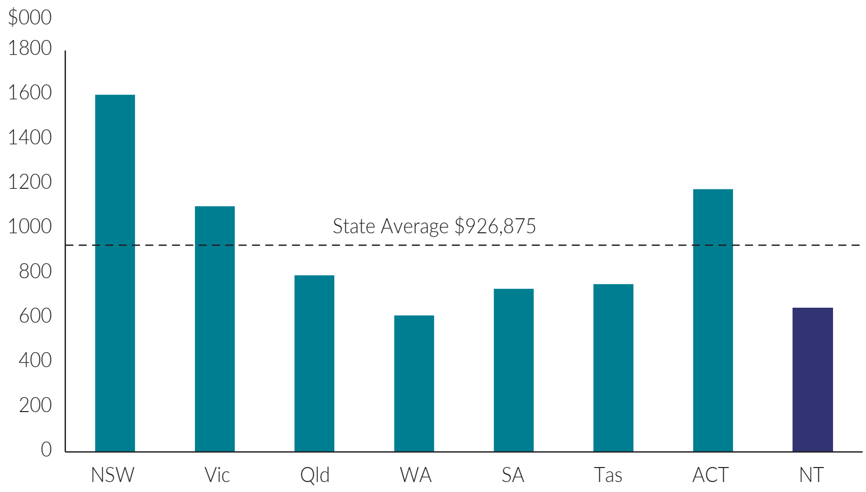
Source: State legislation and information available at 21 March 2022

Stamp duty on conveyances in the Territory

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

While the Territory is assessed as having a low revenue-raising capacity for stamp duty against the national average, this is primarily due to comparatively lower median house and unit values in the Territory.

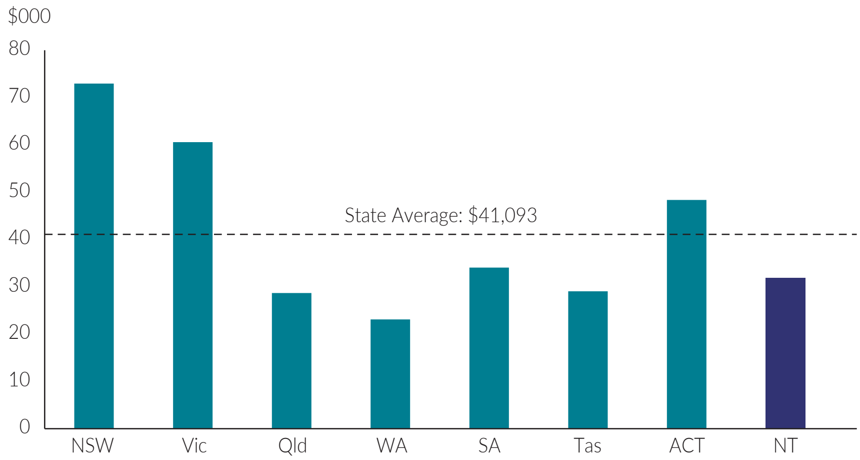
Chart 6.2: Median capital city house prices, December 2021 quarter



Source: Australian Property Monitor for December quarter 2021

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

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



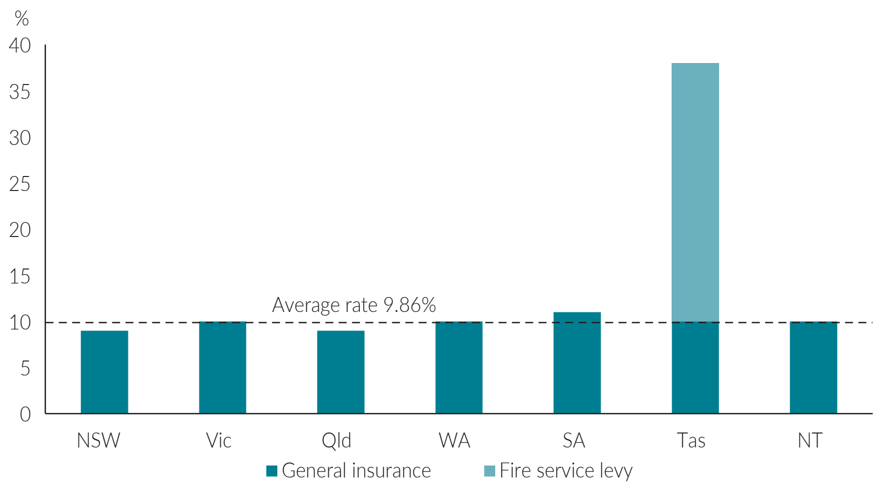
Source: Australian Property Monitor for December quarter 2021; state legislation and information available at 21 March 2022

Insurance duty

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

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

Chart 6.4: Average state tax rate on general insurance premiums



Source: State legislation and information available at 21 March 2022

Stamp duty on motor vehicles

Chart 6.5 compares the stamp duty applicable for a new motor vehicle, represented by a 4-cylinder 2021 Toyota Camry SL sedan 2.5L automatic valued at $42,790. The chart shows the stamp duty payable in the Territory is below the national average and equal second lowest in Australia. The Australian Capital Territory applies reduced rates of stamp duty to environmentally friendly new motor vehicles but applies similar duty to the Territory on motor vehicles valued below $45,000 that have average environmental performance or are second hand.

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

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

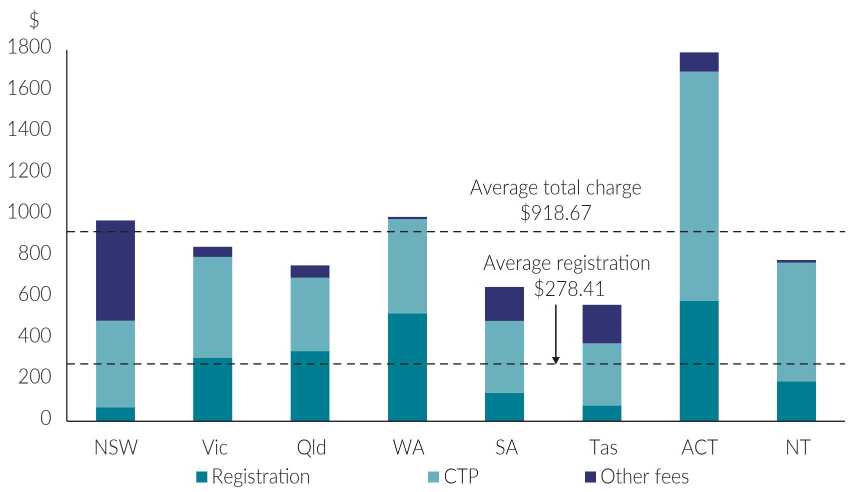
Note: Based on a 4-cyclinder 2021 Toyota Camry SL sedan 2.5L automatic with carbon dioxide emissions of 103g/km.

Source: State legislation and information available at 21 March 2022

Motor vehicle registration

Motor vehicle registration fees comprise registration, compulsory third-party (CTP) insurance and other fees, and therefore vary significantly between jurisdictions. Chart 6.6 compares the costs of registering a 4-cylinder 2021 Toyota Camry SL sedan 2.5L automatic. A registration fee of $193 and total registration cost of $781.75 demonstrates the Territory's registration fees and total registration costs are below the average cost Australia-wide.

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



CTP: compulsory third-party insurance or equivalent

Source: State legislation and information available at 21 March 2022

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

Despite this, total registration and administrative costs in the Territory remain below the national average. This is due to relatively low registration fees and because the Territory does not include ancillary taxes and levies in the cost of registration. Additional levies imposed in other jurisdictions include fire and emergency service levies, motor taxes, traffic improvement levies and road safety contributions.

Land revenue

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

Land tax is an important source of income for other states, generating more than $10.9 billion in revenue in 2020-21. Land tax is levied on the landowner's total holdings of commercial land and investment residential property, although usually an exclusion is provided for land used for primary production. Land tax rates are generally progressive and most jurisdictions have tax-free thresholds.

The Territory does not impose a land tax. However, in its 2022 Update, CGC assessed that the Territory could raise about $81 million if it adopted the average state policies on land tax.

The Territory does impose a property activation levy on vacant land and unoccupied buildings in the Darwin CBD, however this scheme will cease operating from 1 July 2022. It is expected the property activation levy will raise $1.7 million in 2021-22.

Tax expenditure statement

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

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

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

The tax expenditure identified in this statement relates to the more important and material concessions available in the Territory. In accordance with section 10(1)(d) of FITA, the tax expenditure statement provides an estimate of expenditure (or forgone revenue) in 2021-22, and estimates for 2022-23 and the following three financial years.

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

Table 6.11: Total tax expenditure

	2021-22	2022-23	2023-24	2024-25	2025-26
Tax expenditure ($M)	180.6	182.6	182.5	189.1	198.3

Methodology

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

Measuring tax expenditure requires the identification of:

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

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

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

Payroll tax

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

Table 6.12: Payroll tax expenditure

	2021-22	2022-23	2023-24	2024-25	2025-26
Tax expenditure ($M)	138.0	143.4	142.0	147.4	154.3

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

Payroll tax expenditure estimates over future financial years have reduced in comparison to forecasts made in the 2021-22 Budget. While COVID-19 significantly increased payroll tax expenditure over the 2019-20 and 2020-21 financial years, and was expected to have an enduring effect over the forward estimate periods, this elevated expenditure has moderated. Due to a speedier than anticipated economic recovery, taxable wages and employment activity have recovered despite pessimistic outlooks in the immediate aftermath of the COVID-19 pandemic. The cessation of Commonwealth wage subsidies that attracted an exemption from payroll tax, as well as the scheduled cessation of the Territory's local employment package from 2023-24, contributed to the reduction in estimated payroll tax expenditure when compared to the 2021-22 Budget.

