



Northern Territory Government

Northern Territory Treasury

Pre-Election Fiscal Outlook Report

June 2005

Pre-Election Fiscal Outlook Report
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An electronic copy of this report may be obtained at www.nt.gov.au/ntt

ISSN 0729-1442

June 2005

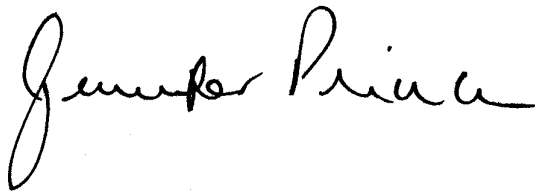
Pre-Election Fiscal Outlook Report

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Under Treasurer's Certification

In accordance with the provisions of the *Fiscal Integrity and Transparency Act*, I certify that the financial projections included in this pre-election fiscal outlook report are based on Government decisions that were made available to me by the Treasurer on 1 June, and other information relevant to financial projections available as at 7 June. The projections are presented in accordance with the Uniform Presentation Framework.

A handwritten signature in black ink that reads "Jennifer Prince". The signature is written in a cursive style with a large initial 'J'.

Jennifer Prince

Under Treasurer

7 June 2005

Treasurer's Certification



DEPUTY CHIEF MINISTER
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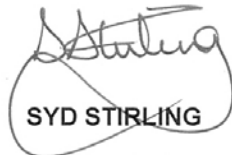
Dear Under Treasurer

RE: PRE-ELECTION FISCAL OUTLOOK REPORT

Thank you for your letter of 1 June 2005.

I can advise you that the Government has made no commitments of which you are unaware or which would have material fiscal or economic implications that would impact on your considerations under the *Fiscal Integrity and Transparency Act*.

Yours sincerely



SYD STIRLING

1 June, 2005.

Overview

This pre-election fiscal outlook report (PEFO) is a requirement of the *Fiscal Integrity and Transparency Act* (FITA), which provides for the release of updated financial estimates for the budget year plus three forward years within 10 days of the issue of a writ for an election.

The PEFO includes the same information disclosures as that required for other financial reports, and is to be based on the same external reporting standard, the Uniform Presentation Framework, as agreed by all Australian jurisdictions.

The FITA also has an additional requirement for the PEFO, being a signed statement from the Treasurer, advising of any commitments the Government has entered into that could have material fiscal or economic consequences for the Territory and that the Under Treasurer could not reasonably be expected to know about. The Treasurer has stated that there are no such decisions. The Treasurer's statement is included in this Report in addition to the Under Treasurer's certification.

The PEFO includes updated consolidated financial information similar to that included in the *2005-06 Budget Paper No. 2*, released on 3 May 2005. The economic assumptions upon which the 2005-06 Budget were based remain unchanged, except for the 2004 population determination which was released by the Australian Bureau of Statistics (ABS) on 3 June 2005.

The *2005-06 Budget Paper No. 2* included a number of chapters that have not been reproduced in the PEFO. These chapters discussed the broader issues relating to Australian Government grants, Territory own-source revenue, commercial issues and the economic outlook, and are virtually unchanged as a result of the PEFO projections. Where appropriate, additional information that would ordinarily have been included in these chapters has been included in Chapter 2 of this Report.

Updated Financial Projections

Updated financial projections have been prepared for 2004-05 to 2008-09.

Chapter 2 presents the details of each change that has been made since the May 2005 Budget Papers and discusses material changes in the PEFO estimates as compared with those included in the 2005-06 Budget. This chapter also includes a Statement of Risks, as required by the FITA.

Table 1.1 compares the key aggregates in the PEFO and the 2005-06 Budget. There has been a small improvement in most aggregates.

Table 1.1: Pre-Election Fiscal Outlook Report – General Government Sector

	2004-05 Estimate	2005-06 Budget	Forward Estimates		
	\$M	\$M	2006-07 \$M	2007-08 \$M	2008-09 \$M
Cash Outcome					
2005-06 Budget	46	-68	-53	-21	0
2005-06 PEFO	61	-63	-47	-20	0
Operating Result					
2005-06 Budget	23	34	51	11	6
2005-06 PEFO	47	44	58	3	6
Fiscal Balance					
2005-06 Budget	-11	-85	-71	-16	-6
2005-06 PEFO	4	-77	-58	-23	-6

On a cash basis, the estimated outcomes for 2004-05 to 2007-08 are an improvement from those projected in the 2005-06 Budget. The most significant variation is in 2004-05 with an estimated surplus of \$61 million, an increase of \$15 million from the Budget estimate.

The improvement from the May 2005 estimate is largely due to an increase in GST revenue. This GST revenue increase in 2004-05 is a combination of a one-off payment in respect of an underestimate of the Territory's GST-related payments in 2001-02, an increase in national GST revenue collections and a revision to the 2004-05 population estimate by the Australian Statistician.

The revision to growth in GST revenue collections and the 2004-05 population estimate flows through to revised projections for the 2005-06 Budget and 2006-07 and 2007-08 forward estimates. The projections for 2008-09 remain unchanged.

The timing of the estimated payments for the Darwin Waterfront and Convention Centre project has varied slightly, following financial close, although the total payments remain consistent with those presented in the 2005-06 Budget.

Fiscal Strategy

The FITA requires the Treasurer to set out a fiscal strategy with each Budget. The PEFO assesses performance against the 2005-06 Fiscal Strategy included in the May 2005 Budget Papers. Performance as outlined in the PEFO varies marginally from the 2005 Budget for the years 2004-05 to 2007-08, but is consistent with Budget projections by 2008-09. Updated information is also now available following the publication of all State budgets, allowing a broader comparison of fiscal performance. This shows gradual but ongoing improvement in the Territory's relative position compared with the States.

A detailed discussion of the Fiscal Strategy is presented in Chapter 3 of this Report.

Economic Indicators

Although there has been additional data released since the 2005 Budget was prepared, these releases provide no reason to change the economic indicators included in the 2005-06 Budget, except for the population estimate for 2004-05. This has been varied to reflect the population data released by the ABS on 3 June 2005. Population growth projections from 2005-06 remain unchanged.

The Territory's annual population growth rate to December 2004 is estimated at 1 per cent, slightly lower than the 1.2 per cent included in the Budget Papers.

There is some uncertainty around the net interstate migration estimate for the December quarter as Medicare movements, as supplied by the Health Insurance Commission to the ABS, were 40 per cent lower than expected due to technical issues. As a result, the ABS was required to impute the Medicare data based on historical trends, rather than the actual experience in the quarter.

The population change for 2004-05 has a minor effect on GST estimates in 2005-06 and the forward estimates.

Table 1.2 sets out the key economic indicators as presented in the 2005-06 Budget and those that have been used to develop the 2005-06 PEFO.

Table 1.2: Summary of Territory Economic Indicators

Year on Year Percentage Change	2003-04	2004-05 Estimate	2005-06 Forecast
2005-06 Budget			
Real GSP	0.4	7.3	6.2
Employment	-2.2	-1.3	2.0
Population ¹	0.4	1.2	1.1
Darwin CPI ²	2.1	1.6	2.0
2005-06 Pre Election Fiscal Outlook Report			
Real GSP	0.4	7.3	6.2
Employment	-2.2	-1.3	2.0
Population ¹	0.4	1.0	1.1
Darwin CPI ²	2.1	1.6	2.0

¹ Based on middle of the financial year, December estimates, annual percentage change.

² Based on middle of the financial year, December estimates, year on year percentage change.

Fiscal Position and Outlook

This chapter presents updated financial projections for the 2004-05 Estimate, the 2005-06 Budget and three forward estimate years. It also provides a Statement of Risks, outlining potential risks to the financial projections, as required by the *Fiscal Integrity and Transparency Act (FITA)*.

Minimal changes have occurred to the fiscal projections since the 2005-06 Budget was handed down some five weeks ago. The key variations are associated with revised GST estimates following the Australian Government Budget, the Statistician's population determination for December 2004, and updated estimates for the Darwin Waterfront and Convention Centre project following financial close.

An assessment of the effect of specific purpose payments included in the Australian Government Budget has also been undertaken by all agencies. However, as is usually the case, the majority of agreements have either not been signed or details of the agreements not yet finalised, and are unlikely to be until the first quarter of the new financial year. Given that any additional revenue flowing from these agreements will result in matching expenditure requirements, updated specific purpose payments information has not been included in this Report.

