



NORTHERN TERRITORY

2008-09 Budget



Fiscal and Economic Outlook

BUDGET PAPER NO. 2

Fiscal and Economic Outlook

2008-09

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In this book, the term 'state' or 'states' includes the Australian Capital Territory and the Northern Territory, unless the context indicates otherwise.

Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act*, I certify that the financial projections included in the May 2008 Budget documentation were based on Government decisions that I was aware of or that were made available to me by the Treasurer before 1 May 2008. The projections are presented in accordance with the Uniform Presentation Framework.

Jennifer Prince
Under Treasurer

2 May 2008

Chapter 1 Overview

This Budget Paper presents whole of government financial information and related issues and consolidates information from other Budget Papers. It also meets the requirements of the *Fiscal Integrity and Transparency Act (FITA)* and complies with the Uniform Presentation Framework, as agreed by all Australian jurisdictions.

Fiscal Position and Outlook

Fiscal highlights in the 2008-09 Budget include:

- significant operating surpluses predicted for 2007-08 and all forward years;
- improved fiscal balances trending towards a surplus of \$6 million by 2011-12;
- cash surpluses predicted for all years, building on the five successive surpluses achieved to 2006-07;
- new and expanded expenditure and revenue initiatives, including funding of \$286 million over five years to implement Closing the Gap;
- \$20 million contribution in 2007-08 towards the Territory's future infrastructure and superannuation liabilities;
- record level of infrastructure investment in 2008-09 of \$870 million;
- net debt to revenue ratio to fall to 36 per cent by 2011-12, compared to 67 per cent in 2001-02; and
- net debt plus employee liabilities to revenue ratio to fall to 101 per cent by 2011-12, against 134 per cent in 2001-02.

Tables 1.1 and 1.2 present the Territory's key aggregates at the time of the 2007-08 Budget and the 2008-09 Budget.

Table 1.1: Estimated Outcomes
– General Government

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Operating Result					
2007-08 Budget	29	8	15	38	na
2008-09 Budget	81	111	174	170	163
Fiscal Balance					
2007-08 Budget	- 96	- 41	- 32	- 10	na
2008-09 Budget	- 67	- 81	- 47	- 31	6
Cash Outcome					
2007-08 Budget	- 40	0	17	34	na
2008-09 Budget	5	9	21	37	50

Source: Northern Territory Treasury

Table 1.2: Estimated Outcomes
– Non Financial Public Sector

	2007-08 Estimate	2008-09 Budget	2009-10	2010-11	2011-12
	\$M	\$M	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Net Debt					
2007-08 Budget	1 693	1 748	1 749	1 742	na
2008-09 Budget	1 477	1 578	1 637	1 687	1 676
Net Debt to Revenue (%)					
2007-08 Budget	45	45	44	42	na
2008-09 Budget	37	38	38	38	36
Net Debt + Employee Liabilities					
2007-08 Budget	4 382	4 481	4 537	4 578	na
2008-09 Budget	4 203	4 382	4 510	4 623	4 663
Net Debt + Employee Liabilities to Revenue (%)					
2007-08 Budget	116	115	114	110	na
2008-09 Budget	104	106	104	104	101

Source: Northern Territory Treasury

The general government operating and cash results in this Budget are significantly improved since the 2007-08 Budget, with surpluses estimated for all years. Increases are estimated for most categories of revenue, due to the continuing strength of the Territory and national economy, and additional expenditure has been allocated for both operating and capital purposes. The improvement in the operating result is due to an increasing proportion of additional revenue being allocated for capital rather than operational purposes.

The current cash targets now project a surplus in all years, better than the 2007-08 Budget, and build on the five successive surpluses achieved to 2006-07. This Budget also includes a contribution of \$20 million towards future infrastructure and superannuation requirements.

The fiscal balance represents a more complete measure of the Government's fiscal position as it includes the effect of all operating costs as well as the change in net physical assets. A fiscal balance deficit indicates that capital spending is greater than the depreciation expense, which is consistent with a developing economy such as the Territory. In all years, the additional funds arising from the increased operating result are being applied to additional capital spending rather than reducing net debt. Due to the higher allocation to capital spending, the fiscal balance remains in deficit for four years but is trending towards a surplus of \$6 million in 2011-12. This indicates that the fiscal strategy target of a balance by 2012-13 may be achieved earlier than originally projected.

Net debt for 2007-08 for the non financial public sector has significantly improved since the May 2007 Budget due to the surplus achieved in 2006-07. This also flows through to forward years, with net debt expected to be \$1676 million in 2011-12.

Net debt as a proportion of revenue has also improved, dropping to 36 per cent by 2011-12. This represents a significant reduction from the 67 per cent recorded in 2001-02.

Net debt plus employee liabilities is expected to be \$4663 million by 2011-12, with a ratio to revenue of 101 per cent.

Economic Outlook

Table 1.3: Territory Economic Indicators

Economic prospects are strong in 2008-09 with gross state product (GSP) growth forecast to be 6.6 per cent, underpinned by a substantial increase in exports and solid residential employment and population growth.

	2003-04	2004-05	2005-06	2006-07	2007-08e	2008-09f
	%	%	%	%	%	%
Real GSP	2.0	5.5	5.5	5.6	2.8	6.6
Resident Employment	- 2.9	- 1.3	3.0	5.3	4.8	2.5
Population ¹	0.7	1.6	2.3	2.0	2.2	1.9
Darwin CPI ²	2.1	1.6	2.6	4.4	3.4 ³	3.1

e: estimate; f: forecast

¹ As at December, annual percentage change

² As at December, year on year percentage change

³ Actual Darwin CPI 2007

Economic growth is forecast to strengthen as the contribution from exports increases substantially. A full recovery from the temporary closures of both the Wickham Point liquefied natural gas plant and the Corallina oilfield, as well as significantly higher oil production from the Puffin field, will be the main contributors to export growth in 2008-09. In addition, the production of lead-zinc will increase significantly with the conversion to open cut operations at McArthur River reaching completion. Output of manganese from Bootu Creek and GEMCO, alumina from Alcan and iron ore from the Frances Creek mine will also contribute to strong economic growth in 2008-09.

Resident employment growth of 2.5 per cent is forecast for 2008-09, underpinned by residential construction and work on major projects, and continued migration and tourism growth. The more modest employment growth rate forecast for 2008-09 is in line with the forecast moderation in state final demand growth over the same period.

Population growth is forecast to moderate to 1.9 per cent in 2008, with net interstate migration returning towards longer run averages due to the completion of some major employment generating projects.

Inflation in the Territory is expected to continue to moderate in 2009. Darwin CPI growth of 2.8 per cent is forecast for 2009, down from the 3.1 per cent estimated for 2008. The continued softening of inflationary pressures in 2009 is attributed to interest rate increases, house price growth moderating further and lower crude oil prices relative to 2008.

Wages growth in the Territory is expected to strengthen in 2008 as outcomes of enterprise bargaining agreements flow through to stronger public sector wages growth. In addition, ongoing skilled labour shortages and a tight labour market are expected to flow through to growth in the Territory's Wage Price Index, averaging around 4.0 per cent over the year.

Chapter 2 Fiscal Position and Outlook

Fiscal Outlook

This chapter presents the updated financial projections for 2007-08 through to 2011-12, and an explanation of changes since the May 2007 Budget. It also includes the identification of possible risks to the Territory's Budget and Forward Estimates and the Territory's contingent liabilities, as required by the *Fiscal Integrity and Transparency Act (FITA)*. The key fiscal aggregates for the Territory are presented in Table 2.1.

Table 2.1: Key Fiscal Aggregates

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
GENERAL GOVERNMENT					
Operating Statement					
Revenue	3 678	3 778	3 942	4 062	4 203
Expenses	3 596	3 667	3 767	3 893	4 040
Net Operating Balance	81	111	174	170	163
Net acquisition of non financial assets	148	192	221	200	158
Fiscal Balance	- 67	- 81	- 47	- 31	6
Cashflow Statement					
Operating receipts	3 667	3 784	3 931	4 058	4 187
Operating payments	3 314	3 399	3 502	3 632	3 787
Net capital payments	295	375	408	389	349
Assets acquired under finance leases	33				
Contribution for infrastructure/ superannuation	20				
Cash Surplus	5	9	21	37	50
NON FINANCIAL PUBLIC SECTOR					
Balance Sheet					
Assets	8 226	8 581	8 950	9 339	9 673
Liabilities	5 491	5 635	5 761	5 913	6 003
Net Worth	2 735	2 946	3 189	3 426	3 671
Net Debt	1 477	1 578	1 637	1 687	1 676
Net Debt + Employee Liabilities	4 203	4 382	4 510	4 623	4 663

Source: Northern Territory Treasury

During 2007-08, the Territory's fiscal position in all years has improved significantly. This is primarily due to increased revenue in 2007-08 and estimated for future years with an increasing share of these additional revenues being allocated to capital rather than operating initiatives.

Consistent with this, as shown in Table 2.1, the net operating balance is significantly in surplus in all years. By comparison, the fiscal balance, which adjusts the operating balance by the net investment in capital spending, remains in deficit through much of the forward estimates but is expected to improve to a net surplus of \$6 million by 2011-12. In line with the estimates in the 2007-08 Budget, the fiscal balance deficit is greatest in 2007-08 and 2008-09.

Consistent with other aggregates, the cash targets continue to improve in all forward years, culminating in a projected surplus of \$50 million for 2011-12. For 2007-08, after a contribution of \$20 million towards future infrastructure and superannuation requirements, an underlying cash surplus of \$5 million is predicted, an improvement on the \$40 million deficit projected in May 2007. All other years also show an improved position.

Net debt has also improved since the 2007-08 Budget and is now expected to peak in 2010-11 at \$1687 million before reducing to \$1676 million in 2011-12. The increase through to 2010-11 is largely due to the significant investment of around \$1 billion in capital by the Power and Water Corporation in new and upgraded infrastructure. Despite this increase in absolute terms, when measured as a proportion of revenue, the ratio remains largely constant at between 36 to 38 per cent.

Net debt plus employee liabilities for the non financial public sector is set to increase to \$4663 million in 2011-12. When measured as a proportion of revenue, the ratio is still expected to improve over the forward estimate period from 106 per cent in 2008-09 to 101 per cent in 2011-12.

Table 2.2 sets out the variations in general government estimates for 2007-08 and 2008-09 since the May 2007 Budget.

Table 2.2: Operating and Cash Flow Statements – General Government

	2007-08 Estimate	2008-09 Budget
	\$M	\$M
Operating Result		
2007-08 Budget	29	8
2008-09 Budget	81	111
Variation	52	103
Fiscal Balance		
2007-08 Budget	- 96	- 41
2008-09 Budget	- 67	- 81
Variation	29	- 40
Cash Outcome		
2007-08 Budget	- 40	0
2008-09 Budget	5	9
Variation	45	9

Source: Northern Territory Treasury

The operating result in the general government sector has significantly improved since the original estimates in the 2007-08 Budget for both 2007-08 and 2008-09, with surpluses now forecast of \$81 million and \$111 million respectively. As mentioned previously, this is primarily due to the allocation of additional revenue to capital as well as operating expenses. In 2008-09, there are increasing levels of Commonwealth funding in both GST revenues and for specific purposes, the most significant of which relates to the Strategic Indigenous Housing Infrastructure Program (SIHIP) that will largely be spent on infrastructure investment. This increased level of tied funding from the Commonwealth for capital purposes has the potential to increase volatility in annual outcomes due to timing differences between receipt of the revenue and the associated expenditure. For a small jurisdiction such as the Territory, this volatility has the potential to materially affect the achievement of fiscal targets in any given year.

In contrast to the significantly improved operating position, the fiscal balance deficit shows a smaller improvement in 2007-08 and an increased deficit position in 2008-09. This reflects the increased investment being applied to infrastructure across the Territory in both years and the small differences between accrual and cash movements.

The cash outcome represents an improvement of \$45 million in 2007-08 and \$9 million in 2008-09, compared with that projected in May 2007. The underlying cash outcome of \$5 million in 2007-08 includes a \$20 million contribution towards future infrastructure and superannuation requirements. In 2006-07, \$150 million was set aside for the Territory's superannuation liabilities.

Changes Since May 2007 Budget – General Government

Table 2.3 sets out the material variations in both the fiscal balance and cash estimates for 2007-08 and 2008-09 since the May 2007 Budget.

For both 2007-08 and 2008-09, there have been significant movements in both revenue/receipts and expense/payments.

Table 2.3: Variations to the
Cash Flow and Operating
Statements since May 2007

	2007-08		2008-09	
	Accrual	Cash	Accrual	Cash
	\$M	\$M	\$M	\$M
2007-08 BUDGET	- 95.9	- 40.1	- 40.6	0.3
OPERATING REVENUE/RECEIPTS				
Policy-related				
Stamp duty rates reduction	- 1.0	- 1.0	- 12.0	- 12.0
Payroll tax rate reduction and harmonisation			- 8.9	- 8.9
Subtotal	- 1.0	- 1.0	- 20.9	- 20.9
Non-discretionary				
Taxation	31.7	32.0	41.8	41.8
GST revenue	51.0	51.0	160.0	160.0
Specific purpose payments	195.1	195.1	122.3	122.3
Interest revenue	20.5	20.5	6.9	6.9
Mining royalties	16.2	16.2	11.1	11.1
Agency own-source revenue	15.7	14.9	1.0	0.5
Tax equivalents and dividends	6.8	10.5	8.7	16.6
Other	2.7	3.0	1.8	2.3
Subtotal	339.8	343.3	353.7	361.6
TOTAL OPERATING REVENUE/RECEIPTS	338.8	342.3	332.8	340.7
OPERATING EXPENSES/PAYMENTS				
Policy-related				
Closing The Gap	19.9	19.9	32.8	32.8
New and expanded initiatives	23.2	23.2	47.2	47.2
Contribution to Power and Water infrastructure	66.6	66.6	50.0	50.0
Subtotal	109.7	109.7	130.0	130.0
Non-discretionary				
Transfers of expenditure between years	18.3	18.3	15.3	15.3
Specific purpose payments	171.2	171.2	64.8	64.8
Employee entitlements	8.1	- 22.9	9.6	- 29.2
Interest	9.7	9.7	- 3.1	- 3.1
Depreciation	5.2		8.7	
Treasurer's Advance	- 40.0	- 40.0		
Other	3.8	2.1	4.6	1.8
Subtotal	176.3	138.4	99.9	49.6
TOTAL OPERATING EXPENSES/PAYMENTS	286.0	248.1	229.9	179.6
Net Capital Payments				
Transfer of capital payments between years	- 11.4	- 11.4	14.7	14.7
Specific purpose payments	14.4	14.4	43.9	43.9
Closing the Gap and remote housing	18.0	18.0	30.2	30.2
Capital works cash requirement			70.0	70.0
Sales of assets	9.4	9.4	- 4.6	- 4.6
Depreciation	- 5.2		- 8.7	
Other	- 1.7	- 1.6	- 2.2	- 2.1
TOTAL NET CAPITAL PAYMENTS	23.4	28.8	143.3	152.1
Contributions to infrastructure/superannuation		20.0		
TOTAL EXPENSES/PAYMENTS	309.4	296.9	373.2	331.7
TOTAL VARIATION	29.3	45.4	- 40.4	9.0
2008-09 BUDGET	- 66.6	5.3	- 81.0	9.3

Source: Northern Territory Treasury

General government operating revenue (accrual) has increased from the 2007-08 Budget by \$338.8 million in 2007-08 and \$332.8 million in 2008-09 with consistent increases for cash receipts. The difference between the cash and accrual movements is largely due to the timing of tax equivalents and dividends received from government businesses.

The main revenue-related policy variations include:

- reducing conveyance stamp duty rates and increasing to \$525 000 the property value at which the new maximum rate of 4.95 per cent applies. This measure has an estimated cost of \$12 million in 2008-09 and is effective from 6 May 2008; and
- reducing the payroll tax rate from 6.2 per cent to 5.9 per cent. This measure together with harmonisation measures has an estimated cost of \$8.9 million in 2008-09 and is effective from 1 July 2008.

The main non-discretionary variations to revenue since the May 2007 Budget include:

- upward revision of Territory taxation revenue of \$31.7 million in 2007-08 and \$41.8 million in 2008-09 due to continuing high levels of economic activity. This is offset by Government's measure to reduce the payroll tax rate and stamp duty on conveyances;
- additional GST revenue of \$51 million in 2007-08 and \$160 million in 2008-09 to reflect increased Commonwealth estimates of national GST collections and the Northern Territory's increased share of national population arising from the 2006 Census. These factors flow through to all forward years. GST revenue in 2008-09 has further increased as a result of the Northern Territory's 2008 relativity as assessed by the Commonwealth Grants Commission;
- increased specific purpose payments (SPPs) of \$195.1 million in 2007-08 and \$122.3 million in 2008-09 as shown in Table 2.4;
- increased interest revenue of \$20.5 million in 2007-08 and \$6.9 million in 2008-09 due to higher cash holdings across government and interest rate rises in 2007-08;
- increased mining royalty revenue of \$16.2 million in 2007-08 and \$11.1 million in 2008-09 due to increased mining production and commodity prices;
- increases in agency revenue across all agencies, largely linked to increased expenditure commitments; and
- increases in tax equivalents reflecting anticipated improved performance by government business divisions (GBDs) and government owned corporations (GOC), largely related to the Power and Water Corporation, partly offset by reduced dividends, mainly the result of a dividend moratorium provided to the Power and Water Corporation for 2007-08 and 2008-09 to facilitate additional capital investment.

Table 2.4: Growth in SPP Funding

	2007-08	2008-09
	\$M	\$M
Northern Territory Emergency Response	75.4	14.9
Indigenous housing	9.0	41.5
Health	38.5	21.1
Education	54.4	17.4
Other	17.8	27.4
Total Increase	195.1	122.3

Source: Northern Territory Treasury

General government expenses (accrual) have increased by \$286 million in 2007-08 and \$229.9 million in 2008-09, with payments (cash) increasing by \$248.1 million in 2007-08 and \$179.6 million in 2008-09. The variance between the cash and accrual movements are predominantly due to superannuation costs and depreciation.

The main expenditure-related policy variations include:

- the Territory Government's commitment to Closing the Gap initiatives as part of the \$286 million approved for the next five years;
- funding for new and expanded Cabinet decisions including:
 - public safety, to include Safer Streets, digital radio network, antisocial behaviour and increased correctional services initiatives;
 - health, to include patient assistance travel;
 - education, to include special needs funding;
 - climate change, air quality and bushfires funding aimed at protecting the environment; and
 - additional funding for new local government shires; and
- funding to the Power and Water Corporation of \$66.6 million in 2007-08, including \$16.6 million to complete the undergrounding of powerlines for Millner and Rapid Creek and \$50 million in both years to contribute to the Power and Water Corporation's infrastructure program.

Further information on the policy initiatives included in the Budget is provided in Chapter 4 of this Budget Paper.

The key non-discretionary variations are:

- transfers of expenditure between years of \$18.3 million for 2007-08 and \$15.3 million from 2007-08 into 2008-09, largely related to the delivery of Commonwealth-funded programs;
- matching expenditure requirements for SPPs, have increased in line with revenue, with some timing differences between years;
- lower cash outlays for both years reflect agreement being reached with the Commonwealth earlier than expected on additional Commonwealth Superannuation Scheme costs, resulting in the bringing forward of superannuation benefit payments to 2006-07 from 2007-08 and 2008-09. The increased accrual expenses relate to improving mortality rates affecting the superannuation liability; and
- additional depreciation in 2008-09 due to the recognition of completed infrastructure assets.

In addition to the above operating expense/payment variations, there have been some variations to net capital spending. The key variations are:

- transfer of capital payments between years largely related to the timing of delivery of Commonwealth funded programs;
- capital payments related to increased SPPs from the Commonwealth;
- policy decisions affecting capital payments of \$18 million in 2007-08 and \$30.2 million in 2008-09, largely to upgrade schools and construct housing in remote areas as part of Closing the Gap;
- an increase in capital works cash requirement of \$70 million in 2008-09 reflecting the significant infrastructure program in 2008-09; and

- revised sale of asset estimates across agencies with the remainder of receipts for Little Mindil now expected in 2008-09 and a change in accounting treatment for the recognition of land sales by the Land Development Corporation.

The cash movement in 2007-08 incorporates \$20 million that has been set aside for future infrastructure and superannuation requirements.

Further information on the Territory's Infrastructure Program can be found in *Budget Paper No. 4*.

2008-09 Budget and 2009-10 to 2011-12 Forward Estimates

Basis of Forward Estimates

In accordance with the FITA, five years of estimates are maintained and used by Government, both as a planning and an operational tool. This provides the framework within which agencies plan and also provides the basis for the Government's fiscal strategy.

Agency forward estimates vary in line with the application of parameters (inflators and deflators) to the budget year on a no policy change basis. New policy decisions 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 estimates are:

- wages – inflator;
- Consumer Price Index (CPI) – inflator; and
- efficiency dividend – deflator.

Recently a number of new public sector wage agreements have been renegotiated. These agreements, including the general agreement, have resulted in a 4 per cent wage increase for 2008-09 and 3 per cent in 2009-10. Accordingly, the wage inflator applied is 4 per cent in 2008-09 with 3 per cent in all forward years for employee costs.

For 2008-09, a CPI factor of 3.4 per cent is applied to operational costs, being CPI growth in calendar year 2007 compared with calendar year 2006. Although it is recognised that there will be timing differences between the CPI factor used for budget purposes and CPI in the budget year, the method adopted provides for reliability and predictability for agencies and produces more stable outcomes over time. An estimate of 2.5 per cent is used for CPI over the forward estimates period.

An efficiency dividend is applied to operational and employee costs premised on agencies improving processes and delivering services more efficiently, as is the case with private sector enterprises. For key service delivery agencies with fixed staffing costs (police, health, education and correctional services), one-quarter of the dividend is applied.

An efficiency dividend of 3 per cent has been applied in 2008-09, 2 per cent in 2009-10 and 1 per cent in 2010-11 and 2011-12.

A composite factor based on 75 per cent of the wages factor and 25 per cent of the CPI-based operational factor is applied to grants. Efficiency dividends are not applied to grants.

General Government Sector Operating and Cash Flow Forward Estimates

The following section outlines the growth in the forward estimates for components of the Operating Statement and Cash Flow Statement.

Operating Revenue and Receipts

Table 2.5 provides a breakdown of operating revenue and receipts for 2008-09 to 2011-12.

Table 2.5: Operating Revenue and Receipts – General Government

	2008-09	2009-10	2010-11	2011-12
	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M
Revenue				
Taxation revenue	400	408	426	446
Current grants	2 870	2 957	3 046	3 177
Capital grants	166	239	256	233
Sales of goods and services	131	136	137	139
Interest income	45	46	46	46
Dividend and income tax equivalent income	47	34	29	40
Mining royalties income	88	92	92	92
Other	31	30	30	30
Total Revenue	3 778	3 942	4 062	4 203
Year on year percentage increase (%)	3	4	3	3
Receipts				
Taxes received	400	408	426	446
Receipts from sales of goods and services	132	137	138	140
Grants and subsidies received	3 036	3 196	3 302	3 410
Interest receipts	45	46	46	46
Dividends and income tax equivalents	59	32	32	31
Mining royalties received	88	92	92	92
Other receipts	23	21	21	21
Sales of non financial assets	72	62	64	68
Total Receipts	3 855	3 994	4 121	4 254
Year on year percentage increase (%)	5	4	3	3

Source: Northern Territory Treasury

Total operating revenue and total receipts are projected to grow at an average of 3.5 per cent over the forward estimates period, with revenue from the Commonwealth growing at an average of 4 per cent and the Territory's own-source revenue increasing at around 2.25 per cent.

Taxation revenue is the most significant component of the Territory's own-source revenue and is expected to grow by an average of 3.9 per cent over the forward estimates period. This growth is the result of continued increases in economic activity and population growth, offset by the Government's commitment to payroll tax and stamp duty reductions and reforms. Further information on the Territory Government's tax reform initiatives can be found in Chapters 4 and 6 of this Budget Paper.

The majority of the Territory's revenue is from the Commonwealth in the form of GST revenue (around 64 per cent) and SPPs (around 17 per cent). Therefore, the greatest exposure to the Territory's budget and forward estimates is the volatility of GST revenue. This risk is discussed later in the chapter, and in Chapter 5 of this Budget Paper.

The average increase in grants and subsidies revenue from the Commonwealth over the forward estimate period of 4 per cent is due predominantly to an expected growth in GST revenue of 5 per cent. This growth in GST largely reflects an upward revision to relativities as assessed by the Commonwealth Grants Commission in its 2008 Update, together with anticipated growth in the GST pool and the Territory's population, based on latest estimates provided by the Commonwealth. This growth in GST revenue is slightly offset by a decline in SPPs of less than 1 per cent per annum.

The decline in SPPs over the forward estimates is traditionally higher at around 4-5 per cent per annum as many of these agreements are for fixed periods and are not included in the forward estimates beyond the life of the agreement. The smaller decline over the forward estimates is mainly attributed to the increase in capital SPPs and in particular SIHIP, which will provide new and upgraded housing in remote communities across the Territory over the next five years.

During each budget year, there are significant changes in SPP estimates as agreements are finalised. These adjustments tend not to affect the fiscal outcome as increases in revenue are generally matched by a corresponding increase in expenditure. However, timing differences may eventuate between years that introduce a degree of volatility affecting actual outcomes, as mentioned previously in this chapter. As part of the reforms of Commonwealth-State financial relations, the structure and financial arrangements of SPP are currently being reviewed by the Council of Australian Governments. This, together with further commentary on SPPs, is discussed in Chapter 5 of this Budget Paper.

Other own-source revenue is collected from a number of sources to include sales of goods and services, interest, revenue from government trading entities and mining royalties. Both sales of goods and services and interest are projected to marginally increase over the forward years.

Revenue from government trading enterprises is expected to decrease by 5 per cent over the forward estimates, due largely to anticipated reductions in dividends from the Power and Water Corporation associated with its significant capital investment program.

The balance of own-source revenue is mainly collected from mining royalties, which is expected to increase by an average of 1.5 per cent over the forward estimates to \$92 million by 2011-12. This increase is lower than projected at the time of the Mid-Year Report due in part to the effect of the Australian dollar exchange rate on mining profits. Further analysis of the effect of changing exchange rates on mining royalties is provided in the Statement of Risks section of this chapter.

The Cash Flow Statement also includes capital receipts. These are largely sales of vehicles and land and are at more usual levels in 2009-10 and 2010-11. However, in 2008-09 and 2011-12, higher receipts are expected in line with increased land development, including light industrial land sales in 2011-12 and the next stage of the residential component of the Darwin Waterfront.

Operating Expenses and Payments

Table 2.6 shows general government sector operating expenses and payments for 2008-09 and forward years.

Table 2.6: Operating Expenses and Payments – General Government

	2008-09	2009-10	2010-11	2011-12
	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M
Expenses				
Employee expenses	1 345	1 390	1 438	1 487
Superannuation expenses	252	254	257	259
Depreciation and amortisation	183	187	189	192
Other operating expenses	948	1 025	1 109	1 181
Interest expenses	138	141	143	146
Current grants	570	561	553	565
Capital grants	163	138	132	136
Subsidies and personal benefit payments	68	72	73	75
Total Expenses	3 667	3 767	3 893	4 040
Year on year percentage increase (%)	2	3	3	4
Payments				
Payments for employees	1 511	1 567	1 625	1 688
Payments for goods and services	948	1 024	1 106	1 178
Grants and subsidies paid	802	771	757	776
Interest paid	138	141	143	146
Purchases of non financial assets	447	469	453	418
Total Payments	3 846	3 972	4 084	4 206
Year on year percentage increase (%)	5	3	3	3

Source: Northern Territory Treasury

Operating expenses and total payments are expected to grow at an average of 3.25 per cent over the forward estimates period, slightly lower than revenue growth, resulting in continuing surpluses in both the Operating and Cash Flow Statements over the forward estimates period.

A small part of the growth over the forward estimates is attributed to the inclusion of a minimal contingency allowance in all forward estimate years.