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

Small business exclusion

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

Local employment package

Wages paid to new Territory resident employees engaged before 30 June 2021, who either increase a business' total number of employees compared to May 2018 or replace an interstate resident employee, are exempt from payroll tax for up to two years. A total of 586 businesses have utilised the exemption.

Charities and other exempt bodies

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

Business hardship

Waivers of payroll tax for the January to March 2022 return period were provided to businesses with an annual turnover up to $10 million and could demonstrate a 40% reduction in turnover due to COVID-19.

Stamp duty on conveyances

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

Table 6.13: Stamp duty on conveyances expenditure

	2021-22	2022-23	2023-24	2024-25	2025-26
Tax expenditure ($M)	10.1	7.9	7.9	7.6	7.4

Forecast expenditure (forgone revenue) declines from 2022-23 and remains stable over the forward estimates due to the absence of home owner stamp duty concessions, which increased tax expenditure in prior financial years. The tax expenditure estimates mainly comprise the following exemptions.

Corporate reconstructions exemption

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

Other conveyance duty exemptions

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

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

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

Stamp duty on general insurance policies

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

Table 6.14: Stamp duty on general insurance

	2021-22	2022-23	2023-24	2024-25	2025-26
Tax expenditure ($M)	30.2	29.0	30.3	31.7	34.3

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

Motor vehicle registration fees

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

Table 6.15: Motor vehicle registration fees expenditure

	2021-22	2022-23	2023-24	2024-25	2025-26
Tax expenditure ($M)	2.4	2.4	2.4	2.4	2.4

Chapter 7

Risks and contingent liabilities

As required under sections 5(1)(d) and 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 updated financial projections, including any contingent liabilities and related agreements that are yet to be finalised.

This chapter outlines the potential risks to the budget due to changes in factors underpinning revenue and expenditure estimates, and the likelihood of contingent liabilities becoming actual liabilities. Risks have been categorised in accordance with section 5(2) of FITA: risk of excessive debt; risk from the ownership of trading entities; risk of erosion of the Territory's revenue base; risk arising from the management of assets and liabilities; and other risks.

For more information on the Territory's risks and contingent liabilities refer to the 2020-21 Treasurer's Annual Financial Report *Note 40: Contingent assets and liabilities*.

Sound fiscal management of risks

Risk of excessive debt

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

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

Credit ratings reflect an independent assessment of a government's credit worthiness, and ability to fulfil its financial commitments and repay debt. Higher ratings indicate a strong fiscal and economic position, and result in the ability to borrow at lower interest rates, while lower ratings indicate credit challenges and result in higher interest rates on borrowings. Negative outlooks signal a potential downgrade within the next six months to two years.

There has been no change in the Territory's credit rating of Aa3 with a stable outlook, since the 2021-22 Budget. The Territory's credit profile is reflective of the significant support of the Commonwealth, and that the Territory is heavily exposed to Australia's broader economic recovery.

Furthermore to ensure greater accountability of financial performance and support the achievement of improving the Territory's credit rating and debt ratios, the FITA incorporates a debt ceiling cap on total borrowings at the non financial public sector (excluding leases) of $15 billion.

The achievement of fiscal strategy targets and objectives, borrowings held below the legislated cap in all years over the budget cycle, combined with fiscal balance surpluses now projected from 2026-27, are likely to put upward pressure on the Territory's credit rating and support the reduction of debt.

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

Risks from the ownership of trading entities

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

The Territory's fiscal strategy incorporates government owned corporations, with targets aimed at strengthening commercial sustainability and reducing reliance on government support. Risks presented by government owned corporations are also mitigated through the Corporate Governance and Reporting Framework, which includes processes for monitoring and reporting performance targets, together with the *Government Owned Corporations Act 2001*, the enabling legislation for each government owned corporation, and the Territory's Policy Statement on Competitive Neutrality, all of which establish the operating and accountability framework for government owned corporations in the Territory.

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

Each corporation is expected to incorporate future efficiencies through operational and business improvements as part of their respective 2022-23 SCIs. Failure to achieve their SCI targets presents a risk to the budget and forward estimates through reduced dividends and tax equivalent payments, and worsening the Territory's fiscal outcomes.

The Corporate Governance and Reporting Framework includes processes for monitoring and reporting performance targets set in the government owned corporations' SCIs, including targets established for greater financial and performance accountability as incorporated into the government's *A plan to fix the budget*.

The Territory's gas market is connected to the east coast wholesale gas market following the commissioning of the Northern Gas Pipeline. The Territory is subject to the National Gas Law and National Gas Rules, as well as increased competition from the east coast gas market. Any gas industry reforms considered by the Energy National Cabinet Reform Committee and implemented through changes to the National Gas Law or National Gas Rules could apply to the Territory and may affect the Power and Water Corporation's gas market-related risks. A financial risk to the Territory budget is the Power and Water Corporation's long-term gas purchase, sales and transportation agreements. The fixed-price nature of the contracts, volatility of the market price of gas, and uncertainty in relation to both pricing and volume from currently unsecured sales contracts are risks to the corporation's ability to sell the gas at a competitive price. To mitigate these risks, the corporation's board oversees a gas sales strategy to address future market opportunities and position the corporation to ensure all costs are covered by revenue, and any risks are appropriately mitigated.

Risk of erosion of the Territory's revenue base

GST revenue

Volatility in GST revenue represents the largest revenue risk for the Territory, with GST revenue accounting for 47% of the Territory's total revenue in 2022-23.

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

There are variables that influence each of these parameters, adding to the complexity of forecasting GST revenue over the budget and forward estimates, as discussed in Chapter 5 *Intergovernmental financial relations issues*.

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

GST pool

The Territory's GST revenue is directly affected by variations in the GST pool. Since 2019-20, the GST pool has been subject to significant volatility due to COVID-19, with pool growth representing the largest driver of change to Territory GST revenue forecasts in 2021-22 and 2022-23 and over the forward estimates. COVID-19 continues to be a source of uncertainty in forecasting GST pool growth, particularly if new variants emerge or if case numbers rise during the traditional flu season. However, further lockdowns are not expected, in line with the post vaccination phase of the *National Plan to transition Australia's National COVID-19 Response*.

Forecasts for growth in the GST pool have been revised up by 6.5 percentage points compared with the 2021-22 Budget. The most significant impacts are taxable consumption growth as Australia transitions out of the pandemic with a stronger than expected economic recovery through dwelling investment (partly driven by price increases due to constrained supply chains), and high inflation from increasing global food and fuel prices and the associated impacts on inputs and transport prices, influenced by the Russia-Ukraine conflict.

The longer term impact of the Russia-Ukraine conflict is not known and presents a source of uncertainty for GST forecasting. The 2022 floods in Queensland and New South Wales may also have an impact on GST collections in the short-term by disrupting consumption for flood-affected communities, although rebuilding efforts will drive investment growth.

Based on these factors, the Territory forecasts GST pool growth of 6.5% in 2022-23, the highest growth since the GFC, excluding the exceptional post-COVID-19 recovery in 2020-21, and compares with an average annual growth rate of 4.3% since the GFC and just 3% prior to 2020-21. Due to significant economic uncertainty, the Territory's forecast for GST pool growth in 2022-23 is more conservative than the Commonwealth 2022-23 Budget forecast of 9.1%.

From 2023-24, the Territory forecasts an average annual pool growth of 4.5% over the forward estimates, consistent with Commonwealth forecasts of pool growth. Outside the forward estimates period, growth is projected to gradually return to a long-run growth rate of 3%.

A ±1 percentage point change in the GST pool growth rate is estimated to have a ±$34 million impact on the Territory's GST revenue in 2022-23, all else being equal. If a variation of ±1 percentage point was applied to the GST pool growth rates in each of the budget and forward estimate years, the cumulative impact on Territory GST revenue would be about ±$364 million.

GST relativities

The CGC is responsible for recommending GST relativities, which are updated each year to incorporate new data and changes in state fiscal capacities. In the 2022 Update, the CGC recommended an increase in the Territory's GST relativity to 4.86988 in 2022-23 from 4.79985 in 2021-22.

The CGC 2022 Update incorporates state and territory data over the 2018-19, 2019-20 and 2020-21 financial years. This includes 16 months of the economic impact of COVID-19 and corresponding Commonwealth and state government responses. While COVID-19 did not have a significant direct impact on the Territory's relativity, it materially influenced the relativities of several other states. In 2021-22, the COVID-19 Delta and Omicron variants emerged, and the impact will likely be reflected in future GST relativity assessments.

Due to the complexities associated with calculating GST relativities, the Territory forecasts GST relativities on a three-year average basis held constant over the forward estimates period, apart from adjusting for GST distribution reforms. In any relativity update, the Territory's GST relativity will be sensitive to changes in all jurisdictions' relativities.