Similar to other Northern Territory fiscal reports, the discussion on the cash targets and operating statement focuses on the general government sector as this is the sector that is supported by tax revenues and provides core government services.

The majority of Territory assets and liabilities are in the general government sector because of the comparative stage of Territory development. However, in most states, a significant level of assets and liabilities are held within their public non financial corporation sector, making comparative analysis of either sector's balance sheet difficult.

Therefore, the discussion on the balance sheet focuses on the non financial public sector (includes both the general government and non financial public corporation sectors), as it provides a better basis for comparative analysis of the Territory's financial position with other states.

Variations from the 2005-06 Budget

There have been minimal changes to the financial projections since the 2005-06 Budget was tabled on 3 May 2005. Table 2.1 shows the changes in both the cash outcome and operating balance since the 2005-06 Budget. Variations are categorised by parameter and policy effects. Policy variations are the result of Government decisions, whereas parameter variations are due to influences outside the Government's control, such as receipts from the Australian Government. There are no policy decisions that affect the 2005-06 year or the forward estimates, although there are some changes affecting 2004-05. Parameter changes affect all years including 2004-05.

Table 2.1: Variations to the Cash Flow and Operating Statements since May 2005

	2004-05		2005-06	
	Cash	Accrual	Cash	Accrual
	\$M	\$M	\$M	\$M
2005-06 BUDGET	46.5	23.3	-68.1	33.7
RECEIPTS/REVENUE				
Parameter				
Taxation (a)	3.0	3.0	2.1	2.1
GST Revenue (b)	20.6	20.6	5.3	5.3
Total Parameter	23.6	23.6	7.4	7.4
TOTAL RECEIPTS/REVENUE	23.6	23.6	7.4	7.4
PAYMENTS/EXPENSES				
Policy Decisions				
Payments from Treasurer's Advance (c)	5.2	5.2		
Total Policy	5.2	5.2	0.0	0.0
Parameter				
Revised Estimates - Waterfront project (d)			2.2	-2.4
Total Parameter	0.0	0.0	2.2	-2.4
Treasurer's Advance	-5.2	-5.2		
Assets acquired under finance lease (e)	9.3		-0.1	
TOTAL PAYMENTS/EXPENSES	9.3	0.0	2.1	-2.4
TOTAL VARIATION	14.3	23.6	5.3	9.8
2005-06 PRE-ELECTION FISCAL OUTLOOK REPORT	60.8	46.9	-62.8	43.5

Revenue has increased since the 2005-06 Budget by \$23.6 million and \$7.4 million, in 2004-05 and 2005-06 respectively, as a result of the following.

- (a) Payroll tax revenue for 2004-05 has increased in line with actual year to date receipts and is a result of continuing improvement in business activity. Estimates for 2005-06 to 2008-09 have been revised accordingly.
- (b) GST revenue has increased due to the following:
- a one-off residual payment of \$11 million estimated to be made in 2004-05 but relating to an under estimate in payments in 2001-02; and
 - revised growth in GST revenue collections included in the Australian Government Budget handed down on 10 May 2005. These growth estimates were increased for 2004-05, but revised downwards across the forward estimates. The effect of this revision is an increase in 2004-05 and 2005-06 of \$11.7 million and \$7.5 million respectively. These increases are offset by
 - an update of population estimates for 2004-05, released on 3 June 2005, resulting in a reduction in GST revenue of \$2.1 million in 2004-05 and \$2.2 million in 2005-06 and the forward estimates.

Payments and expenses have been varied slightly due to the following:

- (c) Additional funding has been provided in 2004-05 for three agencies, since the Budget was handed down, all due to unexpected one-off costs. This funding was provided via Treasurer's Advance and therefore has no effect on the revised estimates, but rather reduced the capacity available in Treasurer's Advance. The three agencies provided with Treasurer's Advance were:
- Ombudsman's Office – additional end of year costs associated with the review of the *Ombudsman's Act* and costs associated with the retirement of the Ombudsman;
 - Department of the Chief Minister – unexpected one-off costs including the fuel price review, matching community fundraising efforts for the tsunami appeal and legal costs; and

- Department of Corporate and Information Services – costs associated with the transfer of the communications contract from Optus to Telstra.
- (d) Following financial close, the timing of transactions relating to the Waterfront project have varied. The total cost of the project remains consistent with Budget estimates.
- (e) Along with other timing variations for the Waterfront, the timing of the recognition of assets acquired under a finance lease arrangement for the Darwin Waterfront and Convention Centre project has also varied.

Fiscal Outlook

The revised estimates for 2004-05 improved due to the one-off increase in GST revenue. However, as is usually the case, the final outcome for 2004-05 may be a further improvement on this estimate due to usual end of year timing differences, additional unexpected receipts from the Australian Government and potential delays with some capital works.

However, any further improvement in the 2004-05 outcome due to these factors will result in comparable additional expenditure commitments in 2005-06 and will worsen the projections for that year. This transfer of expenditure between financial years occurs each year and is expected to be around \$20 million at a minimum.

The policy and parameter variations outlined in Table 2.1 have been incorporated into the Budget and forward estimates. Table 2.2 presents the updated key fiscal aggregates, by the appropriate sector.

Table 2.2: Pre-Election Fiscal Outlook Report - Key Fiscal Aggregates

	2004-05	2005-06	2006-07	2007-08	2008-09
	Estimate	Budget	Forward Estimate		
	\$M	\$M	\$M	\$M	\$M
GENERAL GOVERNMENT					
Operating Receipts	2 711	2 757	2 819	2 900	2 976
Operating Payments	2 469	2 563	2 609	2 749	2 816
Net Cashflows from Investments in Non Financial Assets	-169	-233	-195	-156	-159
Finance Leases and Similar Arrangements	-12	-25	-61	-15	-1
Cash Surplus (+) / Deficit (-)	61	-63	-47	-20	0
Revenue	2 701	2 759	2 821	2 907	2 978
Expenses	2 654	2 716	2 763	2 904	2 972
Net Operating Balance	47	44	58	3	6
Net Acquisition of Non Financial Assets	43	121	116	27	12
Fiscal Balance	4	-77	-58	-23	-6
NON FINANCIAL PUBLIC SECTOR					
Total Assets	6 519	6 672	6 844	6 886	6 949
Total Liabilities	4 319	4 383	4 456	4 459	4 482
Net Worth (Assets - Liabilities)	2 200	2 289	2 388	2 427	2 467
Net Debt	1 639	1 698	1 735	1 760	1 754
Net Debt + Employee Liabilities	3 464	3 537	3 586	3 619	3 620

The cash outcome for all years, with the exception of 2008-09, has improved since the 2005-06 Budget due to the increased revenue more than offsetting the Darwin Waterfront and Convention Centre project timing differences. The projections for 2008-09 remain unchanged.

The Australian Government's estimated reduction in growth in GST collections, along with the population revision, result in a reduction in GST revenue in 2008-09

by \$3.9 million. This is offset by the revised estimate for payroll tax, resulting in a net decrease in revenue in 2008-09 of \$2 million.

As stated in the 2005-06 Budget Papers, included in the forward estimates from 2006-07 is a contingency amount of around 1 per cent of operating expenses. This allows for minor revenue and expense fluctuations, along with cost increases of policy decisions, without affecting the forward estimate targets. This relatively small reduction in revenue in 2008-09 is able to be accommodated within the contingency allocation and will result in a 0.07 per cent reduction in that amount.

The net operating balance and fiscal balance have improved in all years, except 2007-08, where the effect of timing differences for the Darwin Waterfront and Convention Centre project is most apparent. Again 2008-09 remains unchanged from the 2005-06 Budget projection.

Net debt and net worth have also improved from the Budget estimates due to the updated cash outcomes.

Basis of Forward Estimates

Agency budgets are developed from a forward estimate model consistent with that used in other jurisdictions. These estimates are maintained and adjusted by inflator and deflator factors as necessary, forming the basis for Government resource and policy decisions during the Budget development phase. New policy decisions and funding decisions linked to anticipated demand changes are added to each agency's base and then flow through to adjusted estimates for the forthcoming year.

A contingency amount of around 1 per cent of operating expenses is also included in the forward estimates. The basis of estimating the forward estimates is unchanged from the 2005-06 Budget as outlined in Budget Paper 2.