The inclusion of a contingency allowance is consistent with practices in other states and territories and represents an allowance, included in aggregate expenses, for:

- unexpected events that may occur in future years;
- costs of new policy decisions rising on implementation;
- commercial-in-confidence items that cannot be separately disclosed;
- decisions made too late for inclusion against individual agency estimates; and
- the provision for events and pressures that can be reasonably expected to affect budget estimates without having to re-set fiscal targets.

Over the forward estimates period, employee expenses are estimated to increase, on average, by 3.4 per cent per annum. This reflects superannuation expenses, benefit payments and wages growth in agencies offset by the efficiency dividend.

Agencies will be required to manage their forward estimates to ensure that efficiency dividends are achieved.

Underlying growth in other operating expenses continues to grow marginally due to the contingency allowance included and the CPI inflator included in agency budgets, offset by the efficiency dividend.

There is minimal growth estimated in current and capital grants, or grants and subsidies paid, reflecting both the level of SPPs from the Commonwealth, which is slightly declining over the forward period and the fact that capital SPPs are largely spent on infrastructure rather than on operational items. This decline in SPPs over the forward years is offset by the application of parameters to Territory-funded grants.

As with receipts, the Cash Flow Statement includes capital payments. This element of the Cash Flow Statement is expected to remain high across the forward estimates, with a peak in 2009-10 due to the anticipated significant spending on multi-year infrastructure projects in that year, to include Indigenous housing and roads such as Tiger Brennan Drive and the Victoria Highway.

Balance Sheet – Non Financial Public Sector

Table 2.7: Balance Sheet –
Non Financial Public Sector

Table 2.7 provides a summary of assets, liabilities and balance sheet measures for the non financial public sector.

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Outcome	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M	\$M
Total Assets	7 944	8 226	8 581	8 950	9 339	9 673
Financial Assets	1 516	1 515	1 504	1 536	1 604	1 688
Non Financial Assets	6 428	6 710	7 077	7 414	7 735	7 985
Total Liabilities	5 225	5 491	5 635	5 761	5 913	6 003
Net Worth	2 719	2 735	2 946	3 189	3 426	3 671
Net Debt	1 413	1 477	1 578	1 637	1 687	1 676
Net Debt to Revenue (%)	39	37	38	38	38	36
Net Debt + Employee Liabilities	3 908	4 203	4 382	4 510	4 623	4 663
Net Debt + Employee Liabilities to Revenue (%)	106	104	106	104	104	101

Source: Northern Territory Treasury

Net Worth

Since the 2007-08 Budget, projected net worth for the non financial public sector has risen in all forward years.

The improving trend over 2007-08 and the forward years is due to:

- cash surpluses in all years for general government;
- increases in the projected net worth of government trading entities; and
- projected increases in the value of the Territory's financial assets.

Since the introduction of accrual accounting in 2002-03, the Territory's net worth has risen in successive years to \$2719 million in 2006-07 (actual outcomes). This is largely the result of continued improvement in the valuation of the Territory's assets

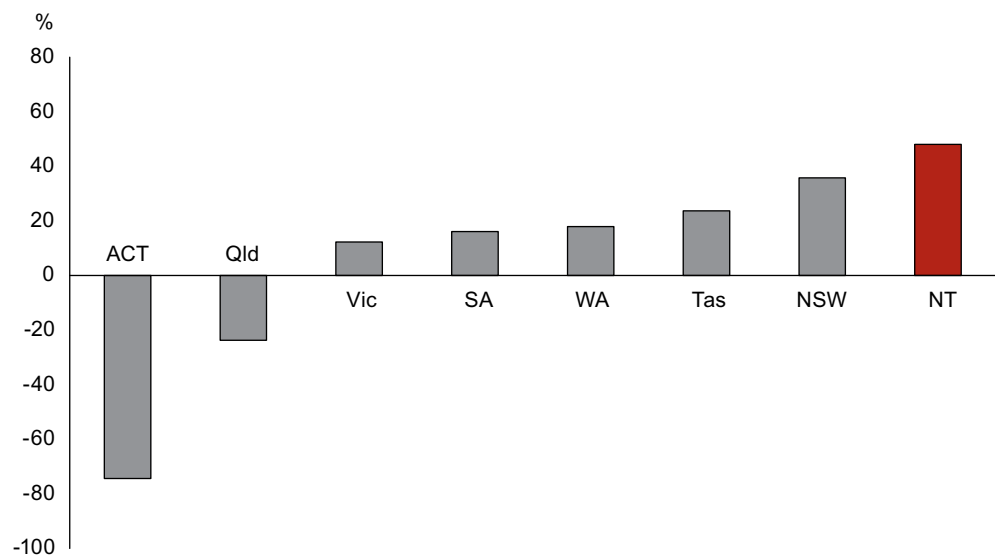
base as assessed by the Australian Valuation Office, together with successive cash surpluses in the general government sector.

Further valuation improvements on the Territory's asset base have not been factored into the forward estimates. However, due to improved cash surpluses and investment in infrastructure, net worth is expected to reach \$3671 million by 2011-12.

Net Debt

The Territory is still a developing economy compared with other states and territories and, as a result, the Territory's current level of debt is relatively higher than other states and territories. This is highlighted in Chart 2.1, which shows the Territory's net debt as a proportion of revenue against the states' 2006-07 outcomes. A further chart comparing net debt to revenue over time is provided in Chapter 3 of this Budget Paper.

Chart 2.1: State and Territory Net Debt to Revenue – Non Financial Public Sector 2006-07 Outcomes



Source: State and territory outcome reports

Net debt for the non financial public sector is projected to peak in 2010-11 at \$1687 million. The increase through to 2010-11 is largely due to the significant investment of around \$1 billion in capital by the Power and Water Corporation over the forward years. Net debt is then expected to reduce in 2011-12 to \$1676 million. All forward estimates are nevertheless below the 2001-02 level of \$1753 million. When measured as a proportion of revenue, the ratio remains largely constant over the forward years at between 36 to 38 per cent, a significant improvement on the 2001-02 level of 67 per cent.

Net debt plus employee liabilities is a broader measure than net debt in that it encompasses unfunded employee entitlements, consisting largely of unfunded superannuation, which is a major liability for the Territory and most states. Over the forward estimate period, net debt plus employee liabilities is projected to increase to \$4663 million in 2011-12 for the non financial public sector.

Although increasing in absolute terms, when measured as a proportion of revenue, net debt plus employee liabilities for the non financial public sector will continue to fall over the forward estimates period from 106 per cent in 2008-09 to 101 per cent in 2011-12, representing a significant reduction from the 134 per cent recorded in 2001-02.

Statement of Risks

Further analysis of net debt and net debt plus employee liabilities is provided in Chapter 3 of this Budget Paper.

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

This statement outlines the potential effect of risks to the Budget due to changes in revenue and expense estimates and the likelihood of contingent liabilities becoming actual liabilities.

GST Revenue

Revenue

The largest risk to the Territory’s forward estimates is variations in GST revenue. As GST revenue accounts for almost two-thirds of the Territory’s total revenue, changes in estimates have a significant effect on the Government’s funding capacity and budget outcome.

The estimation of GST revenue in any year is difficult, due to volatility in the variables that determine the distribution of GST among the states and particularly should adverse economic conditions arise. Each of the variables is provided below, with the risk to these components discussed.

- National GST revenue collections – the estimates for GST revenue collections for 2008-09 to 2010-11 are based on the most recent published advice from the Commonwealth. Growth in collections of 7.2 per cent and 5.3 per cent is forecast in 2008-09 and 2009-10 respectively. The impact of a 1 per cent variation from these forecasts is estimated at $\pm\$21$ million in 2008-09 and $\pm\$22$ million in 2009-10. If a variation of this size occurred in both years, the impact would be $\pm\$44$ million, with the potential to rise to $\pm\$100$ million by 2011-12.
- Territory’s share of national population – population estimates to 2010-11 are based on Commonwealth projections. The effect of a 1 per cent variation in the Commonwealth’s population forecasts is estimated at $\pm\$24$ million in 2008-09 and $\pm\$25$ million in 2009-10. If a variation of this size were to occur in both years, the effect would be $\pm\$50$ million and could rise to $\pm\$112$ million by 2011-12.
- Territory’s per capita relativity as assessed by the Commonwealth Grants Commission (the Commission) – the Territory’s per capita relativity for 2007-08 is 4.51835. Neither the Commonwealth nor the Commission provide estimates of future relativities, therefore, considering the potential for both upside and downside movement, the Territory has presumed the 2008 Update relativities will remain constant over the forward estimates. The Commission is undertaking a major review of State Revenue Sharing Relativities in 2010 and this represents a considerable risk to the Territory from 2010-11.

The Commission’s Terms of Reference require it to simplify the methodology which will make the likely outcome more uncertain than previous reviews. Considering this uncertainty, there is potential scope for significant downside or upside movement in the Territory’s relativity. The approximate effect of a 1 per cent variation in relativity estimates is $\pm\$25$ million, with a cumulative effect to 2011-12 of $\pm\$84$ million.

It is important to note that changes to these variables can be either positive or negative and, if taken together, by 2010-11 could result in variations as high as

\$295 million. This is unlikely to occur, as all three components would need to vary by 1 per cent per annum and in the same direction; however it demonstrates the inherent volatility in the estimates.

A more detailed discussion of GST revenue is presented in Chapter 5 of this Budget Paper.

Other Commonwealth Grants and Subsidies

Specific purpose payment (SPP) agreements have historically posed risks to state budgets in several ways. However the reforms to Commonwealth-State financial relations by the Council of Australian Governments (COAG) are likely to reduce the risks in relation to the major SPPs in areas such as health, education, vocational education and training, housing and disability services. However, inadequate indexation will remain a key risk under the new arrangements.

Risks to the Territory may still exist in relation to National Partnership Payments (NPPs) due to issues surrounding co-investment costs, input controls, inadequate indexation and raised community expectation following the expiration of agreements due to the provision of seed funding.

The risks related to SPPs and NPPs cannot be quantified.

Own-Source Revenue

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

It is difficult to accurately predict revenue collections into the future, particularly for the later years of the forward estimates. The most difficult source of revenue to forecast is conveyance stamp duty, as it is linked to activity in the property market, which can be volatile. The Northern Territory property market has experienced unusually high activity since 2003-04 and this has been a major contributor to increased stamp duty collections. Although there is evidence that the growth in activity levels in the residential property market has eased, the extent and timing of any drop in activity is difficult to predict and could have a significant impact on conveyance stamp duty collections.

Forecasting mineral royalty revenue is also difficult because it is influenced by a number of factors, but predominantly mineral price, production levels and exchange rate conditions. For example, strong growth in mineral prices since 2004-05 has been the main contributor to increased mineral royalty collections. The mineral royalty forecast is based on the assumption that current market conditions will be maintained into the future. In this regard, market changes in mineral prices or exchange rates will have a material impact on the forecast. For example an Australian dollar to US dollar exchange rate change of 1 Australian cent will impact on annual royalty collections by approximately \$1.6 million, at current exchange rates and assuming there are no changes in other market and production conditions.

In total, a variation of ± 1 per cent to the parameters used to forecast Territory taxes and royalties would affect revenue by about \$4.9 million for 2008-09.

Expenses

The forward estimates for expenses are based on known policy decisions, with adjustments for parameters.

The parameters for wages growth in all forward years is 3 per cent with CPI of 2.5 per cent. The efficiency dividend is 2 per cent in 2009-10 and 1 per cent in 2010-11 and 2011-12.

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

A further risk is in relation to any future enterprise bargaining agreements.

The outcome of future enterprise bargaining agreements over and above amounts currently factored into the forward estimates increases budgetary pressures.

The Darwin Waterfront project presents a risk to the expense estimates in as far as interest rate fluctuations affect the payments over the life of the public private partnership agreement. This risk is not expected to be significant and will be reassessed each year.

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

Contingent Liabilities

A contingent liability is a liability that the Government may be called on to meet at some future date if a specified event should occur. Contingent liabilities of the Territory may arise out of a range of circumstances, the most common of which are indemnities and guarantees contained in agreements executed by the Territory. Contingent liabilities may also arise as a result of undertakings made by the Territory or as a result of legislation containing a guarantee or indemnity.

Contingent liabilities have the potential to materially affect the Budget due to the likelihood of an actual liability arising. As such, where possible, the potential outcome of an actual liability should be quantified. Details of estimated amounts of material contingent liabilities as at 30 June 2007 resulting from guarantees or indemnities granted by the Territory are presented in Table 2.8.

Table 2.8: Material Quantifiable Contingent Liabilities

	Estimated Quantifiable Contingent Liability as at 30 June 2007
	\$M NPV ¹
Amadeus Basin to Darwin Gas Pipeline	43
Pine Creek/McArthur River Electricity Purchase Agreements	80
Public Trustee Common Funds	35

¹ Future values discounted at a nominal 7.5 per cent discount rate.

Source: Northern Territory Treasury

Material contingent liabilities of the Territory are defined as guarantees and indemnities with potential exposure greater than \$5 million and are disclosed in annual financial statements of the Territory in accordance with Australian Accounting Standards requirements. Quantifiable and unquantifiable material contingent liabilities of the Territory are outlined below.

Electricity, Gas and Water Supply

Quantifiable Contingent Liabilities

These contingent liabilities result from arrangements for the purchase and transportation of gas, and the purchase and sale of electricity by and for the Power and Water Corporation. Material contingent liabilities relating to these arrangements are reported below.

The Power and Water Corporation has been a government owned corporation (GOC) since 1 July 2002. Under the *Government Owned Corporations Act*, a GOC is not within the shield of the Crown and the obligations of a GOC are not guaranteed by the Territory except where the Treasurer specifically agrees to this. The following Territory commitments were given prior to the Power and Water Corporation (formerly the Power and Water Authority) becoming a GOC and will remain in place until the relevant contractual arrangements cease.

Amadeus Basin to Darwin Gas Pipeline

The Territory has indemnified the financiers of the Amadeus Basin to Darwin Gas Pipeline Lease in relation to the residual value of the pipeline to be paid by the Power and Water Corporation on expiry or termination of the pipeline lease agreement.

Electricity and Gas Supply to Pine Creek and McArthur River

The Power and Water Corporation has entered into agreements for the provision of gas and wholesale supply of electricity for the Pine Creek region and the McArthur River Mine. The agreement for the supply of gas contains three indemnities relating to the Power and Water Corporation supplying non-conforming gas.

Although the Corporation's contingent liability is unquantifiable, a major portion of the value of the contingent liability is the cost of overhauling turbine machinery, owned by the electricity producers, damaged by the provision of non-conforming gas. The Territory's maximum exposure is equivalent to the net present value of lease and operating charges under the purchase agreements.

Under the Power and Water Corporation's current operating practices, the contingent events relating to each of the above indemnities are within the Corporation's control and are expected to be avoidable.

Statutory Contingent Liabilities

Public Trustee Act

Under section 97 of the *Public Trustee Act*, the Treasurer indemnifies the Common Funds against any deficiencies in money available to meet claims on it. The Common Funds are a repository for all moneys received by the Public Trustee on behalf of estates, trusts or persons, and earns interest. Money to the credit of the Common Funds is invested according to the directions issued by an Investment Board.

Although a material statutory contingent liability exists, the prospect of this contingent liability being called upon is considered negligible.

Unquantifiable Contingent Liabilities

Unquantifiable contingent liabilities exist which could pose a risk to the Government's financial projections.

Transport The Territory also has contingent liabilities in this category that relate to indemnities and guarantees that have been provided in support of the Adelaide to Darwin railway project.

The AustralAsia Railway Corporation (AARC) and the Northern Territory and South Australian governments have 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 project relate to the following:

- joint guarantee of the obligations of the AARC;
- indemnities granted in relation to title over the railway corridor (title is secure but the indemnity continues);
- agreement to compensate in the case of early termination of the project (where a termination event is caused by the Territory); and
- indemnities in favour of the Commonwealth for its financial contribution.

The Darwin Port Corporation has leased facilities at the Darwin Port to Asia Pacific Transport Pty Ltd, interfacing the port and the railway. There are contingent liabilities which arise out of the performance of the facilities.

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

The Northern Territory Government has entered into agreements for the relocation of fuel terminals from near the Darwin central business district to the East Arm industrial estate. The agreements provide for certain unquantifiable contingent liabilities to be provided to the developer of the new fuel terminal and an oil company. Government has put in place comprehensive risk management processes to address potential exposure.

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 and indemnities provided to medical professionals requested to give expert advice on inquiries before the Medical Board. Indemnities have also previously been granted to midwives.

Although the 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.

Government Administration Where the Territory has invited the participation of private sector persons and Government officers on boards of government owned or funded companies or corporations, the Territory may grant an indemnity to board members, which covers them for any losses that may result from good faith actions if indemnity is not already contained in legislation establishing the board. This indemnity is generally consistent with the 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 policy of self insurance.

The resulting contingent liabilities are considered low risk as board members are professionals selected on the basis of 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 the indemnities, the Government 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 may not always be low risk, depending on the activity undertaken, the Territory's financial exposure is no greater than would have been the case without funding or sponsorship assistance.

The Government has indemnified private sector insurers providing workers' compensation insurance in the Territory. The indemnity covers insurers for losses which may arise as a result of acts of terrorism. It is considered unlikely that the indemnity will be called, notwithstanding that the consequence in terms of financial exposure, should the indemnity be called, is potentially significant.

The Territory Government generally self insures its insurable risk. The size of the Government budget, coupled with the spread of risk, the small size and high degree of centralisation of Government activities, have been considerations in determining that self insurance is appropriate. Government's primary exposure is to natural disaster risks that are outside Government control, for example, cyclones. In previous years, where catastrophic natural disasters result in major loss, the Commonwealth provided assistance, even beyond the terms of the Natural Disaster Relief and Recovery Arrangements.

Finance 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. These indemnities are considered not to involve significant risk.

Property and Business Services Agreements for leases or licences of property, plant or equipment generally contain standard indemnity provisions covering the lessor or licensor for any losses suffered as a result of the lease or licence arrangement. These indemnities are considered not to involve significant risk.

There are risks in relation to the Darwin Waterfront project that may result in payments being made by the Territory. These risks relate to discriminatory changes in law, native title and environmental clean-up costs. The amount of these risks is unable to be estimated accurately, but provision has been made in the forward estimates for environmental clean-up costs and it is within the Territory's discretion whether to make a discriminatory change in law.

Negotiations Not Yet Finalised Negotiations not yet finalised have the capacity to materially affect the updated financial projections and have the potential to affect revenues and expenses, as well as the Balance Sheet.

Legal Proceedings Like negotiations not yet finalised, the outcome of legal proceedings brought by and against the Government also have the potential to affect actual Budget outcomes in current and future years.

Chapter 3 Fiscal Strategy

Overview

This chapter outlines the Territory Government's fiscal strategy, including medium-term fiscal objectives and financial targets. The fiscal strategy provides a sound financial management framework to ensure sustainable service provision, continued capital investment, reducing debt levels and a competitive tax environment that supports economic growth.

The 2008-09 Fiscal Strategy and targets are consistent with those set out in the 2007-08 Budget, however the updated estimates for 2008-09 and the forward years reflect improvements when compared with the 2007-08 estimates. A limited revenue base and high expenditure requirements make the Northern Territory markedly different to other Australian jurisdictions and therefore a strong financial position and fiscal discipline are paramount for the Territory.

The Government's medium-term fiscal objectives and projected achievements against targets are:

- **Sustainable Service Provision**

Target: General government net operating balance by 2012-13.

Assessment: Operating surplus estimated for all years from 2007-08 to 2011-12.

- **Infrastructure for Economic and Community Development**

Target: Maintain infrastructure investment at appropriate levels and achieve a general government fiscal balance by 2012-13.

Assessment: Record infrastructure spending in 2008-09 and continuing high levels over all forward years to 2011-12.

Assessment: Fiscal balance continues on a trend of improvement with a net surplus of \$6 million estimated for 2011-12, a year prior to the target year.

- **Competitive Tax Environment**

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

Assessment: Taxation revenue per capita is \$1848 in 2008-09. The second lowest, after Tasmania, and significantly lower than the average of the states at \$2624.

- **Prudent Management of Liabilities**

Target: Net debt plus employee liabilities as a proportion of total revenue to fall.

Assessment: Net debt plus employee liabilities to revenue ratio continues to fall over the forward estimates and is projected to be 101 per cent by 2011-12.

Fiscal Principles

The *Fiscal Integrity and Transparency Act* (FITA) requires the Treasurer to deliver a fiscal strategy statement at the time of each Budget which specifies the Government's medium-term fiscal objectives and key financial targets. Under the FITA, the fiscal strategy statement must be based on principles of sound fiscal management to:

- formulate and apply spending and taxation policies having regard to the effect of these policies on employment, economic prosperity and the development of the Territory economy;

- formulate and apply spending and taxing policies so as to give rise to a reasonable degree of stability and predictability;
- ensure that funding for current services is provided by the current generation; and
- 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.

Sustainable Service Provision – Target: General Government Net Operating Balance by 2012-13

The net operating balance for 2007-08 and all forward years has significantly improved since the 2007-08 Budget with surpluses being estimated for all years. Increases are estimated for most revenue categories and additional expenditure has been allocated for both operating and capital purposes. The improvement in the net operating balance is due to the increasing allocation of additional revenue for capital rather than operating purposes.

The continuing strength of the Territory and the national economy during 2007-08 has led to an upward revision to own-source revenue, particularly for mining royalties and stamp duty on conveyancing as well as higher goods and services tax (GST) revenue. There has also been an increase in Specific Purpose Payments (SPP) revenue due to finalisation of agreements with the Commonwealth in respect of strategic Indigenous housing initiatives as well as specific programs in health, community safety and education.

These revenue increases have been partially offset by new initiatives introduced since the 2007-08 Budget, including the Territory's Closing the Gap commitments, as summarised in Chapter 4 of this Budget Paper.

A strong operating result is essential to achieve Government's objective for a positive fiscal balance as it provides capacity to invest in infrastructure without the need for additional borrowing.

Table 3.1 highlights the improved net operating balance for 2007-08 and forward years since the original 2007-08 Budget. The net operating balance as a proportion of revenue for 2007-08 and forward years likewise displays an upward trend, peaking in 2009-10 at 4.42 per cent, before declining slightly in later years.

Table 3.1: Net Operating Balance – General Government

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
2007-08 Budget (\$M)	29	8	15	38	na
2008-09 Budget (\$M)	81	111	174	170	163
2008-09 Budget as a Proportion of Total Revenue (%)	2.21	2.93	4.42	4.18	3.88

Source: Northern Territory Treasury

Consistent with the improvement in the estimated operating balance, the expected cash outcome for 2007-08 and future years has also significantly improved from the 2007-08 Budget. The 2007-08 outcome is now estimated to be a small surplus due to similar factors contributing to the improved operating result. However, over the forward estimates period, the improvement in the cash outcome is not as marked

because the effect of the additional capital spending is taken into account in the cash outcome. The cash outcome is estimated to be a small surplus in 2007-08 with continued improvement estimated in all forward years rising to a projected surplus of \$50 million by 2011-12. The improved financial position in 2007-08 has enabled a contribution of \$20 million to be put aside towards future infrastructure and superannuation requirements, resulting in an underlying surplus of \$5 million.

Table 3.2 compares the cash targets set in the 2007-08 Budget with the revised 2008-09 Budget targets.

Table 3.2: Cash Outcome –
General Government

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
2007-08 Budget	- 40	0	17	34	na
2008-09 Budget	5	9	21	37	50

Source: Northern Territory Treasury

The improved cash position and operating surplus indicates that the accrual target of an operating balance by 2012-13 will be met.

Infrastructure for Economic and Community Development – Target: Maintain Capital Investment at Appropriate Levels and Achieve Fiscal Balance by 2012-13

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

The provision of adequate levels of infrastructure is an ongoing challenge for the Territory due both to its remoteness and its stage of development, relative to other jurisdictions.

The fiscal balance provides a more complete measure of the Territory's overall financial position (that is, whether it is a net lender or a borrower of funds). It includes the effects of all operating costs and the change in net physical assets. A fiscal balance deficit would be consistent with a developing jurisdiction such as the Territory.

In all years the additional funds arising from the improved operating result have been applied to increased capital spending rather than a reduction in net debt. Table 3.3 below shows the fiscal balance deficit trending downwards towards a balanced position, with a projected fiscal balance surplus of \$6 million in 2011-12.

Table 3.3: Fiscal Balance –
General Government

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
2007-08 Budget	- 96	- 41	- 32	- 10	na
2008-09 Budget	- 67	- 81	- 47	- 31	6

Source: Northern Territory Treasury

When compared with other jurisdictions, Table 3.4 shows the Territory's fiscal balance to revenue ratio is projected to be marginally better than the average of the other jurisdictions in all years.

Table 3.4: State and Territory Fiscal Balance as a Proportion of Revenue – General Government

	2006-07 Actual	2007-08 Estimate	2008-09 Budget
	%	%	%
New South Wales	- 2.2	- 2.9	- 2.9
Victoria	- 0.7	- 1.4	- 2.3
Queensland	- 0.7	- 9.9	- 9.4
South Australia	- 0.2	- 3.2	- 2.8
Western Australia	8.8	2.6	2.2
Tasmania	1.3	3.2	3.6
Australian Capital Territory	0.3	- 3.4	1.6
State Average	0.0	- 3.3	- 3.3
Northern Territory	1.9	- 1.8	- 2.1

Source: Northern Territory Treasury and state budget, mid-year and outcome reports

When considering levels of capital investment, in the Territory view it is more appropriate to use the non financial public sector as this better reflects the complete picture of Government spending on infrastructure projects.

Table 3.5 below presents the estimates for capital investment for 2007-08 to 2011-12. The Government's capital investment comprises purchases of non financial assets (including construction and capital items), assets acquired under finance leases (including the Darwin Convention Centre) and capital grants to non-government organisations. It excludes repairs and maintenance.

Projected strong operating surpluses have been utilised to support record capital investment in all forward years. The increase in levels of capital investment since May 2007 is mainly a result of additional infrastructure requirements for remote areas of the Territory. This includes the increased commitment to remote Indigenous housing and continued additions to core service infrastructure, including by the Power and Water Corporation, which will be investing about \$1 billion between 2008-09 and 2011-12 in infrastructure for the essential services of electricity, sewerage and water.

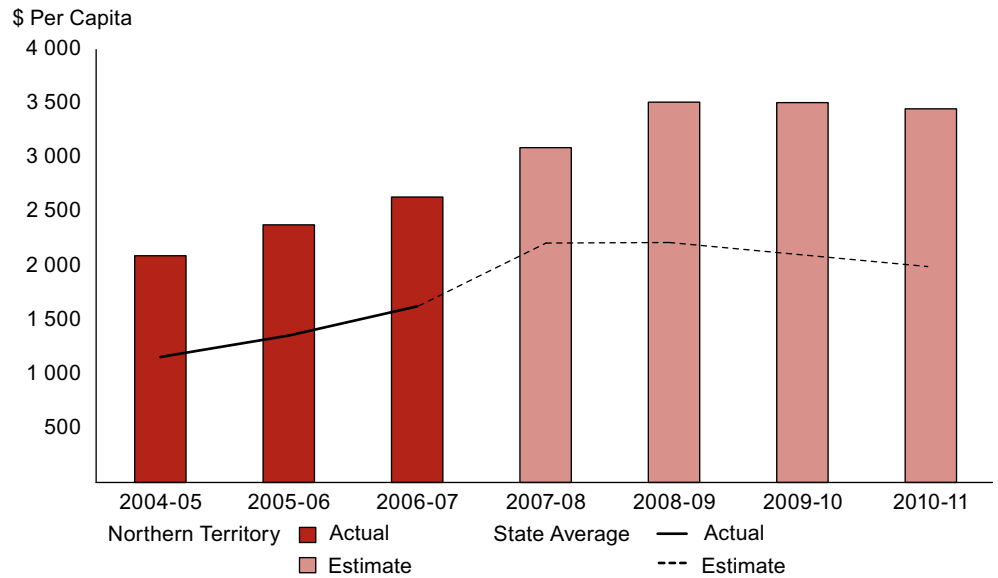
Table 3.5: Capital Investment – Non Financial Public Sector

	2007-08 Estimate	2008-09 Budget	2009-10	2010-11	2011-12
	\$M	\$M	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Purchases of non financial assets	533	662	637	631	570
Assets acquired under finance lease	33				
Capital grants	104	99	123	117	120
Total	670	761	760	748	690

Source: Northern Territory Treasury

Chart 3.1 illustrates the Northern Territory's capital investment per capita relative to the average of other jurisdictions in the non financial public sector, and shows that Territory capital spending is expected to remain at levels above the states' average.