The impact of a ±0.1 variation in the Territory's GST relativity is about ±$70 million in 2022-23, all else being equal. A ±0.1 variation in the Territory's GST relativity in each of the budget and forward estimate years would have a cumulative effect of about ±$301 million.

Territory's share of national population

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

COVID-19 has had a significant effect on national population trends, particularly due to the disruptions to net overseas migration. Interstate migration has also been affected by border closures and general changes in mobility, as well as data revisions.

The Territory uses its own estimates of Territory population growth, given its local knowledge of factors that may affect migration levels. Estimates of other states' populations are based on the Commonwealth 2022-23 Budget. The Territory's population is expected to grow at a slower rate than the national population over the budget and forward estimates. These assumptions are sensitive to any further changes to population flows or behavioural changes affecting national mobility, including major project commencement.

The effect of a ±1,000 person variation in the Territory's population forecast is expected to have a ±$14 million impact in 2022-23, all else being equal. The cumulative impact of a ±1,000 person variation in the Territory's population each year over the budget and the forward estimates would be about ±$148 million.

GST distribution reforms

The Commonwealth has legislated changes to the GST distribution system through the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018* from 2021-22 to 2026-27 and comprises four elements that pose a risk to future Territory GST forecasts:

- a staged implementation of a new equalisation benchmark linked to the fiscally stronger of New South Wales or Victoria, also known as a transition from 'full' HFE to 'reasonable' HFE
- a GST relativity floor of 0.7 increasing to 0.75 from 2024-25
- Commonwealth-funded top-ups to the GST pool of $600 million from 2021-22, increasing by a further $250 million from 2024-25, and indexed to grow annually in line with GST collections growth
- a temporary no-worse-off guarantee to states over 2021-22 to 2026-27.

Reasonable HFE affects Territory GST forecasts if any jurisdiction is fiscally stronger than New South Wales or Victoria, as this will reduce the relativity of all other jurisdictions, including the Territory's. This has affected GST relativities since the GST distribution reforms commenced in 2021-22 with Western Australia being the fiscally strongest jurisdiction, thereby reducing the relativities of all other jurisdictions. This is expected to continue over the forward estimates. A risk to Territory GST forecasts is if Western Australia's fiscal capacity changes or if any other jurisdiction's fiscal capacity becomes greater than the stronger of New South Wales or Victoria.

The GST distribution reforms include a GST relativity floor that is funded by those states with a relativity above the floor. The relativity floor means the Territory's GST entitlement will be affected if a jurisdiction's relativity is below the floor. The floor came into effect in 2022-23 and raised Western Australia's GST relativity to 0.7, reducing all other jurisdictions' GST relativities. This is forecast to affect relativities until 2024-25. A risk to Territory GST forecasts is if Western Australia's relativity varies from forecasts. Any other jurisdiction's relativity reducing to below the floor also presents a risk to Territory forecasts.

The Commonwealth's additional annual contributions to the GST pool mitigates some of the transitional impacts of the GST distribution reforms. Growth in the Commonwealth's contribution is linked to GST collections growth and is subject to the same risks as described earlier in this chapter.

The Commonwealth has provided a temporary no-worse-off guarantee that operates as a safety net for jurisdictions during the transitional period. This ensures jurisdictions receive the cumulative amount of GST that they would have received under the previous methodology. This guarantee temporarily mitigates the risks of transition to reasonable HFE and the relativity floor to the Territory's GST forecasts until 2026-27.

The Territory expects to receive no-worse-off guarantee payments of $7 million over the budget and forward estimates. Any change to relativities or GST collections growth may affect forecast no-worse-off guarantee payments. The cessation of the guarantee represents a risk to the Territory, unless it is extended by the Commonwealth.

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

Other Commonwealth grants and subsidies

Tied Commonwealth funding is provided under the IGA through national agreements, schedules to FFA and the NASWD SPP. Tied funding can also be provided outside the IGA payment arrangements through Commonwealth own purpose expenses arrangements.

Key risks to the Territory budget associated with tied Commonwealth funding include uncertainty as to the amount, timing and duration of new and renegotiated funding agreements, expiring agreements, as well as milestone and overall project delivery, and the increasing inclusion of financial input controls.

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

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

Key agreements expiring in 2022-23 include the National Housing and Homelessness Agreement (NHHA), National School Reform Agreement (NSRA), and NP for Remote Housing Northern Territory.

Territory taxes and royalties

The amount of revenue received from Territory taxes and royalties is dependent on the performance of the Territory economy and other external factors, but broadly accounts for 13% of the Territory's total revenue and 42% of own-source revenue in 2022-23. Forecasting tax and royalty revenue involves judgements and assumptions to be made about the performance of various economic factors and indicators, such as growth in wages, employment, average hours worked, business investment, commodity prices, market conditions and activity and exchange rates.

Mining royalty revenue is the largest single contributor to Territory taxes and royalties, and forecasts are sensitive to mineral price outlooks, production levels, mine expansions or disruptions as well as exchange rates and global trade conditions. The recent Russia-Ukraine conflict has resulted in sharp increases in some commodity prices (such as oil and petroleum, gold and zinc) driving them above levels expected for 2021-22. However, the longevity of these price effects over the forward estimates is uncertain.

Mining revenue forecasts utilise advice from mining companies around expectations of production, prices and royalty obligations over the current and forward estimate years, along with the Department of Treasury and Finance's research and analysis informed by an independent outlook of commodity prices and market conditions. Any changes in commodity prices, production or exchange rates can have a material effect on these forecasts.

Payroll tax is the Territory's largest source of tax revenue and is imposed on businesses with total payroll expenses above the tax-free threshold of $1.5 million per annum. Payroll tax forecasts are sensitive to assumptions about the rate and timing of the recovery of business activity from the impact of COVID-19, as well as employment levels and job creation. This revenue line is expected to increase steadily over the forward estimates as major investment projects supporting employment and economic growth are expected to come online.

The Territory's conveyance and related duty is derived from direct and indirect conveyances of property in the Territory. Forecasting for conveyance duty is linked to the outlook for the property market. The extent and timing of any market changes in terms of property prices and transaction levels can be volatile and directly affects conveyance duty collections. In particular, residential property demand is heavily influenced by interest rates, overseas migration levels, market sentiment, labour market conditions and interstate migration flows. In 2021-22, robust growth in residential property values and transaction volumes in the Territory's key housing markets contributed to stronger than expected conveyance revenue.

Conveyance duty forecasts are also influenced by the size of the Territory's conveyance duty base, which includes valuable commercial properties such as pastoral properties and mining projects. These factors introduce significant variability in conveyance duty collections as a result of the impact of the duty collected from large commercial transactions. For example, in 2021-22 a small number of large, one-off commercial transactions resulted in a significant increase in collections, with conveyance duty collections estimated to return to trend levels in 2022-23 and across the forward estimates.

Unlike tax revenue from property transactions or employment, gambling tax revenue is not as closely correlated with the economic or business cycle. Gaming activity in community venues and casinos receded somewhat in 2021-22 on the back of higher than expected revenue in 2020-21. Revenue is expected to return to more normal trend levels in 2022-23 and across the forward estimates.

In total, a variation of ±1% to the forecast of Territory taxes and royalties would affect revenue by about ±$9.7 million in 2022-23.

Risk arising from the management of assets and liabilities

The Territory maintains a wide range of assets and liabilities, each subject to inherent risks, which are managed through the Territory's fiscal strategy objectives.

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

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

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

Equity investments

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

Loans and concessional loans

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

Risks to expenses and payments

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

The 2022-23 Budget incorporates the government's revised 2021–2024 Wages Policy, which includes non-cumulative annual bonus payments of $4,000 in 2021-22 and $2,000 in each of the subsequent three years, with the indexation factor remaining at nil until 2024-25. While the general Northern Territory Public Sector enterprise agreement has been finalised, other enterprise agreements are still under negotiation. This poses a risk to the budget to the extent the outcome of these enterprise agreement negotiations exceeds amounts currently factored into the budget and forward estimates.

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

Emerging risks to expenses and payments are monitored through robust reporting obligations within the Territory's Financial Management and Accountability Framework, enabling timely identification of budget pressures.

Ensuring agencies operate within approved budget is fundamental to successfully returning the budget to a surplus position. To strengthen budget accountability and agency financial performance, the Territory Government accountable officer responsibilities have been strengthened through a Chief Executive Code of Conduct, amendment to the *Financial Management Act 1995* and revisions to assessments of agency budget performance.

Risks to economic forecasts

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

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

Key forecasting challenges include the need to consider:

- the effects of future variants of COVID-19, and efficacy of vaccines on consumer and business confidence and international travel
- the longevity of the Russia-Ukraine conflict and any subsequent inflationary pressure and impact on supply chains
- economic conditions in other jurisdictions affecting population and wage growth.

Uncertainty regarding COVID-19, related impacts on household and business behaviours and any government intervention, still remains but not at the levels of recent years. The potential for a new, vaccine-resistant strain of the virus to emerge poses a significant downside risk to the forecasts. Conversely, there is potential for improvement in household consumption, private investment and inbound tourism should vaccine efficacy lead to stronger than anticipated boosts to consumer and business confidence, and households drawing down on high levels of household savings established over the course of the pandemic.

