

Overview

The 2004-05 Budget has been developed in accordance with the *Fiscal Integrity and Transparency Act*, with this Budget Paper meeting the requirements of the *Fiscal Integrity and Transparency Act* by including:

- updated financial projections for the Budget year and following three years;
- economic and other assumptions on which the updated financial projections are based;
- an analysis of the degree to which updated financial projections are likely to be affected by changes in circumstances on which economic and other assumptions are based;
- an overview of estimated tax expenditures for the Budget year and three forward estimate years;
- a statement of the risks, quantified as far as practicable, that could materially affect the updated financial projections, including any contingent liabilities and any Government negotiations that have yet to be finalised;
- an explanation of the factors and considerations that contributed to any material differences between the updated financial projections and the equivalent projections published in the last fiscal outlook report; and
- an explanation of the factors and considerations that contributed to any material differences between the updated financial projections and the expected outcomes for the key fiscal indicators as specified in the Government's fiscal strategy statement.

The Territory Budget is developed on a Uniform Presentation Framework basis, as agreed by all Australian jurisdictions, with a focus on the general government sector.

Fiscal Strategy

This Budget is the Territory's third accrual Budget, with accrual estimates now stabilising, as expected, due to improved understanding of the new framework and accrual systems being refined.

The 2004-05 Fiscal Strategy has been revised with a greater emphasis on accrual, rather than cash, measures and having regard to emerging fiscal pressures.

Three key financial pressures arose during 2003-04:

- the pick up in the economy was slower than anticipated;
- the Commonwealth Grants Commission released its major review of relativities which resulted in the Territory's relative share of the goods and services tax (GST) pool significantly decreasing from 2004-05; and
- significant additional funding increases were identified, particularly in the areas of health, education and community safety.

A detailed discussion of the Fiscal Strategy is presented in Chapter 2 of this paper.

2003-04 Estimated Outcome and 2004-05 Budget

Table 1.1: Estimated Outcomes

	2003-04	2004-05	2005-06	2006-07	2007-08
	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Cash Outcome	34	0	-16	-9	-6
Operating Result	49	-12	-31	-18	-5

On a cash basis, the estimated outcome for 2003-04 is a surplus of \$34 million. However this is due to an additional \$36 million in GST revenue as a direct result of the higher GST collections estimates included, in the Commonwealth Budget released on 11 May 2004. The underlying result is a deficit of \$2 million, consistent with that presented in the 2003-04 Mid Year Report.

For 2004-05, the Government's target of a balanced cash budget is expected to be achieved, again due to the higher GST pool. The Budget is expected to return to deficit in 2005-06 due to continued low growth in GST revenue and escalations in new initiatives approved during 2003-04.

On an accrual basis, the expected net operating result for 2003-04 is a surplus of \$49 million, an improvement of \$47 million from the original Budget announced in May 2003.

For 2004-05, the net operating result is a projected deficit of \$12 million. Currently, the operating deficit is expected to plateau in 2005-06 at \$31 million and then improve from 2006-07. This is consistent with the Fiscal Strategy target to achieve an operating balance within 10 years of when it was first established, that is, by 2012-13.

A full discussion of the movements during 2003-04 and increases for 2004-05, along with a statement of risks, is outlined in Chapter 3 of this paper.

Other Information Presented

Chapter 4 presents Budget Initiatives for 2004-05, according to the Government's key priority areas. Initiatives include revenue, expenditure and capital projects. There is also a more detailed discussion outlining the significant policy and procedural changes for Territory own-source revenue.

Chapter 5 includes a discussion of Commonwealth grants with an emphasis on GST revenue.

Chapter 6 presents information on the Territory's own-source revenue.

Chapter 7 outlines a number of the Government's commercial issues including a discussion of community service obligation payments to government business divisions and dividends and taxes paid by government business divisions.

Chapter 8 presents an overview of the economy, with greater detail provided in the Northern Territory Economy paper.

Chapter 9 provides the financial statements on a sectoral basis, prepared in accordance with the Uniform Presentation Framework.