NORTHERN TERRITORY

2024-25 BUDGET

WORKING FOR THE TERRITORY

Budget Paper No. 2

BUDGET STRATEGY AND OUTLOOK

Contents

Under Treasurer's Certification

In accordance with provisions of the *Fiscal Integrity and Transparency Act 2001*, I certify that the financial projections included in the May 2024 Budget documentation are based on Northern Territory Government decisions that I was aware of or that were made available to me by the Treasurer before 8 May 2024. The projections presented here are in accordance with the Uniform Presentation Framework.

Craig Graham
Under Treasurer

8 May 2024

Chapter 1

Executive summary

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

Fiscal outlook

The 2024-25 Budget reflects the Territory Government's significant operating and capital investment, combined with the effects of market factors and natural disasters reducing the Territory's own-source revenues, partially offset by improved GST revenue.

The 2024-25 Budget includes $2.2 billion in new policy commitments over the budget cycle to 2026-27 to support health services, education, employment and training, public order and safety, cost of living and creating work opportunities through investment in infrastructure.

The softening of key commodity prices, impact of global and domestic inflationary pressures on the operating costs of Territory mines, the announced closure of a mine operator and suspension of another mine operation due to the effects of Cyclone Megan have resulted in a net reduction to the Territory's mining royalties forecast over the budget cycle.

GST revenue, the Territory's largest revenue source, is expected to improve by $750 million over the budget cycle to 2026-27 when compared with the 2023-24 Budget. This is primarily due to an increase in the national GST collections pool, attributable to the flow-on effects of higher inflation and stronger taxable consumption, as well as an increase in the Territory's GST relativity from 4.98725 in 2023-24 to 5.06681 in 2024-25.

The fiscal balance is expected to remain in deficit over the budget cycle, with a return to surplus now anticipated in 2029-30, one year later than the *A plan for budget repair* 2028-29 target. The cumulative effect of the revised fiscal balance forecasts has also resulted in higher net debt and net debt to revenue ratios across the budget cycle.

Key fiscal projections in the 2024-25 Budget include:

- general government net operating balance deficit of $410 million in 2024-25, and surpluses every year over the forward estimates
- total revenue for the non financial public sector of $8.76 billion and total expenditure (including net capital investment) of $11.12 billion in 2024-25
- non financial public sector fiscal balance deficit of $1.59 billion in 2024-25, improving each subsequent year to a deficit of $176 million in 2027-28
- net debt for the non financial public sector of $11.05 billion in 2024-25, with a net debt to revenue ratio of 126%.

In accordance with section 9(1)(c) of the FITA, the government must specify the key fiscal indicators it considers important and against which fiscal policy will be assessed. The government's key fiscal indicators are the general government sector's net operating balance, and the non financial public sector's fiscal balance, net debt and the net debt to revenue ratio.

Table 1.1 provides the projections for these indicators for the 2024-25 Budget.

Table 1.1: Key fiscal indicators

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
General government sector					
Net operating balance	- 728	- 410	31	96	231
Non financial public sector					
Fiscal balance	- 1 559	- 1 585	- 661	- 444	- 176
Net debt	9 396	11 046	11 776	12 210	12 329
Net debt to revenue (%)	115	126	132	135	133

Further discussion explaining material differences between the updated financial projections in the 2024-25 Budget and those projected at the time of the 2023-24 Budget is provided in Chapter 2 *Fiscal outlook*. Assessment of expected outcomes for fiscal strategy objectives and targets is provided in Chapter 4 *Fiscal strategy statement*.

Economic outlook

The Territory's economy is supported by a pipeline of public sector investment projects, which will also facilitate further private sector investment in the medium term. There are large-scale private sector investment projects underway in the resource sector in 2023-24, led by the Barossa project and related investment at the Darwin liquefied natural gas (LNG) plant. Elevated levels of activity during the construction phase of the Barossa project will support economic growth in 2023-24 and 2024-25, with exports of the first LNG shipments expected from September 2025 when the project becomes operational.

Gross state product (GSP) is forecast to grow by 2.3% in 2024-25, before accelerating to 7.1% in 2025-26 as LNG exports from the Barossa project come online. State final demand (SFD), which excludes trade, is forecast to grow by 1.9% in 2024-25 before contracting by 0.2% in 2025-26, as private investment eases following completion of Barossa construction and Darwin LNG plant life extension works.

Household consumption growth is expected to improve over the forecast period following a contraction in 2023-24, as real wages improve, tax cuts flow into household balance sheets from 1 July 2024 and interest rates are expected to fall. Public consumption is expected to provide continued strength from 2024-25 across the forward estimates. This reflects Commonwealth and Territory announcements on additional funding to meet the Schooling Resourcing Standard and for remote housing.