The longevity of the Russia-Ukraine conflict and other supply chain impacts pose uncertainty for inflation forecasts. Higher commodity prices for energy and agriculture resulting from the Russia-Ukraine conflict are expected to put a further strain on supply chains, which have struggled throughout the pandemic. Shipping delays and strong goods demand have put pressure on global supply chains, and these impacts are yet to abate. Further lockdowns in China's port cities and manufacturing regions may exacerbate these issues, adding uncertainty to the timeline for inflation to return to pre-COVID-19 levels.

Economic conditions in other Australian jurisdictions also present risks to the economic forecasts. Over the outlook period, the national unemployment rate is forecast to decline to historically low levels, and there is uncertainty regarding the relationship between low levels of unemployment and wages growth. Should demand for labour and wages in other jurisdictions respond more quickly than anticipated to low unemployment rates, Territory firms may be forced to increase wages to attract private sector labour over the outlook.

As a result of the faster than anticipated domestic recovery from the economic impacts of COVID-19, recent growth in domestic inflation and the global inflationary outlook, and tightening national labour market, the RBA raised rates in May 2022 and will continue to monitor inflation to determine the timing and extent of any future rate changes.

Other risks to economic forecasts include:

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

Contingent liabilities

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

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

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

Quantifiable contingent liabilities

Public Trustee Common Fund 1

Under section 97 of the *Public Trustee Act 1979*, the Treasurer indemnifies the Public Trustee Common Fund 1 against any deficiencies in money available to meet claims on it. At 30 June 2021, the Common Fund 1 had a reported total of $28.3 million, which is government guaranteed.

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

Darwin ship lift and marine infrastructure project

The Territory has entered into a loan facility agreement with the Northern Australia Infrastructure Facility (NAIF) to borrow $300 million for the Darwin ship lift and marine infrastructure project. The project is estimated at $400 million and will enable maintenance and servicing of defence and Australian Border Force vessels, along with commercial and private vessels, including from the oil, gas and marine industries.

The Territory guarantees payment of outstanding monies to NAIF, and indemnifies NAIF against any loss related to the Territory's fulfilment of any condition precedent to the loan facility agreement. The conditions and obligations contained in the facility agreement are being monitored during development of the project to ensure the conditions are satisfied. At the time of preparing the 2022-23 Budget, no borrowings from NAIF have been drawn down by the Territory and therefore no monies were owed.

Unquantifiable contingent liabilities

Banking

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

Correctional facilities

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

Darwin International Airport – capital works and facilitation of the arrival of repatriated Australians

The Territory has an agreement with Darwin International Airport until March 2023 to make it able to receive and process up to 1,600 repatriated Australians per fortnight. The agreement requires the Territory to indemnify Darwin International Airport in certain circumstances where it is required to shut down its operations.

The Territory has an assurance from the Commonwealth for the Territory to be fully released and reimbursed for any liabilities that it may incur, arising out of, or in connection with the Darwin International Airport agreement.

Economic enabling projects

Northern gas pipeline project

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

Adelaide to Darwin railway project

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

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

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

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

Prior to the long-term lease of the Port of Darwin, the railway corridor interfacing the port was owned by the former Darwin Port Corporation (DPC), which leased the facilities to the concession holder. As part of the long-term lease of the Darwin port, the railway corridor was transferred to the Territory and leased to the concession holder. There are contingent liabilities that arise out of any loss or claim incurred or suffered as a result of the Territory's failure to comply with its environmental obligations contained in the lease. The lease contains similar indemnities given by the lessee with respect to contamination caused by the lessee and a failure to comply with its environmental obligations. To the extent that DPC had contingent liabilities prior to the Port of Darwin transaction, the Territory has the same contingent liabilities now.

Fuel terminal relocation project

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

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

Jabiru electricity supply project

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

Government administration

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

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

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

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

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

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

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

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

Health and community services

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

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

In addition, the Territory has entered into an agreement with the operator of Darwin Private Hospital, which contains an indemnity for medical professionals to provide medical services to public patients in response to COVID-19 if medical insurance is unable to be obtained.

Land development

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

National Redress Scheme for institutional child sexual abuse

In March 2021, an independent review was undertaken as part of the second anniversary of the National Redress Scheme and the Commonwealth has provided an interim response. The review includes a number of recommendations that would extend eligibility under the scheme if agreed to by the Commonwealth and states, and expand the Territory's potential liability in respect of the scheme. The measures include expanding the Funder of Last Resort arrangements, whereby the Territory is responsible for the liability of defunct institutions, changes to the calculation of indexation of prior payments, as well as expanding the scheme to child migrants.

Native title

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

Property and business services

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

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

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

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

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

Chapter 8

Uniform Presentation Framework

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

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

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

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

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

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

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

The financial statements for the general government, public non financial corporation and non financial public sectors include the 2021-22 revised budget, 2022-23 budget and 2023-24 to 2025-26 forward estimates. The statements for the public financial corporation sector and total public sector present the 2021-22 revised budget, with the remaining supplementary tables presenting both the 2021-22 revised budget and the 2022-23 budget. This reporting approach is consistent with all other jurisdictions.

Table 8.1

General government sector comprehensive operating statement

		2021-22	2022-23	2023-24	2024-25	2025-26
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	665 927	633 091	649 552	657 953	668 645
	Current grants	5 128 848	4 813 139	4 835 426	4 873 415	4 967 681
	Capital grants	393 231	459 903	407 691	418 933	236 609
	Sales of goods and services	420 702	403 141	402 710	407 616	408 131
	Interest income	89 112	91 589	92 438	95 815	99 381
	Dividend and income tax equivalent income	56 857	77 849	121 022	134 594	113 758
	Other revenue	423 044	401 569	403 660	392 525	395 590
	TOTAL REVENUE	7 177 721	6 880 281	6 912 499	6 980 851	6 889 795
less	EXPENSES					
	Employee benefits expense	2 808 289	2 679 994	2 589 555	2 533 401	2 514 973
	Superannuation expenses					
	Superannuation interest cost	51 288	86 054	86 054	86 054	86 054
	Other superannuation expenses	431 204	381 979	382 722	385 148	396 040
	Depreciation and amortisation	567 968	576 671	571 085	565 120	564 007
	Other operating expenses	1 804 437	1 592 841	1 510 873	1 499 892	1 493 460
	Interest expenses	351 187	365 654	384 530	399 264	415 620
	Other property expenses					
	Current grants	1 201 462	1 136 381	1 112 781	1 103 541	1 083 570
	Capital grants	180 928	119 556	169 778	169 544	66 203
	Subsidies and personal benefit payments	195 840	194 227	185 355	179 105	179 786
	TOTAL EXPENSES	7 592 603	7 133 357	6 992 733	6 921 069	6 799 713
equals	NET OPERATING BALANCE	- 414 882	- 253 076	- 80 234	59 782	90 082
plus	Other economic flows – included in operating result	33 606	62 698	72 184	78 729	80 412
equals	OPERATING RESULT	- 381 276	- 190 378	- 8 050	138 511	170 494
plus	Other economic flows – other comprehensive income	372 478	- 13 174	55 801	62 498	- 2 061
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	- 8 798	- 203 552	47 751	201 009	168 433
	NET OPERATING BALANCE	- 414 882	- 253 076	- 80 234	59 782	90 082
less	Net acquisition of non financial assets					
	Purchases of non financial assets	923 524	1 101 988	967 404	940 933	621 902
	Sales of non financial assets	- 29 343	- 31 187	- 30 997	- 32 672	- 32 672
	less Depreciation	567 968	576 671	571 085	565 120	564 007
	plus Change in inventories					
	plus Other movements in non financial assets	61 244	211 635	22 195	20 545	72 842
	equals Total net acquisition of non financial assets	387 457	705 765	387 517	363 686	98 065
equals	FISCAL BALANCE	- 802 339	- 958 841	- 467 751	- 303 904	- 7 983

Table 8.2

General government sector balance sheet

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	1 143 764	576 872	602 237	664 145	674 262
Advances paid	227 095	248 095	243 095	242 095	241 095
Investments, loans and placements	2 584 796	2 733 634	2 894 717	3 070 756	3 244 266
Receivables	631 497	503 921	514 454	516 300	532 759
Equity					
Investments in other public sector entities	2 279 565	2 271 248	2 357 139	2 450 417	2 451 356
Equity accounted investments					
Investments – shares	35 000	65 000	80 000	80 000	80 000
Other financial assets	24 398	26 106	27 934	29 890	31 983
Total financial assets	6 926 115	6 424 876	6 719 576	7 053 603	7 255 721
Non financial assets					
Inventories	21 154	21 154	21 154	21 154	21 154
Property, plant and equipment	18 421 866	19 040 446	19 435 543	19 810 277	19 919 317
Investment property	35 906	32 406	28 406	24 406	20 406
Other non financial assets	398 632	494 327	494 557	492 519	490 554
Total non financial assets	18 877 558	19 588 333	19 979 660	20 348 356	20 451 431
TOTAL ASSETS	25 803 673	26 013 209	26 699 236	27 401 959	27 707 152
LIABILITIES					
Deposits held	421 825	382 200	386 030	387 404	359 204
Advances received	245 409	233 901	221 740	208 544	194 200
Borrowing	9 366 013	9 894 289	10 564 610	11 041 199	11 183 722
Superannuation	3 442 156	3 442 156	3 442 156	3 442 156	3 442 156
Other employee benefits	806 497	806 497	806 497	806 497	806 497
Payables	322 972	323 072	324 558	325 233	326 368
Other liabilities	1 092 813	1 028 658	1 003 458	1 039 730	1 075 376
TOTAL LIABILITIES	15 697 685	16 110 773	16 749 049	17 250 763	17 387 523
NET ASSETS/(LIABILITIES)	10 105 988	9 902 436	9 950 187	10 151 196	10 319 629
NET WORTH	10 105 988	9 902 436	9 950 187	10 151 196	10 319 629
NET FINANCIAL WORTH[1]	- 8 771 570	- 9 685 897	- 10 029 473	- 10 197 160	- 10 131 802
NET FINANCIAL LIABILITIES[2]	11 051 135	11 957 145	12 386 612	12 647 577	12 583 158
NET DEBT[3]	6 077 592	6 951 789	7 432 331	7 660 151	7 577 503