Chart 3.1: State and Territory Capital Investment per Capita – Non Financial Public Sector



Source: State and Territory budget and outcome reports. State forward estimates based on mid-year reports.

Further information on capital works projects is included in *Budget Paper No. 4*.

Competitive Tax Environment – Target: Ensure Territory Taxes and Charges are Competitive with the Average of the States

The Government is committed to maintaining taxation at levels that are competitive with other jurisdictions and to encouraging increased levels of business activity in the Northern Territory.

The 2008-09 Budget introduces three key measures to build on economic and employment growth. The first of these measures involves a reduction in stamp duty on property conveyance rates that will assist all Territory property buyers.

The second measure delivers a reduction to payroll tax rates, and the third measure is the harmonisation of payroll tax laws with the other jurisdictions.

A more detailed analysis of these revenue initiatives is provided in Chapter 4 and 6 of this Budget Paper.

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

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

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

Table 3.6 shows that the Territory's tax collections per capita for 2008-09 are estimated at \$1848, compared with \$2624 for the average of the other jurisdictions. The 2007-08 and 2008-09 estimates continue to increase reflecting high levels of economic activity, however the Territory remains the second lowest jurisdiction for taxation revenue per capita, after Tasmania.

Table 3.6: Taxation Revenue per Capita – General Government

	2006-07 Actual	2007-08 Estimate	2008-09 Budget
	\$ per capita	\$ per capita	\$ per capita
New South Wales	2 564	2 686	2 785
Victoria	2 240	2 405	2 512
Queensland	2 019	2 324	2 520
Western Australia	2 699	3 006	3 049
South Australia	1 894	2 150	2 186
Tasmania	1 513	1 757	1 725
Australian Capital Territory	2 732	2 942	3 034
State Average	2 314	2 517	2 624
Northern Territory	1 700	1 835	1 848

Source: State and territory outcome reports, state and territory mid-year reports; ABS Cat. No.3101.0. Population figures are based on latest ABS data as at September 2007

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

A more sophisticated measure of tax competitiveness is the Commission's analysis of 'tax effort', which adjusts for the extent to which a particular jurisdiction's capacity to raise revenue is above or below average. Table 3.7 details the Territory's revenue raising capacity and effort expressed as a percentage of the Australian average in 2006-07, the latest year assessed by the Commission.

Table 3.7: Northern Territory Revenue Raising Capacity and Effort (2006-07 Australian average = 100 per cent)

	Capacity ¹	Effort ²
	%	%
Total Taxation	77	102
Total Own-Source Revenue	90	96

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

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

Source: Commonwealth Grants Commission 2008 Update

The table shows that the Territory's capacity and effort are below the national average and in terms of effort is assessed as the second lowest of all jurisdictions, behind Queensland.

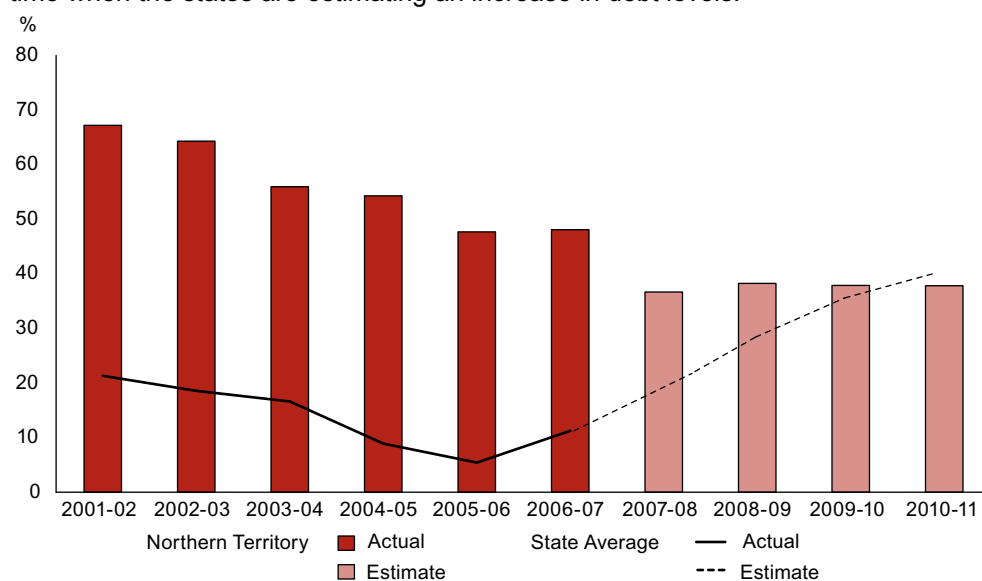
This, together with the per capita measure, demonstrates that the Territory continues to provide a competitive tax environment for Territorians.

Prudent Management of Liabilities – Target: Net Debt and Employee Liabilities as a Proportion of Total Revenue to Fall

This element of the fiscal strategy aims to ensure that debt is prudently managed, taking into consideration service delivery needs and capital investment to promote social wellbeing and economic growth. This is particularly important for the Territory given its greater infrastructure requirements relative to other jurisdictions, due to its remoteness and stage of development, which result in higher levels of debt than other jurisdictions.

Chart 3.2 compares the ratio of Territory debt to revenue with the average of the other jurisdictions for 2001-02 to 2010-11. The chart illustrates the Territory's significant improvement since 2001-02 and the maintenance of this position at a time when the states are estimating an increase in debt levels.

Chart 3.2: State and Territory Net Debt to Revenue – Non Financial Public Sector



Source: State and Territory budget and outcome reports. State forward estimates based on mid-year reports.

The measures of net debt and net debt plus employee liabilities provide the means of assessing the Territory's performance against this target.

Table 3.8 shows that net debt for the non financial public sector is projected to increase in absolute terms until 2010-11, in line with Power and Water Corporation's capital investment and Closing the Gap initiatives, before declining to \$1676 million in 2011-12. All forward estimates are nevertheless below the 2001-02 level of \$1753 million as well as the 2007-08 Budget estimates. When measured as a percentage of revenue, it is anticipated that the ratio will remain largely constant between 36 to 38 per cent, significantly below the 67 per cent recorded in 2001-02.

Table 3.8: Net Debt and
Employee Liabilities –
Non Financial Public Sector

	2007-08 Estimate	2008-09 Budget	2009-10	2010-11	2011-12
			Forward Estimates		
Net Debt (\$M)					
2007-08 Budget	1 693	1 748	1 749	1 742	na
2008-09 Budget	1 477	1 578	1 637	1 687	1 676
Variation	- 216	- 170	- 112	- 55	na
Net Debt to Revenue (%)					
2007-08 Budget	45	45	44	42	na
2008-09 Budget	37	38	38	38	36
Variation	- 8	- 7	- 6	- 4	na
Net Debt + Employee Liabilities (\$M)					
2007-08 Budget	4 382	4 481	4 537	4 578	na
2008-09 Budget	4 203	4 382	4 510	4 623	4 663
Variation	- 179	- 99	- 27	45	na
Net Debt + Employee Liabilities to Revenue (%)					
2007-08 Budget	116	115	114	110	na
2008-09 Budget	104	106	104	104	101
Variation	- 12	- 9	- 10	- 6	na

Source: Northern Territory Treasury

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

The level of net debt plus employee liabilities as a percentage of revenue has dropped from 134 per cent in June 2002 and continues on a downward trend in forward years to 101 per cent projected in 2011-12. This relationship has been maintained despite rising superannuation liabilities and record investment in infrastructure.

Conclusion

Overall, the Territory continues to maintain its trend towards the medium-term fiscal objectives and targets as set out in the Fiscal Strategy.

The significant improvements to the net operating balance and cash targets, projected to be in surplus in all forward years, together with the improving fiscal balance, suggest that the target of a balance on an accrual basis by 2012-13 remains achievable.

The Territory Government is also continuing its commitment to maintain taxation at competitive levels to encourage increased levels of business activity. This has been reinforced by three key measures introduced as part of the 2008-09 Budget that build on economic and employment growth.

Net debt has improved since the 2007-08 Budget and is projected to remain constant as a ratio to revenue over the forward years. This is despite record levels of investment in the Territory's infrastructure base. Net debt plus employee liabilities as a proportion of revenue continues to fall and, at 101 per cent in 2011-12, is significantly below the 2001-02 level of 134 per cent.

Chapter 4 Budget Initiatives

Overview

This chapter summarises the Government's new and expanded initiatives for expenditure and revenue included in the 2008-09 Budget, along with the significant new works on the 2008-09 Capital Works Program. This listing also includes items that were announced in the 2007-08 Budget but will not commence until 2008-09.

The Capital Works Program tables list major works projects and capital grants. The amounts reflect the total project costs, not the cash allocation in the 2008-09 Budget.

For more details about initiatives and capital projects, including capital works projects continuing from 2007-08, see *Budget Paper No. 3* and *Budget Paper No. 4*. *Budget Paper No. 3* also provides information on Commonwealth-funded projects not included in this chapter.

A detailed discussion of revenue initiatives, including revenue policy changes, is also presented in the last section of this chapter.

Tables 4.1 and 4.3 provide summaries of initiatives across all agencies. Tables 4.2 and 4.4 provide the initiative details.

Table 4.1: Summary of Initiatives

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
Electoral Commission		0.3	0.3		
Department of the Chief Minister	0.1	0.4	0.4	0.2	0.1
Department of the Legislative Assembly		0.6	0.6		
Northern Territory Police, Fire and Emergency Services	6.8	17.7	24.5	17.8	17.2
Department of Employment, Education and Training	5.7	10.3	12.1	14.0	15.9
Northern Territory Treasury	64.6	71.0	32.6	33.6	34.6
Department of Planning and Infrastructure	1.3	5.6	5.3	5.3	5.3
Department of Health and Families	16.5	23.3	31.8	40.2	46.5
Department of Justice	6.3	15.8	19.2	19.1	19.4
Department of Business, Economic and Regional Development	1.0	1.3	1.1	1.1	1.1
Territory Housing	2.2	0.7	0.5	0.5	0.5
Department of Primary Industry, Fisheries and Mines		0.8	0.8	0.8	
Department of Natural Resources, Environment and the Arts	0.5	6.7	4.9	3.7	2.3
Department of Local Government, Housing and Sport	5.5	11.9	5.1	3.9	4.2
Total Initiatives	110.5	166.4	139.2	140.2	147.1

Table 4.2 Initiatives by Agency

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Electoral Commission					
Increased capacity including the requirements associated with local government reform		250	250		
Total		250	250		
Department of the Chief Minister					
Closing the Gap – establishment of the Indigenous Affairs Advisory Council	50	100	100	100	100
Establishment of the Climate Change Policy and Coordination Unit		200	200		
Support for the Heineken Hottest 7's in the World Rugby Tournament	25	100	100	100	
Support for staging the Sir Elton John concert – funded within existing agency resources	60				
Total	135	400	400	200	100
Department of the Legislative Assembly					
Continuation of support for the Statehood Steering Committee		600	600		
Total		600	600		
Northern Territory Police, Fire and Emergency Services					
Closing the Gap – additional police services in remote localities	2 000	2 300	2 300	2 300	2 300
Closing the Gap – expansion of the Child Abuse Taskforce	2 610	4 260	4 260	4 260	4 260
Safer Streets initiative – increasing uniformed police in urban areas and call centre auxiliaries		4 200	9 300	9 300	9 300
Upgrade and expansion of the Digital Radio Network		5 161	7 264	575	
CCTV surveillance to address antisocial behaviour in Darwin	1 775	650	650	650	650
Expanded resources for Northern Territory Emergency Services	365	274	274	274	274
Implementation of the Screening Authority for Employment (SAFE) NT as part of the <i>Care and Protection of Children Act 2007</i>		300	300	300	300
Operational funding for the new Casuarina Police Station		507	122	122	122
Total	6 750	17 652	24 470	17 781	17 206

2007-08	2008-09	2009-10	2010-11	2011-12
Estimate	Budget	Forward Estimates		
\$000	\$000	\$000	\$000	\$000

Department of Employment, Education and Training

Closing the Gap initiatives

Stakeholders Partnership Program to improve student engagement and community involvement	285	1 203	1 705	1 705	1 705
Introduction of a full attendance team to track school attendance and implement strategies to increase attendance	200	400	400	400	400
'Value of Schooling' education campaign to promote education for children in remote communities		250	100	100	100
Additional teachers to increase education opportunities for all children in remote communities	530	1 500	2 400	3 600	4 800
New mobile preschools for children in remote communities	500	1 500	2 000	2 500	3 000
Two regional senior studies hostels to support education for children in remote communities		100	200	200	200
Expanded IT provision to schools in remote communities	300	600	600	600	600
Introduction of Children's Services Regulations		200	200	200	200
Child Protection Unit to provide specialist support to schools including ten student counsellors for remote communities	300	500	700	900	1 030
Expansion of the Chief Minister's Wesley Lanhapuy Scholarship Program to recruit and train more Indigenous teachers		120	120	120	140
Supporting Indigenous employment by transitioning to real jobs	500	1 125	1 125	1 125	1 125

Other initiatives

Special needs funding to assist students with intellectual disabilities, high level behavioural needs and emotional difficulties		1 700	1 700	1 700	1 700
Grant to Charles Darwin University to support the United Nations University Institute of Indigenous Knowledge	500	500	500	500	500
Furniture, fittings, equipment and wireless laptops for middle years classes across the Territory	2 002				
Coaster buses to assist with student transport in ten larger remote Indigenous communities from the beginning of the 2008 school year	175	350	350	350	350
Information and communications technology equipment for Darwin Middle School and the Palmerston High School extension	423	282	25	25	25
Total	5 715	10 330	12 125	14 025	15 875

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Northern Territory Treasury					
Conveyance stamp duty rate reduction	1 000	12 034	12 334	12 643	12 959
Payroll tax rate reduction		7 243	7 654	8 088	8 544
Abolish stamp duty on business property conveyances excluding land			9 589	9 829	10 075
Payroll tax reductions due to harmonisation		1 700	3 000	3 000	3 000
Contribution to Power and Water Corporation infrastructure program	50 000	50 000			
Continuation and completion of underground powerlines into Millner (this is in addition to \$3 million previously approved)	13 600				
Total	64 600	70 977	32 577	33 560	34 578

Department of Planning and Infrastructure

Increase in school bus services and introduction of seat belts on rural school bus routes	1 000	1 510	1 510	1 510	1 510
Weed management on Crown Land		1 500	1 500	1 500	1 500
Grants for cyclone shelter upgrades in coastal communities		1 000	1 000	1 000	1 000
Introduction of a multi-purpose taxi lift incentive scheme	183	313	313	313	313
Expand Transport Safety Officer services in the Darwin bus network		750	505	505	505
Upgrade and construct bus shelters in the greater Darwin urban area		500	500	500	500
Additional bus service for year 7 students in Palmerston High School in transition to the new school	100				
Total	1 283	5 573	5 328	5 328	5 328

Department of Health and Families

Closing the Gap initiatives

Establishment of a Children's Commissioner	200	350	350	350	350
Extension of the Young People Leaving Care Program		200	200	200	200
Community education campaign to introduce child protection reform	100	100	80	80	80
Expansion of the Child Abuse Taskforce	1 200	1 700	2 000	2 300	2 500
Additional care and case management for children in care			2 000	2 500	3 500
Residential care unit for children in care		1 000	1 500	1 850	1 850
Therapeutic services for children in care	300	500	600	800	800
Additional child protection workers for children in care	500	1 000	1 500	1 800	2 000

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Establishment of a network of Aboriginal child protection and care services including the expansion of existing services in Darwin, Katherine and Alice Springs	450	1 300	1 800	3 300	3 300
Expansion of Sexual Assault Referral Centre services in Darwin, Alice Springs and Tennant Creek and establishment of a new service in Katherine	700	1 000	1 200	1 500	1 900
Continued development of integrated community family violence and support services in remote communities	800	1 000	1 500	2 000	2 600
Additional clinical resources in Darwin and Alice Springs to support the community based and residential alcohol and other drug withdrawal service	100	100	100	100	100
Delivery of antenatal care and maternal health programs to mothers	500	1 000	1 500	1 500	1 500
Introduction of early childhood development and learning programs	100	500	1 000	1 000	1 000
Expansion of preventable chronic disease programs targeting diabetes, respiratory disease, kidney failure and hearing loss			1 300	2 500	5 000
Supporting Indigenous employment by transitioning to real jobs	500	1 000	1 000	1 250	1 250
Other initiatives					
Capacity to meet an increased demand for renal dialysis and primary health care services to manage chronic and early kidney disease	1 450	2 450	4 150	5 850	5 850
Expansion of disability services in the Northern Territory	2 305	3 735	5 204	6 549	7 976
Implementation of changes to the <i>Youth Justice Act</i> including services to support Family Responsibility Agreements and orders and initial funding for youth camps	680	2 500	2 500	2 500	2 500
Additional funding to support the Northern Territory Patient Assistance Travel Scheme		2 000	1 500	1 500	1 500
Capital grant to Menzies School of Health Research for additional capacity requirements following an increase in research grants	5 500				
Funding for antisocial behaviour initiatives in Darwin including itinerant health care, intervention treatment for short-term prisoners and offender management	1 110	1 110			
Additional child health care workers		500	500	500	500
Expansion of the Community Midwifery Program to the Central Australian region		280	280	280	280
Total	16 495	23 325	31 764	40 209	46 536

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Department of Justice					
Closing the Gap initiatives					
Two additional court clinicians based in Darwin and Alice Springs to service the Katherine, Tennant Creek and Nhulunbuy regions	140	275	275	275	275
Expansion of Community Courts	419	419	419	419	419
Additional remote area corrections officers	320	700	1 000	1 300	1 300
Provision for a Witness Assistance Service in Katherine	100	200	200	200	200
Funding to implement a Regional Alcohol Licensing Identification System	1 680	520	520	520	520
Regional Alcohol Management Plans	500	500	500	500	500
Additional compliance inspectors to support alcohol management plans	150	300	300	300	300
Expansion of the Return to Home program	50	50	50	50	50
Support for alcohol community education and awareness campaign	200	200	200	200	200
Support for gambling community education and awareness campaign	250	250	250	250	250
Expansion of rehabilitation programs for sex offenders	550	700	900	1 150	1 150
Expansion of the Indigenous Family Violence Community Based Program	500	800	1 000	1 300	1 640
Expansion of the Elders Visiting Program	100	210	210	210	210
Other initiatives					
Increased prisoner capacity at Darwin and Alice Springs correctional centres		6 860	9 150	10 570	10 570
Additional antisocial behaviour initiatives including a telephone reporting service, First Response Patrol, Darwin Area Night Patrol and Information and Referrals Office in Palmerston	956	2 018	2 018		
Improved prisoner education and rehabilitation programs		500	1 000	1 000	1 000
Additional resources to coordinate the implementation and monitoring of alcohol management plans and antisocial activities across the Northern Territory	330	330	330	330	330
Additional resources for the Office of the Director of Public Prosecutions to improve the prosecution of child sex offences		394	394	394	394
Additional support for the Crime Victims Services Unit and Victims Register		427	427		
Indigenous Liaison Officer for Katherine to provide intervention and referral service in domestic violence cases	100	100	100	100	100
Total	6 345	15 753	19 243	19 068	19 408

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Department of Business, Economic and Regional Development					
Closing the Gap – Indigenous economic development initiatives	600	600	600	600	600
Develop initiatives to leverage more defence-related business and economic development opportunities – funded within existing agency resources	60	250	200	200	200
Expansion of business and skilled migration services to Central Australia – funded within existing agency resources		150	150	150	150
Expansion of the 'Territory Business Growth' program to assist small business – funded within existing agency resources		100	100	100	100
Meet the Buyers Expo – funded within existing agency resources	60	65	65	65	65
Enhancements to the mining tunnel at the Battery Hill Mining Centre	250				
Further feasibility work regarding a Common User Facility – funded within existing agency resources		100			
Total	970	1 265	1 115	1 115	1 115
Territory Housing					
Short and medium term managed accommodation to assist in targeting anti social behaviour in Darwin – funded within existing agency resources	2 200	700	500	500	500
Total	2 200	700	500	500	500
Department of Primary Industry, Fisheries and Mines					
Additional funding for Bringing Forward Discovery – Partnerships for Discovery scheme		800	800	800	
Total		800	800	800	
Department of Natural Resources, Environment and the Arts					
Climate change initiatives for business and households		2 000	2 000	1 000	
Additional funding for Bushfires NT to assist with preventing, managing and responding to fire hazard		2 000	750	750	750
Support and operation of the Environment Protection Authority	248	876	876	876	876
Implement the National Water Initiative and monitor compliance with other natural resource legislation		500	500	500	500
Air quality program for the Darwin region		704	207	207	207
Monitor the Daly River catchment under the Living Rivers Program		344	344	344	
Additional support for the Darwin Festival	250	260	267		
Total	498	6 684	4 944	3 677	2 333

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Department of Local Government, Housing and Sport					
Closing the Gap initiatives					
Community Infrastructure Grants to support local government reform	1 000	1 000	1 000	1 000	1 000
Funding to establish local community boards to allow community representation in the local government shires and promote Indigenous leadership	200	400	700	700	1 000
Expansion of remote community sport and recreation programs	500	1 000	1 000	1 000	1 000
Other initiatives					
Additional funding for establishment and related costs for new local government shire councils		5 000			
Drinking water system upgrades and monitoring of safe drinking water for Indigenous communities	2 100	600	600	600	600
Support to secure a five-year international cricket agreement for Darwin		2 100			
New sporting infrastructure program to provide grants to organisations, clubs and communities to construct and repair sporting facilities		1 000	1 000		
Contribution towards a new swimming pool in Litchfield Shire	1 500				
Increased support for the Aboriginal Interpreter Service and Interpreting and Translating Service NT		350	350	350	350
Support to establish a Territory AFL team in either South Australian or Western Australian competitions from 2009		200	200	200	200
Extension of two pool safety advisors and support for the administration and regulation of the <i>Swimming Pool Safety Act</i>	116	200	200		
Support for a Northern Territory netball team to compete in the Tier 2 National Netball Competition in 2008	50				
Total	5 466	11 850	5 050	3 850	4 150

Table 4.3: Summary of
2008-09 New
Capital Works

	\$M
Department of Employment, Education and Training	19.7
Department of Planning and Infrastructure	164.8
Darwin Port Corporation	59.5
Department of Health and Families	8.8
Department of Justice	15.2
Land Development Corporation	2.0
Territory Housing	120.6
Department of Primary Industry, Fisheries and Mines	1.0
Department of Natural Resources, Environment and the Arts	13.9
Department of Local Government, Housing and Sport	35.4

Table 4.4: 2008-09 New
Capital Works by Agency

	\$M
Department of Employment Education and Training	
Alawa Primary School – stage 2	2.0
Closing the Gap – Alekarrange Community Education Centre	1.0
Closing the Gap – Arlparra Middle School	2.0
Closing the Gap – Ngukurr Community Education Centre	1.2
Closing the Gap – Ramingining Community Education Centre	1.2
Closing the Gap – Yilpara	2.0
Closing the Gap – Yirrkala Community Education Centre	1.6
Closing the Gap – Yuendumu Community Education Centre	1.2
Jingili Primary School – upgrade to drop off zone	0.5
Leanyer Primary school upgrade – stage 2	2.0
Malak Primary School – upgrade the assembly area	1.0
Nakara Primary School – stage 2	2.0
Ross Park Primary School – stage 2	2.0

	\$M
Department of Planning and Infrastructure	
Accident Prevention Program	1.5
All corridors – pavement strengthening and widening	6.2
Black spot Program	0.7
Cyclone shelters – upgrade	2.0
Daly River – upgrade stream crossings	2.2
Darwin Waterfront – stage 6	14.0
Finke Road – Finke to Titjikala and Finke to Kulgera	0.5
Fog Bay Road – upgrade and seal	1.5
Girraween/Henning Road intersection upgrade	1.0
Humpty Doo bus interchange	0.5
Kintore Road – Papunya to Mt Liebig Road	0.8
Level crossing upgrades	4.3
Maryvale Road upgrade – stage 2	3.5
Minjilang (Croker Island) aerodrome upgrade	1.5
Outback Way – Kata Tjuta to Kaltukatjara	0.5
Pine Hill – gravelled access road	4.0
Roads to Recovery Program	3.0
Rosebery Primary and Middle schools – headworks	9.5
Rural arterials – strengthening and widening	0.8
Sandover Highway – upgrade and sealing	1.0
Santa Teresa Road – stage 2	2.0
Stuart Highway – construct a third lane and approach at the Stuart Highway/Deviney Road	2.0
Tanami Road upgrade	2.0
Tiger Brennan Drive – construct passing lanes	2.5
Tiger Brennan Drive – stage 2	89.0
Urban arterials – strengthen pavement – Bagot Road	0.8
Urban arterials – traffic management	2.5
Urban roads landscaping	1.0
Victoria Highway – future stages	3.0
2008-09 Major Capital Grants	
Cyclone shelters upgrade	1.0

\$M

Darwin Port Corporation

East Arm Wharf – construct overland conveyor	35.0
East Arm Wharf – create additional hardstand	9.5
East Arm Wharf – reclamation of land behind the bulk loading facility	15.0

Department of Health and Families

Katherine Sobering-up Shelter	1.3
Milingimbi Health Centre	4.5
Tennant Creek Hospital – stage 3	1.7
Tennant Creek Sobering-up Shelter	1.3

Department of Justice

Closing the Gap – expand Katherine and Alice Springs community corrections offices	1.3
Correctional Centres – increase prisoner capacity in Darwin and Alice Springs	13.9

Land Development Corporation

Defence Support Hub – intersection and associated services	1.0
East Arm frontage – develop industrial land	1.0

Territory Housing

Government Employee Housing

Closing the Gap – construct housing in remote localities	10.0
Construct housing in remote localities	5.0
Land servicing for housing in remote localities	1.0
Replace existing housing in remote localities	2.0
Upgrade police and priority housing in remote localities	8.0

Public Housing

Construct housing	1.0
Redevelop unit complexes in urban areas	3.0
Tailored upgrades in urban areas	2.0

Indigenous Housing

Strategic Indigenous Housing Infrastructure Program	48.3
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2008-09 Major Capital Grants

Indigenous housing	40.3
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	\$M
Department of Primary Industry, Fisheries and Mines	
Improved recreational fishing infrastructure	1.0
Department of Natural Resources, Environment and the Arts	
Fogg Dam Conservation Reserve – upgrade boardwalk	1.5
Leanyer Recreation Park – stage 2	5.2
Litchfield National Park, stage 1 – upgrade visitor facilities	4.4
Museum and Art Galleries of the NT – replace airconditioning	1.3
West MacDonnell National Park – stage 2	1.5
Department of Local Government, Housing and Sport	
Hidden Valley Raceway – stage 4	0.9
2008-09 Major Capital Grants – Indigenous Essential Services	
Minor Works	8.0
All centres – replace electricity meters	0.7
Bulman – construct new power station	1.6
Naiyu Nambu – replace elevated water tanks	0.4
Papunya – increase fuel storage and upgrade fuel bunding	0.5
Rittarangu – powerline connection to Ngukurr grid	1.1
Wallace Rockhole – powerline connection to Hermannsburg grid	1.1
Willowra – extend power station building and construct control room	0.5
Yuendumu – construct new sewer pond walls	0.6
2008-09 Major Capital Grants – Other	
Strategic Indigenous Housing Infrastructure Program	20.0

Revenue Initiatives

A number of key revenue measures are included in the 2008-09 Budget.

