

# Overview



# Under Treasurer's Review



Northern Territory Treasury was established at Self Government in 1978. Now, more than 30 years later, Treasury remains committed to promoting sustainable fiscal strength, economic development and improved social wellbeing for Territorians by providing the best

possible analysis, advice and services. In 2008-09 Treasury's continued commitment to the Territory and its development was demonstrated in the high quality outputs of staff in all areas, achievement of our strategic objectives and the maintenance of a well managed and flexible organisation.

The Annual Report satisfies our statutory reporting obligations under the *Public Sector Employment and Management Act*, *Financial Management Act* and *Information Act*, and also provides a detailed report on our performance and achievements in 2008-09 and highlights the nature of our organisation and our strategic priorities for 2009-10.

## Financial Management

The 2009-10 Budget was handed down in May 2009. This proved to be a particularly challenging Budget to frame having regard to the economic and fiscal changes that occurred as a consequence of the global financial crisis. The focus for the 2009-10 Budget was to maintain confidence and protect Territory jobs. The centrepiece of the Budget was an increased commitment to infrastructure, with record infrastructure spending of \$1.3 billion on Territory housing, roads, schools and the community. The Infrastructure Program incorporates the Commonwealth's Stimulus Package, which will bring additional investment of \$350 million over four years to the Territory.

The *Financial Management Act* was amended to facilitate the new Commonwealth funding arrangements as set out in the Intergovernmental Agreement on Federal Financial Relations. Since January 2009, new payment arrangements have been in place for Specific Purpose Payments and National Partnership Agreements whereby payments are made by the Commonwealth Treasury to state and territory treasuries for distribution to relevant line agencies.

As part of the ongoing improvement to the Territory's financial management framework, work continued in 2008-09 on expanding the range of Treasurer's Directions and policy briefs to improve guidance for agencies on resource and infrastructure management, performance and governance practices.

The 2007-08 Treasurer's Annual Financial Report (TAFR), the 2008 Pre-Election Fiscal Outlook Report (PEFO), the 2008-09 Mid-Year Report and the Treasurer's quarterly financial reports were published during the financial year, meeting the Territory's reporting obligations under its own legislation and in line with relevant intergovernmental agreements.

## Economic Management

Treasury provided advice to Government on appropriate regulatory reform measures to improve system reliability and performance following the power failures experienced in Darwin's northern suburbs in late 2008. A new tariff structure to support fiscal responsibility and an electricity reform program were developed to strengthen regulatory oversight.

During 2008-09, in consultation with the Territory Insurance Office (TIO), Treasury commenced a review of the *Territory Insurance Office Act* to streamline the administration of the Act and align existing provisions with those in the *Government Owned Corporations Act*.

Treasury also provided advice and assistance on government commercial projects including the development of Bellamack and Johnston, the proposal to develop the Jetstar Aviation Hub and the implementation of the barramundi licence buyback scheme.

In addition, in 2008-09 Treasury continued to provide advice to Government and agencies on the Territory's economic and social indicators as well as developing a model for population projections in conjunction with Charles Darwin University (CDU).

### Intergovernmental Relations

The 2008-09 year was a watershed year for intergovernmental financial relations, with the agreement by the Council of Australian Governments (COAG) in November 2008 to a new Intergovernmental Agreement on Federal Financial Relations that established a new framework for national agreement in six key areas of health care, education, skills and workforce development, disability, affordable housing and Indigenous reform. The Territory's involvement was managed by Treasury and the Department of the Chief Minister in conjunction with relevant line agencies.

Treasury continued to be involved in the implementation of the COAG National Reform Agenda, to deliver a seamless national economy. Officers from Treasury assisted in the development and negotiation of National Agreements, National Partnership Agreements and Implementation Plans under the Intergovernmental Agreement on Federal Financial Relations.

Extensive submissions were provided to the Commonwealth Grants Commission (CGC) in early 2009 as part of the Commission's 2010 review of state relativities and the recommended distribution of GST revenue between states and territories.