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

Table 8.3

General government sector cash flow statement

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	670 927	638 091	649 552	657 953	668 645
Receipts from sales of goods and services	453 827	437 305	436 874	441 780	442 295
Grants and subsidies received	5 414 404	5 315 969	5 185 553	5 292 348	5 204 290
Interest receipts	89 308	89 318	92 438	95 815	99 381
Dividends and income tax equivalents	49 897	62 684	109 089	125 845	97 299
Other receipts	416 109	401 333	402 490	391 291	393 497
Total operating receipts	7 094 472	6 944 700	6 875 996	7 005 032	6 905 407
Cash payments for operating activities					
Payments for employees	- 3 290 626	- 3 148 027	- 3 058 331	- 3 004 603	- 2 997 067
Payment for goods and services	- 1 499 497	- 1 285 224	- 1 197 855	- 1 178 528	- 1 177 905
Grants and subsidies paid	- 1 595 936	- 1 446 664	- 1 467 114	- 1 449 840	- 1 328 009
Interest paid	- 351 102	- 365 105	- 383 677	- 398 621	- 415 515
Other payments	- 316 594	- 313 054	- 313 054	- 313 054	- 313 054
Total operating payments	- 7 053 755	- 6 558 074	- 6 420 031	- 6 344 646	- 6 231 550
NET CASH FLOWS FROM OPERATING ACTIVITIES	40 717	386 626	455 965	660 386	673 857
Cash flows from investments in non financial assets					
Sales of non financial assets	29 343	31 187	30 997	32 672	32 672
Purchases of non financial assets	- 923 524	- 1 101 988	- 967 004	- 940 933	- 621 902
Net cash flows from investments in non financial assets	- 894 181	- 1 070 801	- 936 007	- 908 261	- 589 230
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 853 464	- 684 175	- 480 042	- 247 875	84 627
Net cash flows from investments in financial assets for policy purposes[1]	- 34 990	- 55 857	- 40 090	- 29 780	- 2 000
Net cash flows from investments in financial assets for liquidity purposes	- 155 600	- 91 139	- 93 898	- 102 309	- 98 097
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 084 771	- 1 217 797	- 1 069 995	- 1 040 350	- 689 327
Net cash flows from financing activities					
Advances received (net)	- 20 645	- 11 508	- 12 161	- 13 196	- 14 344
Borrowing (net)	692 368	315 412	647 326	453 694	68 131
Deposits received (net)	- 1 118 621	- 39 625	3 830	1 374	- 28 200
Other financing (net)			400		
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 446 898	264 279	639 395	441 872	25 587
NET INCREASE/DECREASE IN CASH HELD	- 1 490 952	- 566 892	25 365	61 908	10 117
Net cash flows from operating activities	40 717	386 626	455 965	660 386	673 857
Net cash flows from investments in non financial assets	- 894 181	- 1 070 801	- 936 007	- 908 261	- 589 230
CASH SURPLUS (+)/DEFICIT (-)	- 853 464	- 684 175	- 480 042	- 247 875	84 627
Future infrastructure and superannuation contributions/earnings[2]	- 47 100	- 49 927	- 52 922	- 56 097	- 59 463
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 900 564	- 734 102	- 532 964	- 303 972	25 164

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

Table 8.4

Public non financial corporation sector comprehensive operating statement

		2021-22	2022-23	2023-24	2024-25	2025-26
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Current grants	193 998	186 242	179 847	179 428	180 796
	Capital grants	40 824	70 320	138 576	141 353	41 490
	Sales of goods and services	752 929	781 927	894 239	926 018	935 282
	Interest income	1 388	1 285	1 006	610	645
	Other revenue	49 099	35 788	36 381	37 008	36 213
	TOTAL REVENUE	1 038 238	1 075 562	1 250 049	1 284 417	1 194 426
less	EXPENSES					
	Employee benefits expense	135 569	128 707	124 189	129 738	121 754
	Superannuation expenses	12 084	12 561	13 098	13 662	17 182
	Depreciation and amortisation	218 630	206 366	217 693	202 522	211 590
	Other operating expenses	643 236	635 303	677 545	687 395	671 646
	Interest expenses	63 232	71 150	78 394	82 830	89 223
	Other property expenses	10 095	22 397	61 916	65 909	37 805
	Current grants					
	Capital grants					
	Subsidies and personal benefit payments	1 333	1 348	1 348	1 348	1 348
	TOTAL EXPENSES	1 084 179	1 077 832	1 174 183	1 183 404	1 150 548
equals	NET OPERATING BALANCE	- 45 941	- 2 270	75 866	101 013	43 878
plus	Other economic flows – included in operating result	- 4 923	- 3 839	- 8 832	- 13 825	- 13 818
equals	OPERATING RESULT	- 50 864	- 6 109	67 034	87 188	30 060
plus	Other economic flows – other comprehensive income					
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	- 50 864	- 6 109	67 034	87 188	30 060
	NET OPERATING BALANCE	- 45 941	- 2 270	75 866	101 013	43 878
less	Net acquisition of non financial assets					
	Purchases of non financial assets	213 620	340 757	351 955	295 665	229 073
	Sales of non financial assets					
	less Depreciation	218 630	206 366	217 693	202 522	211 590
	plus Change in inventories	- 1 703	3 058	11 357	5 850	268
	plus Other movements in non financial assets					
	equals Total net acquisition of non financial assets	- 6 713	137 449	145 619	98 993	17 751
equals	FISCAL BALANCE	- 39 228	- 139 719	- 69 753	2 020	26 127

Table 8.5

Public non financial corporation sector balance sheet

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	211 101	193 951	201 329	200 465	179 037
Advances paid					
Investments, loans and placements	3	3	3	3	3
Receivables	170 076	170 772	189 349	196 940	196 086
Equity					
Investments in other public sector entities					
Equity accounted investments					
Investments – shares					
Other financial assets	5 980	4 952	3 872	2 735	1 541
Total financial assets	387 160	369 678	394 553	400 143	376 667
Non financial assets					
Inventories	175 722	178 780	190 137	195 987	196 255
Property, plant and equipment	3 706 930	3 849 494	3 985 326	4 074 493	4 087 081
Investment property					
Other non financial assets	70 866	64 913	49 784	28 361	27 822
Total non financial assets	3 953 518	4 093 187	4 225 247	4 298 841	4 311 158
TOTAL ASSETS	4 340 678	4 462 865	4 619 800	4 698 984	4 687 825
LIABILITIES					
Deposits held	951	951	951	951	951
Advances received					
Borrowing	1 851 451	1 969 036	2 025 018	1 996 170	1 978 786
Superannuation					
Other employee benefits	67 563	59 320	69 193	67 763	64 670
Payables	78 178	78 507	80 933	85 830	83 411
Other liabilities	84 214	105 081	107 878	119 200	130 032
TOTAL LIABILITIES	2 082 357	2 212 895	2 283 973	2 269 914	2 257 850
NET ASSETS/(LIABILITIES)	2 258 321	2 249 970	2 335 827	2 429 070	2 429 975
NET WORTH	2 258 321	2 249 970	2 335 827	2 429 070	2 429 975
NET FINANCIAL WORTH[1]	- 1 695 197	- 1 843 217	- 1 889 420	- 1 869 771	- 1 881 183
NET DEBT[2]	1 641 298	1 776 033	1 824 637	1 796 653	1 800 697