Receipts/Revenue

There have minimal changes to the revenue estimates since the 2005-06 Budget. Table 2.3 presents the updated financial projections by receipt/revenue type.

Table 2.3: Receipts / Revenue by Component

	2004-05	2005-06	2006-07	2007-08	2008-09
	Estimate	Budget	Forward Estimate		
	\$M	\$M	\$M	\$M	\$M
Receipts					
Taxes Received	298	301	307	307	312
Sales of Goods and Services	104	98	99	102	104
Grants and Subsidies	2 157	2 223	2 277	2 362	2 428
Other Receipts	152	135	135	129	132
Capital Receipts	33	34	30	34	34
Total Receipts	2 745	2 791	2 849	2 934	3 010
Year on Year Percentage Increase (%)		2	2	3	3
Revenue					
Taxation Revenue	298	302	308	307	312
Current Grants and Subsidies	2 081	2 156	2 209	2 292	2 357
Capital Grants	75	67	69	70	71
Sales of Goods and Services	104	98	99	100	102
Interest Income	18	16	16	16	17
Other	124	121	120	121	119
Total Revenue	2 701	2 759	2 821	2 907	2 978
Year on Year Percentage Increase (%)		2	2	3	2

Growth estimates for total receipts and revenue are consistent with the 2005-06 Budget at between 2 and 3 per cent, with only two components, taxation and grants and subsidies, varied since the Budget.

The estimate for Territory taxes for 2004-05 has increased by \$3 million due to higher year to date payroll tax receipts, largely as a result of stronger than anticipated collections associated with increased activity. Accordingly, estimates for 2005-06 and the forward estimates have been revised upwards by \$2 million.

The growth projections presented in the 2005-06 Budget for Territory taxation over the forward estimates period are unchanged at almost 2 per cent for 2006-07, a decline in 2007-08 and a return to moderate growth in 2008-09. These projections take into account the removal of certain taxes as part of national tax reform (electronic debits duty, lease duty, unquoted marketable securities duty, hiring duty and business conveyances duty excluding land) and the announced increase in the payroll tax threshold to \$1.25 million in 2006-07.

Grants and subsidies have varied as a result of the release of the Australian Government Budget on 10 May 2005 which included revised GST revenue projections from 2004-05. In addition, updated estimates of population for 2004-05 were released on 3 June 2005.

In its 2005-06 Budget, the Australian Government revised its estimates of national GST collections. Estimates for national collections in 2004-05 and 2005-06 were increased by \$280 million and \$180 million respectively from the March 2005 Statement of Estimated Payments (included in the Territory's 2005-06 Budget), resulting in increases in the Territory's GST payments of around \$11 million and \$7 million respectively. Estimates for the forward estimates of national collections were reduced by around \$30 million in 2006-07, \$10 million in 2007-08 and \$123 million in 2008-09, resulting in minimal effect for the Territory in 2006-07 and 2007-08 and a reduction of around \$1.4 million in 2008-09.

In addition to the variations of estimated GST revenue collections, the Australian Government Budget made provision for a one-off \$11 million residual payment to the Territory in 2004-05 relating to an underestimate of GST payments in respect of the 2001-02 year. Residual amounts offset any underestimate or overestimate of GST payments when states come off budget balancing assistance. Receipt of this payment expected in 2004-05 is in line with the Australian Government Budget but is conditional on all states agreeing to the methodology adopted by the Australian Government in calculating the payment, prior to the end of financial year. If agreement is reached after 30 June, payment will be made in 2005-06.

The Australian Bureau of Statistics updated estimates of resident population at 31 December 2004 in June 2005. The updated estimates show a population growth rate of 1.0 per cent in the year to December 2004 for the Northern Territory, slightly lower than the 1.2 per cent used in the 2005-06 Budget, resulting in a budget variation of \$2.1 million. Although the estimates for growth rates in future years remain unchanged, the effect of the revision to 2004-05 results in similar declines over the Budget and forward estimates period.

Payments/Expenses

Table 2.4 sets out the revised projections for payments and expenses for 2004-05 to 2008-09.

Table 2.4: Payments / Expenses by Component

	2004-05	2005-06	2006-07	2007-08	2008-09
	Estimate	Budget	Forward Estimate		
	\$M	\$M	\$M	\$M	\$M
Payments					
Payments for Goods and Services	1 748	1 860	1 911	2 033	2 093
Grants and Subsidies Paid	594	585	585	595	601
Interest Paid	127	118	114	121	122
Purchases of Non Financial Assets	202	267	225	191	194
Total Payments	2 672	2 829	2 835	2 939	3 009
Year on Year Percentage Increase (%)		6	0	4	2
Expenses					
Depreciation	134	137	140	145	149
Employee Expenses	1 055	1 093	1 112	1 143	1 172
Other Operating Expenses	652	693	722	810	838
Nominal Superannuation Interest Expense	88	90	90	91	91
Other Interest Expense	127	118	114	121	122
Current Transfers	526	521	527	537	543
Capital Transfers	72	65	57	57	58
Total Expenses	2 654	2 716	2 763	2 904	2 972
Year on Year Percentage Increase (%)		2	2	5	2

As with revenue, the updated estimates for expenses and payments have changed marginally since the 2005-06 Budget. Expenses have varied for both operating and interest expense, largely due to the revised timing of transactions for the Darwin Waterfront and Convention Centre project. These timing differences also affect the cash payments associated with the project.

The underlying growth over the Budget and forward estimate period remains unchanged from the 2005-06 Budget, with average growth over the period still around 3 per cent. However the growth between years has varied slightly due to the timing of accrued expenses for the Waterfront project.

The main variation in the Waterfront-related transactions is the revision to pre-opening expenses for the Convention Centre. The Budget included accrued estimates for these costs throughout the construction phase however, following financial close, it was considered more appropriate to recognise these costs in the year in which they are expected to occur.

This results in expenses transferring from 2006-07 to 2007-08, providing almost no growth in overall payments in 2006-07. This highlights that the majority of the capital costs of the community infrastructure assets for the Waterfront project are included in 2005-06, resulting in a decrease in capital spending in 2006-07.

If the capital costs for the Waterfront project are removed, underlying operating payments are expected to increase by 2 per cent in 2006-07 and by an average of around 3 per cent over the forward estimate period.

Balance Sheet – Non Financial Public Sector

Table 2.5 provides a summary of assets, liabilities and balance sheet measures for the non financial public sector.

Table 2.5: Non Financial Public Sector Balance Sheet

	2004-05	2005-06	2006-07	2007-08	2008-09
	Estimate	Budget	Forward Estimate		
	\$M	\$M	\$M	\$M	\$M
Total Assets	6 519	6 672	6 844	6 886	6 949
Financial Assets	956	970	1 037	1 043	1 101
Non Financial Assets	5 563	5 702	5 807	5 843	5 848
Total Liabilities	4 319	4 383	4 456	4 459	4 482
Net Worth (Assets - Liabilities)	2 200	2 289	2 388	2 427	2 467
Net Debt	1 639	1 698	1 735	1 760	1 754
Year on Year Percentage Increase (%)		4	2	1	0

Net Worth

Net worth is expected to increase by \$267 million from 2004-05 to \$2467 million in 2008-09. This increase is consistent with that included in the 2005-06 Budget and is the result of continuing infrastructure investment, including the Darwin Waterfront and Convention Centre project.

Net Debt

After a period of reduction, net debt is projected to increase from 2004-05 to 2007-08 by \$121 million, largely as a result of the construction costs of the Darwin Waterfront and Convention Centre project. Net debt is projected to decline from 2008-09, consistent with the decline included in the 2005-06 Budget Papers.

Statement of Risks

The *Fiscal Integrity and Transparency Act* requires that the Pre-Election Fiscal Outlook (PEFO) Report 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.

Revenue

GST Revenue

One of the largest risks to the Territory's financial projections is a variation in GST revenue. As GST revenue represents about 66 per cent of the Territory's total revenue base, movements in GST 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 the lack of historical data on total GST revenue collections, the volatility in national collections and changes in the variables that determine the distribution of GST among the states. Each of the variables are provided below, with the risk to these components discussed.

- National GST revenue estimates – The PEFO includes revised GST estimates from 2004-05, based on the GST revenue collections included in the Australian Government Budget handed down on 10 May 2005. These growth

estimates are higher in 2004-05 at 7.5 per cent, but lower at 4.9 per cent and 4.7 per cent in 2005-06 and 2006-07 respectively. As outlined in the 2005-06 Budget Papers, there remains a down side risk to the projections. A more conservative growth estimate in GST collections of 4.2 per cent, if realised, would reduce the Territory's GST revenue by 10.3 million in 2005-06 and \$17.9 million in 2006-07.