Employment is forecast to increase by 1.5% in 2023-24 and moderate to 0.9% in 2025-26, reflecting the Territory's investment growth profile, then stabilise at 1.3% per annum in line with population and labour force growth and ongoing solid demand for skilled labour in the Territory. Population growth of around 0.8% is estimated for 2023-24, increasing to an average of 1.1% per annum over the forward estimates period.

Wages growth is expected to moderate to 3.2% in 2024-25 and average 3.1% across the forward estimates period. This is consistent with inflation returning to the Reserve Bank of Australia's (RBA) target band from late 2025, and is in line with easing labour shortages reported in the Territory and nationally.

Inflation is expected to moderate over the forecast period easing from 3.6% in 2023-24 and average 2.4% from 2025-26, broadly aligning with the RBA's target inflation band of between 2% and 3%. The decline in inflation reflects ongoing easing of input costs, in particular goods inflation. While services inflation has eased, it remains a risk to the outlook.

Table 1.2 details the outlook for the Territory's key economic indicators for the 2024-25 Budget.

Table 1.2: Territory key economic indicators (%)

	2023-24e	2024-25f	2025-26f	2026-27f	2027-28f
Gross state product[1]	4.9	2.3	7.1	4.1	2.1
State final demand[1]	1.7	1.9	- 0.2	2.1	1.9
Population[2]	0.8	0.9	1.1	1.1	1.1
Employment[1]	1.5	1.1	0.9	1.3	1.3
Unemployment rate[3]	4.4	4.6	4.8	4.7	4.6
Consumer price index[1]	3.6	2.9	2.5	2.4	2.4
Wage price index[1]	4.1	3.2	3.1	3.1	3.0

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

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

The forecast profile for economic growth is reviewed and updated each year to reflect contemporary economic and fiscal outcomes, and developments. Discussion explaining material differences between the updated key economic indicators in the 2024-25 Budget and those projected at the time of the 2023-24 Budget is provided in Chapter 3 *Economic outlook*.

Commonwealth revenue outlook

Commonwealth revenue, at around 72% of total Territory revenue at the non financial public sector in 2024-25, is a significant component of the Territory budget. Table 1.3 sets out expected Commonwealth revenue to the Territory over the budget cycle from 2023-24 to 2027-28.

Total Commonwealth revenue is expected to be $6.28 billion in 2024-25, comprising $4.21 billion in untied revenue from GST receipts, and tied revenue of $2.08 billion from agreements with the Commonwealth to deliver specific purposes. This is expected to grow by 2.7% to $6.45 billion by 2027-28.

GST revenue is expected to be $3.99 billion in 2023-24, growing by 4.9% per annum to $4.83 billion by 2027-28. Compared with the 2023-24 Budget, GST revenue is expected to be $750 million higher over the budget cycle to 2026-27. This is primarily due to an increase in the national GST collections pool, as well as an increase in the Territory's GST relativity from 4.98725 in 2023-24 to 5.06681 in 2024-25. These increases are partly offset by relatively higher estimates of interstate population growth reducing the Territory's GST share.

Tied payments are expected to be $1.8 billion in 2023-24 and expected to decline by $182 million to $1.62 billion in 2027-28. This reflects program completion, agreement expiry, expected delivery timeframes and payment schedules. Compared with the 2023-24 Budget, tied revenue is expected to be $1.32 billion higher over the budget cycle to 2026-27, mostly reflecting additional funding for remote housing and school-related agreements.

Table 1.3: Commonwealth revenue

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Untied Commonwealth revenue	3 989	4 208	4 356	4 589	4 830
Tied Commonwealth revenue	1 802	2 076	1 853	1 697	1 620
Total Commonwealth revenue	5 791	6 284	6 209	6 286	6 450

Further details on the Territory's GST estimates, tied payments and material variations since the 2023-24 Budget are discussed in Chapter 5 *Commonwealth revenue*.

Territory taxes and royalties outlook

Taxation and royalty revenue represents the Territory's largest own-source revenue stream, constituting 38% of the Territory's own-source revenue or 11% of total revenue at the non financial public sector, and provides the Territory with the fiscal autonomy to support delivery of infrastructure and services. Table 1.4 provides the projections for Territory taxes and royalty components for the 2024-25 Budget. Revenue from taxes and royalties is expected to remain stable over 2023-24 and 2024-25 with an average total of $911 million per annum, and average $1 billion per annum over the forward estimates period.

Taxation revenue for 2023-24 is expected to total $694 million and rise steadily over the budget and forward estimates period, underpinned by stable growth across most tax categories in line with broader economic activity. When compared with the 2023-24 Budget, taxation revenue is expected to be around $16 million per annum higher over the budget cycle to 2026-27 due to stronger than expected receipts for payroll taxes and taxes on insurance and motor vehicles. This growth is partly offset by downward revisions to conveyance duty following greater than expected declines in property transaction volumes and prices in the Territory.