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

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

Table 8.6

Public non financial corporation sector cash flow statement

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Receipts from sales of goods and services	751 046	782 676	873 450	915 524	932 176
Grants and subsidies received	248 823	249 616	313 175	315 683	217 988
Interest receipts	1 400	1 286	1 016	610	645
Dividends and income tax equivalents					
Other receipts	53 280	41 736	36 381	37 008	30 265
Total operating receipts	1 054 549	1 075 314	1 224 022	1 268 825	1 181 074
Cash payments for operating activities					
Income tax equivalents paid	- 10 564	- 17 001	- 49 763	- 53 371	- 21 415
Payments for employees	- 152 517	- 156 898	- 134 792	- 152 218	- 150 947
Payment for goods and services	- 641 718	- 621 924	- 675 744	- 662 059	- 664 949
Grants and subsidies paid	- 1 333	- 1 348	- 1 348	- 1 348	- 1 348
Interest paid	- 63 100	- 70 749	- 78 278	- 82 576	- 88 763
Other payments					
Total operating payments	- 869 232	- 867 920	- 939 925	- 951 572	- 927 422
NET CASH FLOWS FROM OPERATING ACTIVITIES	185 317	207 394	284 097	317 253	253 652
Cash flows from investments in non financial assets					
Sales of non financial assets					
Purchases of non financial assets	- 213 620	- 340 757	- 351 955	- 295 665	- 229 073
Net cash flows from investments in non financial assets	- 213 620	- 340 757	- 351 955	- 295 665	- 229 073
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 28 303	- 133 363	- 67 858	21 588	24 579
Net cash flows from investments in financial assets for policy purposes[1]					
Net cash flows from investments in financial assets for liquidity purposes	1 006	1 028	1 080	1 137	1 194
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 212 614	- 339 729	- 350 875	- 294 528	- 227 879
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	25 772	116 750	55 040	- 29 735	- 18 277
Deposits received (net)					
Dividends paid	- 7 673	- 6 422	- 10 974	- 24 634	- 31 924
Other financing (net)	- 30 000	4 857	30 090	30 780	3 000
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 11 901	115 185	74 156	- 23 589	- 47 201
NET INCREASE/DECREASE IN CASH HELD	- 39 198	- 17 150	7 378	- 864	- 21 428
Net cash flows from operating activities	185 317	207 394	284 097	317 253	253 652
Net cash flows from investments in non financial assets	- 213 620	- 340 757	- 351 955	- 295 665	- 229 073
Dividends paid	- 7 673	- 6 422	- 10 974	- 24 634	- 31 924
CASH SURPLUS (+)/DEFICIT (-)	- 35 976	- 139 785	- 78 832	- 3 046	- 7 345

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

Table 8.7

Non financial public sector comprehensive operating statement

		2021-22	2022-23	2023-24	2024-25	2025-26
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	658 499	625 704	642 174	650 565	659 727
	Current grants	5 128 848	4 813 139	4 835 426	4 873 415	4 967 681
	Capital grants	397 542	463 349	412 139	421 681	239 357
	Sales of goods and services	1 109 779	1 121 301	1 233 262	1 270 037	1 279 800
	Interest income	89 331	91 799	92 656	96 084	99 650
	Dividend and income tax equivalent income	39 261	48 353	47 839	43 960	43 798
	Other revenue	468 386	434 862	437 546	427 038	429 308
	TOTAL REVENUE	7 891 646	7 598 507	7 701 042	7 782 780	7 719 321
less	EXPENSES					
	Employee benefits expense	2 943 858	2 808 701	2 713 744	2 663 139	2 636 727
	Superannuation expenses					
	Superannuation interest cost	51 288	86 054	86 054	86 054	86 054
	Other superannuation expenses	441 078	392 330	393 610	396 600	411 012
	Depreciation and amortisation	784 796	781 791	787 532	766 396	774 351
	Other operating expenses	2 377 911	2 158 015	2 118 378	2 117 326	2 093 600
	Interest expenses	413 110	435 631	462 038	481 655	504 369
	Other property expenses					
	Current grants	1 137 281	1 073 477	1 050 154	1 039 892	1 018 553
	Capital grants	143 214	52 682	35 650	30 939	27 461
	Subsidies and personal benefit payments	67 356	72 237	69 483	64 674	65 355
	TOTAL EXPENSES	8 359 892	7 860 918	7 716 643	7 646 675	7 617 482
equals	NET OPERATING BALANCE	- 468 246	- 262 411	- 15 601	136 105	101 839
plus	Other economic flows – included in operating result	28 683	58 859	63 352	64 904	66 594
equals	OPERATING RESULT	- 439 563	- 203 552	47 751	201 009	168 433
plus	Other economic flows – other comprehensive income	430 765				
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	- 8 798	- 203 552	47 751	201 009	168 433
	NET OPERATING BALANCE	- 468 246	- 262 411	- 15 601	136 105	101 839
less	Net acquisition of non financial assets					
	Purchases of non financial assets	1 137 144	1 442 745	1 319 359	1 236 598	850 975
	Sales of non financial assets	- 29 343	- 31 187	- 30 997	- 32 672	- 32 672
	less Depreciation	784 796	781 791	787 532	766 396	774 351
	plus Change in inventories	- 1 703	3 058	11 357	5 850	268
	plus Other movements in non financial assets	64 544	215 135	22 995	22 895	74 392
	equals Total net acquisition of non financial assets	385 846	847 960	535 182	466 275	118 612
equals	FISCAL BALANCE	- 854 092	- 1 110 371	- 550 783	- 330 170	- 16 773

Table 8.8

Non financial public sector balance sheet

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	1 145 983	579 091	604 456	666 364	676 481
Advances paid	227 095	248 095	243 095	242 095	241 095
Investments, loans and placements	2 584 799	2 733 637	2 894 720	3 070 759	3 244 269
Receivables	797 078	664 126	680 800	677 608	676 592
Equity					
Investments in other public sector entities	21 631	21 631	21 631	21 631	21 631
Equity accounted investments					
Investments – shares	35 000	65 000	80 000	80 000	80 000
Other financial assets	30 378	31 058	31 806	32 625	33 524
Total financial assets	**4 841 964**	**4 342 638**	**4 556 508**	**4 791 082**	**4 973 592**
Non financial assets					
Inventories	196 876	199 934	211 291	217 141	217 409
Property, plant and equipment	22 111 279	22 873 669	23 405 844	23 870 991	23 993 865
Investment property	35 906	32 406	28 406	24 406	20 406
Other non financial assets	469 498	559 240	544 341	520 880	518 376
Total non financial assets	**22 813 559**	**23 665 249**	**24 189 882**	**24 633 418**	**24 750 056**
TOTAL ASSETS	**27 655 523**	**28 007 887**	**28 746 390**	**29 424 500**	**29 723 648**
LIABILITIES					
Deposits held	213 894	191 419	187 871	190 109	183 337
Advances received	245 409	233 901	221 740	208 544	194 200
Borrowing	11 200 335	11 847 408	12 574 923	13 023 875	13 150 226
Superannuation	3 442 156	3 442 156	3 442 156	3 442 156	3 442 156
Other employee benefits	874 060	865 817	875 690	874 260	871 167
Payables	385 491	385 921	389 843	395 417	394 133
Other liabilities	1 188 190	1 138 829	1 103 980	1 138 943	1 168 800
TOTAL LIABILITIES	**17 549 535**	**18 105 451**	**18 796 203**	**19 273 304**	**19 404 019**
NET ASSETS/(LIABILITIES)	**10 105 988**	**9 902 436**	**9 950 187**	**10 151 196**	**10 319 629**
NET WORTH	**10 105 988**	**9 902 436**	**9 950 187**	**10 151 196**	**10 319 629**
NET FINANCIAL WORTH[1]	- 12 707 571	- 13 762 813	- 14 239 695	- 14 482 222	- 14 430 427
NET FINANCIAL LIABILITIES[2]	12 729 202	13 784 444	14 261 326	14 503 853	14 452 058
NET DEBT[3]	**7 701 761**	**8 711 905**	**9 242 263**	**9 443 310**	**9 365 918**

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

Table 8.9

Non financial public sector cash flow statement

	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	663 499	630 704	642 174	650 565	659 727
Receipts from sales of goods and services	1 141 043	1 156 214	1 246 637	1 293 707	1 310 858
Grants and subsidies received	5 414 965	5 315 969	5 185 553	5 292 348	5 204 290
Interest receipts	89 528	89 528	92 656	96 084	99 650
Dividends and income tax equivalents	31 660	39 261	48 352	47 840	43 960
Other receipts	465 632	440 574	436 376	425 802	421 267
Total operating receipts	**7 806 327**	**7 672 250**	**7 651 748**	**7 806 346**	**7 739 752**
Cash payments for operating activities					
Payments for employees	- 3 433 505	- 3 295 328	- 3 183 535	- 3 147 223	- 3 136 886
Payment for goods and services	- 2 078 903	- 1 844 406	- 1 810 937	- 1 778 012	- 1 780 266
Grants and subsidies paid	- 1 347 806	- 1 198 396	- 1 155 287	- 1 135 505	- 1 111 369
Interest paid	- 412 882	- 434 680	- 461 059	- 480 758	- 503 804
Other payments	- 316 594	- 313 054	- 313 054	- 313 054	- 313 054
Total operating payments	**- 7 589 690**	**- 7 085 864**	**- 6 923 872**	**- 6 854 552**	**- 6 845 379**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**216 637**	**586 386**	**727 876**	**951 794**	**894 373**
Cash flows from investments in non financial assets					
Sales of non financial assets	29 343	31 187	30 997	32 672	32 672
Purchases of non financial assets	- 1 137 144	- 1 442 745	- 1 318 959	- 1 236 598	- 850 975
Net cash flows from investments in non financial assets	**- 1 107 801**	**- 1 411 558**	**- 1 287 962**	**- 1 203 926**	**- 818 303**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 891 164	- 825 172	- 560 086	- 252 132	76 070
Net cash flows from investments in financial assets for policy purposes[1]	- 64 990	- 51 000	- 10 000	1 000	1 000
Net cash flows from investments in financial assets for liquidity purposes	- 154 594	- 90 111	- 92 818	- 101 172	- 96 903
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 327 385	- 1 552 669	- 1 390 780	- 1 304 098	- 914 206
Net cash flows from financing activities					
Advances received (net)	- 20 645	- 11 508	- 12 161	- 13 196	- 14 344
Borrowing (net)	719 864	433 374	703 578	425 170	51 066
Deposits received (net)	- 1 079 423	- 22 475	- 3 548	2 238	- 6 772
Other financing (net)			400		
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 380 204	399 391	688 269	414 212	29 950
NET INCREASE/DECREASE IN CASH HELD	- 1 490 952	- 566 892	25 365	61 908	10 117
Net cash flows from operating activities	216 637	586 386	727 876	951 794	894 373
Net cash flows from investments in non financial assets	- 1 107 801	- 1 411 558	- 1 287 962	- 1 203 926	- 818 303
CASH SURPLUS (+)/DEFICIT (-)	- 891 164	- 825 172	- 560 086	- 252 132	76 070
Future infrastructure and superannuation contributions/ earnings[2]	- 47 100	- 49 927	- 52 922	- 56 097	- 59 463
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 938 264	- 875 099	- 613 008	- 308 229	16 607