- Territory's share of the national population – Population estimates over the budget and forward estimates period are based on Northern Territory Treasury projections. These remain conservative when compared to long term average growth and the Australian Government's current forecasts of between 1.1 and 1.3 per cent growth per annum. The down side risk is that if annual population growth were 0.2 percentage points below Budget estimates, the impact on GST revenue would be \$3.6 million in 2005-06 and \$7.5 million in 2006-07.
- Territory's per capita relativity as assessed by the Commonwealth Grants Commission – The Territory's per capita relativity for 2005-06 has been assessed by the Commonwealth Grants Commission at 4.26682. A reduced relativity has been factored into the forward estimates, therefore there is minimal additional risk associated with this component. This assumption is unchanged from the 2005-06 Budget Papers.

It is important to note that, although the risks associated with these factors have been identified and quantified, positive movements in any of these elements would improve fiscal outcomes.

The following table presents the updated GST estimates and the potential risk to those estimates.

Table 2.6: Northern Territory GST Revenue Projections

	2004-05	2005-06	2006-07	2007-08	2008-09
PEFO Estimates	1 759.7	1 834.6	1 896.6	1 975.9	2 043.7
NT GST Revenue (\$M)	1 748.7	1 834.6	1 896.6	1 975.9	2 043.7
Residual Adjustment Amount (\$M)	11.0	0.0	0.0	0.0	0.0
Total GST (\$M)	35 724	37 467	39 217	41 338	43 499
Growth (%)	7.5	4.9	4.7	5.4	5.2
Population	200 794	203 003	205 033	207 083	208 740
Growth (%)	1.0	1.1	1.0	1.0	0.8
Share (%)	0.9927	0.9919	0.9903	0.9889	0.9857
Commission Relativities	4.26538	4.26682	4.24682	4.22682	4.20682
Change (%)	-2.8	0.0	-0.5	-0.5	-0.5
Down Side Risk		1 820.7	1 871.2	1 943.9	2 007.6
NT GST Revenue (\$M)		1 820.7	1 871.2	1 943.9	2 007.6
Residual Adjustment Amount (\$M)		0.0	0.0	0.0	0.0
Total GST (\$M)		37 225	38 788	40 844	43 009
Growth (%)		4.2	4.2	5.3	5.3
Population		202 601	204 222	205 856	207 091
Growth (%)		0.90	0.80	0.80	0.60
Share (%)		0.9900	0.9864	0.9831	0.9780
Commission Relativities		4.26682	4.24682	4.22682	4.20682
Change (%)		0.0	-0.5	-0.5	-0.5
Variation (\$M)		- 13.9	- 25.4	- 32.0	- 36.1

Specific Purpose Payments

Specific purpose payment (SPP) agreements pose risks to state budgets in several ways. The Territory's budgetary flexibility is restricted by certain features of specific purpose payment agreements, such as matching and maintenance of effort provisions, which are used by the Australian Government to leverage its own financial commitments.

Inadequate indexation of specific purpose payment grants can also cause pressure on state budgets, particularly where the injection of Australian Government specific purpose payment funding generates a rate of growth in demand for services which is more rapid than the rate of growth in Australian Government funding.

Through fixed-term specific purpose payment agreements, it is also possible for the Australian Government to seed-fund programs, leaving state governments to meet the financial burden when the original agreements expire.

The level of financial risk relating to SPP agreements 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 and prices.

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. It is considered that the unusually high activity in the property market experienced since 2003-04 will continue throughout 2005-06, however, the extent and timing of any drop in activity is difficult to predict and would have a negative impact on conveyance stamp duty collections.

It is estimated that a variation of ± 1 per cent to the parameters used to forecast Territory taxes and royalties would affect revenue by about \$3 million for 2005-06.

Expenses

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

The parameters used in the 2005-06 Budget, and maintained in this Report, are wages growth of 3 per cent, CPI of 1.6 per cent for 2005-06 and 2.5 per cent from 2006-07, and a productivity dividend of 2 per cent.

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

The commencement of the Waterfront and Convention Centre 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.

A further risk is in relation to any future enterprise bargaining agreements. A wage inflator of 3 per cent is currently factored into the forward estimates, however any agreements over this amount will affect future budget outcomes.

International Financial Reporting Standards

From 1 July 2005 all entities preparing general purpose financial reports based on Australian Accounting Standards must comply with Australian equivalents to International Financial Reporting Standards (IFRS). The harmonisation of these new standards with those under the Government Finance Statistics (GFS) framework, on which basis the Territory's Budget is presented, is continuing.

Although the Territory Government is actively monitoring the proposed changes, no adjustments have been made in this Report for any consequential effect of the adoption of the new standards, pending finalisation of the harmonisation project.

The impact of the changes cannot be quantified at this stage, however it is assessed that the most significant risks posed are the potential for increased volatility in the measurement of unfunded superannuation liabilities and certain financial instruments.

Contingent Liabilities

Contingent liabilities are costs that Government is required to meet should a particular event occur. Usually, contingent liabilities consist of guarantees and indemnities, as well as legal and contractual claims, and constitute risk to the Territory's financial position.

Details of estimated amounts, at 30 June 2004, of material contingent liabilities resulting from guarantees or indemnities include:

- Amadeus Basin to Darwin Gas Pipeline (\$261 million);
- Pine Creek/McArthur River Electricity Purchase Agreements (\$101 million);
and
- Public Trustee Common Fund (\$26 million).

There are also some risks in relation to the Darwin City Waterfront Redevelopment 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.

Fiscal Strategy

Overview

The *Fiscal Integrity and Transparency Act* requires that the pre-election fiscal outlook report include an assessment of the Government's fiscal strategy targets against the updated fiscal projections included in the Report.

While there has been minimal change to the estimates, the fiscal outcomes have varied slightly, requiring all targets to be re-examined. In addition, all state and territory budget papers have been released, allowing the jurisdictional comparisons to be updated.

Each of the following tables present the targets included in the 2005-06 Budget and the revised targets as a result of the updated fiscal projections included in this Report, as appropriate.

The medium-term fiscal objectives and targets of the current Fiscal Strategy are:

- **Sustainable Service Provision:** general government net operating balance by 2012-13;
- **Infrastructure for Economic and Community Development:** maintain total public sector infrastructure investment at appropriate levels and achieve a general government net lending (fiscal balance) by 2012-13;
- **Competitive Tax Environment:** ensure Territory taxes and charges are competitive with the average of the states; and
- **Prudent Management of Liabilities:** net debt plus employee liabilities as a proportion of total revenue to fall.

Sustainable Service Provision

This component sets a target of achieving a net operating balance by 2012-13 (that is, within 10 years of adopting an accrual framework in 2002-03). Underlying this is a further target of achieving a balanced cash outcome by 2008-09.

Table 3.1 compares the targets set out in the 2005-06 Budget with the latest estimates included in this Report.

Table 3.1: General Government Cash Outcome and Net Operating Balance

	2004-05	2005-06	2006-07	2007-08	2008-09
2005-06 Budget					
Cash targets (\$M)	46	-68	-53	-21	0
Net operating balance (\$M)	23	34	51	11	6
As a proportion of total revenue (%)	0.9	1.2	1.8	0.4	0.2
2005-06 PEFO					
Cash targets (\$M)	61	-63	-47	-20	0
Net operating balance (\$M)	47	44	58	3	6
As a proportion of total revenue (%)	1.7	1.6	2.1	0.1	0.2
Variation					
Cash targets (\$M)	15	5	6	1	0
Net operating balance (\$M)	24	10	7	-8	0

Source: Northern Territory Treasury

The revised cash and operating balance target for 2004-05 is an improvement on that projected in the 2005-06 Budget, largely due to the revised GST Revenue estimates included in the Australian Government Budget, handed down one week after the Territory Budget. The outcomes for 2005-06 to 2008-09 are generally consistent with the targets published in the 2005-06 Budget.

Positive net operating balances in all years indicate that the target of a balanced outcome by 2012-13 will be achieved.

As a proportion of total revenue, the net operating balance is estimated to be 1.7 per cent in 2004-05 increasing to 2.1 per cent in 2006-07, before returning to a more balanced position thereafter.