Conveyance Stamp Duty Rate Reductions

From 6 May 2008, conveyance stamp duty rates have been reduced, at an estimated cost to the budget of \$12 million per year. These reductions apply to the acquisition of dutiable property in the Northern Territory under a contract executed on or after 6 May 2008. These reductions will benefit home buyers, property investors and purchasers of business property.

Northern Territory conveyance stamp duty is based on a linear scale and, prior to 6 May 2008, rates ranged from a minimum of 2.1 per cent to a maximum of 5.4 per cent that applied to dutiable property with a value of \$500 000 or more.

From 6 May 2008, the minimum conveyance stamp duty rate is reduced to 1.5 per cent, and the maximum rate is reduced to 4.95 per cent and applies to a property value of \$525 000 or more. The effect of these changes is to reduce the conveyance stamp duty rate on all property transactions.

The stamp duty first home owner concession has also been increased from the first \$350 000 of a home's value to the first \$385 000, meaning that first home buyers will pay no stamp duty on the first \$385 000 of their home's value.

As a result of the rate reductions, other home buyers will pay no stamp duty on about the first \$111 850 of their home's value (previously the first \$92 500).

The stamp duty savings that home buyers, property investors and business property purchasers can expect from the rate reductions at various property values are provided in Table 4.5.

Table 4.5: Stamp Duty Savings at Certain Property Values

Property Value	Savings		
	Investors/Businesses	First Home Buyers ¹	Other Home Buyers
\$	\$	\$	\$
100 000	593	-	250
200 000	1 171	-	1 171
300 000	1 736	-	1 736
400 000	2 286	2 489	2 286
412 000 ²	2 351	2 554	2 351
500 000	2 822	3 025	2 822
600 000	2 700	2 903	2 700
700 000	3 150	3 353	3 150
800 000	3 600	3 803	3 600
900 000	4 050	4 253	4 050
1 000 000	4 500	4 703	4 500

¹ No stamp duty paid until \$385 000

² The median house price as at December 2007

Source: Northern Territory Treasury

Payroll Tax Rate Reduction

The Territory Government is delivering on the 2005 election commitment to reduce payroll tax rates from 6.2 per cent to 5.9 per cent. This will benefit all of the nearly 1600 businesses that pay payroll tax in the Northern Territory. The average payroll tax saving per business will be around \$4500 a year.

The rate will be reduced from 1 July 2008 and has an estimated budget cost of \$7.2 million in 2008-09.

Payroll Tax Reform

From 1 July 2008, the Budget also introduces measures to overhaul payroll tax arrangements announced by the Government in 2007 by harmonising payroll tax laws with all states in eight agreed areas. These areas relate to the timing of lodgements, motor vehicle allowances, accommodation allowances, a range of fringe benefits, payroll tax imposed on work performed outside a jurisdiction, employee share acquisition schemes, superannuation contributions for non-working directors and the grouping of businesses.

The same laws that apply in New South Wales and Victoria for the payroll tax treatment of termination payments have also been introduced as part of these measures. This reflects the Northern Territory's current treatment of termination payments.

The Government has also committed to further payroll tax harmonisation by introducing payroll tax laws from 1 July 2009 that are consistent, as far as possible, with those of New South Wales, Victoria, Queensland and Tasmania.

The payroll tax harmonisation measures will provide significant compliance cost savings for businesses paying payroll tax, particularly for those that employ people in a number of jurisdictions. In addition to the compliance cost savings for businesses, it is estimated that adopting all the payroll tax harmonisation measures will provide total payroll tax savings to businesses of about \$3 million a year.

Equity, Efficiency and Administrative Enhancements

The Government has approved a package of changes that enhance simplicity, efficiency and equity of the Territory's taxation laws and the First Home Owner Grant scheme.

The following measures to commence from 1 July 2008 will:

- abolish nominal (\$20) stamp duty on deeds except for deeds relating to a trust;
- include exploration licences and exploration retention licences as land for conveyance stamp duty purposes. Stamp duty will only apply to the conveyance of these licences, with the grant of a licence generally being excluded from duty; and
- ensure that the creation or transfer of a mining interest is a conveyance of the mining interest that must be duly stamped before it is recorded in a mining register.

The following measures will apply from 1 July 2008 to better align the operation of the *First Home Owner Grant Act* and the stamp duty first home owner concession and principal place of residence rebate. The measures:

- allow five years to commence a prosecution under the *First Home Owner Grant Act*. This will apply to offences that are alleged to have been committed from

1 July 2008. A three-year time limit will continue to apply to offences that are alleged to have been committed before 1 July 2008;

- provide a premium interest rate, in addition to the market interest rate, of 8 per cent for a first home owner grant debt and allow the rate of interest that applies to such a debt to fluctuate from year to year in line with movements in market interest rates; and
- ensure that it is an offence under the *First Home Owner Grant Act* in all circumstances where materially false or misleading information is provided, and allow a defence where the misleading aspect of the information is identified and corrected to the extent the person can reasonably do so.

The following measures are made as a result of the introduction of the new *Taxation Administration Act* from 1 January 2008. The first two measures will apply from 1 January 2008 as they relate to the operation of the *Taxation Administration Act* and *Stamp Duty Act* from that date. The other measures will commence from 1 July 2008. The measures:

- clarify that any member of a group under a taxation law is jointly and severally liable for the tax of any other group member;
- reinstate the requirement that a stamp duty exemption is only available on the conveyance of property from a trustee of a non-discretionary trust to a beneficiary of the trust if no valuable consideration is given by the beneficiary for that conveyance;
- clarify that revenue-related information can be provided to the Northern Territory Police, the Director of Public Prosecutions for the Territory and other Territory law enforcement agencies;
- excuse a conveyee from the residence requirements of the stamp duty first home owner concession or principal place of residence rebate where there are two or more conveyees and at least one will comply with the residence requirements; and
- make minor consequential amendments to update references in various Territory laws to terms introduced in the *Taxation Administration Act*.

Chapter 5 Intergovernmental Financial Issues

Overview Grants from the Commonwealth are an essential source of revenue for all states. The grants are made necessary by the substantial mismatch between states' service delivery responsibilities and their capacity to raise own-source revenues. Under Australia's federal system, the states have significant service delivery responsibilities, such as health and education, but limited revenue sources. Conversely, the Commonwealth's revenue raising capacity exceeds its service delivery responsibilities. This disparity between revenue raising capacity and service delivery responsibility between the two tiers of government is referred to as vertical fiscal imbalance.

There are two types of Commonwealth grants to the states:

- general purpose payments, which are predominantly goods and services tax (GST) revenue payments. These are untied payments that can be used by the states for any purpose; and
- other Commonwealth grants. These are generally payments tied to a specific function or program against which they are required to be acquitted.

GST Revenue GST revenue represents the largest component of Commonwealth transfers to the states. In 2008-09, the Territory's GST revenue is expected to increase by 10.6 per cent to \$2405.9 million. This is predominantly due to the update of the Territory's relativity for 2008-09 and the expected growth of 7.2 per cent in the GST pool. This compares with 2007-08 when the Northern Territory is expected to receive \$2174.4 million in GST revenue, an increase of 7.9 per cent from 2006-07. The increase in GST revenue estimates for 2007-08 reflects increased Commonwealth estimates of national GST collections, an increased relativity and the Northern Territory's increased share of national population arising from the 2006 Census.

The level of GST revenue received by each state is dependent on total GST collections, states' population shares and relativities as determined by the Commonwealth Grants Commission (the Commission). Accurate forecasting of these parameters can mitigate the risk of significant revenue variations in the Territory budget. However, there are inherent difficulties in estimating the size of the pool, the Territory's population and the Territory's relativity over the forward estimates period.

Table 5.1 shows the budget and forward projections for the Territory's GST revenue. The Territory has adopted the Commonwealth's 2007-08 Mid-Year Economic and Fiscal Outlook estimates for national GST collections and population to 2010-11. These estimates are likely to change following the final determination by the Australian Taxation Office of national GST collections, the Australian Bureau of Statistics' determination of population, and the relativities by the Commonwealth Treasurer. Estimates for 2011-12 reflect Northern Territory Treasury projections.

Table 5.1 also shows the associated sensitivity analysis on the Territory's GST revenue. It shows that a small variation (1 per cent) to the key parameters can have a significant impact on the Territory's revenue. There will be a compounding impact if more than one of the parameters change. The outcomes from the Commonwealth Grants Commission's 2010 Review may also significantly impact on

GST projections from 2010-11. Details of the Commission's deliberations will not be known until February 2010.

Table 5.1: Northern Territory
GST Revenue Projections

	2007-08	2008-09	2009-10	2010-11	2011-12
NT GST revenue (\$M)	2 174.4	2 405.9	2 530	2 657.9	2 788.7
Growth (%)	7.9	10.6	5.2	5.1	4.9
National GST collections (\$M)	42 230	45 270	47 670	50 130	52 637.5
Growth (%)	6.8	7.2	5.3	5.2	5.0
NT population	216 035	219 515	222 985	226 436	229 940
Growth (%)	1.6	1.6	1.6	1.5	1.5
NT share of national population	1.021	1.024	1.026	1.028	1.031
NT relativity	4.36824	4.51835	4.51835	4.51835	4.51835
Sensitivity of the Territory's GST revenue to a one per cent variation in key parameters					
National GST collections					
One year only variation (\$M)		20.9	22.1	23.3	24.5
Ongoing variation (\$M)		20.9	44.4	70.6	99.5
Population					
One year only variation (\$M)		23.9	25.1	26.3	27.6
Ongoing variation (\$M)		23.9	50.4	79.7	111.9
Relativity					
One year only variation (\$M)			25.1	26.3	27.6
Ongoing variation (\$M)			25.1	52.9	83.5

Source: Northern Territory Treasury, Commonwealth Government

Other Commonwealth Grants

Other Commonwealth grants are predominantly in the form of specific purpose payments (SPPs). These payments are usually tied to a specific program or function against which they must be acquitted. SPPs are an important means of addressing the large vertical fiscal imbalance that exists in Australia's federal system. In 2008-09, the Territory is expected to receive about \$566.1 million in other Commonwealth grants. The majority of these payments will be in the areas of health, education and transport. A detailed summary of SPPs is included in *Budget Paper No.3*.

SPPs have historically been governed by formal agreements between the Commonwealth and the states which set out conditions such as:

- the programs and functions for which the funds may be used;
- the contribution of state discretionary funds through matching or maintenance of effort requirements;
- restriction on how funded programs may be delivered; and
- performance and reporting requirements.

The existing SPP arrangements are currently being reformed by the Council of Australian Governments (COAG) as part of the reform to the architecture of Commonwealth-State Financial Relations. While the reforms will result in changes to SPP arrangements, the Commonwealth has provided assurances that the total level of SPP funding will not decrease. The reforms to Commonwealth-State financial relations are discussed later in this chapter.

Commonwealth Grants Commission

The role of the Commission is to recommend to the Commonwealth an annual set of relativities that determine the distribution of GST revenue among the states. The Commission is required under the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations to base its recommendations on the principle of horizontal fiscal equalisation, defined as:

State governments should receive funding from the pool of Goods and Services Tax revenue and health care grants such that, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each would have the capacity to provide services at the same standard.
(Commonwealth Grants Commission 2008 Update)

Each state's relativity reflects unavoidable differences in revenue raising capacity (revenue needs) and costs of providing general government services (expenditure needs), and states' shares of SPP funding. Needs reflect differences in states' economic, demographic and physical circumstances and can be positive or negative. Because the Commission assesses needs within a defined level of available funds, a necessary consequence is that a positive need of one jurisdiction means it will be offset by a negative need in at least one other jurisdiction.

The Territory is assessed as having the highest level of needs of all jurisdictions. This is primarily due to the high costs of providing virtually all government services in the Territory and, to a lesser extent, the Territory's below average capacity to raise own-source revenue. This is partly offset by the Territory's relatively high share of SPP funding. Table 5.2 shows the relative revenue, expenditure and SPP needs of each jurisdiction.

Table 5.2: GST Relative Needs 2006-07 (\$ per capita)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue raising capacity	- 19.82	348.67	- 227.54	- 1 104.85	597.31	886.36	428.24	252.88
Expenditure requirements	- 62.65	- 491.98	14.30	492.32	- 85.29	388.87	- 123.21	8 798.76
SPP needs	- 2.63	44.23	- 11.23	- 24.95	- 14.57	- 28.85	99.03	- 509.17
Total needs – difference from equal per capita	- 85.10	- 99.08	- 224.47	- 637.48	497.45	1 246.38	404.06	8 542.48

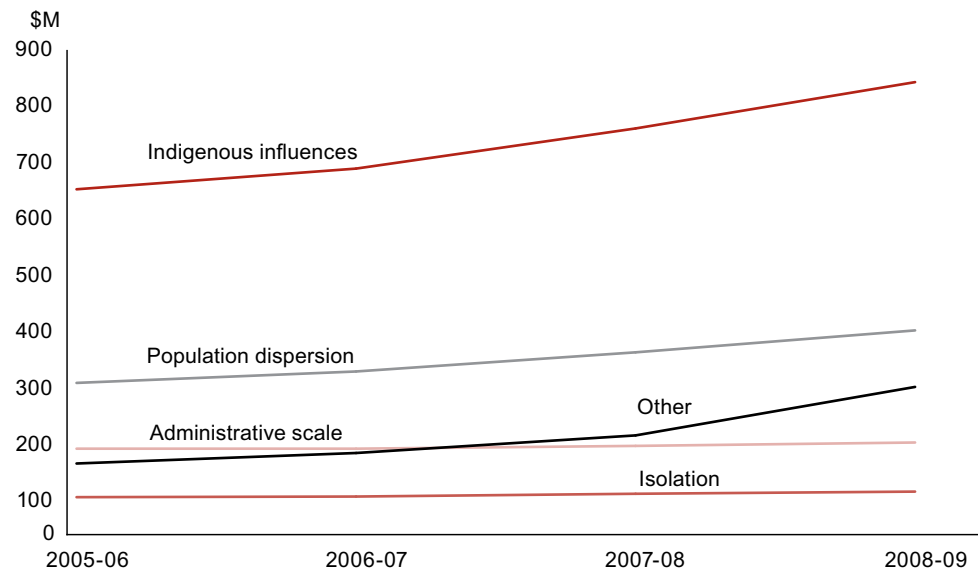
Source: Commonwealth Grants Commission 2008 Update

The costs of providing services in the Territory are high because of:

- the very large proportion of the Indigenous population residing in the Territory, which increases the use and costs of many services;
- the small but widely dispersed population over a large and remote land mass;
- large diseconomies of scale in central administration and the need to provide a high proportion of services in small and dispersed communities;
- small private sector relative to demand, particularly in the area of health services; and
- the Territory's isolation from major supply centres.

Chart 5.1 shows the main factors that contribute to the difference between the Territory's equalised share and equal per capita share of GST revenue. Indigenous influences account for about 45 per cent of the total expenditure needs of the Territory.

Chart 5.1: Contribution of
Expense Disabilities to
Redistribution of Northern
Territory GST Revenue



Source: Commonwealth Grants Commission

2008 Update

Each year, the Commission updates its relativities for the latest available financial, economic and demographic data. In February 2008, the Commission released its Report on State Revenue Sharing Relativities 2008 Update. The 2008 Update report details states' relativities that will be used to distribute the GST pool in 2008-09.

Table 5.3 compares the changes in relativities between the 2007 and 2008 Updates. In the 2008 Update, the Commission recommended an increase in relativities for New South Wales, Victoria, South Australia, the Australian Capital Territory and the Northern Territory. Queensland, Western Australia and Tasmania experienced a decrease in their relativities between updates. Notable developments in the 2008 Update are:

- Western Australia replaced New South Wales as the state with the strongest fiscal capacity; and
- Queensland joined New South Wales, Victoria and Western Australia in requiring less than its per capita share of the GST pool.

Table 5.3: GST Relativities, Grant Shares including Health Care Grants and Population

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2007 Update								
Relativity	0.89079	0.90096	1.00607	0.94747	1.20791	1.54465	1.16293	4.36824
Grant share (%)	29.14	22.30	20.05	9.49	9.07	3.61	1.87	4.46
Population share (%)	32.75	24.78	19.95	10.03	7.52	2.34	1.61	1.02
2008 Update								
Relativity	0.91060	0.92540	0.96508	0.88288	1.20856	1.52994	1.17205	4.51835
Grant share (%)	29.70	22.93	19.37	8.89	9.04	3.56	1.88	4.62
Population share (%)	32.62	24.79	20.07	10.08	7.48	2.33	1.61	1.02
Impact (\$M)	341.5	316.9	- 409.3	- 326.7	5.8	- 16.2	8.2	79.8
Impact (\$pc)	49.31	60.47	- 97.03	- 154.04	3.68	- 32.74	24.02	369.48

Source: Commonwealth Grants Commission, Commonwealth Government, Northern Territory Treasury

The outcome for the Northern Territory in the 2008 Update was an increase in its relativity from 4.36824 to 4.51835. This translates to a notional increase of \$79.8 million in the Northern Territory's share of GST revenue between updates, based on 2007-08 GST pool and population estimates. In per capita terms, the largest positive impacts were in the Northern Territory (\$369.48), Victoria (\$60.47) and New South Wales (\$49.31). Conversely, the per capita share of GST revenue decreased for Western Australia (-\$154.04), Queensland (-\$97.03) and Tasmania (-\$32.74).

The increase in the Territory's GST is largely attributable to a revised methodology in the roads assessment. The revision to methodology was required due to unreliable data in the previous assessment. The introduction of 2006 Census data in the Commission's assessment also contributed to an increase in the Territory's relativity. The 2006 Census showed a greater than average increase in both the total and Indigenous population for the Territory. These impacts were slightly offset by updates of Australian Institute of Health and Welfare data which showed that Indigenous use of health services had fallen.

The change in other states' relativities between updates was predominantly due to changes in revenue raising capacity. This reflects the different stages of the economic cycle in each jurisdiction. In particular, the continued strength of the resource sector and the flow on impacts of the property market in Western Australia and Queensland have led to these states having greater capacity to raise revenue, and therefore less reliance on GST revenue.

Table 5.4 shows the main contributors to the changes in state relativities between the 2007 and 2008 Updates.

Table 5.4: Main Influences on Changes in State Allocations from the GST Pool, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Population characteristics	257.9	62.6	- 228.6	- 53.0	- 52.9	- 9.8	- 3.5	27.4	347.8
Stamp duty on conveyances	180.8	93.6	- 143.8	- 138.6	3.8	- 2.8	4.8	2.3	285.2
Roads	- 125.4	- 28.7	76.4	- 5.5	14.1	8.4	- 2.4	63.0	161.9
Mining revenue	42.6	59.9	- 26.1	- 102.2	17.5	1.9	4.0	2.3	128.2
Other	- 14.4	129.5	- 87.2	- 27.4	23.3	- 13.9	5.3	- 15.1	158.1
Total	341.5	316.9	-409.3	-326.7	5.8	-16.2	8.2	79.8	752.2

Source: Commonwealth Grants Commission 2008 Update

2010 Review

Every five years, the Commission conducts a major review of the method used to determine states' per capita relativities. This process is necessary to ensure that relativities continue to reflect the contemporary public administration, service provision and revenue raising environment of state governments.

The Commission received the terms of reference from the Commonwealth for the 2010 Review in May 2005. The terms of reference directed the Commission to report by February 2010 on per capita relativities that should be used to distribute GST revenue between states from 2010-11. In doing so, the Commission has been asked to examine ways to simplify the methodology used to determine the allocation of GST providing it remains consistent with the principle of horizontal fiscal equalisation.

The 2010 Review is an iterative process with significant input from all jurisdictions. A key component of the review process is a series of workplace discussions in each state. The purpose of these discussions is to give the Commissioners and Commission staff an opportunity to gain first hand experience of the issues faced in each jurisdiction in delivering services and to hold informal talks with staff actively engaged in delivering services. The Commission is conducting workplace discussions in every state during the first half of 2008. The Northern Territory's workplace discussions were held in the week of 14-18 April 2008.

Council of Australian Governments Reform Agenda

COAG Working Groups

On 20 December 2007, the Council of Australian Governments (COAG) agreed to an ambitious work plan to progress a comprehensive new microeconomic reform agenda. Seven working groups were established by COAG to develop implementation plans in the areas of:

- health and ageing;
- productivity;
- climate change and water;
- infrastructure;
- business regulation and competition;
- housing; and
- Indigenous reform.

Each COAG working group will be responsible for developing outputs, outcomes and performance indicators which will be included in new SPP arrangements. Treasurers will be responsible for determining the level of funding required in order to achieve the agreed outcomes and outputs and will also provide advice on performance indicators.

Health and Ageing

The Health and Ageing Working Group is responsible for developing plans to improve health outcomes for all Australians and the sustainability of the Australian health system. The reforms will extend across the full range of preventative, primary, acute and aged care health services and across the public and private sectors. In the short term, the health and ageing working group will focus on elective surgery waiting times, investing in aged care and public dental programs, general practice superclinics and preventative health care.

Productivity

The Productivity Working Group will pursue substantial reform in the areas of education skills and early childhood. Early initiatives include improving and expanding vocational and technical education, investing in early education through universal access to learning for all four year old children, development and implementation of a national curriculum in key learning areas and lifting the year 12 retention rate to 90 per cent by 2020.

Climate Change and Water

The Climate Change and Water Working Group will develop plans to ensure a national response to climate change including a single national emissions trading scheme and sustainable water use across Australia. Work will include a plan for achieving an expanded Mandatory Renewable Energy Target.

Infrastructure

The Infrastructure Working Group will ensure better coordination of infrastructure planning and investment. In 2008, a national infrastructure audit will be undertaken to develop a list of priority infrastructure that is required to improve national productivity.

Business Regulation and Competition

The Business Regulation and Competition Working Group is responsible for accelerating and broadening the regulation reduction agenda, improving processes for regulation and review, and delivering significant improvements in Australia's competition, productivity and international competitiveness.

Housing

The Housing Working Group will examine ways to improve housing affordability and ease rental stress in Australia. The working group will examine key housing initiatives that will: facilitate improved housing supply through release of surplus government land; provide incentives to build affordable housing; and increase the number of homes for homeless people.

Indigenous Reform

The Indigenous Reform Working Group is responsible for developing strategies to close the gap on Indigenous disadvantage, in particular, closing the life expectancy gap within a generation and halving the gaps in child mortality rates, reading, writing and numeracy outcomes and Indigenous employment outcomes within a decade. Additional targets include providing all four-year olds in remote communities with access to early childhood education within five years, and halving the gap for year 12 (or equivalent) attainment by 2020. The working group will develop action plans in the areas of health, education, affordable housing and water supply in the bid to improve the welfare of Indigenous Australians. Early reforms will target reducing the number of Indigenous people on elective surgery waiting lists and those who are homeless, and provide 48 000 dental services for Indigenous Australians over four years. In 2008, the working group will develop reform proposals on Indigenous early childhood development, protective security from violence for Indigenous parents and children, remote service delivery and workforce planning, economic participation and active welfare.

Reform of Commonwealth-State Financial Relations

Underpinning the COAG agenda is a reform of the architecture of Commonwealth-State financial relations. The changes to the intergovernmental financial arrangements were largely driven by state concerns regarding the structure of the current SPP arrangements. States have consistently argued that the current SPP arrangements lead to inefficiencies, including duplication of functions at both levels of government, distortion of services and reduced state budget flexibility by limiting states' ability to increase funding in other priority areas.

The centrepiece of the new arrangements will be a clear statement of the roles and responsibilities of the Commonwealth and the states. This will result in reduced duplication and waste and enhance accountability to the community. Furthermore, SPPs will focus on outcomes and outputs rather than include stringent input controls on how states deliver and/or fund services. As a result, states will have greater flexibility to tailor services to meet individual community needs.

Therefore the reforms to Commonwealth-State Financial Relations are designed to reduce the administrative and reporting burden on the states and to improve the efficiency of these payments in delivering agreed outcomes. This will be achieved through a reduction in the number of SPPs, without reducing Commonwealth funding.

The majority of the current SPPs will be aggregated into the new national SPPs. National SPPs will cover the core government areas of health, affordable housing, early childhood and schools, vocational education and training, and disability services. National SPPs will be ongoing rather than tied to fixed terms, with periodic review to ensure that funding levels are adequate to meet the objectives of the SPPs. Treasurers will negotiate funding levels and appropriate indexation formulae for each SPP.

Central to each of the new national SPP agreements will be mutually-agreed Statements of Objectives, Outcomes and Outputs. The agreements will clearly set out:

- what the Commonwealth and the states expect to achieve from the joint involvement – the objectives and expected outcomes (including a new focus on enhancing social inclusion and addressing Indigenous disadvantage);
- the role of each jurisdiction, their responsibilities and accountabilities; and
- performance indicators to assess progress in achieving stated objectives.

The remaining SPPs will be converted to National Partnership payments or general revenue assistance. National Partnerships will be agreements between the Commonwealth and the state to fund specific projects in areas of joint responsibility, such as transport, environment and water. National Partnership payments will also be the mechanism by which the Commonwealth provides incentive payments to the states to drive nationally significant reforms or to fulfil its election commitments. Incentive payments will be additional to current SPP funding levels.

The outcomes from the reform to Commonwealth-state financial relations will be incorporated in a new intergovernmental agreement expected to be finalised at the COAG meeting in December 2008. The new arrangements are expected to commence in 2009 and be fully operational by 2009-10.

Chapter 6 Territory Own-Source Revenue

Overview Northern Territory own-source revenue comprises taxes, fees, charges, miscellaneous property income, interest received and profit or loss on disposal of assets. Full details of revenue collected from Territory sources are set out in *Budget Paper No. 3*.

The 2008-09 Budget introduces three key measures that will provide significant ongoing benefits to all Territorians, including Territory businesses.

The first of these measures reforms the way in which stamp duty is imposed on property conveyances by reducing conveyance stamp duty rates on all transactions. The measure reduces the minimum rate to 1.5 per cent from 2.1 per cent and the maximum rate to 4.95 per cent from 5.4 per cent, and increases to \$525 000 the value at which the new maximum rate applies. This will assist all home buyers, and all property and business investors in the Territory. This measure will apply from 6 May 2008 and is estimated to save home buyers and investors \$12 million in 2008-09.

The second measure delivers the Government's 2005 election commitment to reduce payroll tax rates from 6.2 per cent to 5.9 per cent. This will benefit all businesses that pay payroll tax in the Territory and has an estimated cost to the budget of \$7.2 million in 2008-09. The payroll tax rate reduction will apply from 1 July 2008.

The third of the key measures is the introduction of the first component of the overhaul of payroll tax arrangements announced in 2007, by harmonising payroll tax laws with all states in eight agreed areas from 1 July 2008.

The Government has also committed to introducing payroll tax laws from 1 July 2009 that are consistent, as far as possible, with those adopted by New South Wales, Victoria, Queensland and Tasmania. States and territories will continue to determine rates and thresholds applicable in their jurisdictions.

The payroll tax harmonisation measures will provide significant compliance cost savings for businesses that pay payroll tax, particularly those that operate in a number of jurisdictions. In addition to the compliance cost savings, all the payroll tax harmonisation measures are estimated to save businesses about \$3 million a year in payroll tax.

The 2008-09 Budget also abolishes stamp duty on deeds, except for deeds relating to a trust, and includes a range of efficiency and equity taxation measures which are explained as part of the other Budget initiatives in Chapter 4.

This chapter provides an explanation of the Territory's own-source revenue regime, how it compares with the other jurisdictions, and the Territory's response to national tax reform.

It also includes a statement of the Territory's forecast tax expenditures as a result of concessions and exemptions for 2008-09 through to 2011-12, as required by the *Fiscal Integrity and Transparency Act*.

Assessments of Revenue Effort and Capacity

The ability of the states to generate revenue from their own sources is a result of the size of each jurisdiction's revenue base and the tax rates the government applies.

The Commonwealth Grants Commission (the Commission) assesses each jurisdiction's revenue capacity and revenue effort when calculating goods and services tax (GST) shares. Revenue capacity is the per capita revenue a state could raise by applying national average rates to its own revenue base, whereas revenue effort is whether state taxes are applied at levels above or below the national average level.