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

Table 8.10

Public financial corporation sector comprehensive operating statement

		2021-22 Revised
		$000
	REVENUE	
	Current grants	
	Capital grants	
	Sales of goods and services	879
	Interest income	334 116
	Other revenue	
	TOTAL REVENUE	334 995
less	EXPENSES	
	Employee benefits expense	970
	Superannuation expenses	120
	Depreciation and amortisation	
	Other operating expenses	1 385
	Interest expenses	293 259
	Other property expenses	11 778
	Current grants	
	Capital grants	
	Subsidies and personal benefit payments	
	TOTAL EXPENSES	307 512
equals	NET OPERATING BALANCE	27 483
plus	Other economic flows – included in operating result	
equals	OPERATING RESULT	27 483
plus	Other economic flows – other comprehensive income	
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	27 483
	NET OPERATING BALANCE	27 483
less	Net acquisition of non financial assets	
	Purchases of non financial assets	
	Sales of non financial assets	
	less Depreciation	
	plus Change in inventories	
	plus Other movements in non financial assets	
	equals Total net acquisition of non financial assets	
equals	FISCAL BALANCE	27 483

Table 8.11

Public financial corporation sector balance sheet

	2021-22 Revised
	$000
ASSETS	
Financial assets	
Cash and deposits	59 257
Advances paid	
Investments, loans and placements	9 742 303
Receivables	3 818
Equity	
Investments in other public sector entities	
Equity accounted investments	
Investments – shares	
Other financial assets	
Total financial assets	**9 805 378**
Non financial assets	
Inventories	
Property, plant and equipment	
Investment property	
Other non financial assets	
Total non financial assets	
TOTAL ASSETS	**9 805 378**
LIABILITIES	
Deposits held	715
Advances received	184 290
Borrowing	9 497 840
Superannuation	
Other employee benefits	168
Payables	61 472
Other liabilities	39 262
TOTAL LIABILITIES	**9 783 747**
NET ASSETS/(LIABILITIES)	**21 631**
NET WORTH	**21 631**
NET FINANCIAL WORTH[1]	21 631
NET DEBT[2]	**- 118 715**

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

Table 8.12

Public financial corporation sector cash flow statement

	2021-22 Revised
	$000
Cash receipts from operating activities	
Receipts from sales of goods and services	879
Grants and subsidies received	
Interest receipts	333 547
Other receipts	
Total operating receipts	334 426
Cash payments for operating activities	
Income tax equivalents paid	- 9 498
Payments for employees	- 1 090
Payment for goods and services	- 1 385
Grants and subsidies paid	
Interest paid	- 318 938
Other payments	
Total operating payments	- 330 911
NET CASH FLOWS FROM OPERATING ACTIVITIES	3 515
Cash flows from investments in non financial assets	
Sales of non financial assets	
Purchases of non financial assets	
Net cash flows from investments in non financial assets	
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	3 515
Net cash flows from investments in financial assets for policy purposes[1]	
Net cash flows from investments in financial assets for liquidity purposes	- 845 228
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 845 228
Net cash flows from financing activities	
Advances received (net)	
Borrowing (net)	- 215 548
Deposits received (net)	
Dividends paid	- 22 162
Other financing (net)	
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 237 710
NET INCREASE/DECREASE IN CASH HELD	- 1 079 423
Net cash flows from operating activities	3 515
Net cash flows from investments in non financial assets	
Distributions paid	- 22 162
CASH SURPLUS (+)/DEFICIT (-)	- 18 647

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

Table 8.13

Total public sector comprehensive operating statement

		2021-22 Revised
		$000
	REVENUE	
	Taxation revenue	658 499
	Current grants	5 128 848
	Capital grants	397 542
	Sales of goods and services	1 109 434
	Interest income	89 531
	Dividend and income tax equivalent income	
	Other revenue	468 333
	TOTAL REVENUE	**7 852 187**
less	EXPENSES	
	Employee benefits expense	2 944 828
	Superannuation expenses	
	Superannuation interest cost	51 288
	Other superannuation expenses	441 145
	Depreciation and amortisation	784 796
	Other operating expenses	2 378 072
	Interest expenses	372 453
	Other property expenses	
	Current grants	1 137 281
	Capital grants	143 214
	Subsidies and personal benefit payments	67 356
	TOTAL EXPENSES	**8 320 433**
equals	**NET OPERATING BALANCE**	**- 468 246**
plus	Other economic flows – included in operating result	28 683
equals	**OPERATING RESULT**	**- 439 563**
plus	Other economic flows – other comprehensive income	430 765
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**- 8 798**
	NET OPERATING BALANCE	**- 468 246**
less	**Net acquisition of non financial assets**	
	Purchases of non financial assets	1 137 144
	Sales of non financial assets	- 29 343
	less Depreciation	784 796
	plus Change in inventories	- 1 703
	plus Other movements in non financial assets	64 544
	equals **Total net acquisition of non financial assets**	**385 846**
equals	**FISCAL BALANCE**	**- 854 092**

Table 8.14

Total public sector balance sheet

	2021-22 Revised
	$000
ASSETS	
Financial assets	
Cash and deposits	1 145 983
Advances paid	227 095
Investments, loans and placements	2 584 799
Receivables	757 873
Equity	
Investments in other public sector entities	
Equity accounted investments	
Investments – shares	35 000
Other financial assets	30 378
Total financial assets	**4 781 128**
Non financial assets	
Inventories	196 876
Property, plant and equipment	22 111 279
Investment property	35 906
Other non financial assets	469 498
Total non financial assets	**22 813 559**
TOTAL ASSETS	27 594 687
LIABILITIES	
Deposits held	155 352
Advances received	209 524
Borrowing	11 176 047
Superannuation	3 442 156
Other employee benefits	874 228
Payables	443 201
Other liabilities	1 188 191
TOTAL LIABILITIES	17 488 699
NET ASSETS/(LIABILITIES)	10 105 988
NET WORTH	10 105 988
NET FINANCIAL WORTH[1]	- 12 707 571
NET DEBT[2]	7 583 046

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

Table 8.15

Total public sector cash flow statement

	2021-22 Revised
	$000
Cash receipts from operating activities	
Taxes received	663 499
Receipts from sales of goods and services	1 140 698
Grants and subsidies received	5 414 965
Interest receipts	89 528
Other receipts	465 579
Total operating receipts	**7 774 269**
Cash payments for operating activities	
Payments for employees	- 3 434 542
Payment for goods and services	- 2 079 064
Grants and subsidies paid	- 1 347 806
Interest paid	- 398 273
Other payments	- 316 594
Total operating payments	**- 7 576 279**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**197 990**
Cash flows from investments in non financial assets	
Sales of non financial assets	29 343
Purchases of non financial assets	- 1 137 144
Net cash flows from investments in non financial assets	**- 1 107 801**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 909 811**
Net cash flows from investments in financial assets for policy purposes[1]	- 64 990
Net cash flows from investments in financial assets for liquidity purposes	- 154 594
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 327 385
Net cash flows from financing activities	
Advances received (net)	
Borrowing (net)	- 361 557
Deposits received (net)	
Other financing (net)	
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 361 557
NET INCREASE/DECREASE IN CASH HELD	- 1 490 952
Net cash flows from operating activities	197 990
Net cash flows from investments in non financial assets	- 1 107 801
CASH SURPLUS (+)/DEFICIT (-)	**- 909 811**
Future infrastructure and superannuation contributions/earnings[2]	- 47 100
UNDERLYING SURPLUS (+)/DEFICIT (-)	**- 956 911**

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

Table 8.16

General government sector taxes

	2021-22 Revised	2022-23 Budget
	$M	$M
Taxes on employers' payroll and labour force	**220**	**240**
Payroll taxes	220	240
Taxes on property	**192**	**149**
Stamp duties on financial and capital transactions	190	149
Other	2	
Taxes on the provision of goods and services	**166**	**160**
Taxes on gambling	96	101
Taxes on insurance	69	59
Taxes on the use of goods and performance of activities	**88**	**84**
Motor vehicle registration fees	86	82
Other	2	2
TOTAL TAXATION REVENUE	666	633