Infrastructure for Economic and Community Development

This component also sets out a target of a balanced net lending outcome within 10 years of the Territory's implementation of accrual accounting.

The fiscal balance provides a measure of the Territory's investment balance (that is, as a lender or a borrower) and includes the effect of both capital and operating transactions after excluding the effect of depreciation.

Table 3.2: Fiscal Balance

	2004-05	2005-06	2006-07	2007-08	2008-09
2005-06 Budget					
Fiscal Balance (\$M)	-11	-85	-71	-16	-6
As a proportion of total revenue (%)	-0.4	-3.2	-2.6	-0.6	-0.2
2005-06 PEFO					
Fiscal Balance (\$M)	4	-77	-58	-23	-6
As a proportion of total revenue (%)	0.1	-2.8	-2.1	-0.8	-0.2
Variation	15	8	13	-7	0

Source: Northern Territory Treasury

The fiscal balance (net lending) deficit indicates that capital spending in each year is greater than the depreciation expense and is consistent with a developing economy such as the Territory. As shown in Table 3.2, since the 2005-06 Budget, the fiscal balance measure has improved slightly, with the exception of 2007-08, due to improved revenues in 2004-05 to 2007-08. The forecast for 2008-09 is unchanged from the Budget estimate, and projects a minimal deficit position. This indicates that the target of a balance by 2012-13 will be achieved.

As a proportion of total revenue, net lending is estimated to be 0.1 per cent in 2004-05, but is -2.8 per cent and -2.1 per cent in 2005-06 and 2006-07 respectively, consistent with high capital investment in those years prior to returning to close to a balanced position in 2008-09.

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

Table 3.3 presents the projected level of infrastructure investment for 2004-05 to 2008-09. The level of investment remains largely unchanged from that presented in the 2005-06 Budget, with the variations relating to the timing of payments for the Darwin Waterfront and Convention Centre project.

Table 3.3: Capital Investment – Non Financial Public Sector

	2004-05	2005-06	2006-07	2007-08	2008-09
	\$M	\$M	\$M	\$M	\$M
2005-06 Budget					
Purchases of Non Financial Assets	367	386	340	312	300
Capital Grants	60	47	44	44	45
Total	427	433	384	357	345
2005-06 PEFO					
Purchases of Non Financial Assets	367	388	332	312	300
Capital Grants	60	47	44	44	45
Total	427	435	376	357	345
Variation					
Purchases of Non Financial Assets	0	2	-8	0	0
Capital Grants	0	0	0	0	0
Total	0	2	-8	0	0

Source: Northern Territory Treasury

Competitive Tax Environment

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 3.4 provides the updated estimates of Territory's tax collections per capita for 2003-04 to 2005-06 compared with the other states.

Table 3.4: Taxation Revenue Per Capita – General Government

	2003-04	2004-05	2005-06
	\$ per capita	\$ per capita	\$ per capita
2005-06 PEFO			
New South Wales	2 237	2 264	2 387
Victoria	2 050	2 070	2 037
Queensland	1 737	1 772	1 711
Western Australia	2 096	2 067	1 967
South Australia	1 834	1 896	1 853
Tasmania	1 314	1 411	1 373
Australian Capital Territory	2 332	2 271	2 382
State Average	2 027	2 051	2 059
Northern Territory	1 326	1 484	1 487

Source: Northern Territory Treasury, State Budget Papers and Outcome Reports

At the time of the 2005-06 Budget, the average taxation revenue per capita for the states for 2005-06 was \$2031, compared with the Northern Territory's collection of \$1474 per capita.

Table 3.4 has been updated for all jurisdictions' budgets as well as the Territory's PEFO estimates. On the basis of this new data, the state average for 2005-06 increased by \$28 to \$2059 compared with an increase for the Territory of \$13 to \$1487 per capita.

Although taxation per capita is a useful comparative measure, it is limited in that it does not make any allowances for differences in states' capacities 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 state's capacity to raise revenue is above or below average. Table 3.5 details the Territory's revenue-raising capacity and effort expressed as a percentage of the Australian average in 2003-04, the latest year assessed by the Commission, which remains unchanged since Budget time.

Table 3.5: Northern Territory Revenue-Raising Capacity and Effort 2003-04
Australian Average = 100 per cent

	Capacity ¹	Effort ²
	%	%
Total Taxation	77	91
Total Own-Source Revenue	89	94

Source: Commonwealth Grants Commission 2005 Update

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

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

Prudent Management of Liabilities

This component of the Fiscal Strategy aims to ensure prudent management of the Territory's liabilities.

The broader non financial public sector scope is used when measuring net debt, rather than the general government sector. This broader focus is appropriate as this better reflects the complete allocation of assets and liabilities across government and assists when benchmarking the Territory against other jurisdictions.

Net debt is gross borrowings less certain financial assets. Net debt is slightly lower than the 2005-06 Budget projections.

Net debt plus employee entitlements 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.

Table 3.6: Northern Territory Net Debt Plus Employee Liabilities – Non Financial Public Sector

	2004-05	2005-06	2006-07	2007-08	2008-09
2005-06 Budget					
Net Debt (\$M)	1 653	1 718	1 761	1 787	1 781
Net Debt to Revenue (%)	54	55	55	54	52
Employee Liabilities (\$M)	1 825	1 839	1 851	1 859	1 865
Net Debt + Employee Liabilities (\$M)	3 478	3 557	3 612	3 646	3 647
Net Debt + Employee Liabilities to Revenue (%)	114	113	112	110	107
2005-06 PEFO Report					
Net Debt (\$M)	1 639	1 698	1 735	1 760	1 754
Net Debt to Revenue (%)	53	54	54	53	52
Employee Liabilities (\$M)	1 825	1 839	1 851	1 859	1 865
Net Debt + Employee Liabilities (\$M)	3 464	3 537	3 586	3 619	3 620
Net Debt + Employee Liabilities to Revenue (%)	112	112	111	109	107
Variation					
Net Debt (\$M)	-14	-20	-26	-27	-27
Net Debt to Revenue (%)	-1	-1	-1	-1	0
Employee Liabilities (\$M)	0	0	0	0	0
Net Debt + Employee Liabilities (\$M)	-14	-20	-26	-27	-27
Net Debt + Employee Liabilities to Revenue (%)	-2	-1	-1	-1	0

Source: Northern Territory Treasury

As stated at the time of the Budget, this declining trend results from increased investments in infrastructure and service provision initiatives being more than offset by a smaller increase in employee liabilities and higher revenue growth.

In addition, although the Territory and the states have now closed their unfunded defined benefit superannuation schemes, some states have also embarked on partially funding these significant unfunded superannuation arrangements. As a result, despite recent cash surpluses and the introduction of the deficit reduction strategy, Territory debt levels remain high relative to the states.

Uniform Presentation Framework

Under the Uniform Presentation Framework (UPF), jurisdictions have agreed to publish information in a standard format in their financial reports. The format of the UPF is based on the reporting standards of the Australian Bureau of Statistics' Government Finance Statistics (GFS). The UPF has been adopted by all governments to facilitate a better understanding of governments' financial statements and to provide a basis for meaningful comparisons of each government's financial results and projections.

The reporting requirements of the *Fiscal Integrity and Transparency Act* complement those specified in the UPF Agreement. The Act requires that fiscal outlook reports be prepared in accordance with external reporting standards that include the GFS.

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

The financial statements for the general government, public non financial corporations and non financial public sectors include the revised 2004-05 estimate, 2005-06 Budget and 2006-07 to 2008-09 forward estimates. The statements for the public financial corporation sector present the 2004-05 estimate and, although unchanged from that presented in the 2005-06 Budget Papers, have been included for completeness.

In addition to the sectoral financial statements, a set of financial statements has been provided for the total public sector for the 2004-05 estimate. Although this is not required under the UPF, it provides an enhanced basis of comparison for the 2004-05 Treasurer's Annual Financial Report, which will report the actual outcome for 2004-05.