The second Northern Territory Indigenous Expenditure Review was published in September 2008, covering expenditure in the 2006-07 financial year. The report examines the Government's Indigenous-related expenditure and revenue and is the only report of its kind among Australian jurisdictions.

### Revenue Management

In 2008-09 Treasury administered and receipted \$690 million in own-source revenue.

During 2008-09 two new home ownership incentive schemes were implemented: the Commonwealth's temporary increase to the First Home Owner Grant (known as Boost); and Territory's Buildstart scheme. Both schemes will remain in effect until 31 December 2009.

A range of reforms to the Territory's tax systems was implemented by the Territory Revenue Office with changes made to systems, publications and processes. These include revenue measures announced in the 2009-10 Budget and the introduction of nationally harmonised payroll tax provisions including the introduction of the new *Payroll Tax Act*.

The new Act, which rewrites the previous *Pay-roll Tax Act* to harmonise it with the legislation of other states, simplifies payroll tax rules and provides significant compliance cost savings to businesses.

In 2008-09 further enhancements were made to the Territory's electronic payroll tax lodgement and payment system, which enables users to lodge payroll tax returns electronically and facilitates online payment.

### Superannuation

During 2008-09, a cash investment option was introduced in addition to further enhancements to provide Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS) members with greater investment choice and flexibility. As a result, system modifications were implemented, member education seminars were held across the Territory and several publications were updated to incorporate these changes.

The Commonwealth *Anti-Money Laundering and Counter-Terrorism Financing Act*, designed to combat the risk of money laundering and terrorism financing activities, was revised in 2008-09 to incorporate required obligations which came into effect in December 2008. Compliance will continue to be developed in the coming year with the second progress report submitted to Australian Transaction Reports and Analysis Centre (AUSTRAC) in March 2009.

The Commonwealth *Family Law Amendment (De Facto Financial Matters and Other Measures) Act* came into effect on 1 March 2009 and updates the *Family Law Act 1975*.

The amendments provide opposite sex and same sex de facto couples access to the Federal Family Law Courts on matters of property and maintenance, in addition to recognising financial agreements between de facto couples and superannuation splitting (where determined by court proceedings), which previously were only available to legally married couples.

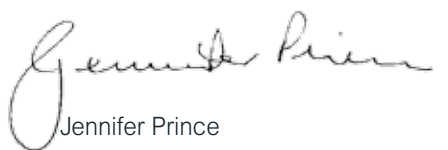
Each of the Government's superannuation schemes was reviewed to ensure it aligned with the changes.

## Making It Happen

In 2008-09 much was achieved in managing the organisation to improve our capability, responsiveness and culture:

- Corporate governance arrangements were improved with a review of the internal control framework, launching Treasury's Conflict of Interest and Personal/Carers Leave policies, a review of information technology (IT) security and improvements to network monitoring and reporting, an Occupational Health and Safety (OH&S) Safety Week and identifying a number of strategies to reduce Treasury's carbon emissions.
- A two-year succession planning initiative, where opportunities are created from the Deputy Under Treasurer level down to middle management roles, commenced in January 2009.
- A continued strategic focus on developing managerial capabilities and leadership, and providing formal training and employment programs.

The credit for Treasury's achievements during 2008-09 is due to the ongoing professionalism and commitment of Treasury staff, whose contribution I acknowledge and thank unreservedly.



Jennifer Prince  
30 September 2009

## Strategic Objectives

### Financial Management

- Successful preparation and publication of the 2009-10 Budget (\$4.2 billion), and the 2009-10 Infrastructure Program (\$1.3 billion) including \$276 million for repairs and maintenance. The Infrastructure Program incorporates the Commonwealth's Stimulus Package bringing investment of \$350 million over four years to the Territory.
- Successful preparation and publication of the 2007-08 TAFR, the 2008 PEFO report, the 2008-09 Mid-Year Report and the Treasurer's quarterly financial reports.
- Amended the *Financial Management Act* to provide for Commonwealth Appropriation, to accommodate revised arrangements for the flow of tied Commonwealth funds to the Territory, following the new Intergovernmental Agreement on Federal Financial Relations.
- Completion of a \$295 million refinancing and new borrowing program.