Average revenue capacity and effort are assumed to be 100 per cent. If a state has an above average revenue effort or capacity it will score more than 100 per cent, while below average capacity or effort is less than 100 per cent.

The most recent data used by the Commission to assess revenue capacity and effort is 2006-07 data.

Table 6.1 compares own-source revenue capacity in all jurisdictions and shows that capacity varies significantly between jurisdictions, with the Territory's capacity below average but higher than four other jurisdictions.

Table 6.1: 2006-07 Revenue Capacity by Jurisdiction – Total Own-Source Revenue

NSW	Vic	Qld	WA	SA	Tas	ACT	NT
101	87	108	141	78	68	85	90

Source: Commonwealth Grants Commission 2008 Update

Table 6.2 provides a comparison of the Commission's assessment of own-source revenue-raising effort in 2006-07 and includes taxation, mining revenue and contributions by trading enterprises, including government owned corporations. Own-source revenue effort shows less divergence between jurisdictions than revenue capacity.

The assessment in Table 6.2 shows that the Northern Territory's own-source revenue-raising effort is below the national average and the second lowest of all the states.

Table 6.2: 2006-07 Revenue Effort by Jurisdiction – Total Own-Source Revenue

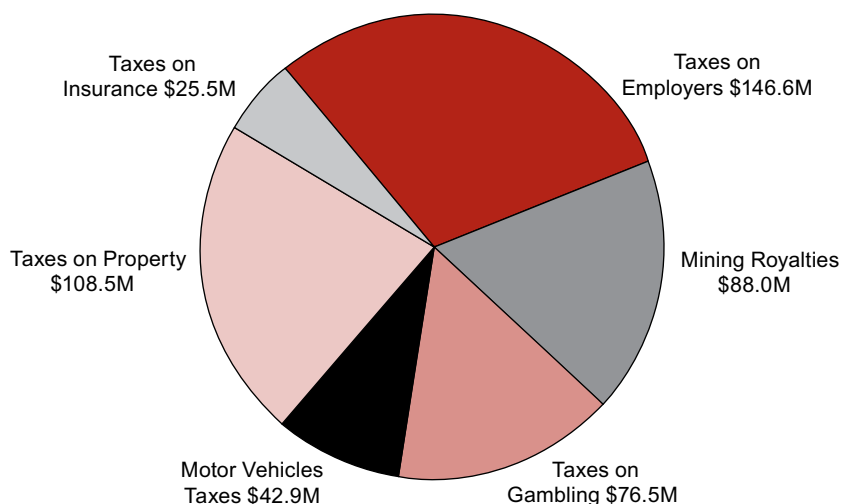
NSW	Vic	Qld	WA	SA	Tas	ACT	NT
104	103	85	105	111	101	110	96

Source: Commonwealth Grants Commission 2008 Update

Analysis of Territory Revenue

Chart 6.1: 2008-09 Main Own-Source Revenue Categories

Chart 6.1 shows the Territory's major own-source revenues in 2008-09 according to the classification used in the Uniform Presentation Framework, adopted for the Territory's reporting requirements.



Note: Excludes payroll tax collected from general government entities.

Source: Northern Territory Treasury

The projected revenue for 2008-09 from main own-source revenue totals \$488 million. As indicated in Chart 6.1, taxes on employers (payroll tax) comprise \$146.6 million, or 30 per cent, and taxes on property (stamp duties on financial and capital transactions) are estimated at \$108.5 million, or 22.2 per cent in 2008-09.

Payroll Tax

Revenue from payroll tax is forecast to be \$146.6 million in 2008-09 and continues to be the Territory's single most significant own-source tax revenue.

The payroll tax rate in the Northern Territory has reduced from 6.5 per cent in 2001 to 5.9 per cent and the general exemption threshold has increased from \$600 000 in 2004 to \$1.25 million. The rate reduction from 6.2 per cent to 5.9 per cent in 2008-09 is a saving to business of \$7.2 million.

In all states and territories, the threshold is reduced if an employer pays wages in more than one state or territory. For example:

- if an employer pays wages in the Northern Territory and elsewhere in Australia, the threshold is reduced to reflect the level of wages paid outside the Territory. Therefore, if an employer pays 50 per cent of its wages in the Territory and 50 per cent interstate, the general exemption threshold is reduced by 50 per cent to \$625 000; or
- if an employer only employs for part of a financial year, the threshold is reduced to reflect the period that the employer paid wages during the year. Therefore, if an employer only pays wages for six months of the year, the general exemption threshold is reduced to \$625 000.

Table 6.3 shows that the Northern Territory's payroll tax exemption threshold is the equal highest in Australia and that its payroll tax rate will be the fourth highest, from 1 July 2008.

Table 6.3: State and Territory Payroll Tax Rates and Exemption Thresholds

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
Threshold (\$M)	0.60	0.55	1.00 ¹	0.75	0.50	1.01	1.25	1.25	0.86
Rate (%)	6.00	5.00	4.75	5.50	5.00	6.10	6.85	5.90	5.64

¹ Queensland's threshold diminishes so that no exemption is provided for employers with wages over \$4 million.

Source: State legislation and information available as at 30 April 2008

However, this does not present an accurate comparison with other payroll tax regimes as the rate and the threshold exemption need to be taken into account to get an effective payroll tax rate. The effective rate, from 1 July 2008, is illustrated in Table 6.4.

Table 6.4: Effective State and Territory Payroll Tax Rates at Various Wage Levels

Wages	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
\$M	%	%	%	%	%	%	%	%
2	4.2	3.6	3.2	3.4	3.7	3.0	2.6	2.2
4	5.1	4.3	4.8	4.5	4.4	4.6	4.8	4.1
5	5.3	4.4	4.8	4.7	4.5	4.9	5.1	4.4
6	5.4	4.5	4.8	4.8	4.6	5.1	5.4	4.7
10	5.6	4.7	4.8	5.1	4.8	5.5	6.0	5.2
20	5.8	4.9	4.8	5.3	4.9	5.8	6.4	5.5

Source: Northern Territory Treasury and available information as at 30 April 2008

From 1 July 2008:

- the Territory's payroll tax regime is more favourable than all other jurisdictions for small to medium businesses with wages up to \$5 million a year; and
- the payroll tax burden for larger businesses in the Territory is more favourable than, or comparable with, New South Wales, Western Australia, Tasmania and the Australian Capital Territory.

Payroll tax legislation is similar in operation in most states, although it is not identical. The differences between state and territory payroll tax laws are generally minor in nature and lead to some differences in administration. Moreover, there are separate administrative arrangements in each state and territory for the collection and payment of the tax. These differences create a requirement for taxpayers that employ workers in more than one state or territory to return payroll tax in each of these states and territories. These arrangements add to the compliance cost for these taxpayers in paying payroll tax.

The majority of the Northern Territory's payroll tax is collected from taxpayers that employ in a number of states and territories. Accordingly, it follows that there would be compliance cost benefits for these taxpayers arising from the harmonisation of payroll tax legislation and administration.

In March 2007 the state and territory Treasurers issued a joint media release agreeing to:

- adopt common payroll tax provisions and definitions in eight agreed areas by 1 July 2008; and
- move towards adopting a range of payroll tax harmonisation measures agreed between New South Wales, Victoria and Tasmania.

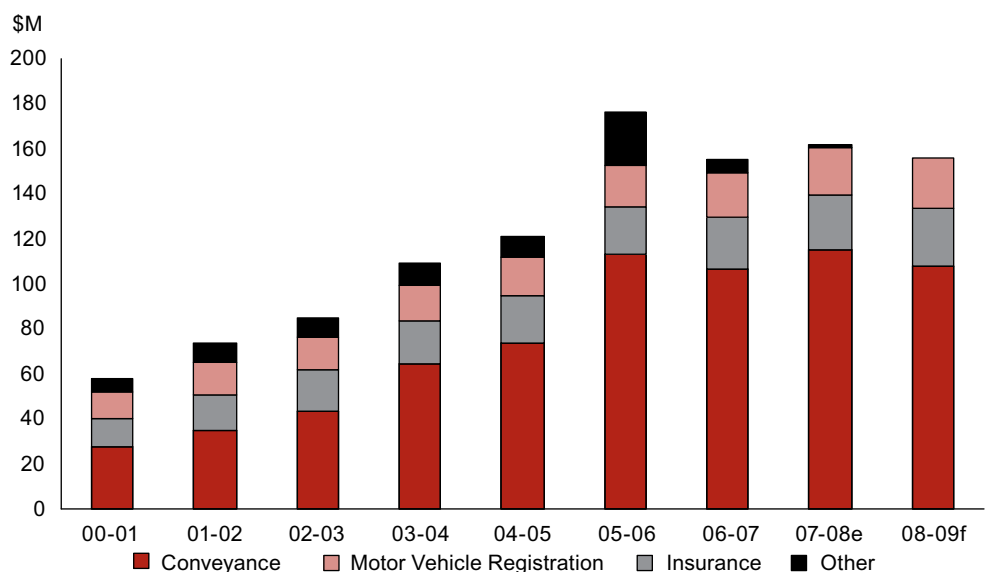
New South Wales and Victoria agreed to adopt almost identical payroll tax legislation from 1 July 2007 that encompasses more than the eight measures agreed by the states and territories.

As part of the 2008-09 Budget, the Northern Territory will harmonise its payroll tax legislation with the other states and territories in the eight agreed areas from 1 July 2008. Moreover, the Northern Territory has also committed to further harmonise its payroll tax legislation from 1 July 2009. Full harmonisation will provide significant compliance cost savings to businesses and will also provide payroll tax savings of \$3 million a year.

Stamp Duty

Total revenue from the Territory's stamp duties is forecast to be \$156 million in 2008-09. The main components are conveyance, insurance and motor vehicle transfer of registration duties, as shown in Chart 6.2.

Chart 6.2: Stamp Duty Collections



e: estimate; f: forecast

Source: Northern Territory Treasury

Stamp duty revenue in 2007-08 is projected to be \$161.8 million, higher than the estimate for 2008-09 due to the reduction in conveyance duty rates from 6 May 2008.

Conveyance Duty

The Territory's conveyance duty is derived from conveyances of dutiable property in the Territory. Such property mainly comprises real estate and transfers of businesses.

The Commission assessed the Territory's revenue-raising effort in this category as the second highest of the states and above the national average. However, there are aspects of the Territory's conveyance stamp duty regime on which the duty load is comparatively less than other jurisdictions. In the main, this includes the Territory's home purchase stamp duty concessions.

A practical comparison of the effect of state and territory conveyance stamp duty is obtained by comparing the conveyance stamp duty payable on the purchase of a median-priced home in each capital city. Chart 6.3 sets out the median house prices for the December 2007 quarter for Australian capital cities. These prices are used as the basis for the stamp duty comparisons in Charts 6.4 through to 6.8.

Chart 6.3: Median House Prices for Australian Capital Cities for the December 2007 Quarter



Note: Current as at 30 April 2008.

Source: Real Estate Institute of Australia

Growth in the median house price in Darwin slowed during 2007. For the December 2007 quarter, Darwin's median house price was the fourth lowest of Australia's capital cities and only slightly higher than Brisbane's. Chart 6.3 shows that the median house price in Darwin is below the average median house price of all capital cities.

In response to rising house prices in recent years, the Government has provided significant incentives to promote home ownership in the Territory, including the first home owner stamp duty concession and the principal place of residence stamp duty rebate. In addition, the HomeNorth scheme, the Territory's shared equity scheme, has been significantly remodelled to make it easier for low and middle income earners to own a home.

From 6 May 2008, the Government has provided further stamp duty assistance to home buyers and has also extended assistance to property investors and business property purchasers by reducing conveyance duty rates.

The Territory's conveyance stamp duty is calculated by a formula that determines a rate applicable to the value of dutiable property conveyed. The rates were determined on a linear scale between a minimum rate of 2.1 per cent and a maximum rate of 5.4 per cent that applied to dutiable property with a value of \$500 000 or more.

From 6 May 2008, the minimum conveyance stamp duty rate reduces to 1.5 per cent from 2.1 per cent and the maximum rate reduces to 4.95 per cent from 5.4 per cent. The property value at which the maximum conveyance stamp duty rate applies has also been increased from \$500 000 to \$525 000. This means that all rates that would apply to values between the minimum and maximum rate have also decreased.

The stamp duty savings that home buyers, property investors and business property purchasers can expect from the rate reductions at various property values are provided in Table 6.5.

Table 6.5: Stamp Duty Savings for Home Buyers, Property Investors and Business Property Purchasers at Certain Property Values from 6 May 2008

Property Value	Savings					
	Property and Business Investors		First Home Buyers ¹		Other Home Buyers	
	\$	%	\$	%	\$	%
100 000	593	22	-		250	100
200 000	1 171	17	-		1 171	27
300 000	1 736	14	-		1 736	18
400 000	2 286	12	2 489	71	2 286	14
412 000 ²	2 351	12	2 554	58	2 351	14
500 000	2 822	11	3 025	26	2 822	12
600 000	2 700	8	2 903	17	2 700	9
700 000	3 150	8	3 353	15	3 150	9
800 000	3 600	8	3 803	14	3 600	9
900 000	4 050	8	4 253	13	4 050	9
1 000 000	4 500	8	4 703	12	4 500	9

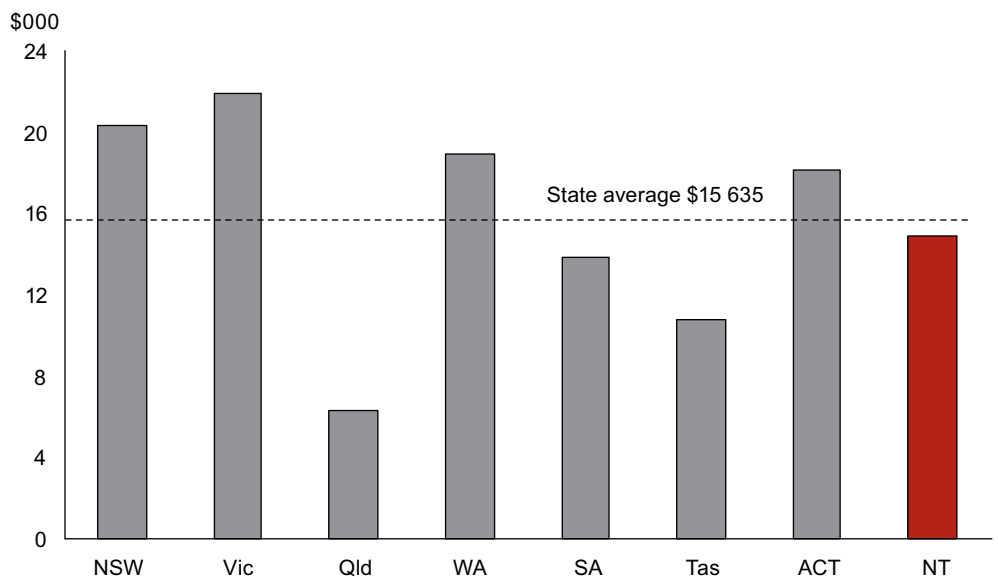
¹ No stamp duty paid until \$385 000.

² Median house price as at December 2007.

Source: Northern Territory Treasury

The benefit of the Territory's principal place of residence rebate of \$2500 is shown in Chart 6.4. This rebate has been maintained in the 2008-09 Budget and combined with the reduction in conveyance stamp duty rates means that home buyers, other than first home buyers, will pay no stamp duty on about the first \$111 850 of their home's value. The rebate reduces the Territory's conveyance duty on a principal place of residence in Darwin to below the national average and the fourth lowest of the jurisdictions. Although not reflected in Chart 6.4, Territory home buyers also benefit from paying no stamp duty on any mortgage security and, for investors, paying no annual land tax.

Chart 6.4: Conveyance Duty Payable on Purchase of a Median-Priced Principal Place of Residence from 6 May 2008



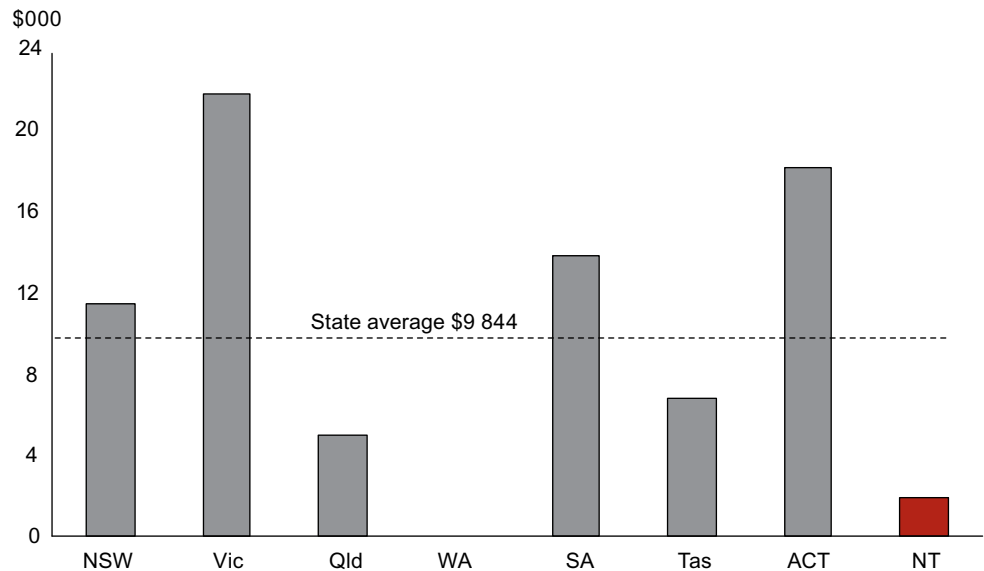
Note: Median prices as at December 2007

Source: Real Estate Institute of Australia, state legislation and information available as at 30 April 2008

As part of the reduction in conveyance stamp duty rates in the 2008-09 Budget, the first home owner stamp duty concession is increased to the first \$385 000 of a home's value (a stamp duty concession of up to \$15 515). As a result, Territory first home buyers will now pay no stamp duty on the first \$385 000 of their purchase.

Chart 6.5 provides an interjurisdictional comparison of the stamp duty levied for a first home owner on the purchase of a median-priced house in a capital city. The stamp duty payable in the Territory by a first home owner on a median-priced house in Darwin is well below the national average and is the second lowest in Australia, behind only Western Australia.

Chart 6.5: Conveyance Duty Payable on Purchase of a Median-Priced First Home from 6 May 2008



Note: Victoria has a First Home Bonus for first home buyers who are eligible for the \$7000 First Home Owner Grant. The bonus is \$5000 to purchase or build a new home, or otherwise is \$3000, and ceases on 1 July 2009. The bonus is only available where the consideration paid under the contract is no more than \$500 000. Median prices as at December 2007.

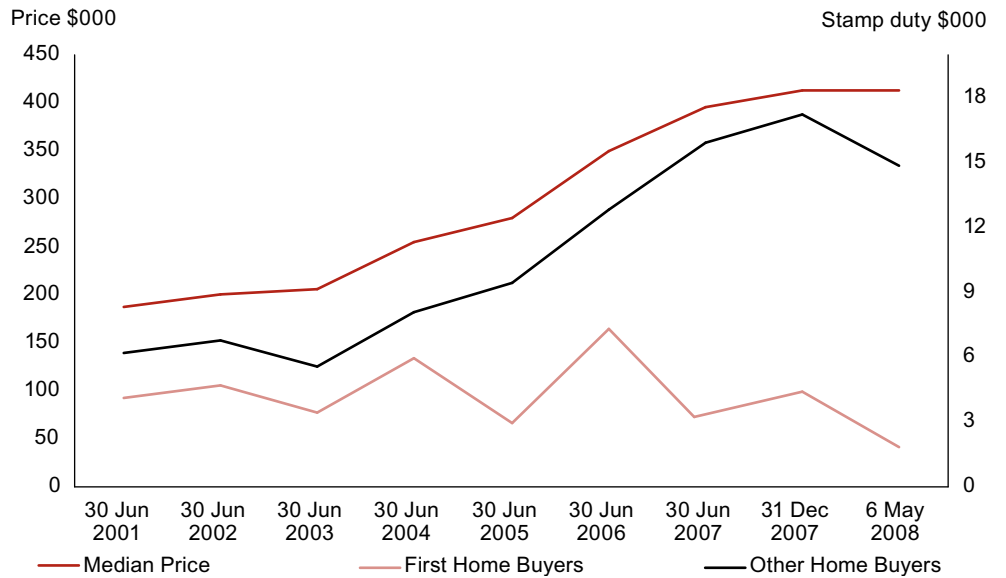
Source: Real Estate Institute of Australia, state legislation and information available as at 30 April 2008

The effect of the increases on the first home owner concession can be seen in Charts 6.6 and 6.7.

These charts show that, although house and unit prices have increased since 2001, the amount of stamp duty paid by first home buyers on the purchase of a median-priced house or unit in Darwin has decreased.

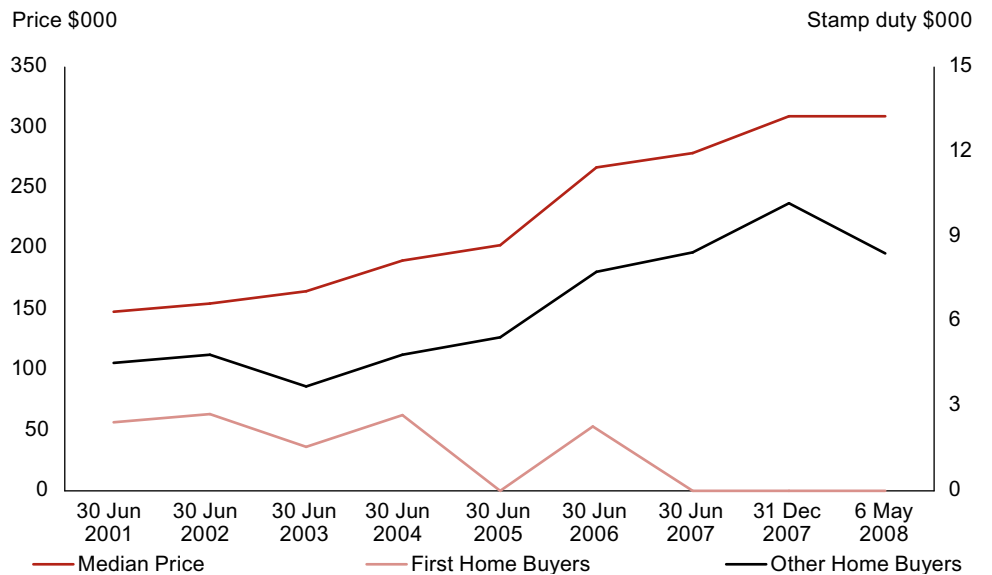
Similarly, the amount of stamp duty payable on the purchase of a median-priced house or unit in Darwin decreases from 6 May 2008 for other home buyers.

Chart 6.6: Conveyance Duty Payable by Home Buyers on the Purchase of a Median-Priced House in Darwin



Source: Northern Territory Treasury

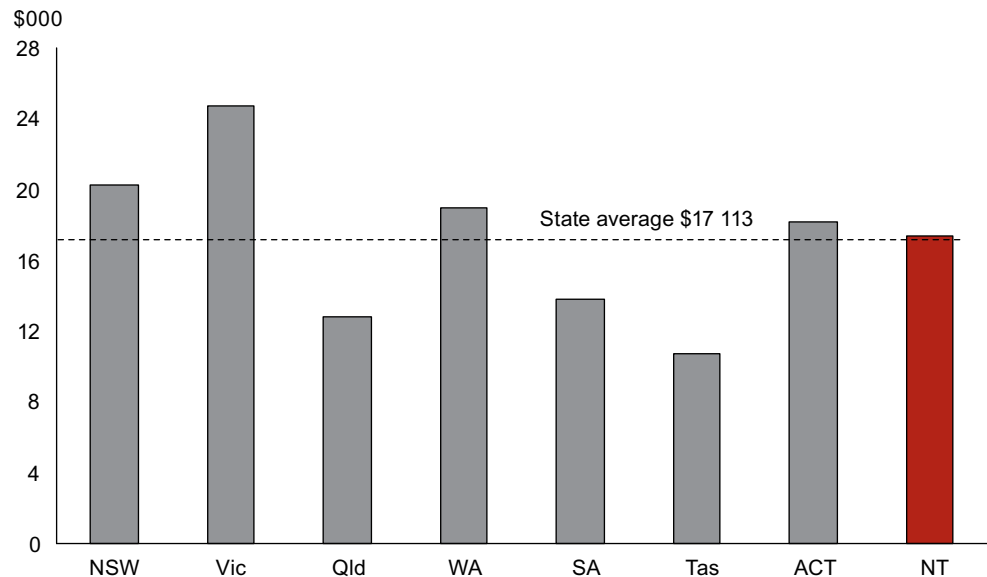
Chart 6.7: Conveyance Duty Payable by Home Buyers on the Purchase of a Median-Priced Unit in Darwin



Source: Northern Territory Treasury

Chart 6.8 provides an interjurisdictional comparison of the stamp duty levied for an investment property purchase of a median-priced house in a capital city. The comparison shows the stamp duty payable in the Territory is slightly above the national average and is fourth lowest in Australia.

Chart 6.8: Conveyance Duty Payable on Purchase of a Median-Priced Residential Investment Property from 6 May 2008



Note: Median prices as at December 2007

Source: Real Estate Institute of Australia, state legislation and information available as at 30 April 2008

Insurance Duty

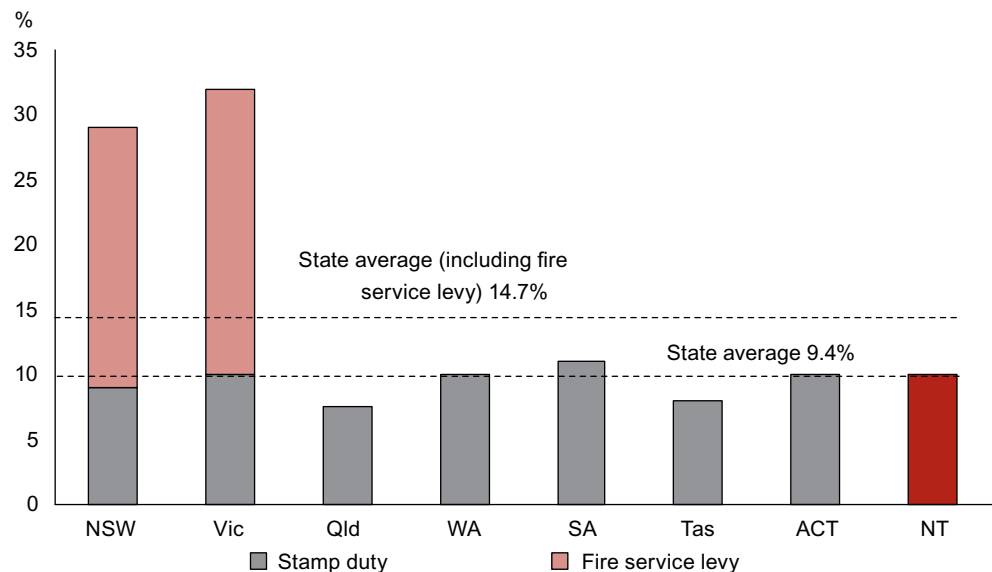
Insurance duty is imposed on general and life insurance policies, with general insurance comprising the majority of the revenue collected from this stamp duty. Revenue from insurance duty is forecast to be \$25.5 million in 2008-09.

As shown in Chart 6.9, the total tax load on domestic insurance in New South Wales and Victoria is significantly above the national average when fire services levies are taken into account, with the Territory being one of the lower taxing jurisdictions. These states collect their fire services levy as a rate applied to insurance premiums.

Rather than utilising the domestic insurance base, Tasmania, Queensland, South Australia, Western Australia and the Australian Capital Territory each impose their emergency or fire services levies on property owners through local councils. Tasmania also raises the levy on certain types of non-domestic insurance, while Queensland has an ambulance levy on general public electricity accounts.

The Territory does not impose any emergency or fire services levies on the general public, although, like the states, it does levy charges for commercial fire alarm monitoring.