Table 4.1

General Government Sector Operating Statement

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	297 940	301 930	307 897	307 190	312 400
Current grants and subsidies	2 081 240	2 155 628	2 208 725	2 291 703	2 357 152
Capital grants	75 498	67 202	68 549	70 124	71 080
Sales of goods and services	103 621	97 602	99 444	100 303	102 034
Interest income	18 441	16 215	16 323	16 437	16 559
Other	123 957	120 761	120 445	121 378	118 611
TOTAL REVENUE	2 700 697	2 759 338	2 821 383	2 907 135	2 977 836
EXPENSES					
Gross operating expenses	1 840 912	1 923 510	1 974 295	2 097 394	2 158 435
Depreciation	134 160	137 149	140 239	144 656	148 665
Employee expenses	1 054 539	1 093 091	1 111 907	1 142 699	1 172 108
Other operating expenses	652 213	693 270	722 149	810 039	837 662
Nominal superannuation interest expense	88 015	89 573	90 220	90 675	90 949
Other interest expenses	127 079	117 598	114 016	120 965	121 934
Other property expenses					
Current transfers	525 837	520 587	527 405	537 286	543 132
Capital transfers	71 956	64 525	57 388	57 321	57 758
TOTAL EXPENSES	2 653 799	2 715 793	2 763 324	2 903 641	2 972 208
NET OPERATING BALANCE	46 898	43 545	58 059	3 494	5 628
<i>less</i>					
Net acquisition of non financial assets					
Purchases of non financial assets	202 149	266 564	225 082	190 641	193 638
Sales of non financial assets	- 33 496	- 33 949	- 29 859	- 34 234	- 34 204
<i>less</i> Depreciation	134 160	137 149	140 239	144 656	148 665
<i>plus</i> Change in inventories					
<i>plus</i> Other movements in non financial assets	8 810	25 332	61 141	14 974	1 077
Total net acquisition of non financial assets	43 303	120 798	116 125	26 725	11 846
<i>equals</i>					
NET LENDING/BORROWING (Fiscal balance)	3 595	- 77 253	- 58 066	- 23 231	- 6 218

Table 4.2

General Government Sector Balance Sheet

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	101 292	69 839	94 788	50 616	58 960
Advances paid	74 396	74 495	75 083	75 700	76 348
Investments, loans and placements	372 751	383 543	392 985	409 478	423 873
Other non equity assets	95 236	91 810	88 998	91 567	88 295
Equity	1 612 397	1 653 540	1 684 466	1 710 455	1 733 351
Total financial assets	2 256 072	2 273 227	2 336 320	2 337 816	2 380 827
Non financial assets					
Land and fixed assets	3 580 457	3 704 772	3 812 097	3 836 506	3 845 786
Other non financial assets					
Total non financial assets	3 580 457	3 704 772	3 812 097	3 836 506	3 845 786
TOTAL ASSETS	5 836 529	5 977 999	6 148 417	6 174 322	6 226 613
LIABILITIES					
Deposits held	83 378	98 568	110 351	96 720	110 648
Advances received	23 276	22 947	22 618	22 565	22 512
Borrowing	1 638 127	1 659 396	1 717 806	1 712 186	1 708 324
Superannuation liability	1 492 877	1 503 661	1 511 245	1 515 811	1 518 330
Other employee entitlements and provisions	331 080	331 749	332 522	333 120	333 350
Other non equity liabilities	67 860	72 783	66 272	66 560	66 843
TOTAL LIABILITIES	3 636 598	3 689 104	3 760 814	3 746 962	3 760 007
NET WORTH	2 199 931	2 288 895	2 387 603	2 427 360	2 466 606
NET FINANCIAL WORTH (a)	-1 380 526	-1 415 877	-1 424 494	-1 409 146	-1 379 180
NET DEBT (b)	1 196 342	1 253 034	1 287 919	1 295 677	1 282 303

(a) Net financial worth equals total financial assets minus total liabilities.

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

Table 4.3

General Government Sector Cash Flow Statement

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	297 598	301 430	307 397	307 190	312 400
Receipts from sales of goods and services	104 308	98 003	99 417	101 673	103 904
Grants and subsidies received	2 157 238	2 222 830	2 277 274	2 361 827	2 428 232
Other receipts	151 968	134 883	135 087	128 853	131 550
Total operating receipts	2 711 112	2 757 146	2 819 175	2 899 543	2 976 086
Cash payments for operating activities					
Payment for goods and services	-1 748 380	-1 859 784	-1 910 681	-2 032 954	-2 092 676
Grants and subsidies paid	- 593 773	- 585 112	- 584 793	- 594 607	- 600 890
Interest paid	- 127 210	- 117 618	- 114 022	- 120 960	- 121 934
Other payments					
Total operating payments	-2 469 363	-2 562 514	-2 609 496	-2 748 521	-2 815 500
NET CASH FLOWS FROM OPERATING ACTIVITIES	241 749	194 632	209 679	151 022	160 586
Net cash flows from investments in non financial assets					
Sales of non financial assets	33 496	33 949	29 859	34 234	34 204
Purchases of non financial assets	- 202 149	- 266 564	- 225 082	- 190 641	- 193 638
Net cash flows from investments in non financial assets	- 168 653	- 232 615	- 195 223	- 156 407	- 159 434
Net cash flows from investments in financial assets for policy purposes (a)	- 21 406	- 5 099	- 588	- 617	- 648
Net cash flows from investments in financial assets for liquidity purposes	95 195	310	2 358	- 3 893	- 1 095
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 94 864	- 237 404	- 193 453	- 160 917	- 161 177
Net cash flows from financing activities					
Advances received (net)	7 171	- 329	- 329	- 53	- 53
Borrowing (net)	- 6 920	- 3 543	- 2 731	- 20 594	- 4 939
Deposits received (net)	- 107 348	15 190	11 783	- 13 631	13 928
Distributions paid					
Other financing (net)	- 1 176				
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 108 273	11 318	8 723	- 34 278	8 936
NET INCREASE/DECREASE IN CASH HELD	38 613	- 31 453	24 949	- 44 172	8 344
Net cash from operating activities and investments in non financial assets	73 096	- 37 983	14 456	- 5 385	1 152
Finance leases and similar arrangements	- 12 342	- 24 812	- 61 141	- 14 974	- 1 077
SURPLUS (+)/DEFICIT (-)	60 754	- 62 795	- 46 685	- 20 359	75

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

Table 4.4

Public Non Financial Corporations Sector Operating Statement

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Current grants and subsidies	124 850	127 819	124 888	124 805	125 854
Capital grants	13 037	13 303	13 599	13 904	14 217
Sales of goods and services	404 653	404 471	412 396	418 700	424 993
Interest income	14 526	14 459	14 294	14 264	14 716
Other	46 964	37 507	37 796	37 540	37 672
TOTAL REVENUE	604 030	597 559	602 973	609 213	617 452
EXPENSES					
Gross operating expenses	498 826	501 824	512 282	521 815	537 322
Depreciation	74 863	77 242	78 766	79 222	80 472
Employee expenses	50 592	52 195	56 018	58 045	59 667
Other operating expenses	373 371	372 387	377 498	384 548	397 183
Other interest expenses	50 204	51 588	51 579	51 682	52 155
Other property expenses	33 642	28 138	27 916	29 038	23 955
Current transfers	1 820	1 820	1 820	1 820	1 820
Capital transfers	1 495	995	995	995	995
TOTAL EXPENSES	585 987	584 365	594 592	605 350	616 247
NET OPERATING BALANCE	18 043	13 194	8 381	3 863	1 205
<i>less</i>					
Net acquisition of non financial assets					
Purchases of non financial assets	164 936	121 218	107 137	121 452	106 457
Sales of non financial assets	-25 101	-25 120	-25 120	-25 120	-25 120
<i>less</i> Depreciation	74 863	77 242	78 766	79 222	80 472
<i>plus</i> Change in inventories	-1 356				
<i>plus</i> Other movements in non financial assets	6 538	6 000	6 000	6 000	6 000
Total net acquisition of non financial assets	70 154	24 856	9 251	23 110	6 865
<i>equals</i>					
NET LENDING/BORROWING (Fiscal balance)	-52 111	-11 662	- 870	-19 247	-5 660

Table 4.5

Public Non Financial Corporations Sector Balance Sheet

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	48 088	53 166	44 342	40 218	34 103
Investments, loans and placements	182 804	183 195	183 586	183 977	184 368
Other non equity assets	61 834	61 269	61 853	61 721	62 904
Equity					
Total financial assets	292 726	297 630	289 781	285 916	281 375
Non financial assets					
Land and fixed assets	1 982 740	1 996 807	1 994 973	2 006 693	2 001 855
Other non financial assets					
Total non financial assets	1 982 740	1 996 807	1 994 973	2 006 693	2 001 855
TOTAL ASSETS	2 275 466	2 294 437	2 284 754	2 292 609	2 283 230
LIABILITIES					
Deposits held	1 415	1 415	1 415	1 415	1 415
Advances received	302 160	302 160	302 160	302 160	302 160
Borrowing	369 725	377 881	371 668	384 528	386 952
Superannuation liability					
Other employee entitlements and provisions	43 043	39 226	38 265	40 156	37 282
Other non equity liabilities	36 966	44 193	44 388	45 019	46 588
TOTAL LIABILITIES	753 309	764 875	757 896	773 278	774 397
Shares and other contributed capital	1 522 157	1 529 562	1 526 858	1 519 331	1 508 833
NET WORTH					
NET FINANCIAL WORTH (a)	- 460 583	- 467 245	- 468 115	- 487 362	- 493 022
NET DEBT (b)	442 408	445 095	447 315	463 908	472 056

(a) Net financial worth equals total financial assets minus total liabilities.