### Economic Management

- Reviewed key government policies and frameworks, including regulatory arrangements for electricity provision in the Territory, the pricing framework for utilities to ensure sustainable provision, the regulatory framework for the Port of Darwin, and prudential supervision for the TIO.
- Advice and assistance on government projects, including development of Bellamack and commercialisation of aspects of the Territory's integrated land information system.
- Significant involvement in developing the Power and Water Corporation 2008-09 Statement of Corporate Intent and revised funding arrangements for Indigenous Essential Services.
- Updated the Northern Territory population projection model, in conjunction with CDU, to incorporate the latest data.
- Published the Northern Territory Economy budget-related paper, regular economic and social briefings and the monthly Territory Economic Review.

## Intergovernmental Relations

- Key membership of COAG reform agenda working groups on health and aging, productivity, infrastructure, business regulation and competition, housing, climate change and water, and Indigenous reform.
- Provision of policy advice and analysis regarding COAG's federal financial relations reforms encompassing the Intergovernmental Agreement on Federal Financial Relations, National Partnership Agreements, Specific Purpose Payments and associated payments.
- Detailed submissions to the Commonwealth Grants Commission (CGC) on all the main assessment categories under consideration for the 2010 methodology review of state relativities.
- Continued monitoring of changes in the underlying parameters that determine the Territory's GST revenue.
- Publication of the 2006-07 Indigenous Expenditure Review.
- Participated in the development of methodology for the National Indigenous Expenditure Framework.

## Revenue Management

- Development and implementation of 2009-10 revenue budget measures.
- Full implementation of payroll tax harmonisation including the introduction of the new *Payroll Tax Act*.
- Implementation of two new home ownership incentive schemes, namely the Commonwealth's First Home Owner Boost and the Territory's Buildstart scheme.
- Complied with all information requests for the Australia's Future Tax System review and contributed to the Territory Government and Council of Australian Federation (CAF) submissions to the review.
- Ongoing business application developments including substantial progress with Standard Business Reporting (SBR) requirements.
- Investigated the inclusion of other revenue lines administered by the Territory Revenue Office within the Territory Revenue Management electronic Returns (TRMeR) system that enables clients to lodge returns and pay payroll tax online.
- Conversion of all Territory Revenue Office forms to enable completion online before being printed and lodged, to improve ease of use and the quality and legibility of information received.

## Superannuation

- Member investment choice enhancements to provide additional flexibility for NTGPASS members with a new managed cash investment option and investment mixing.
- Options to simplify superannuation scheme arrangements considered and developed.
- Compliance with Commonwealth *Anti-Money Laundering and Counter-Terrorism Financing Act* obligations as it applies to Territory's public sector superannuation schemes substantially met.
- Made necessary scheme amendments to comply with the de facto and same sex couples changes to the *Family Law Act*.

## Managing the Organisation

### Corporate Governance

- The Senior Management Group (SMG) and six corporate governance committees led the organisation.
- Review undertaken of IT security and implemented improvements to network monitoring and reporting.
- Treasury's Energy Management Committee was formed in December 2008, and has identified a number of strategies to reduce Treasury's carbon emissions.

### Treasury People

- Commenced a two year succession planning initiative from the Deputy Under Treasurer role down to middle management roles.
- Continued to focus on developing managerial capabilities and leadership, facilitating professional development for middle and senior managers, and formal training and employment programs.