Chart 6.9: Total State and Territory Taxes on Domestic Insurance



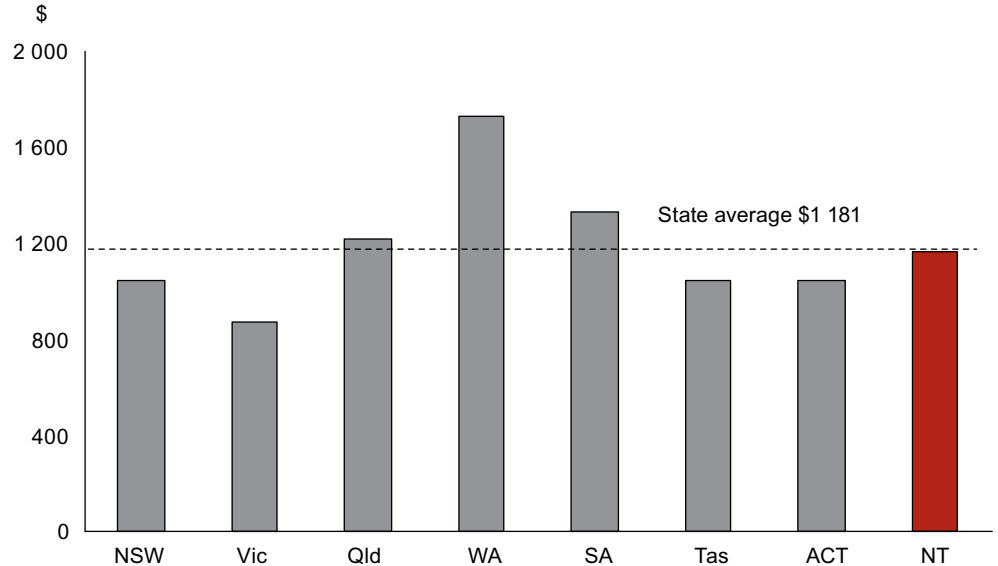
Source: State legislation and information available as at 30 April 2008

Motor Vehicle Registration Duty

Stamp duty is levied on the transfer and initial registration of motor vehicles. Generally, the duty is levied on the purchase price of the vehicle. Revenue from this source in 2008-09 is forecast to be \$22 million.

The Territory's rate of duty is similar to the national average for a new vehicle valued at \$35 000 (Chart 6.10). Unlike most jurisdictions, the Territory does not impose a higher rate of duty on luxury cars.

Chart 6.10: Motor Vehicle Registration Duty on a New Vehicle Valued at \$35 000



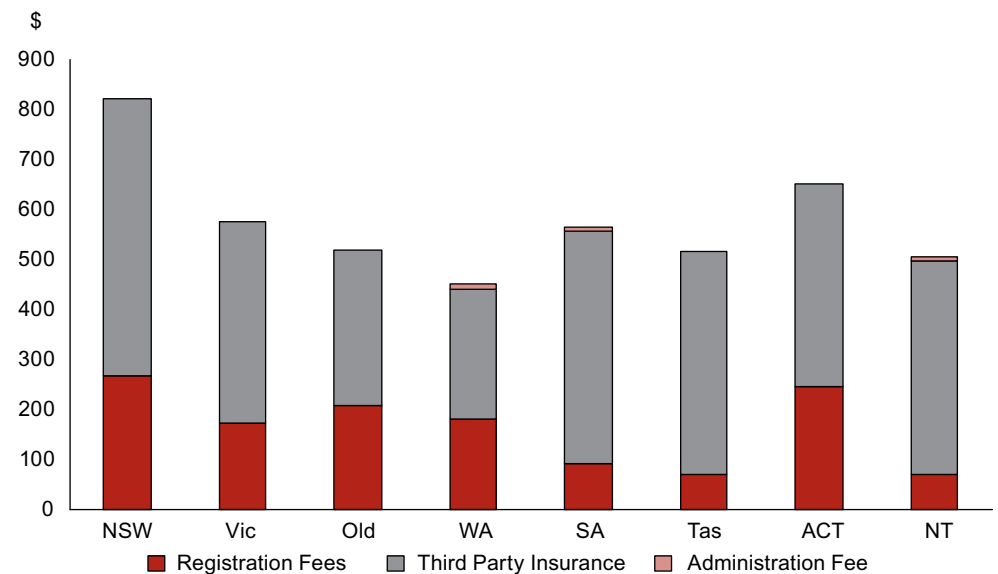
Source: State legislation and information available as at 30 April 2008

Motor Vehicle Registration

Vehicle registration fees and taxes vary significantly across the jurisdictions. At \$504.70, the Territory has the second lowest cost in Australia to register a medium-sized passenger vehicle (see Chart 6.11).

The Territory's registration fee, excluding third party insurance of \$70, is the lowest in Australia and well below the national average of \$163.79. Higher compulsory third party premiums in the Northern Territory (\$387.55) reflect inherently higher costs due to the small size of the Territory and relatively high road accident casualties.

Chart 6.11: Annual Registration Fees and Charges for a Medium-Sized Passenger Vehicle (March 2008)



Note: Prices are for capital cities, however, prices charged in Darwin apply across the Territory. Based on a 4 cylinder Toyota Camry Altise Sedan.

Source: Northern Territory Treasury

Land Revenue

This category includes taxes on the ownership of land, where the taxes are based on the assessed unimproved value of the land. It also includes any metropolitan land planning and development levies that are included in the land tax base of some states.

Land tax is generally levied on commercial land and investment residential property, although a general exclusion is provided for land used for primary production.

The Territory does not impose a land tax, however, in its 2008 assessment, the Commission has assessed a land tax capacity of approximately \$23.6 million, being an approximation of the land tax that the Territory would receive, based on an average of the other states' land tax regimes.

Gambling Taxation

Gambling taxes constitute a significant proportion of state and territory revenues. Revenue from the Territory's gambling taxes is forecast to be \$76.5 million in 2008-09.

Table 6.6 provides a breakdown of the revenue that the Territory's gambling taxes are expected to raise in 2008-09.

Table 6.6: Estimated Revenue from Gambling Taxes in 2008-09

Tax/Duty	\$000
Community Gaming Machines	29 527
Lotteries	13 129
Casino	11 821
Bookmakers – Racing and Sports Betting	11 642
Wagering Taxes	7 502
Community Benefit Levy	2 823
Internet Gaming	103
Total	76 547

Source: Northern Territory Treasury

Community gaming machine tax is based on the gross profits (that is, net player losses) from gaming machines. The tax is imposed on clubs at marginal rates, ranging from 12.91 per cent to 42.91 per cent. Hotels pay tax at the flat rate of 42.91 per cent, plus a community gaming machine levy of 10 per cent.

The Territory collects lotteries taxes through a revenue sharing arrangement with the Victorian Government, under which taxes of 79.4 per cent of gross profit of lottery sales in the Territory are collected by the Victorian Government and returned to the Territory.

Casino taxes are based on gross profits derived from games played at the casinos. Tax rates vary depending on the type of gaming and net tax payable is calculated after GST is deducted. Internet gaming tax of 4 per cent of gross profit is paid on bets placed by overseas players.

Bookmaker's turnover tax is levied on the value of bets placed with a bookmaker. The tax on race betting is 0.33 per cent of turnover for all horse, greyhound and harness racing events. The tax on sports betting is 0.25 per cent of turnover for

internationally sourced bets. Domestically sourced bets do not incur tax because they are subject to GST.

Wagering tax is imposed on both on-course and off-course totalisators at the rate of 40 per cent of the licensee's commission. Tax of 20 per cent of the licensee's commission is paid for races other than thoroughbred, harness and greyhound races and Australian sports. Tax at the rate of 10 per cent of the licensee's commission is paid for international sports.

Financial Taxes

From 1 July 2001, financial taxes have generally comprised debits tax and stamp duty on leases, mortgages, hiring arrangements and electronic debits. The Northern Territory does not charge stamp duty on mortgages and has already abolished all the other taxes in this category.

Mining and Petroleum Revenue

Mining revenue is obtained from royalties or rent equivalents levied on the recovery of mineral commodities from a mining tenement in the Northern Territory. Similarly, petroleum revenue accrues from royalties imposed on the production of petroleum in the Territory. Mineral and petroleum royalties are not a tax but a charge for resource usage, payable to the Government as the owner of the site or the mineral or petroleum rights over the site.

Mining and petroleum revenue is forecast to be \$88 million in 2008-09.

The Territory's mining royalty revenues are based on both profits-based and ad valorem regimes, whereas ad valorem regimes predominate in other jurisdictions. The Territory's petroleum royalty revenues are based on an ad valorem regime, after allowing post wellhead costs up to the point of sale.

The Territory's profits-based regime uses the net value of a mine's production to calculate royalty. In contrast, ad valorem regimes calculate royalty based on a mine's gross production value. Other royalty schemes calculate royalty on the tonnage of minerals extracted. The Northern Territory's profits-based regime is less likely to impact on investment decisions as it is a fixed share of the returns derived from a mining venture. This means that:

- both prices and mining costs are taken into account in royalty calculations. If commodity prices or production costs rise or fall, royalty may decline or increase accordingly; and
- mines operating in isolated locations or with high costs of extraction may pay less royalty than mines in good locations or with simple operations. This is contrasted with an ad valorem royalty scheme which tends to increase the royalty share of returns for less profitable mines and reduce the royalty share of returns for more profitable mines.

Mineral royalties are collected in the Northern Territory from mining and quarrying for gold, silver, bauxite, manganese, lead, zinc, sand, gravel, laterite, vermiculite and lime. Royalties are not collected in respect of uranium mining in the Territory, as the Commonwealth retains ownership of uranium in the Territory. A grant in lieu of uranium royalty is paid by the Commonwealth to the Territory.

National Tax Reform

National tax reform began on 1 July 2000. Key to the new arrangements was the replacement of wholesale sales tax with a broad-based GST, agreed removal of certain 'business' taxes and the review of other taxes.

In accordance with the Intergovernmental Agreement, the Territory abolished tourism marketing duty from 1 July 2000, stamp duty on quoted marketable securities and financial institutions duty from 1 July 2001, and debits tax from 1 July 2005.

Following the Treasurers' Conference in March 2005, the Territory joined other jurisdictions in proposing a five-year timetable for the abolition of other taxes, beginning from 1 July 2005. In accordance with that commitment, the Territory abolished:

- electronic debit transaction duty from 1 July 2005;
- stamp duty on the transfer of non-quoted marketable securities from 1 July 2006;
- stamp duty on the rent paid for the grant and renewal of non-residential leases and franchise arrangements from 1 July 2006; and
- stamp duty on the rent paid for the hire of goods, including consumer and producer goods and instalment purchase arrangements, from 1 July 2007.

The one remaining business tax specified in the Intergovernmental Agreement that the Territory has agreed to abolish is stamp duty levied on the value of non-residential property conveyances, other than land. This is to be abolished from 1 July 2009.

Tax Expenditures

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

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

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 by the Government. Identifying this expenditure assists in providing a more accurate picture of what the Government contributes by way of taxation concessions to assist various groups or industries.

The tax expenditures identified in this statement relate to the more important and material concessions applicable in the Northern Territory. In accordance with the *Fiscal Integrity and Transparency Act*, the tax expenditure statement provides forecast information for 2008-09 and the following three financial years.

Methodology

Tax expenditures have been estimated by applying the benchmark rate of taxation to the forecast volume of activities or assets exempted by a particular concession. Only those future events that are certain or highly likely to impact on assumed tax bases or tax rates have been taken into consideration in estimating future tax expenditures. Otherwise, the existing taxation arrangements have been assumed to apply for future years.

Measuring tax expenditures requires the identification of:

- a benchmark tax base;

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

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

By definition, tax expenditures are those tax concessions not included as part of the tax benchmark.

Payroll Tax

	2008-09	2009-10	2010-11	2011-12
Tax Expenditure (\$M)	124.7	131.3	136.0	143.3

The benchmark tax base for payroll tax is assumed to be all wages, salaries and supplements paid in the Northern Territory, as defined in the *Pay-roll Tax Act*. The benchmark tax rate is assumed to be the payroll tax rate that will apply in 2008-09, being 5.9 per cent.

Tax expenditure in relation to many payroll tax concessions is difficult to estimate, as data is not generally collected in relation to employers that do not have a payroll tax liability. Accordingly, the estimated tax expenditure reported above has been derived by using high level Australian Taxation Office data about wages paid by employers in the Territory and comparing this to wages information reported by employers registered for payroll tax in the Territory. The difference between these two sets of data provides a reasonable estimate of wages that are not subject to payroll tax in the Territory because of payroll tax concessions provided in the legislation.

The estimated tax expenditure reported above mainly comprises the following exemptions.

Small Business Exemption

The first \$1.25 million of an employer's wages are exempt from payroll tax in the Territory. Accordingly, employers with wages less than this amount are not required to pay tax, and employers with wages that exceed this amount only pay tax on the excess.

At the payroll tax rate of 5.9 per cent, the \$1.25 million exemption reduces an employer's annual payroll tax liability by up to \$73 750.

Apprentices, Graduates and Others

An exemption applies for wages that are paid or payable to:

- apprentices within the meaning of the *Northern Territory Employment and Training Authority Act*;
- employees receiving wages funded under the Community Development Employment Projects program (this exemption will remain but will have less impact over time with the phasing-out of CDEP in the Territory); or
- graduates of approved tertiary institutions employed under trainee arrangements approved by the Commissioner of Territory Revenue.

Private Educational Institutions and Local Governments

Payroll tax does not apply to wages paid or payable by the following organisations, to the extent that those wages are paid for an employee's services that relate directly to the purpose for which the organisation was established:

- private non-tertiary schools or colleges;
- local governing bodies; or
- religious institutions, public benevolent institutions or public hospitals.

Stamp Duty on Conveyances

	2008-09	2009-10	2010-11	2011-12
Tax Expenditure (\$M)	39.8	37.8	38.8	39.8

The benchmark tax base is assumed to be sales of all dutiable property, including chattels that are part of a transaction that conveys other dutiable property. The benchmark tax scale is assumed to be the stamp duty scale that will apply in 2008-09.

The estimated tax expenditure reported above comprises the items below.

Corporate Reconstructions Exemption

An exemption for transfers of property between commonly owned corporations was introduced from 10 October 2002. The exemption is to allow corporate groups to reorganise the ownership of assets into more efficient structures.

The estimated value of the concession is based on the actual amount of stamp duty forgone as a result of approved corporate reconstruction exemptions and how this relates to overall conveyance stamp duty collections.

First Home Owner Concession

A stamp duty concession is available for the purchase of a person's first home in the Northern Territory.

From 6 May 2008, the concession exempts from stamp duty the first \$385 000 of a home's value (that is, up to \$15 515 in stamp duty).

The estimated tax expenditure for this concession is based on actual historical data collected in relation to the concession and how this relates to overall conveyance stamp duty collections.

Principal Place of Residence Rebate

A stamp duty rebate of up to \$2500 of the duty payable on the purchase of a person's principal place of residence in the Northern Territory is available.

With the reduction in conveyance stamp duty rates from 6 May 2008, this equates to a rebate of the stamp duty on about the first \$111 850 of a home's value. This concession is not available to first home buyers.

The estimated tax expenditure for this concession is based on actual historical data collected for this rebate and how it relates to overall conveyance stamp duty collections.

Other Conveyance Stamp Duty Exemptions

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

- the transfer of a company's property, on its winding up, to a shareholder of the company entitled to the property on a distribution in kind;
- instruments made pursuant to a court order that alter the interests of the parties to a marriage. This exemption is provided under the Commonwealth's *Family Law Act*;

- the conveyance of property between partners of a de facto relationship on the breakdown of the relationship; and
- property transferred to public benevolent institutions, religious institutions, public hospitals and public education institutions for a purpose other than the carrying on of a commercial activity conducted by or on behalf of the entity.

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

Stamp Duty on General Insurance Policies

	2008-09	2009-10	2010-11	2011-12
Tax Expenditure (\$M)	15.0	15.5	15.9	16.4

The benchmark tax base is assumed to be 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 assumed to be the stamp duty rate that will apply in 2008-09, being 10 per cent of the premium.

The estimated tax expenditure reported above comprises the following items.

Workers Compensation Insurance Exemption

An exemption is provided for workers compensation insurance to help reduce labour on-costs. This item of tax expenditure has been estimated using total work health insurance policy premiums paid during past years and how these compare to total payroll data of employers in the Northern Territory.

Private Health Insurance Exemption

An exemption is provided for private health insurance to help reduce the cost of such insurance. The estimated tax expenditure for this exemption is based on private health insurance premium data obtained from the Private Health Insurance Administration Council.

Motor Vehicle Registration Fees

	2008-09	2009-10	2010-11	2011-12
Tax Expenditure (\$M)	0.8	0.9	0.9	0.9

The holder of a Pensioner Vehicle Concession Card is able to receive a flat \$104 concession from motor vehicle registration fees. This is the estimated tax expenditure reported above.

Actual historical motor vehicle registration fee data has been used to estimate this item of tax expenditure.

Mineral Royalties

	2008-09	2009-10	2010-11	2011-12
Tax Expenditure (\$M)	0.5	0.5	0.5	0.5

The benchmark tax base is assumed to be all profitable mining operations in the Northern Territory. The benchmark tax rate is assumed to be the rate of royalty that will apply in 2008-09, being 18 per cent.

The estimated tax expenditure reported above comprises the following item.

Eligible Exploration Expenditure

Royalty payers are able to reduce the amount of royalty that they pay in the Territory for eligible exploration expenditure (EEE) incurred for their mining operations in the Territory. In addition, they have been able to utilise exploration expenditure incurred by others, through acquiring exploration expenditure certificates (EECs), to also reduce the amount of royalty that they are required to pay. However, the amount by which royalty may be reduced through the use of EEE is limited to a maximum of 25 per cent of the amount that would otherwise be payable.

Moreover, EECs have not been issued since 1 July 2003, so the number and value of EECs available to reduce royalty has been diminishing since then. It is believed that there is minimal stock of EECs available to royalty payers, so royalty payers will be increasingly restricted to EEE expended on their own mining tenements.

The estimated cost of this concession is based on projected future mineral royalty collections, assuming that royalty payers will seek to maximise their royalty deduction by using EEE.

Conclusion

The Territory has substantially the same revenue-raising powers as the states. However, constitutional and other arrangements limit the revenue-raising base that is available to all states and territories.

Therefore, while the Territory, like the states, has limited discretion on the range of taxes that can be applied, it has discretion over the rates of these taxes.

National tax reform has given the states and territories access to a more robust and growing revenue base but it has also further reduced the range of taxes directly available to the states and territories. This has meant states and territories are paying greater attention to the efficiency and comparability of their remaining taxes. This is evident in the 2008-09 Budget revenue initiatives which include conveyance stamp duty and payroll tax rate reductions and the harmonisation of payroll tax legislation.

Chapter 7 The Territory Economy

The Northern Territory economy reports amongst the highest economic growth rates of the Australian jurisdictions over the past three years. Economic activity in the Territory continues to be dominated by mineral and energy production, construction activity, tourism and the public sector.

The small size of the Territory economy means that large, typically resource-based, projects can have a substantial impact on investment and production, resulting in volatile growth patterns. The structure of the economy reflects significant natural resources, the Territory's importance in national defence and the relatively large tourism and public sectors. The significance of the mining and tourism industries makes the Territory economy particularly reliant on exports and susceptible to developments in key export markets and the world economy generally.

This chapter outlines the economic growth outlook for the Territory for 2007-08 and 2008-09. A more detailed analysis of the Territory economy is included in the 2008-09 *Northern Territory Economy* Budget-related paper.

The Economy in 2007-08

In 2007-08, Territory state final demand (SFD) is estimated to increase by 2.1 per cent, driven by very strong levels of total consumption expenditure which more than offset the significant decline in total investment expenditure associated with the completion of the Wickham Point liquefied natural gas (LNG) plant and Alcan alumina refinery mega projects.

Household consumption expenditure is estimated to grow by 6.4 per cent in 2007-08, supported by strong employment and population growth and high levels of consumer confidence.

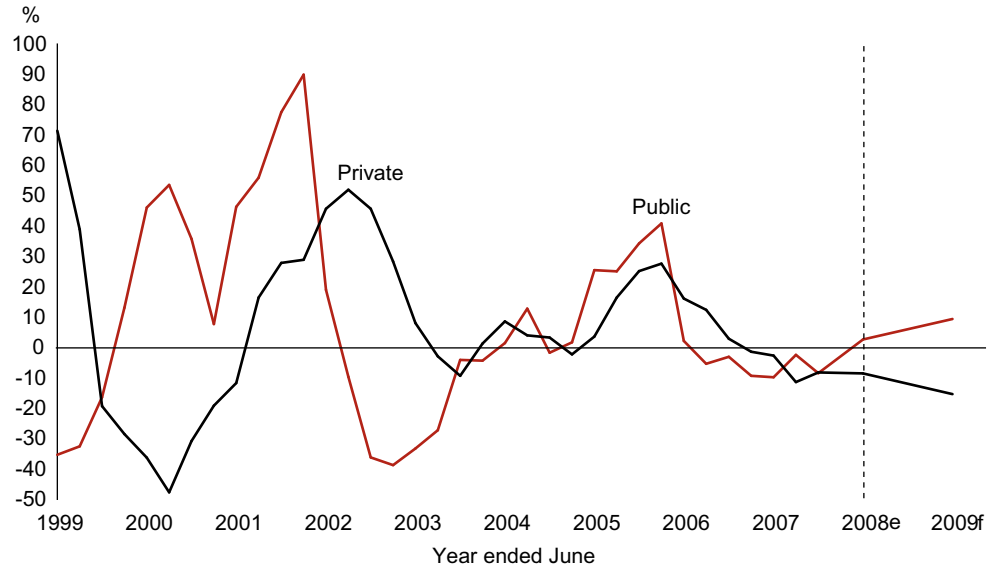
Business investment is estimated to decline by 9.2 per cent in 2007-08, reflecting significant declines in engineering construction activity associated with major projects and despite increased machinery and equipment investment by several key mining operations.

In addition, the level of dwellings investment is estimated to decline by 3.3 per cent in 2007-08, as housing affordability and interest rates dampen activity.

The level of public consumption expenditure reflects the significance of spending on both Closing the Gap and the Northern Territory Emergency Response in 2007-08. Public investment in 2007-08 is being supported by upgrades to the road network, including commencement of stage 1 of the Tiger Brennan Drive extension, and the ongoing delivery of the Middle Years schooling program, as well as continued development of the Desert Knowledge Precinct in Alice Springs.

Chart 7.1 shows the relative growth rates of private and public investment in the Territory. Both exhibit substantial volatility, with private investment in particular impacted by major resource projects. The most recent cycle of private investment peaked in early 2006, and has been declining since, reflecting the completion of both the Wickham Point LNG plant, and the Alcan refinery expansion. The estimated and forecast growth in public investment reflects defence expenditure and initiatives for Closing the Gap and the Emergency Response, as well as the Government's capital works program including expenditure on roads, schools and other social infrastructure.

Chart 7.1: Private and Public Investment (year on year percentage change)

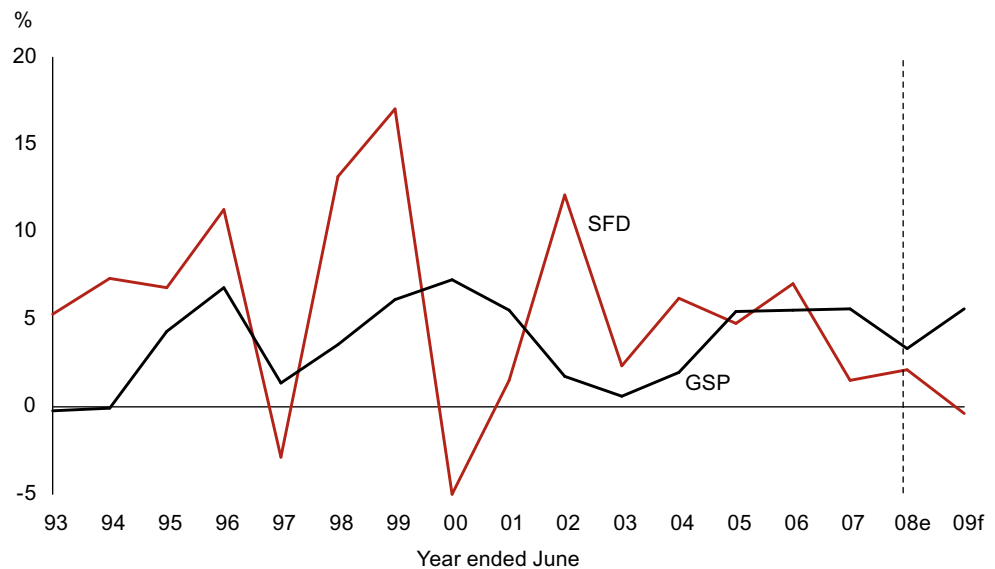


e: estimate; f: forecast
 Source: ABS Cat. No. 5206.0; Northern Territory Treasury

Gross State Product

Following an increase of 5.6 per cent in 2006-07, Territory gross state product (GSP) is estimated to increase by 2.8 per cent in 2007-08 (see Chart 7.2). The more modest growth rate compared to 2006-07 is due to lower net exports and lower investment associated with the completion of mega projects. The negative contribution of net exports to growth in 2007-08 reflects the impact of scheduled maintenance shut-downs at the Wickham Point LNG plant and associated gas fields, as well as the temporary closure of the Corallina oilfield and the permanent closure of the Elang Kakatua oilfield. In addition, total private investment expenditure is estimated to decline by 8.5 per cent in 2007-08, reflecting the completion of major works on the Alcan refinery expansion, and despite increases in machinery and equipment expenditure by many mine operators.

Chart 7.2: Territory SFD and GSP (real, year on year change)

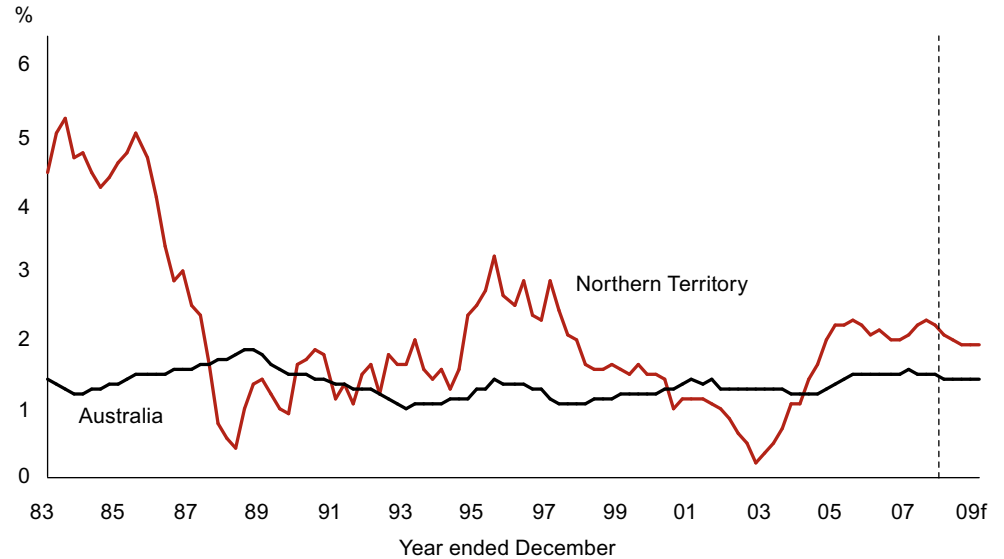


e: estimate; f: forecast
 Source: ABS Cat. No. 5206.0, 5220.0; Northern Territory Treasury

Population

Population growth is estimated at 2.2 per cent in 2007, up from the reported growth rate of 2.0 per cent in 2006 (see Chart 7.3). Construction of the Darwin Waterfront is currently providing good employment opportunities and the associated construction of hotels, residential apartments and retail complexes will continue for several years. In addition, the new suburb of Lyons is well under way. Construction of the Blacktip gas project will provide good employment opportunities during 2008-09.