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

Table 4.6

Public Non Financial Corporations Sector Cash Flow Statement

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Receipts from sales of goods and services	401 592	405 031	411 813	418 832	423 810
Grants and subsidies received	62 360	64 420	65 778	67 175	68 612
Other receipts	122 467	122 668	118 799	117 338	117 847
Total operating receipts	586 419	592 119	596 390	603 345	610 269
Cash payments for operating activities					
Payment for goods and services	-424 189	-418 181	-433 799	-441 852	-455 134
Grants and subsidies paid	-3 315	-2 815	-2 815	-2 815	-2 815
Interest paid	-50 273	-51 673	-51 711	-51 793	-52 301
Other payments					
Total operating payments	-477 777	-472 669	-488 325	-496 460	-510 250
NET CASH FLOWS FROM OPERATING ACTIVITIES	108 642	119 450	108 065	106 885	100 019
Net cash flows from investments in non financial assets					
Sales of non financial assets	25 101	25 120	25 120	25 120	25 120
Purchases of non financial assets	-164 936	-121 218	-107 137	-121 452	-106 457
Net cash flows from investments in non financial assets	-139 835	-96 098	-82 017	-96 332	-81 337
Net cash flows from investments in financial assets for policy purposes (a)	-28 391	- 391	- 391	- 391	- 391
Net cash flows from investments in financial assets for liquidity purposes					
NET CASH FLOWS FROM INVESTING ACTIVITIES	-168 226	-96 489	-82 408	-96 723	-81 728
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	9 552	8 156	-6 213	12 860	2 424
Deposits received (net)	- 478				
Distributions paid	-48 599	-31 039	-28 268	-27 146	-26 830
Other financing (net)	5 300	5 000			
NET CASH FLOWS FROM FINANCING ACTIVITIES	-34 225	-17 883	-34 481	-14 286	-24 406
NET INCREASE/DECREASE IN CASH HELD	-93 809	5 078	-8 824	-4 124	-6 115
Net cash from operating activities and investments in non financial assets	-31 193	23 352	26 048	10 553	18 682
Distributions paid	-48 599	-31 039	-28 268	-27 146	-26 830
Finance leases and similar arrangements					
SURPLUS (+)/DEFICIT (-)	-79 792	-7 687	-2 220	-16 593	-8 148

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

Table 4.7

Non Financial Public Sector Operating Statement

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Taxation revenue	294 640	298 315	304 201	303 324	308 534
Current grants and subsidies	2 081 240	2 155 628	2 208 725	2 291 703	2 357 152
Capital grants	75 498	67 202	68 549	70 124	71 080
Sales of goods and services	470 873	471 694	481 481	488 644	496 668
Interest income	29 542	28 217	28 310	28 394	28 511
Other	134 252	127 130	127 325	126 877	129 325
TOTAL REVENUE	3 086 045	3 148 186	3 218 591	3 309 066	3 391 270
EXPENSES					
Gross operating expenses	2 296 009	2 388 340	2 449 522	2 581 981	2 658 529
Depreciation	209 023	214 391	219 005	223 878	229 137
Employee expenses	1 099 589	1 139 772	1 162 411	1 195 227	1 226 258
Other operating expenses	987 397	1 034 177	1 068 106	1 162 876	1 203 134
Nominal superannuation interest expense	88 015	89 573	90 220	90 675	90 949
Other interest expenses	173 858	166 729	163 288	170 340	171 325
Other property expenses					
Current transfers	403 309	399 588	405 437	414 301	419 098
Capital transfers	59 912	47 217	43 684	44 412	44 536
TOTAL EXPENSES	3 021 103	3 091 447	3 152 151	3 301 709	3 384 437
NET OPERATING BALANCE	64 942	56 739	66 440	7 357	6 833
<i>less</i>					
Net acquisition of non financial assets					
Purchases of non financial assets	367 085	387 782	332 219	312 093	300 095
Sales of non financial assets	- 58 597	- 59 069	- 54 979	- 59 354	- 59 324
<i>less</i> Depreciation	209 023	214 391	219 005	223 878	229 137
<i>plus</i> Change in inventories	- 1 356				
<i>plus</i> Other movements in non financial assets	15 349	31 332	67 141	20 974	7 077
Total net acquisition of non financial assets	113 458	145 654	125 376	49 835	18 711
<i>equals</i>					
NET LENDING/BORROWING (Fiscal balance)	- 48 516	- 88 915	- 58 936	- 42 478	- 11 878

Table 4.8

Non Financial Public Sector Balance Sheet

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
			Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Financial assets					
Cash and deposits	108 166	78 355	102 949	57 896	66 070
Advances paid	257 200	257 690	258 669	259 677	260 716
Investments, loans and placements	372 751	383 543	392 985	409 478	423 873
Other non equity assets	127 425	126 441	124 565	125 109	125 894
Equity	90 242	123 980	157 610	191 126	224 520
Total financial assets	955 784	970 009	1 036 778	1 043 286	1 101 073
Non financial assets					
Land and fixed assets	5 563 197	5 701 579	5 807 070	5 843 199	5 847 641
Other non financial assets					
Total non financial assets	5 563 197	5 701 579	5 807 070	5 843 199	5 847 641
TOTAL ASSETS	6 518 981	6 671 588	6 843 848	6 886 485	6 948 714
LIABILITIES					
Deposits held	43 579	55 333	75 585	65 197	85 070
Advances received	325 436	325 107	324 778	324 725	324 672
Borrowing	2 007 852	2 037 277	2 089 474	2 096 714	2 095 276
Superannuation liability	1 492 877	1 503 661	1 511 245	1 515 811	1 518 330
Other employee entitlements and provisions	349 768	349 519	349 683	350 281	350 511
Other non equity liabilities	99 538	111 796	105 480	106 397	108 249
TOTAL LIABILITIES	4 319 050	4 382 693	4 456 245	4 459 125	4 482 108
NET WORTH	2 199 931	2 288 895	2 387 603	2 427 360	2 466 606
NET FINANCIAL WORTH (a)	-3 363 266	-3 412 684	-3 419 467	-3 415 839	-3 381 035
NET DEBT (b)	1 638 750	1 698 129	1 735 234	1 759 585	1 754 359

(a) Net financial worth equals total financial assets minus total liabilities.