Table 8.17

General government sector grant revenue

	2021-22 Revised	2022-23 Budget
	$M	$M
Current grant revenue		
Current grants from the Commonwealth		
National partnership payments	558	267
Specific purpose payments	457	468
General purpose grants	4 114	4 078
Total current grant revenue	**5 129**	**4 813**
Capital grant revenue		
Capital grants from the Commonwealth		
National partnership payments	360	429
Specific purpose payments	3	
General purpose grants	30	30
Total capital grant revenue	**393**	**460**
TOTAL GRANT REVENUE	5 522	5 273

Table 8.18

General government sector grant expenses

	2021-22 Revised	2022-23 Budget
	$M	$M
Current grant expense including subsidies and personal benefit payments		
Local government	76	74
Private and not-for-profit sector	1 039	982
Grants to other sectors of government	64	63
Other	217	212
Total current grant expense including subsidies and personal benefit payments	**1 397**	**1 331**
Capital grant expense		
Local government	14	9
Private and not-for-profit sector	129	44
Grants to other sectors of government	38	67
Other		
Total capital grant expense	**181**	**120**
TOTAL GRANT EXPENSES	**1 578**	**1 450**

Table 8.19

General government sector dividend and income tax equivalent income

	2021-22 Revised	2022-23 Budget
	$M	$M
Dividend and income tax equivalent income from public non financial corporations sector	18	29
Dividend and income tax equivalent income from public financial corporations sector	39	48
TOTAL DIVIDEND AND INCOME TAX EQUIVALENT INCOME	**57**	**78**

Table 8.20

General government sector operating expenses by function

	2021-22 Revised	2022-23 Budget
	$M	$M
General public services	516	567
Public order and safety	971	948
Economic affairs	548	490
Environmental protection	135	134
Housing and community amenities	709	664
Health	2 253	1 897
Recreation, culture and religion	175	170
Education	1 340	1 292
Social protection	637	656
Transport	309	315
TOTAL OPERATING EXPENSES	**7 593**	**7 133**

Reported by Classifications of Functions of Government – Australia.

Table 8.21

General government sector purchases of non financial assets by function

	2021-22 Revised	2022-23 Budget
	$M	$M
General public services	4	6
Public order and safety	115	80
Economic affairs	17	36
Environmental protection	15	40
Housing and community amenities	286	260
Health	94	113
Recreation, culture and religion	29	33
Education	50	31
Social protection	33	45
Transport	281	458
TOTAL PURCHASES OF NON FINANCIAL ASSETS	**924**	**1 102**

Reported by Classifications of Functions of Government – Australia.

Appendices

Appendix A
Classification of entities in the Northern Territory

Total public sector

Non financial public sector

General government

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

Public non financial corporations

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

Public financial corporation

Northern Territory Treasury Corporation[2]

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

Appendix B

Abbreviations and acronyms

a	actual
AARC	AustralAsia Railway Corporation
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
B	billion
Cat. No.	catalogue number
CBD	central business district
CCTV	closed-circuit television
CGC	Commonwealth Grants Commission
CPI	consumer price index
CTP	compulsory third-party insurance
DIPL	Department of Infrastructure, Planning and Logistics
DPC	Darwin Port Corporation
e	estimate
f	forecast
FFA	Federation Funding Agreement
FITA	*Fiscal Integrity and Transparency Act 2001*
GFC	global financial crisis
GSP	gross state product
GST	goods and services tax
HFE	horizontal fiscal equalisation
ICT	information and communications technology
IGA	Intergovernmental Agreement on Federal Financial Relations
L	litre
LHS	left-hand side
LNG	liquefied natural gas
M	million
Moody's	Moody's Investors Service
MYEFO	Mid-Year Economic and Fiscal Outlook
n/a	not applicable
NAIF	Northern Australia Infrastructure Facility
NASWD	National Skills and Workforce Development
NHHA	National Housing and Homelessness Agreement
NHRA	National Health Reform Agreement
NMHSPA	National Mental Health and Suicide Prevention Agreement
NP	national partnership
NSRA	National School Reform Agreement
NT	Northern Territory
NTRAI	Northern Territory Remote Aboriginal Investment
NTTC	Northern Territory Treasury Corporation
ppt	percentage points
r	revised
RBA	Reserve Bank of Australia
RHS	right-hand side
ROSI	Roads of Strategic Importance
SCI	statement of corporate intent
SFD	state final demand
SPP	specific purpose payment
states	states and territories
UPF	Uniform Presentation Framework
US	United States (of America)

Appendix C

Explanation of terms

Administrative Arrangements Order

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

Advances/advances paid

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

Agency

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

Appropriation

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

Appropriation Act

Includes an annual *Appropriation Act* or additional *Appropriation Act*.

Assessable borrowings

Assessable borrowings comprise total borrowings less leases.

Australian accounting standards

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

Australian Bureau of Statistics

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

Australian Bureau of Statistics Government Finance Statistics Manual

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

Borrowings

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

Capital grants

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

Capital works

Infrastructure projects involving building and engineering works that create or improve government owned assets, as well as constructing or installing facilities and fixtures associated with and forming an integral part of those works. Refer to Budget Paper No. 4 *The Infrastructure Program* for more information.

Cash and deposits

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

Cash surplus/deficit

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

Central Holding Authority

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

Classifications of functions of government – Australia

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

Commitment

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

Commonwealth Grants Commission

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

Commonwealth own-purpose expenses

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

Comprehensive result

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

Consumer price index

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

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

Contingent liability

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events not wholly in control of the Territory. It also includes present liabilities that arise from past events where it is not probable the Territory will be required to settle the liability, or the amount of the obligation cannot be reliably estimated.

Controllable costs

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

Current grants

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

Debt ceiling

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

Deposits held

Consists of the net increase in cash held by public sector entities as a result of deposits received.

Depreciation and amortisation

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

Doubtful debt

A debt treated as an expected credit loss and for which a provision has been made.

Employee benefits expense

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

Expected credit loss

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

Federation funding agreements

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

Finance lease

Lease agreement whereby the Territory is a lessor (legal owner) and transfers substantially all the risks and benefits relating to ownership of an asset from the lessor to the lessee (party using the asset).

Financial asset

Any asset that is:

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

For this purpose, the 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.

Financial instrument

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

Fiscal aggregate

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

Fiscal balance (net lending/borrowing)

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

General government sector

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

Generally Accepted Accounting Principles

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)

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

Goods and services tax revenue

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

Government business division

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

Government finance statistics

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

Government owned corporation

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

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

Grants

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

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

Gross domestic product

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

Gross state product

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

Guarantee

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

Horizontal fiscal equalisation

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

Household consumption

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

Indemnity

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

Interest expense

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

Intergovernmental Agreement on Federal Financial Relations

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

Inventories

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

Investments, loans and placements

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

Key fiscal indicators

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

Labour force

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

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

Leases

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

Loans

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

Local Jobs Fund

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

Machinery of government

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

Minor new works

Capital projects approved to start in the current financial year relating to improvements to, or construction of, new Territory Government assets totalling $1 million or less. Refer to Budget Paper No. 4 *The Infrastructure Program* for more information.

National partnership agreements

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

National partnership payments

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

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

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

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

Net actuarial gains/losses

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

Net capital

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

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

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

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

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

Net debt

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

Net debt to revenue

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

Net financial liabilities

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

Net financial worth

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

Net operating balance

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

Net worth

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

Non-budget sector entity

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

Non cash

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

Non financial assets

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

Non financial public sector

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

Non-policy variations

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

Northern Territory Project Development Framework

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

Operating result

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

Other economic flows

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

Other operating expenses

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 expenses

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

Own-source revenue

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

Parameters

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

Payables

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

Policy variations

Policy variations represent changes in the Territory's budget that arise from government decisions to implement new or expand existing agency programs and savings, revenue and contingency measures.

Private investment

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

Provisions

Amounts set aside by entities for future payments.

Public consumption

Public consumption includes government expenditure on goods and services (including wages and rents). National consumption is a combination of Commonwealth consumption, defence consumption and consumption by universities. State and local government consumption includes all other public consumption.

Public financial corporations

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

Public investment

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

Public non financial corporations

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

Receivables

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

Repairs and maintenance expenses

Recorded as an operational expense, repairs and maintenance refers to works undertaken to maintain existing government owned assets in working condition or keep an asset functioning at its required capacity. It excludes works that enhance an asset significantly or extends its useful life. Refer to Budget Paper No. 4 *The Infrastructure Program* for more information.

Sale of goods and services

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

Service concession arrangement

A contract effective during the reporting period between a grantor and an operator in which the operator:

- has the right of access to the service concession asset (or assets) to provide public services on behalf of the grantor for a specified period of time
- is responsible for at least some of the management of the public services provided through the asset and does not act merely as an agent on behalf of the grantor
- is compensated for its services over the period of the service concession arrangement.

Specific purpose payments

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

State final demand

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

Statutory bodies

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

Superannuation interest cost

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

Tax equivalents regime

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

Territory-funded expenses

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

Tied revenue

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

Total public sector

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

Transactions

Interactions between two institutional units by mutual agreement or actions within a unit that are analytically useful to treat as transactions.

Treasurer's Advance

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

Unemployment rate

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

Uniform Presentation Framework

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

Untied revenue

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

Wage price index

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

Whole of government financial report

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