Chart 7.3: Territory and National Population Growth Rates (annual percentage change)



f: forecast

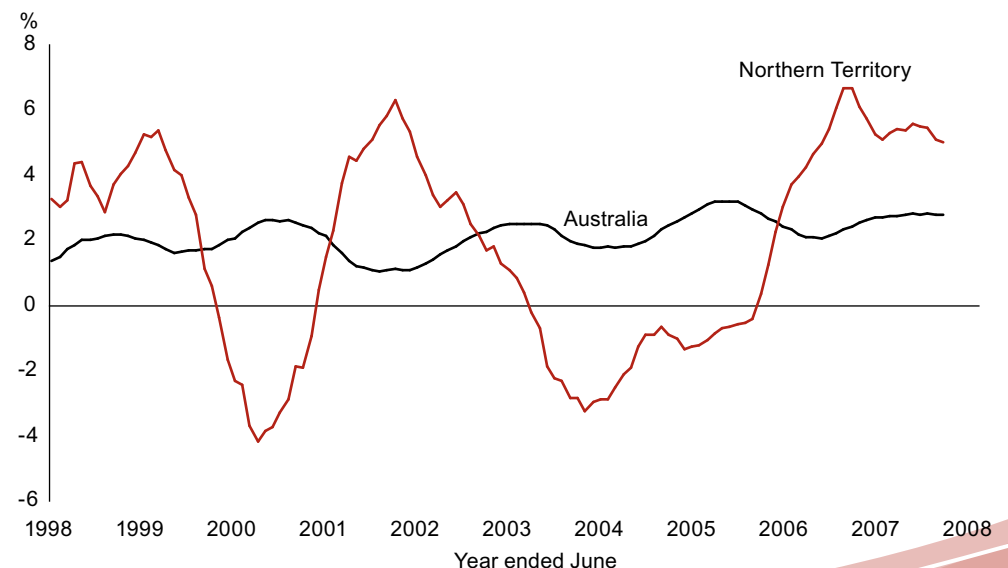
Source: ABS Cat. No. 3101.0; Northern Territory Treasury

Labour Force

The Territory labour market continues its strong performance in 2007-08, with estimated resident employment growth of 4.8 per cent and an estimated average unemployment rate of 4.5 per cent (up from 3.8 per cent in 2006-07) as strong employment conditions prevail, encouraging greater numbers of job seekers into the labour market. Related indicators such as the Sensis Business Index, the ANZ job advertisements series and the Department of Education, Employment and Workplace Relations skilled vacancy survey, point to strong employment growth and a shortage of skilled labour.

Chart 7.4 shows employment growth in the Territory, which can be highly volatile, influenced by both the relatively small sample size on which estimates are based, and the demographic composition of the Territory's population.

Chart 7.4: Employment Growth, Australia versus Northern Territory (year on year percentage change)



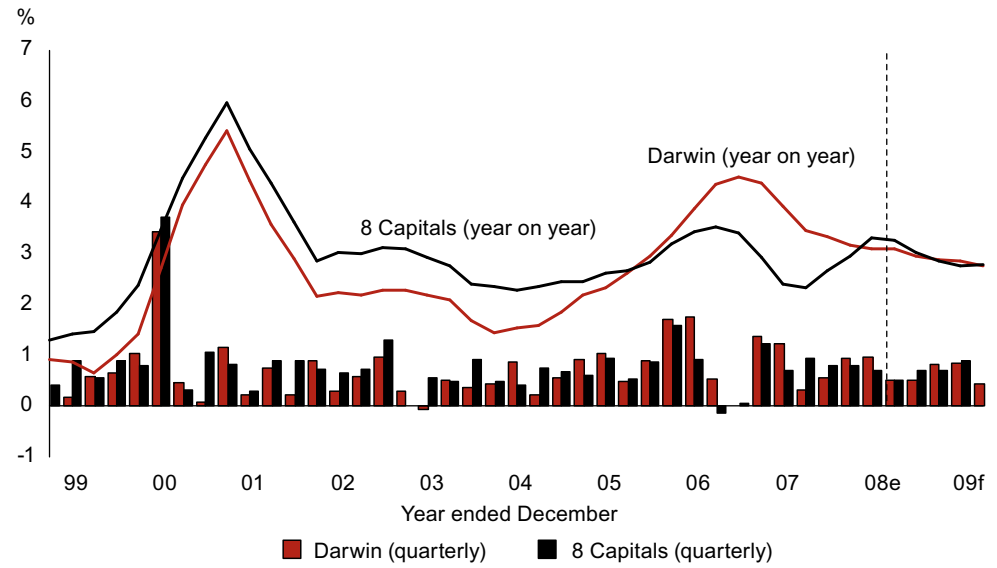
Source: ABS Cat. No. 6202.0

Prices

Darwin's consumer price index (CPI) is estimated to increase by 3.1 per cent in 2008, a moderation from the 3.4 per cent increase reported for 2007. The 2007 result was the highest of the capital cities, and compares with the 2.3 per cent increase recorded nationally. The relatively high Darwin CPI figure for 2007 was driven by the significant increase in Darwin house prices, as well as increases in fuel costs and financial and insurance services (reflecting the impact of higher interest rates and insurance premiums). The expected moderation in Darwin house prices over 2008 will offset some of the expected fuel and freight cost increases, so that the Darwin inflation rate is estimated to moderate.

Chart 7.5 reports the Darwin CPI relative to the eight capital city Australian average. In recent years, the Darwin CPI has tracked above the national inflation rate, mainly reflecting higher housing costs.

Chart 7.5: Darwin versus Australia CPI (year on year percentage change)



e: estimate; f: forecast
 Source: ABS Cat. No. 6401.0

Wages

Solid wages growth in 2007, both in the Territory and nationally, reflects tight labour market conditions and skilled labour shortages throughout the year. In the year to December 2007, the Territory Wage Price Index (WPI) increased by 3.9 per cent, compared to 4.1 per cent nationally. This reflects a consolidation of wages growth in the Territory, with growth in 2007 equal to the reported growth in 2006. Private sector wages in the Territory increased by 4.8 per cent in 2007 compared to 2.7 per cent for the public sector. The lower wages growth reported for the public sector reflects the timing of negotiations for enterprise bargaining agreements across the public sector.

Outlook for 2008-09 and Beyond

Gross State Product

Economic growth is forecast to strengthen to 6.6 per cent in 2008-09, as the contribution from exports increases substantially, with full recovery from the temporary closures of both the Wickham Point LNG plant and the Corallina oilfield, as well as significantly higher oil production from the Puffin field.

Other contributors to the higher level of mineral and energy production in 2008-09 will be significant increases in lead-zinc production with the completion of the conversion to open cut operations at McArthur River, further increases in the production of alumina from Alcan, and iron ore from the Frances Creek mine. The contribution of manganese production is also forecast to increase very substantially in 2008-09, on the back of significant price increases.

Table 7.1 shows growth in key economic indicators reported from 2003-04 through to 2008-09.

Table 7.1: Growth in Key Territory Indicators, 2003-04 to 2008-09

	2003-04	2004-05	2005-06	2006-07	2007-08e	2008-09f
	%	%	%	%	%	%
Real GSP	2.0	5.5	5.5	5.6	2.8	6.6
Resident Employment	- 2.9	- 1.3	3.0	5.3	4.8	2.5
Population ¹	0.7	1.6	2.3	2.0	2.2	1.9
Darwin CPI ²	2.1	1.6	2.6	4.4	3.4 ³	3.1

e: estimate; f: forecast

¹ As at December, annual percentage change

² As at December, year on year percentage change

³ Actual Darwin CPI 2007

State Final Demand

Territory SFD is forecast to decrease by 0.4 per cent in 2008-09, due to the continued significant decline in total investment expenditure as major projects are completed. In addition, growth of both household and public sector consumption expenditure is forecast to moderate in 2008-09. The more modest contribution of total consumption expenditure in 2008-09 is not sufficient to offset the decline in total investment expenditure, resulting in the forecast decrease in SFD.

Population

Population growth is forecast to moderate to 1.9 per cent in 2008, with net interstate migration returning towards longer run averages due to the completion of some major employment generating projects.

Labour Force

Resident employment growth of 2.5 per cent is forecast for 2008-09, underpinned by residential construction and work on resource projects and continued migration and tourism growth. The more modest growth rate forecast for 2008-09 is in line with the forecast moderation in SFD growth over the same period.

Despite strong labour demand associated with high levels of construction activity and strong economic conditions, growth in employment may be partially constrained by limited availability of skilled labour. The ability of Territory employers to attract and retain suitable skilled workers will continue to be a critical factor in determining employment growth in the Territory.

Prices and Wages

Inflation in the Territory is expected to continue to moderate in 2009, returning to the Reserve Bank of Australia's (RBA) target band of 2 to 3 per cent. Darwin CPI growth of 2.8 per cent is forecast for 2009.

The continued softening of inflationary pressures in 2009 is attributed to higher interest rates dampening house price growth further, and lower crude oil prices relative to 2008. This softening in the Darwin CPI is expected to be partially offset by continued skilled labour shortages and the prevailing tightness of the labour market, as well as the possible depreciation in the Australian dollar (in line with the anticipated strengthening of the United States dollar in 2009) which could lead to inflationary pressure in the economy, particularly in the manufacturing and tourism sectors.

Wages growth in the Territory is expected to strengthen in 2008 as outcomes of the finalised enterprise bargaining agreements lead to stronger public sector wages. In addition, ongoing skilled labour shortages and a tight labour market are expected to lead to growth in the Territory's wage price index (WPI), averaging around 4.0 per cent over the year.

Future Potential

With many projects in the pipeline and in the evaluation phase, the economic base of the Territory is expected to expand significantly over the next decade. Many of these projects are in the mining and energy industry with supporting activity in the construction, manufacturing and transport industries.

There is potential for construction of Train Two of the Wickham Point LNG plant to begin in the next one to two years if development of the Greater Sunrise gas field in the Timor Sea proceeds, with exports around four years later.

In February 2008, the Territory Government signed a project facilitation agreement with Japanese oil and gas company Inpex to evaluate the possibility of constructing an LNG plant at the Middle Arm Peninsula, near Darwin.

Nexus Energy is proposing to undertake a US\$1 billion development at the Crux liquids and gas field located 700 kilometres northwest of Darwin. A final investment decision is expected in 2008, with the potential for first liquids production from 2010.

Production of oil from the Montara project, from the Montara, Skua and Swift/Swallow oilfields in the Timor Sea, is due in 2009.

Compass Resources is currently undertaking a feasibility study of its proposed \$750 million Browns Sulphide project near Batchelor. A number of production scenarios are currently being examined, with the potential for production to commence in 2010 or 2011.

Arafura Resources is currently assessing the feasibility of developing the Nolans rare earths-phosphate-uranium deposit located about 135 kilometres north of Alice Springs with the ore freighted to Darwin by train, where it would be processed at a \$300 million plant.

The Adelaide to Darwin railway will continue to grow in importance as a means of transporting bulk ore to the Port of Darwin for export. Oxiana has announced plans to freight copper-gold concentrate by rail from its Prominent Hill mine in South Australia to the Port of Darwin, commencing in 2008.

As the Territory continues to develop as a service and manufacturing hub for the northern Australian mining and energy sectors, further opportunities are likely to be created for the Territory construction industry.

In Alice Springs, a \$41.7 million power station (including transmission lines) is expected to commence construction at Brewer Estate by the end of 2008.

Construction continues at the Darwin Waterfront, with the addition of residential apartments, retail outlets and a hotel.

The construction of a \$33 million backpacker resort in Alice Springs will begin in 2008-09.

A new \$50 million shopping centre is being planned for Bakewell, Palmerston. The centre will incorporate a Woolworths supermarket and Big W store, and will be constructed in 2008-09, pending development approval.

Northern Territory Airports is planning to build a \$100 million home and lifestyle centre at the airport's business park in Darwin.

Over the next four years, the Commonwealth and Territory governments have committed to a jointly funded major program for Indigenous housing in Territory communities. The Strategic Indigenous Housing and Infrastructure Program (SIHIP) has an anticipated total value of \$647 million, with \$547 million provided by the Commonwealth and \$100 million by the Territory Government.

Jetstar is examining plans to develop a hub in Darwin, which would require further infrastructure development at Darwin International Airport, and could result in up to 300 ongoing additional jobs.

Chapter 8

Uniform Presentation Framework

Under the Uniform Presentation Framework (UPF), the Commonwealth, state and territory governments have agreed to publish information in a standard format in their budget papers. The Uniform Presentation Framework was revised and reissued in April 2008 to incorporate the new accounting standard AASB 1049 Whole of Government and General Government Sector Financial Reporting. The new standard aims to harmonise government finance statistics and generally accepted accounting principles with the objective of improving the clarity and transparency of government financial statements.

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

The new harmonised standard means that Government financial reports will now be presented on the same basis by all jurisdictions and will result in greater transparency and consistency. The new format provides greater disaggregation in some key items, enabling a better basis for analysis and comparison between jurisdictions.

The tables in this chapter meet the Territory's reporting obligations under both the *Fiscal Integrity and Transparency Act* and the UPF. They include, for each sector of government, an:

- operating statement;
- balance sheet; and
- 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;
- expenses and purchases of non-financial assets by function; and
- a revised 2008-09 Loan Council Allocation.

The financial statements for the general government, public non financial corporations and non financial public sectors include the revised 2007-08 Estimate, 2008-09 Budget and 2009-10 to 2011-12 Forward Estimates. The statements for the public financial corporation sector and total public sector present the 2007-08 estimate only, with the remaining supplementary tables presenting both the 2007-08 Estimate and the 2008-09 Budget.

Table 8.1

General Government Sector Operating Statement

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	397 295	400 036	407 569	426 469	446 473
Current grants	2 723 576	2 869 716	2 956 866	3 045 832	3 177 165
Capital grants	175 597	166 290	239 103	255 766	233 156
Sales of goods and services	142 709	131 496	135 650	137 461	138 976
Interest income	58 593	45 354	46 149	46 272	46 409
Dividend and income tax equivalent income	52 259	46 518	34 417	28 726	39 543
Other	127 750	118 708	121 757	121 968	121 580
TOTAL REVENUE	3 677 779	3 778 118	3 941 511	4 062 494	4 203 302
<i>less</i> EXPENSES					
Employee expenses	1 291 224	1 344 510	1 390 262	1 437 689	1 486 809
Superannuation expenses					
Superannuation interest cost	126 841	131 288	135 168	138 520	141 320
Other superannuation expenses	126 550	120 223	118 513	118 395	117 617
Depreciation and amortisation	176 835	183 270	186 537	188 997	191 811
Other operating expenses	889 503	948 301	1 024 796	1 108 789	1 180 777
Interest expenses	151 466	138 041	140 750	143 252	145 500
Other property expenses					
Current grants	570 264	570 297	560 985	552 799	564 674
Capital grants	199 344	163 384	138 414	131 845	136 127
Subsidies and personal benefit payments	64 419	68 087	71 794	72 544	75 462
TOTAL EXPENSES	3 596 446	3 667 401	3 767 219	3 892 830	4 040 097
<i>equals</i> NET OPERATING BALANCE	81 333	110 717	174 292	169 664	163 205
<i>plus</i> Other economic flows	70 970	100 671	68 090	67 546	81 601
equals COMPREHENSIVE RESULT – Total change in net worth	152 303	211 388	242 382	237 210	244 806
NET OPERATING BALANCE	81 333	110 717	174 292	169 664	163 205
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	350 658	447 137	469 458	453 269	417 706
Sales of non financial assets	- 56 027	- 72 128	- 61 598	- 64 025	- 68 379
<i>less</i> Depreciation	176 835	183 270	186 537	188 997	191 811
<i>plus</i> Change in inventories					
<i>plus</i> Other movements in non financial assets	30 108				
<i>equals</i> Total net acquisition of non financial assets	147 904	191 739	221 323	200 247	157 516
<i>equals</i> FISCAL BALANCE	- 66 571	- 81 022	- 47 031	- 30 583	5 689

Table 8.2

General Government Sector Balance Sheet

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	61 548	48 713	50 944	51 067	52 572
Advances paid	185 666	186 191	186 831	189 023	191 352
Investments, loans and placements	852 056	853 538	845 121	874 452	925 561
Receivables	121 525	108 408	110 546	106 760	114 580
Equity					
Investments in other public sector entities	1 168 628	1 224 589	1 254 015	1 285 196	1 327 504
Investments – other					
Other financial assets					
Total financial assets	2 389 423	2 421 439	2 447 457	2 506 498	2 611 569
Non financial assets					
Land and other fixed assets	5 343 884	5 553 474	5 785 518	5 992 510	6 157 921
Other non financial assets					
Total non financial assets	5 343 884	5 553 474	5 785 518	5 992 510	6 157 921
TOTAL ASSETS	7 733 307	7 974 913	8 232 975	8 499 008	8 769 490
LIABILITIES					
Deposits held	178 244	142 231	96 703	91 456	79 102
Advances received	281 718	281 800	281 460	261 152	260 361
Borrowing	1 720 809	1 709 726	1 700 926	1 691 417	1 677 784
Superannuation	2 303 301	2 371 367	2 430 177	2 479 301	2 519 235
Other employee benefits	398 177	407 552	418 162	430 095	439 784
Payables	97 951	97 936	97 934	97 844	97 795
Other liabilities	18 315	18 121	19 051	21 971	24 851
TOTAL LIABILITIES	4 998 515	5 028 733	5 044 413	5 073 236	5 098 912
NET ASSETS/(LIABILITIES)	2 734 792	2 946 180	3 188 562	3 425 772	3 670 578
Contributed equity					
Accumulated surplus/(deficit)	540 546	695 973	908 929	1 114 958	1 317 456
Other reserves	2 194 246	2 250 207	2 279 633	2 310 814	2 353 122
NET WORTH	2 734 792	2 946 180	3 188 562	3 425 772	3 670 578
NET FINANCIAL WORTH¹	- 2 609 092	- 2 607 294	- 2 596 956	- 2 566 738	- 2 487 343
NET FINANCIAL LIABILITIES²	3 777 720	3 831 883	3 850 971	3 851 934	3 814 847
NET DEBT³	1 081 501	1 045 315	996 193	929 483	847 762

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 (a)

General Government Sector Cash Flow Statement

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	397 584	400 036	407 569	426 469	446 473
Receipts from sales of goods and services	142 301	131 864	136 539	138 450	139 965
Grants and subsidies received	2 899 173	3 036 006	3 195 969	3 301 598	3 410 321
Interest receipts	58 593	45 354	46 149	46 272	46 409
Dividends and income tax equivalents	48 262	59 216	31 841	32 063	31 261
Other receipts	120 783	111 069	113 291	113 181	112 589
Total operating receipts	3 666 696	3 783 545	3 931 358	4 058 033	4 187 018
Cash payments for operating activities					
Payments for employees	-1 445 913	-1 510 957	-1 566 563	-1 625 247	-1 687 823
Payment for goods and services	- 885 345	- 948 476	-1 023 877	-1 105 988	-1 177 789
Grants and subsidies paid	- 831 482	- 801 723	- 771 148	- 757 143	- 776 218
Interest paid	- 151 463	- 138 064	- 140 742	- 143 332	- 145 549
Other payments					
Total operating payments	-3 314 203	-3 399 220	-3 502 330	-3 631 710	-3 787 379
NET CASH FLOWS FROM OPERATING ACTIVITIES	352 493	384 325	429 028	426 323	399 639
Cash flows from investments in non financial assets					
Sales of non financial assets	56 027	72 128	61 598	64 025	68 379
Purchases of non financial assets	- 350 658	- 447 137	- 469 458	- 453 269	- 417 706
Net cash flows from investments in non financial assets	- 294 631	- 375 009	- 407 860	- 389 244	- 349 327
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	57 862	9 316	21 168	37 079	50 312
Net cash flows from investments in financial assets for policy purposes ¹	- 13	- 25	- 640	- 2 192	- 2 329
Net cash flows from investments in financial assets for liquidity purposes	- 15 510	24 888	36 371	300	- 19 700
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 310 154	- 350 146	- 372 129	- 391 136	- 371 356
Net cash flows from financing activities					
Advances received (net)	- 13 610	82	- 340	- 20 308	- 791
Borrowing (net)	- 57 515	- 11 083	- 8 800	- 9 509	- 13 633
Deposits received (net)	16 785	- 36 013	- 45 528	- 5 247	- 12 354
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 54 340	- 47 014	- 54 668	- 35 064	- 26 778
NET INCREASE/DECREASE IN CASH HELD	- 12 001	- 12 835	2 231	123	1 505
Net cash flows from operating activities	352 493	384 325	429 028	426 323	399 639
Net cash flows from investments in non financial assets	- 294 631	- 375 009	- 407 860	- 389 244	- 349 327
CASH SURPLUS (+)/(DEFICIT) (-)	57 862	9 316	21 168	37 079	50 312
Table 8.3 (b) Additional Information to the Cash Flow Statement					
CASH SURPLUS (+)/(DEFICIT) (-)	57 862	9 316	21 168	37 079	50 312
Acquisitions under finance leases and similar arrangements	- 32 608				
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	25 254	9 316	21 168	37 079	50 312
less Infrastructure and superannuation contributions ²	20 000				
UNDERLYING SURPLUS (+)/DEFICIT (-)	5 254	9 316	21 168	37 079	50 312

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

² Contributions for future infrastructure and superannuation requirements.

Table 8.4

Public Non Financial Corporation Sector Operating Statement

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Current grants	100 996	105 720	108 378	111 107	113 905
Capital grants	92 915	64 559	14 923	15 296	15 679
Sales of goods and services	382 755	378 610	392 518	404 775	417 791
Interest income	2 204	1 726	1 704	1 719	1 743
Other	29 027	26 948	27 434	28 073	28 727
TOTAL REVENUE	607 897	577 563	544 957	560 970	577 845
<i>less</i> EXPENSES					
Employee expenses	57 399	57 610	58 881	63 498	66 033
Superannuation expenses	8 226	8 289	8 629	8 973	9 332
Depreciation and amortisation	64 342	70 412	73 835	76 404	80 005
Other operating expenses	333 551	336 195	343 534	354 246	335 689
Interest expenses	30 475	37 956	45 470	53 769	61 203
Other property expenses	24 908	21 892	2 748	176	4 156
Current grants					
Capital grants					
Subsidies and personal benefit payments	4 106	4 900	5 023	5 148	5 277
TOTAL EXPENSES	523 007	537 254	538 120	562 214	561 695
<i>equals</i> NET OPERATING BALANCE	84 890	40 309	6 837	- 1 244	16 150
<i>plus</i> Other economic flows	- 80	- 48	- 4 711	- 74	- 6 342
<i>equals</i> COMPREHENSIVE RESULT – Total change in net worth	84 810	40 261	2 126	- 1 318	9 808
NET OPERATING BALANCE	84 890	40 309	6 837	- 1 244	16 150
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	182 759	215 091	167 061	177 651	151 975
Sales of non financial assets	- 66	- 126	- 186	- 126	- 126
<i>less</i> Depreciation	64 342	70 412	73 835	76 404	80 005
<i>plus</i> Change in inventories	- 628	576	438	448	460
<i>plus</i> Other movements in non financial assets	12 570	11 500	11 788	12 082	12 384
<i>equals</i> Total net acquisition of non financial assets	130 293	156 629	105 266	113 651	84 688
<i>equals</i> FISCAL BALANCE	- 45 403	- 116 320	- 98 429	- 114 895	- 68 538

Table 8.5

Public Non Financial Corporation Sector Balance Sheet

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	72 416	56 013	32 708	37 335	35 336
Advances paid					
Investments, loans and placements					
Receivables	80 154	65 519	70 326	72 853	75 019
Equity					
Other financial assets					
Total financial assets	152 570	121 532	103 034	110 188	110 355
Non financial assets					
Land and other fixed assets	1 366 473	1 523 222	1 628 668	1 742 439	1 827 247
Other non financial assets					
Total non financial assets	1 366 473	1 523 222	1 628 668	1 742 439	1 827 247
TOTAL ASSETS	1 519 043	1 644 754	1 731 702	1 852 627	1 937 602
LIABILITIES					
Deposits held					
Advances received					
Borrowing	468 070	589 058	673 124	794 819	863 682
Superannuation					
Other employee benefits	24 292	24 366	25 381	26 442	27 550
Payables	76 111	50 860	50 775	55 722	53 547
Other liabilities	16 427	6 066	5 892	432	7 803
TOTAL LIABILITIES	584 900	670 350	755 172	877 415	952 582
NET ASSETS/(LIABILITIES)	934 143	974 404	976 530	975 212	985 020
Contributed equity	356 521	356 521	356 521	356 521	356 521
Accumulated surplus/(deficit)	560 290	600 551	602 677	601 359	611 167
Other reserves	17 332	17 332	17 332	17 332	17 332
NET WORTH	934 143	974 404	976 530	975 212	985 020
NET FINANCIAL WORTH¹	- 432 330	- 548 818	- 652 138	- 767 227	- 842 227
NET DEBT²	395 654	533 045	640 416	757 484	828 346

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 (a)

Public Non Financial Corporation Sector Cash Flow Statement

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Receipts from sales of goods and services	353 391	380 644	385 279	402 011	415 805
Grants and subsidies received	193 911	170 279	123 301	126 403	129 584
Interest receipts	2 197	1 725	1 703	1 718	1 742
Other receipts	16 457	15 448	15 646	15 991	16 343
Total operating receipts	565 956	568 096	525 929	546 123	563 474
Cash payments for operating activities					
Income tax equivalents paid	- 16 643	- 32 281	- 7 644	- 942	- 3 053
Payments for employees	- 69 482	- 71 645	- 72 582	- 77 753	- 80 875
Payment for goods and services	- 320 347	- 343 989	- 335 766	- 343 616	- 332 023
Grants and subsidies paid	- 4 112	- 4 900	- 5 023	- 5 148	- 5 277
Interest paid	- 29 773	- 37 567	- 45 242	- 53 316	- 61 065
Other payments					
Total operating payments	- 440 357	- 490 382	- 466 257	- 480 775	- 482 293
NET CASH FLOWS FROM OPERATING ACTIVITIES	125 599	77 714	59 672	65 348	81 181
Cash flows from investments in non financial assets					
Sales of non financial assets	66	126	186	126	126
Purchases of non financial assets	- 182 759	- 215 091	- 167 061	- 177 651	- 151 975
Net cash flows from investments in non financial assets	- 182 693	- 214 965	- 166 875	- 177 525	- 151 849
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 57 094	- 137 251	- 107 203	- 112 177	- 70 668
Net cash flows from investments in financial assets for policy purposes ¹					
Net cash flows from investments in financial assets for liquidity purposes					
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 182 693	- 214 965	- 166 875	- 177 525	- 151 849
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	79 584	120 988	84 066	121 695	68 863
Deposits received (net)					
Dividends paid	- 128	- 140	- 168	- 4 891	- 194
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	79 456	120 848	83 898	116 804	68 669
NET INCREASE/DECREASE IN CASH HELD	22 362	- 16 403	- 23 305	4 627	- 1 999
Net cash flows from operating activities	125 599	77 714	59 672	65 348	81 181
Net cash flows from investments in non financial assets	- 182 693	- 214 965	- 166 875	- 177 525	- 151 849
Dividends paid	- 128	- 140	- 168	- 4 891	- 194
CASH SURPLUS (+)/(DEFICIT) (-)	- 57 222	- 137 391	- 107 371	- 117 068	- 70 862

Table 8.6 (b) Additional Information to the Cash Flow Statement

CASH SURPLUS (+)/(DEFICIT) (-)	- 57 222	- 137 391	- 107 371	- 117 068	- 70 862
Acquisitions under finance leases and similar arrangements					
ABS GFS SURPLUS (+)/(DEFICIT (-) including finance leases and similar arrangements	- 57 222	- 137 391	- 107 371	- 117 068	- 70 862