Mining and petroleum royalties are expected to total $209 million in 2023-24, increase marginally to $218 million in 2024-25, before increasing over the forward estimates. Since the 2023-24 Budget, royalties have been revised downwards in 2023-24 and 2024-25, and to a lesser extent across the forward estimates due to softening of key commodity prices, impact of global and domestic inflationary pressures on operating costs of Territory mines, announced closure of a mine operator and suspension of another mine operation due to the impact of Cyclone Megan.

Consistent with economic forecasts in the budget, revenue estimates from new onshore gas developments are not included in the royalty outlook. In addition, new mine developments are not factored into forecasts until a final investment decision has been announced. As a result, any mines commencing from 1 July 2024 under the new ad valorem royalty scheme will be factored into estimates once final investment decision is announced. Existing mines will be grandfathered under the current profit-based royalty scheme.

Table 1.4: Territory taxes and royalty components

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Taxation revenue	694	701	710	729	761
Taxes on employers	292	289	284	286	301
Taxes on property	115	125	125	128	132
Taxes on gambling	110	108	111	114	117
Motor vehicle taxes	100	97	101	104	106
Taxes on insurance	77	81	89	97	104
Mining and petroleum royalties	209	218	272	264	287
Total taxes and royalties revenue	903	919	982	993	1 048

Further discussion explaining material differences between updated revenue projections contained in the 2024-25 Budget and those projected at the time of the 2023-24 Budget is provided in Chapter 6 *Territory taxes and royalties*.

Conclusion

The significant operating and capital investment committed by the Territory Government combined with increased tied Commonwealth funding will support economic activity and improved social outcomes across the Territory in 2024-25 and over the budget cycle.

Chapter 2

Fiscal outlook

Overview

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

The full set of financial statements is presented in Chapter 8 *Consolidated financial statements*, with this chapter providing a comparison of the projections in the 2024-25 Budget with those provided in the 2023-24 Budget and 2023-24 Mid-Year Report.

For 2024-25, the general government net operating balance is expected to be a deficit of $410 million, and the non financial public sector fiscal balance a deficit of $1.59 billion. Net debt for the non financial public sector is estimated at $11.05 billion in 2024-25, with the net debt to revenue ratio forecast at 126%.

Total revenue in the non financial public sector is estimated to be $8.76 billion in 2024-25, increasing to $9.26 billion in 2027-28, with a total expenditure (including net capital investment) estimate of $11.12 billion in 2024-25, moderating to $10.25 billion by 2027-28. This chapter discusses the 2024-25 Budget estimates and underlying assumptions.

General government sector net operating balance

The net operating balance represents total revenue less total operating expenses, with capital spending only recognised in the fiscal balance. The general government sector net operating balance is projected to be a deficit of $410 million in 2024-25 and forecast to return to surplus from 2025-26 and improving each year over the forward estimates period.

Table 2.1 highlights the movements in the general government sector net operating balance and compares updated projections with those published in the 2023-24 Budget and 2023-24 Mid-Year Report.

Table 2.1: General government sector – net operating balance

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2023-24 Budget	- 200	121	209	282	n/a
2023-24 Mid-Year Report	- 475	28	208	301	n/a
2024-25 Budget	- 728	- 410	31	96	231
Variation from 2023-24 Budget	- 528	- 531	- 178	- 186	n/a

n/a: not available at the time of publishing the 2023-24 Budget and 2023-24 Mid-Year Report

Since the 2023-24 Budget, projected net operating balance outcomes over the budget cycle have weakened in aggregate by $1.42 billion. This variation mainly reflects:

- the effect of government operating policy commitments detailed later in this chapter
- a reduction in estimated mining royalties following suspension of mining operations due to the effects of Cyclone Megan, combined with the closure of a mine operator
- increased estimated interest expenses in line with increased borrowing requirements
- carryover of unspent funds from 2022-23 into 2023-24 and forward years, partially offset by
- improvements in the Territory's GST revenue estimates as a result of upward revisions to forecast growth in the national GST collections pool combined with an increase in the Territory's GST relativity
- increased Commonwealth revenue for capital purposes where expenditure is recognised in the fiscal balance only, largely for remote housing.

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

Non financial public sector fiscal balance

The fiscal balance is influenced by the same factors affecting the general government sector net operating balance, however the fiscal balance also includes net capital investment and excludes depreciation. The fiscal balance is assessed at the non financial public sector to ensure the financial performance of government trading entities is incorporated in the fiscal aggregates.

As shown in Table 2.2, the fiscal balance is expected to remain in deficit over the budget cycle, peaking at $1.59 billion in 2024-25 and is forecast to improve each subsequent year over the forward estimates. Table 2.2 highlights the movements in the non financial public sector fiscal balance and compares the updated projections with those published in the 2023-24 Budget and 2023-24 Mid-Year Report.