### Risk Management

- Stocktakes were conducted of Treasury's portable, attractive and home-based assets, as well as Treasury's fixed asset register, with no major discrepancies identified.
- Reviews were undertaken of internal control systems, Treasury's cessation procedures and the Superannuation Office's compliance with anti-money laundering/counter-terrorism financing (AML/CTF).
- Facilitated 10 external audits/reviews in compliance with statutory requirements.

### Corporate Social Responsibility

- Treasury's electricity use has steadied over the past two years with a 39 per cent reduction since 2006-07.
- Paper usage has reduced by 26 per cent since 2006-07, and the number of confidential (for shredding) and paper recycling bins used decreased by 22 per cent from 2007-08.
- Staff supported a number of local community events and national appeals.

### Financial Performance

- Treasury reports an operating surplus of \$2.9 million in 2008-09, an improvement on the Budget estimate of \$1.1 million, following an unbudgeted national partnership receipt from the Commonwealth which will be paid out during 2009-10.
- Income and expenses increased during 2008-09 with the Territory's capital assistance to the Power and Water Corporation and increases in home owner incentive grant schemes.
- Total assets decreased by \$20.1 million in 2008-09 compared with 2007-08, as the subordinated loan with the TIO was extinguished.
- The Central Holding Authority recorded an operating deficit of \$114 million in 2008-09 due to the significant decline in GST revenue (\$158 million) and unrealised losses caused by the global financial crisis to returns on the Conditions of Service Reserve and calculation of higher superannuation liabilities. This was offset by higher mining royalties and changes in Commonwealth funding arrangements.

## Strategic Objectives

### Financial Management

- Continue with ongoing fiscal reforms and improve accountability in line with the Territory's financial management framework.

### Economic Management

- Continue to manage the Territory Government's investments, debt and financing requirements efficiently at a time of volatility in global markets.
- Ensure the Territory maintains an effective and efficient business and regulatory environment that promotes economic development, including meeting national reform commitments.
- Participate in the development and implementation of the Territory's electricity market reform program.
- Continue to develop demographic analysis and forecasting capacity to contribute to whole of government planning for future growth and service enhancement.

### Intergovernmental Relations

- Liaise with the Australian Bureau of Statistics (ABS) to develop a range of strategies to support the ABS in conducting the 2011 Census.
- Maximise the outcome of the CGC's 2010 methodology review for the Northern Territory, including preparation of targeted submissions and participation in relevant forums.
- Actively participate in the implementation and monitoring of federal financial relations reform and provide advice to Northern Territory agencies on specific agreements.
- Contribute to the methodology for a National Indigenous Expenditure Framework.

### Revenue Management

- Review and convert relevant Territory Government fees and charges to revenue units.
- Contribute to the Commonwealth's review of taxation arrangements and benefit payments.
- Continue business system development including the SBR initiative.
- Develop and implement 2010-11 Budget-related revenue options.

### Superannuation

- Progress superannuation scheme simplification to strengthen scheme management into the future.
- Monitor national superannuation reviews and advise on the impact on Territory superannuation arrangements.
- Continue to comply with AML/CTF requirements.

## Managing the Organisation

### Corporate Governance

- Continue the various corporate governance committees to ensure Treasury meets its strategic objectives and operates in accordance with the five corporate governance principles and its corporate values.

### Treasury People

- Continue leadership development and succession planning to strengthen senior management capabilities, providing professional development opportunities and generally broadening skills and expertise.
- Continue to emphasise professional and technical development, including sponsored study, tailored training and participation in professional body activities.

### Risk Management

- Continue to develop and implement Treasury-specific employment programs.
- Implement a control self-assessment program to regularly test internal controls and satisfy compliance audit standards.
- Ensure Treasury meets its external audit requirements.
- Continue to develop and test plans to ensure business continuity, particularly relating to IT and communication systems.

### Corporate Social Responsibility

- Continue to implement initiatives to further reduce Treasury's carbon footprint, including using only 100 per cent recycled paper, recycle bins in kitchens and moving to online newspaper subscriptions.