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

Table 8.7

Non Financial Public Sector Operating Statement

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	391 582	394 216	401 483	420 123	439 855
Current grants	2 723 570	2 869 716	2 956 866	3 045 832	3 177 165
Capital grants	175 597	166 290	239 103	255 766	233 156
Sales of goods and services	503 572	488 384	506 278	520 173	534 704
Interest income	58 620	45 402	46 178	46 301	46 439
Dividend and income tax equivalent income	27 211	24 458	26 778	28 356	28 925
Other	148 332	139 379	142 577	143 087	143 353
TOTAL REVENUE	4 028 484	4 127 845	4 319 263	4 459 638	4 603 597
<i>less</i> EXPENSES					
Employee expenses	1 348 623	1 402 120	1 449 143	1 501 187	1 552 842
Superannuation expenses					
Superannuation interest cost	126 841	131 288	135 168	138 520	141 320
Other superannuation expenses	128 881	122 285	120 578	120 464	120 045
Depreciation and amortisation	241 177	253 682	260 372	265 401	271 816
Other operating expenses	1 195 393	1 256 904	1 340 304	1 434 576	1 487 735
Interest expenses	179 764	174 319	184 545	195 331	204 990
Other property expenses					
Current grants	527 124	525 746	515 247	505 841	516 464
Capital grants	103 929	98 825	123 491	116 549	120 448
Subsidies and personal benefit payments	10 669	11 818	14 177	13 543	15 044
TOTAL EXPENSES	3 862 401	3 976 987	4 143 025	4 291 412	4 430 704
<i>equals</i> NET OPERATING BALANCE	166 083	150 858	176 238	168 226	172 893
<i>plus</i> Other economic flows	- 12 544	60 530	66 144	68 984	71 913
<i>equals</i> COMPREHENSIVE RESULT – Total change in net worth	153 539	211 388	242 382	237 210	244 806
NET OPERATING BALANCE	166 083	150 858	176 238	168 226	172 893
<i>less</i> Net acquisition of non financial assets					
Purchases of non financial assets	533 417	662 228	636 519	630 920	569 681
Sales of non financial assets	- 56 093	- 72 254	- 61 784	- 64 151	- 68 505
<i>less</i> Depreciation	241 177	253 682	260 372	265 401	271 816
<i>plus</i> Change in inventories	- 628	576	438	448	460
<i>plus</i> Other movements in non financial assets	42 678	11 500	11 788	12 082	12 384
<i>equals</i> Total net acquisition of non financial assets	278 197	348 368	326 589	313 898	242 204
<i>equals</i> FISCAL BALANCE	- 112 114	- 197 510	- 150 351	- 145 672	- 69 311

Table 8.8

Non Financial Public Sector Balance Sheet

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	63 595	52 095	56 885	57 038	52 600
Advances paid	185 666	186 191	186 831	189 023	191 352
Investments, loans and placements	852 056	853 538	845 121	874 452	925 561
Receivables	179 482	162 089	169 206	173 408	176 022
Equity					
Investments in other public sector entities	234 485	250 185	277 485	309 984	342 484
Investments – other					
Other financial assets					
Total financial assets	1 515 284	1 504 098	1 535 528	1 603 905	1 688 019
Non financial assets					
Land and other fixed assets	6 710 357	7 076 696	7 414 186	7 734 949	7 985 168
Other non financial assets					
Total non financial assets	6 710 357	7 076 696	7 414 186	7 734 949	7 985 168
TOTAL ASSETS	8 225 641	8 580 794	8 949 714	9 338 854	9 673 187
LIABILITIES					
Deposits held	107 875	89 600	69 936	60 092	43 794
Advances received	281 718	281 800	281 460	261 152	260 361
Borrowing	2 188 879	2 298 784	2 374 050	2 486 236	2 541 466
Superannuation	2 303 301	2 371 367	2 430 177	2 479 301	2 519 235
Other employee benefits	422 468	431 917	443 542	456 536	467 333
Payables	168 278	143 010	142 921	147 779	145 554
Other liabilities	18 330	18 136	19 066	21 986	24 866
TOTAL LIABILITIES	5 490 849	5 634 614	5 761 152	5 913 082	6 002 609
NET ASSETS/(LIABILITIES)	2 734 792	2 946 180	3 188 562	3 425 772	3 670 578
Contributed equity					
Accumulated surplus/(deficit)	1 100 836	1 296 524	1 511 606	1 716 317	1 928 623
Other reserves	1 633 956	1 649 656	1 676 956	1 709 455	1 741 955
NET WORTH	2 734 792	2 946 180	3 188 562	3 425 772	3 670 578
NET FINANCIAL WORTH¹	- 3 975 565	- 4 130 516	- 4 225 624	- 4 309 177	- 4 314 590
NET FINANCIAL LIABILITIES²	4 210 050	4 380 701	4 503 109	4 619 161	4 657 074
NET DEBT³	1 477 155	1 578 360	1 636 609	1 686 967	1 676 108

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 (a)

Non Financial Public Sector Cash Flow Statement

	2007-08 Estimate \$000	2008-09 Budget \$000	2009-10 \$000	2010-11 \$000	2011-12 \$000
			Forward Estimates		
Cash receipts from operating activities					
Taxes received	391 582	394 216	401 483	420 123	439 855
Receipts from sales of goods and services	473 800	490 786	499 928	518 398	533 707
Grants and subsidies received	2 899 167	3 036 006	3 195 969	3 301 598	3 410 321
Interest receipts	58 620	45 402	46 178	46 301	46 439
Dividends and income tax equivalents	31 488	26 796	24 029	26 339	27 906
Other receipts	137 190	126 467	128 887	129 014	128 990
Total operating receipts	3 991 847	4 119 673	4 296 474	4 441 773	4 587 218
Cash payments for operating activities					
Payments for employees	-1 509 388	-1 576 782	-1 633 058	-1 696 657	-1 762 080
Payment for goods and services	-1 183 752	-1 270 694	-1 337 704	-1 427 489	-1 487 699
Grants and subsidies paid	- 641 677	- 636 344	- 652 870	- 635 888	- 651 911
Interest paid	- 179 066	- 173 954	- 184 310	- 194 959	- 204 902
Other payments					
Total operating payments	-3 513 883	-3 657 774	-3 807 942	-3 954 993	-4 106 592
NET CASH FLOWS FROM OPERATING ACTIVITIES	477 964	461 899	488 532	486 780	480 626
Cash flows from investments in non financial assets					
Sales of non financial assets	56 093	72 254	61 784	64 151	68 505
Purchases of non financial assets	- 533 417	- 662 228	- 636 519	- 630 920	- 569 681
Net cash flows from investments in non financial assets	- 477 324	- 589 974	- 574 735	- 566 769	- 501 176
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	640	- 128 075	- 86 203	- 79 989	- 20 550
Net cash flows from investments in financial assets for policy purposes ¹	- 13	- 25	- 640	- 2 192	- 2 329
Net cash flows from investments in financial assets for liquidity purposes	- 15 510	24 888	36 371	300	- 19 700
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 492 847	- 565 111	- 539 004	- 568 661	- 523 205
Net cash flows from financing activities					
Advances received (net)	- 13 610	82	- 340	- 20 308	- 791
Borrowing (net)	22 069	109 905	75 266	112 186	55 230
Deposits received (net)	- 5 679	- 18 275	- 19 664	- 9 844	- 16 298
Other financing (net)					
NET CASH FLOWS FROM FINANCING ACTIVITIES	2 780	91 712	55 262	82 034	38 141
NET INCREASE/DECREASE IN CASH HELD	- 12 103	- 11 500	4 790	153	- 4 438
Net cash flows from operating activities	477 964	461 899	488 532	486 780	480 626
Net cash flows from investments in non financial assets	- 477 324	- 589 974	- 574 735	- 566 769	- 501 176
CASH SURPLUS (+)/(DEFICIT) (-)	640	- 128 075	- 86 203	- 79 989	- 20 550
Table 8.9 (b) Additional Information to the Cash Flow Statement					
CASH SURPLUS (+)/(DEFICIT) (-)	640	- 128 075	- 86 203	- 79 989	- 20 550
Acquisitions under finance leases and similar arrangements	- 32 608				
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 31 968	- 128 075	- 86 203	- 79 989	- 20 550
/less Future infrastructure and superannuation contributions ²	20 000				
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 51 968	- 128 075	- 86 203	- 79 989	- 20 550

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

² Contributions to meet future infrastructure requirements and defined benefit superannuation liabilities.

Table 8.10

Public Financial Corporation Sector Operating Statement

	2007-08 Estimate
	\$000
REVENUE	
Current grants	
Capital grants	
Sales of goods and services	138 971
Interest income	206 533
Other	30 137
TOTAL REVENUE	375 641
<i>less</i> EXPENSES	
Employee expenses	19 769
Superannuation expenses	1 830
Depreciation and amortisation	2 500
Other operating expenses	129 714
Interest expenses	185 279
Other property expenses	12 286
Current grants	
Capital grants	
Subsidies and personal benefit payments	
TOTAL EXPENSES	351 378
<i>equals</i> NET OPERATING BALANCE	24 263
<i>plus</i> Other economic flows	- 8 964
equals COMPREHENSIVE RESULT – Total change in net worth	15 299
NET OPERATING BALANCE	24 263
<i>less</i> Net acquisition of non financial assets	
Purchases of non financial assets	37 211
Sales of non financial assets	- 652
<i>less</i> Depreciation	2 500
<i>plus</i> Change in inventories	
<i>plus</i> Other movements in non financial assets	
<i>equals</i> Total net acquisition of non financial assets	34 059
<i>equals</i> FISCAL BALANCE	- 9 796

Table 8.11

Public Financial Corporation Sector Balance Sheet

	2007-08 Estimate
	\$000
ASSETS	
Financial assets	
Cash and deposits	60 287
Advances paid	303 269
Investments, loans and placements	3 029 977
Receivables	115 355
Equity	
Other financial assets	
Total financial assets	3 508 888
Non financial assets	
Land and other fixed assets	113 529
Other non financial assets	
Total non financial assets	113 529
TOTAL ASSETS	3 622 417
LIABILITIES	
Deposits held	373 910
Advances received	293 405
Borrowing	2 221 831
Superannuation	
Other employee benefits	4 597
Payables	127 884
Other liabilities	366 305
TOTAL LIABILITIES	3 387 932
NET ASSETS/(LIABILITIES)	234 485
Contributed equity	35 206
Accumulated surplus/(deficit)	67 679
Other reserves	131 600
NET WORTH	234 485
NET FINANCIAL WORTH¹	120 956
NET DEBT²	- 504 387

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 (a)

Public Financial Corporation Sector Cash Flow Statement

	2007-08 Estimate
	\$000
Cash receipts from operating activities	
Receipts from sales of goods and services	160 941
Grants and subsidies received	
Interest receipts	205 636
Other receipts	9 937
Total operating receipts	376 514
Cash payments for operating activities	
Income tax equivalents paid	- 14 934
Payments for employees	- 22 654
Payment for goods and services	- 142 260
Grants and subsidies paid	
Interest paid	- 180 799
Other payments	- 2 357
Total operating payments	- 363 004
NET CASH FLOWS FROM OPERATING ACTIVITIES	13 510
Cash flows from investments in non financial assets	
Sales of non financial assets	652
Purchases of non financial assets	- 37 211
Net cash flows from investments in non financial assets	- 36 559
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 23 049
Net cash flows from investments in financial assets for policy purposes ¹	
Net cash flows from investments in financial assets for liquidity purposes	- 101 333
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 137 892
Net cash flows from financing activities	
Advances received (net)	- 4 608
Borrowing (net)	3 756
Deposits received (net)	- 5 364
Dividends paid	- 16 554
Other financing (net)	
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 22 770
NET INCREASE/DECREASE IN CASH HELD	- 147 152
Net cash flows from operating activities	13 510
Net cash flows from investments in non financial assets	- 36 559
Distributions paid	- 16 554
CASH SURPLUS (+)/(DEFICIT) (-)	- 39 603
Table 8.12 (b) Additional Information to the Cash Flow Statement	
CASH SURPLUS (+)/(DEFICIT) (-)	- 39 603
Acquisitions under finance leases and similar arrangements	
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 39 603

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

Table 8.13

Total Public Sector Operating Statement

	2007-08 Estimate
	\$000
REVENUE	
Taxation revenue	390 527
Current grants	2 723 570
Capital grants	175 597
Sales of goods and services	637 686
Interest income	84 060
Dividend and income tax equivalent income	
Other	177 497
TOTAL REVENUE	4 188 937
<i>less</i> EXPENSES	
Employee expenses	1 368 392
Superannuation expenses	
Superannuation interest cost	126 841
Other superannuation expenses	130 677
Depreciation and amortisation	243 677
Other operating expenses	1 317 842
Interest expenses	183 950
Other property expenses	2 357
Current grants	527 124
Capital grants	103 929
Subsidies and personal benefit payments	10 669
TOTAL EXPENSES	4 015 458
<i>equals</i> NET OPERATING BALANCE	173 479
<i>plus</i> Other economic flows	- 19 940
<i>equals</i> COMPREHENSIVE RESULT – Total change in net worth	153 539
NET OPERATING BALANCE	173 479
<i>less</i> Net acquisition of non financial assets	
Purchases of non financial assets	570 628
Sales of non financial assets	- 56 745
<i>less</i> Depreciation	243 677
<i>plus</i> Change in inventories	- 628
<i>plus</i> Other movements in non financial assets	42 678
<i>equals</i> Total net acquisition of non financial assets	312 256
<i>equals</i> FISCAL BALANCE	- 138 777

Table 8.14

Total Public Sector Balance Sheet

	2007-08 Estimate
	\$000
ASSETS	
Financial assets	
Cash and deposits	88 997
Advances paid	167 436
Investments, loans and placements	1 818 644
Receivables	255 448
Equity	
Investments in other public sector entities	
Investments – other	
Other financial assets	
Total financial assets	2 330 525
Non financial assets	
Land and other fixed assets	6 823 886
Other non financial assets	
Total non financial assets	6 823 886
TOTAL ASSETS	9 154 411
LIABILITIES	
Deposits held	426 702
Advances received	281 089
Borrowing	2 340 054
Superannuation	2 303 301
Other employee benefits	427 065
Payables	283 498
Other liabilities	357 910
TOTAL LIABILITIES	6 419 619
NET ASSETS/(LIABILITIES)	2 734 792
Contributed equity	
Accumulated surplus/(deficit)	1 168 515
Other reserves	1 566 277
NET WORTH	2 734 792
NET FINANCIAL WORTH¹	- 4 089 094
NET DEBT²	972 768

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 (a)

Total Public Sector Cash Flow Statement

	2007-08 Estimate
	\$000
Cash receipts from operating activities	
Taxes received	390 527
Receipts from sales of goods and services	629 884
Grants and subsidies received	2 899 167
Interest receipts	83 861
Other receipts	145 774
Total operating receipts	4 149 213
Cash payments for operating activities	
Payments for employees	-1 530 987
Payment for goods and services	-1 319 802
Grants and subsidies paid	- 641 677
Interest paid	- 179 470
Other payments	- 2 357
Total operating payments	-3 674 293
NET CASH FLOWS FROM OPERATING ACTIVITIES	474 920
Cash flows from investments in non financial assets	
Sales of non financial assets	56 745
Purchases of non financial assets	- 570 628
Net cash flows from investments in non financial assets	- 513 883
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 38 963
Net cash flows from investments in financial assets for policy purposes ¹	109
Net cash flows from investments in financial assets for liquidity purposes	- 92 702
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 606 476
Net cash flows from financing activities	
Advances received (net)	- 4 711
Borrowing (net)	- 13 589
Deposits received (net)	- 14 909
Other financing (net)	
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 33 209
NET INCREASE/DECREASE IN CASH HELD	- 164 765
Net cash flows from operating activities	474 920
Net cash flows from investments in non financial assets	- 513 883
CASH SURPLUS (+)/(DEFICIT) (-)	- 38 963
Table 8.15 (b) Additional Information to the Cash Flow Statement	
CASH SURPLUS (+)/(DEFICIT) (-)	- 38 963
Acquisitions under finance leases and similar arrangements	- 32 608
ABS GFS SURPLUS (+)/DEFICIT (-) including finance leases and similar arrangements	- 71 571
less Future infrastructure and superannuation contributions ²	20 000
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 91 571

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

² Contributions to meet future infrastructure requirements and defined benefit superannuation liabilities.

Table 8.16

General Government Sector Taxes

	2007-08 Estimate	2008-09 Budget
	\$000	\$000
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE	143 454	146 585
Payroll taxes	143 454	146 585
TAXES ON PROPERTY	116 195	108 482
Stamp duties on financial and capital transactions	116 195	108 482
TAXES ON THE PROVISION OF GOODS AND SERVICES	95 487	102 087
Taxes on gambling	71 163	76 547
Taxes on insurance	24 324	25 540
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES	42 159	42 882
Motor vehicle registration fees	42 159	42 882
TOTAL TAXES	397 295	400 036

Table 8.17

State and Territory General Government Sector Grants Revenue

	2007-08 Estimate	2008-09 Budget
	\$M	\$M
Current grants revenue		
Current grants from the Commonwealth		
General purpose grants	2 224	2 449
Specific purpose grants	403	321
Specific purpose grants for on-passing	97	100
Total current grants revenue	2 724	2 870
Capital grants revenue		
Capital grants from the Commonwealth		
General purpose grants	1	1
Specific purpose grants	75	60
Specific purpose grants for on-passing	100	105
Total capital grants revenue	176	166
TOTAL GRANTS REVENUE	2 900	3 036

Table 8.18

State and Territory General Government Sector Grants Expense

	2007-08 Estimate	2008-09 Budget
	\$M	\$M
Current grants expense		
Local government	59	58
Private and not-for-profit sector	304	305
Private and not-for-profit sector on-passing	97	100
Grants to other sectors of government	43	45
Other	132	130
Total current grants expense	635	638
Capital grants expense		
Local government	2	6
Local government on-passing	13	13
Private and not-for-profit sector	8	
Private and not-for-profit sector on-passing	87	92
Grants to other sectors of government	80	52
Other	9	
Total capital grants expense	199	163
TOTAL GRANTS EXPENSE	834	801

Table 8.19

General Government Sector Dividend and Income Tax Equivalent Income

	2007-08 Estimate	2008-09 Budget
	\$M	\$M
Dividend and income tax equivalent income from PNFC sector	25	22
Dividend and income tax equivalent income from PFC sector	27	25
Other dividend income		
TOTAL DIVIDEND AND INCOME TAX EQUIVALENT INCOME	52	47

Table 8.20

General Government Sector Expenses

	2007-08 Estimate	2008-09 Budget
	\$000	\$000
General public services	110 397	113 093
Public order and safety	417 953	434 459
Education	735 363	755 846
Health	756 904	770 976
Social security and welfare	208 608	212 336
Housing and community amenities	404 527	413 832
Recreation and culture	156 557	170 848
Fuel and energy	169 865	159 990
Agriculture, forestry, fishing and hunting	48 597	47 340
Mining, manufacturing and construction	28 018	28 105
Transport and communications	158 372	159 692
Other economic affairs	108 093	116 570
Other purposes	293 192	284 312
TOTAL OPERATING EXPENSES	3 596 446	3 667 401

Table 8.21

General Government Sector Purchase of Non Financial Assets

	2007-08 Estimate	2008-09 Budget
	\$000	\$000
General public services	8 962	13 205
Public order and safety	27 985	41 541
Education	61 587	54 129
Health	31 741	36 089
Social security and welfare		
Housing and community amenities	57 870	93 908
Recreation and culture	20 291	30 091
Fuel and energy		
Agriculture, forestry, fishing and hunting	1 942	1 571
Mining, manufacturing and construction	33 441	34 819
Transport and communications	106 399	140 178
Other economic affairs		
Other purposes	440	1 606
TOTAL PURCHASES OF NON FINANCIAL ASSETS	350 658	447 137

Table 8.22

2008-09 Loan Council Allocation

	Loan Council Allocation	Budget-time Estimate
	\$M	\$M
General government sector cash deficit (+)/surplus (-)		- 9
Public non financial corporations sector cash deficit (+)/surplus (-)	134	137
Non financial public sector cash deficit (+)/surplus (-)	134	128
Acquisitions under finance leases and similar arrangements		
<i>equals</i>		
ABS GFS cash deficit (+)/surplus (-)	134	128
<i>less</i>		
Net cash flows from investments in financial assets for policy purposes		
<i>plus</i>		
Memorandum items		
2008-09 LOAN COUNCIL ALLOCATION	134	128
Tolerance limit (2% of non financial public sector cash receipts from operating activities)	81	
Change in Loan Council Allocation	6	

Note: This table sets out the Territory's 2008-09 Loan Council Allocation (LCA) Budget update of \$128 million as compared to that nominated and endorsed with the Loan Council of \$134 million. This is within the tolerance limit of 2 per cent of non financial public sector operating cash receipts that applies between the LCA and Budget time nomination. ABS GFS means Australian Bureau of Statistics Government Finance Statistics.

Appendix: Classification of Entities in the Northern Territory Public Sector

Total Public Sector

Non Financial Public Sector

General Government

Aboriginal Areas Protection Authority
Auditor-General's Office
AustralAsia Railway Corporation³
Batchelor Institute of Indigenous Tertiary Education³
Central Holding Authority
Construction Division¹
Darwin Waterfront Corporation³
Data Centre Services¹
Department of Business, Economic and Regional Development
Department of the Chief Minister
Department of Corporate and Information Services
Department of Employment, Education and Training
Department of Health and Families
Department of Justice
Department of the Legislative Assembly
Department of Local Government, Housing and Sport
Department of Natural Resources, Environment and the Arts
Department of Planning and Infrastructure
Department of Primary Industry, Fisheries and Mines
Desert Knowledge Australia³
Government Printing Office¹
Land Development Corporation
Nominal Insurer's Fund³
Northern Territory Electoral Commission
Northern Territory Legal Aid Commission³
Northern Territory Major Events Company Pty Ltd³
Northern Territory Police, Fire and Emergency Services
Northern Territory Treasury
NT Build³
NT Fleet¹
Office of the Commissioner for Public Employment
Ombudsman's Office
Territory Discoveries¹
Territory Housing¹
Territory Motor Sports Board Pty Ltd³
Territory Wildlife Parks¹
Tourism NT

Public Non Financial Corporations

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

Public Financial Corporations

Northern Territory Treasury Corporation¹
Territory Insurance Office³

¹ Government business divisions.

² Government owned corporation.

³ Non budget sector entity.

Glossary

Cash Surplus/Deficit	The Government Finance Statistics cash surplus or deficit is used. It is reported in the cash flow statement and measures the net impact of cash flows during the period.
Community Service Obligation	A community service obligation (CSO) arises when the Government requires a government business division or government owned corporation to carry out activities which it would not choose to do on a commercial basis or would only do at higher commercial prices. CSOs allow the Government to achieve identifiable community or social objectives that would not be achieved if left to commercial considerations.
Comprehensive Result	Comprehensive result, also referred to as total change in net worth, is the net result of all items of revenue and expense recognised for the period and other movements in equity.
Consumer Price Index	A general indicator of the prices paid by household consumers for a specific basket of goods and services in one period, relative to the cost of the same basket in a base period.
Contingent Liability	A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.
Finance Lease	Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset).
Fiscal Balance	Fiscal Balance, also referred to as net lending/borrowing, is an operating statement measure that differs from the net operating balance in that it includes spending on capital items but excludes depreciation. The Fiscal Balance measure more accurately reflects the cash requirements of a government in any given year. A net lending (or fiscal surplus) balance indicates that a government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates that a government's level of investment is greater than its level of savings.
General Government Agency	An entity or group of entities mainly engaged in providing services or producing goods for the general public, such as education, health and policing services. Goods and services are provided free of charge or at nominal charges.
Goods and Services Tax Revenue	On 1 July 2000, the Commonwealth introduced the goods and services tax (GST). Payments from the Commonwealth return the GST revenue to the states and territories, replacing the previous general purpose grants.
Government Business Division	Government business divisions (GBDs) are Territory-controlled trading entities that follow commercial practices and are required to comply with competitive neutrality principles.
Government Finance Statistics	Refers to statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. Government Finance Statistics in Australia are developed by the Australian Bureau of Statistics in conjunction with all governments and are mainly based on international statistical standards, developed in consultation with member countries by the International Monetary Fund.

Government Owned Corporation	A government owned corporation (GOC) is an entity whose objectives are to operate at least as efficiently as any corporate business and maximise sustainable return to government. The <i>Government Owned Corporations Act</i> adopts the shareholder model of corporate governance and the Power and Water Corporation became the Territory's first GOC on 1 July 2002.
Government Purpose Classification	Classifies outlays or expenditure transactions by the purpose served, for example, health, education.
Gross Domestic Product	The total value of goods and services produced in Australia over the period for final consumption. Intermediate goods, or those used in the production of other goods, are excluded. Gross domestic product can be calculated by summing total output, total income or total expenditure.
Gross State Product	Similar to gross domestic product, except that it measures the total value of goods and services produced in a jurisdiction. It is the sum of all income, namely wages, salaries and profits, plus indirect taxes less subsidies. It can also be calculated by measuring expenditure, where it is the sum of state final demand and international and interstate trade, changes in the level of stocks and a balancing item.
Guarantee	An undertaking to answer for the debt or obligations of another person or entity.
Indemnity	A written undertaking to compensate, protect or insure another person or entity against future financial loss, damage or liability.
Loan Council	The Australian Loan Council endorses Commonwealth and state government borrowing levels. Current arrangements seek to emphasise transparency of public sector finances, through financial market scrutiny of proposed borrowing to restrict borrowing to prudent levels.
Loan Council Allocation	The nomination to the Loan Council of the level of financing required.
Net Debt	Net debt measures a government's net stock of selected gross financial liabilities less financial assets. It is calculated from the Uniform Presentation Framework balance sheet as the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.
Net Financial Worth	Net financial worth measures a government's net holdings of financial assets. It is calculated from the Uniform Presentation Framework balance sheet as financial assets minus liabilities. Net financial worth is a broader measure than net debt, in that it incorporates provisions (such as superannuation, but excludes depreciation and doubtful debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities.
Net Operating Balance	The net operating balance is calculated from the Uniform Presentation Framework operating statement as the excess of revenue over expenditure. This measure, which excludes capital expenditure, provides a good measure of a government's position over time and an indication of the sustainability of the existing level of government service provision.

Net Worth	The Uniform Presentation Framework net worth measure provides a relatively comprehensive picture of a government's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. It includes a government's non financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as its financial assets and liabilities, including debtors, creditors and superannuation liabilities. Net worth also shows asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.
Non Financial Public Sector	The sector formed through a consolidation of the general government and public non financial corporation subsectors.
Public Financial Corporations	Government-controlled entities, which perform central bank functions, and/or have the authority to incur liabilities and acquire financial assets in the market on their own account.
Public Non Financial Corporations	Public enterprises primarily engaged in the production of goods or services of a non financial nature, for sale in the market place, at prices which aim to recover most of the costs involved.
Public Private Partnerships	Public private partnerships (PPPs) is a term used to describe a method of procuring Government infrastructure and associated services. PPPs create opportunities with the private sector for increasing investment in social and economic infrastructure and the Territory's PPP policy framework, Territory Partnerships, defines the protocol for such commercial dealings between the public and private sectors.
Specific Purpose Payments	Specific purpose payments (SPPs) are tied grants received from the Commonwealth, which are earmarked for specific purposes.
State Final Demand	Final consumption expenditure plus gross fixed capital formation in each jurisdiction. It represents the total expenditure on consumption and investment in a jurisdiction.
Tax Equivalents Regime	The mechanism to ensure that GBDs and GOCs incur tax liabilities similar to privately owned organisations. Thus, greater parity exists between the cost structures of government-controlled trading entities and the private sector, aiding in the achievement of competitive neutrality.
Treasurer's Advance	An allocation of that name, as specified in an <i>Appropriation Act</i> , which provides a pool of funds specifically set aside in each Budget to meet operational contingencies that arise during the year.
Uniform Presentation Framework	A uniform reporting framework (UPF) agreed by the Australian Loan Council in 2000, which is a revision of the agreement reached at the 1991 Premiers' Conference. The UPF was further updated and reissued in April 2008 to incorporate the new accounting standard AASB 1049 Whole of Government and General Government Sector Financial Reporting. The UPF specifies that the Commonwealth, state and territory governments will present a minimum set of budget and financial outcome information on the Government Finance Statistics basis according to an agreed format and specified Loan Council reporting arrangements.