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

Table 4.9

Non Financial Public Sector Cash Flow Statement

	2004-05 Estimate	2005-06 Budget	2006-07	2007-08	2008-09
	\$000	\$000	Forward Estimates		
	\$000	\$000	\$000	\$000	\$000
Cash receipts from operating activities					
Taxes received	294 333	297 815	303 701	303 324	308 534
Receipts from sales of goods and services	468 502	472 548	480 871	490 146	497 355
Grants and subsidies received	2 152 898	2 222 830	2 277 274	2 361 827	2 428 232
Other receipts	151 252	147 365	150 602	145 205	148 345
Total operating receipts	3 066 985	3 140 558	3 212 448	3 300 502	3 382 466
Cash payments for operating activities					
Payment for goods and services	-2 131 934	-2 243 876	-2 310 425	-2 440 582	-2 513 586
Grants and subsidies paid	- 459 201	- 446 805	- 449 121	- 458 713	- 463 634
Interest paid	- 174 058	- 166 834	- 163 426	- 170 446	- 171 471
Other payments					
Total operating payments	-2 765 193	-2 857 515	-2 922 972	-3 069 741	-3 148 691
NET CASH FLOWS FROM OPERATING ACTIVITIES	301 792	283 043	289 476	230 761	233 775
Net cash flows from investments in non financial assets					
Sales of non financial assets	58 597	59 069	54 979	59 354	59 324
Purchases of non financial assets	- 367 085	- 387 782	- 332 219	- 312 093	- 300 095
Net cash flows from investments in non financial assets	- 308 488	- 328 713	- 277 240	- 252 739	- 240 771
Net cash flows from investments in financial assets for policy purposes (a)	- 44 497	- 490	- 979	- 1 008	- 1 039
Net cash flows from investments in financial assets for liquidity purposes	95 195	310	2 358	- 3 893	- 1 095
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 257 790	- 328 893	- 275 861	- 257 640	- 242 905
Net cash flows from financing activities					
Advances received (net)	7 171	- 329	- 329	- 53	- 53
Borrowing (net)	2 632	4 613	- 8 944	- 7 734	- 2 515
Deposits received (net)	- 10 977	11 754	20 252	- 10 388	19 873
Distributions paid					
Other financing (net)	- 1 176				
NET CASH FLOWS FROM FINANCING ACTIVITIES	- 2 350	16 038	10 979	- 18 175	17 305
NET INCREASE/DECREASE IN CASH HELD	41 653	- 29 811	24 594	- 45 053	8 174
Net cash from operating activities and investments in non financial assets	- 6 696	- 45 670	12 236	- 21 978	- 6 996
Distributions paid					
Finance leases and similar arrangements	- 12 342	- 24 812	- 61 141	- 14 974	- 1 077
SURPLUS (+)/DEFICIT (-)	- 19 038	- 70 482	- 48 905	- 36 952	- 8 073

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

Table 4.10

Public Financial Corporation Sector Operating Statement

	2004-05 Estimate
	\$000
REVENUE	
Current grants and subsidies	
Capital grants	
Sales of goods and services	94 434
Interest income	205 206
Other	9 847
TOTAL REVENUE	309 487
EXPENSES	
Gross operating expenses	104 980
Depreciation	1 257
Employee expenses	16 451
Other operating expenses	87 272
Other interest expenses	172 721
Other property expenses	26 196
Current transfers	
Capital transfers	
TOTAL EXPENSES	303 897
NET OPERATING BALANCE	5 590
<i>less</i>	
Net acquisition of non financial assets	
Purchases of non financial assets	1 788
Sales of non financial assets	
<i>less</i> Depreciation	1 257
<i>plus</i> Change in inventories	
<i>plus</i> Other movements in non financial assets	
Total net acquisition of non financial assets	531
<i>equals</i>	
NET LENDING/BORROWING (Fiscal balance)	5 059

Table 4.11

Public Financial Corporation Sector Balance Sheet

	2004-05 Estimate
	\$000
ASSETS	
Financial assets	
Cash and deposits	137 749
Investments, loans and placements	3 068 508
Other non equity assets	92 477
Equity	
Total financial assets	3 298 734
Non financial assets	
Land and fixed assets	6 519
Other non financial assets	
Total non financial assets	6 519
TOTAL ASSETS	3 305 253
LIABILITIES	
Deposits held	480 228
Advances received	312 982
Borrowing	1 935 108
Superannuation liability	
Other employee entitlements and provisions	360 877
Other non equity liabilities	126 286
TOTAL LIABILITIES	3 215 481
Shares and other contributed capital	89 772
NET WORTH	
NET FINANCIAL WORTH (a)	83 253
NET DEBT (b)	- 477 939

(a) Net financial worth equals total financial assets minus total liabilities.

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

Table 4.12

Public Financial Corporation Sector Cash Flow Statement

	2004-05 Estimate
	\$000
Cash receipts from operating activities	
Receipts from sales of goods and services	104 998
Grants and subsidies received	
Other receipts	205 709
Total operating receipts	310 707
Cash payments for operating activities	
Payment for goods and services	-94 491
Interest paid	-170 441
Other payments	-2 357
Total operating payments	-267 289
NET CASH FLOWS FROM OPERATING ACTIVITIES	43 418
Net cash flows from investments in non financial assets	
Sales of non financial assets	
Purchases of non financial assets	-1 788
Net cash flows from investments in non financial assets	-1 788
Net cash flows from investments in financial assets for policy purposes (a)	
Net cash flows from investments in financial assets for liquidity purposes	-85 251
NET CASH FLOWS FROM INVESTING ACTIVITIES	-87 039
Net cash flows from financing activities	
Advances received (net)	-5 414
Borrowing (net)	-1 000
Deposits received (net)	76 802
Distributions paid	-21 847
Other financing (net)	
NET CASH FLOWS FROM FINANCING ACTIVITIES	48 541
NET INCREASE/DECREASE IN CASH HELD	4 920
Net cash from operating activities and investments in non financial assets	41 630
Distributions paid	-21 847
Finance leases and similar arrangements	
SURPLUS (+)/DEFICIT (-)	19 783

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

Table 4.13

Total Public Sector Operating Statement

	2004-05 Estimate
	\$000
REVENUE	
Taxation revenue	293 586
Current grants and subsidies	2 081 240
Capital grants	75 498
Sales of goods and services	563 365
Interest income	58 833
Other	118 978
TOTAL REVENUE	3 191 500
EXPENSES	
Gross operating expenses	2 396 711
Depreciation	210 280
Employee expenses	1 116 008
Other operating expenses	1 070 423
Nominal superannuation interest expense	88 015
Other interest expenses	170 664
Other property expenses	2 357
Current transfers	403 309
Capital transfers	59 912
TOTAL EXPENSES	3 120 968
NET OPERATING BALANCE	70 532
<i>less</i>	
Net acquisition of non financial assets	
Purchases of non financial assets	368 873
Sales of non financial assets	- 58 597
<i>less</i> Depreciation	210 280
<i>plus</i> Change in inventories	- 1 356
<i>plus</i> Other movements in non financial assets	15 349
Total net acquisition of non financial assets	113 989
<i>equals</i>	
NET LENDING/BORROWING (Fiscal balance)	- 43 457

Table 4.14

Total Public Sector Balance Sheet

	2004-05 Estimate
	\$000
ASSETS	
Financial assets	
Cash and deposits	215 048
Advances paid	227 673
Investments, loans and placements	1 160 544
Other non equity assets	190 817
Equity	470
Total financial assets	1 794 552
Non financial assets	
Land and fixed assets	5 569 716
Other non financial assets	
Total non financial assets	5 569 716
TOTAL ASSETS	7 364 268
LIABILITIES	
Deposits held	481 664
Advances received	305 621
Borrowing	1 976 791
Superannuation liability	1 492 877
Other employee entitlements and provisions	686 839
Other non equity liabilities	220 545
TOTAL LIABILITIES	5 164 337
Shares and other contributed capital	
NET WORTH	2 199 931
NET FINANCIAL WORTH (a)	-3 369 785
NET DEBT (b)	1 160 811

(a) Net financial worth equals total financial assets minus total liabilities.

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

Table 4.15

Total Public Sector Cash Flow Statement

	2004-05 Estimate
	\$000
Cash receipts from operating activities	
Taxes received	293 279
Receipts from sales of goods and services	571 558
Grants and subsidies received	2 152 898
Other receipts	155 958
Total operating receipts	3 173 693
Cash payments for operating activities	
Payment for goods and services	-2 222 179
Grants and subsidies paid	- 459 201
Interest paid	- 166 593
Other payments	- 2 357
Total operating payments	-2 850 330
NET CASH FLOWS FROM OPERATING ACTIVITIES	323 363
Net cash flows from investments in non financial assets	
Sales of non financial assets	58 597
Purchases of non financial assets	- 368 873
Net cash flows from investments in non financial assets	- 310 276
Net cash flows from investments in financial assets for policy purposes (a)	- 43 151
Net cash flows from investments in financial assets for liquidity purposes	18 434
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 334 993
Net cash flows from financing activities	
Advances received (net)	411
Borrowing (net)	- 4 517
Deposits received (net)	73 984
Distributions paid	
Other financing (net)	- 1 176
NET CASH FLOW FROM FINANCING ACTIVITIES	68 702
NET INCREASE/DECREASE IN CASH HELD	57 073
Net cash from operating activities and investments in non financial assets	13 087
Distributions paid	
Finance leases and similar arrangements	- 12 342
SURPLUS (+)/DEFICIT (-)	745