Table 2.2: Non financial public sector – fiscal balance

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2023-24 Budget	- 1 134	- 574	- 181	67	n/a
2023-24 Mid-Year Report	- 1 368	- 633	- 244	12	n/a
2024-25 Budget	- 1 559	- 1 585	- 661	- 444	- 176
Variation from 2023-24 Budget	- 425	- 1 011	- 480	- 511	n/a

n/a: not available at the time of publishing the 2023-24 Budget and 2023-24 Mid-Year Report

When compared with the 2023-24 Budget, fiscal balance deficits are projected to be higher in all years, increasing in aggregate by $2.43 billion over the budget cycle. This increase largely reflects the same variations affecting the net operating balance, as detailed earlier, combined with increased Territory investment in capital projects and the revised operating and capital requirements of government owned corporations.

Medium-term fiscal outlook

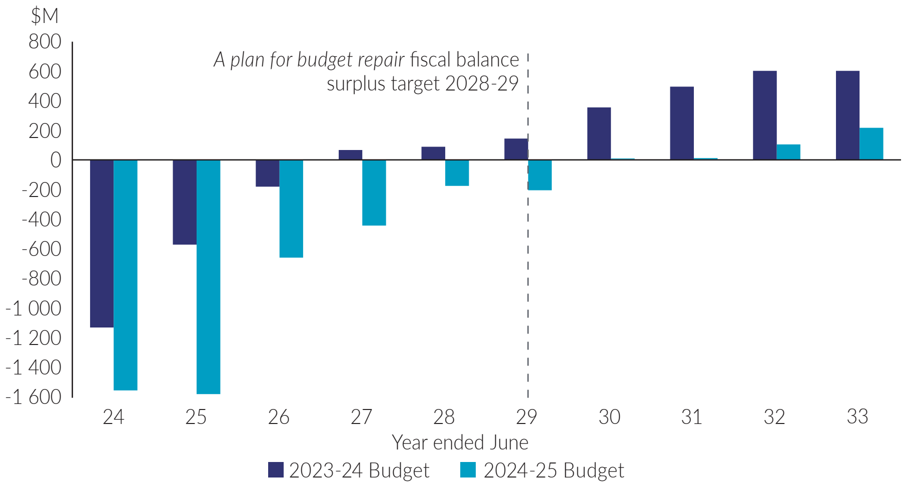
This section provides an assessment of the Territory's updated medium-term fiscal projections consistent with the Territory Government's *A plan to fix the budget*.

Chart 2.1 compares the projections for the non financial public sector's fiscal balance in the 2024-25 Budget with those reported in the 2023-24 Budget. As shown in Chart 2.1, the fiscal balance is projected to be in surplus from 2029-30, one year later than the 2028-29 target as per the Fiscal Strategy Panel's final report: *A plan for budget repair*.

Chart 2.1 illustrates that when compared with the 2023-24 Budget, projected fiscal balance outcomes have weakened in all years as a result of significant operating and capital policy commitments detailed later in this chapter.

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

Chart 2.1: Non financial public sector fiscal balance – medium-term outlook[1]



1 Given the uncertainty and difficulty associated with predicting domestic and national economic conditions, combined with global events and impacts, there is a high degree of uncertainty associated with 10-year projections.

Reconciliation with previous fiscal projections

Section 10(1)(f) of the FITA requires the Territory Government to explain factors and considerations that contributed to any material differences between the updated financial projections and equivalent projections published in the last fiscal outlook report.

The most recent budget fiscal outlook report published under the FITA is the 2023-24 Budget, although updated information was published in the 2023-24 Mid-Year Report. Accordingly, the analysis in the remainder of this chapter reflects policy and non-policy changes since the 2023-24 Budget. Policy variations are the result of government decisions to implement new or expand existing agency programs, and savings and revenue measures. Non-policy variations are the result of influences outside government's control, such as the timing of payments or changes in external economic conditions.

Policy and non-policy changes since 2023-24 Budget

Table 2.3 summarises the effect of policy and non-policy changes on the non financial public sector's fiscal balance since the 2023-24 Budget and 2023-24 Mid-Year Report.

Table 2.3: Non financial public sector fiscal balance – policy and non-policy changes since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
2023-24 Budget	- 1 134	- 574	- 181	67
Policy changes	- 54	- 37	- 14	- 11
Non-policy changes	- 180	- 22	- 49	- 44
2023-24 Mid-Year Report	- 1 368	- 633	- 244	12
Policy changes	- 484	- 745	- 426	- 431
Non-policy changes	293	- 207	9	- 25
2024-25 Budget	- 1 559	- 1 585	- 661	- 444

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

Policy changes since 2023-24 Budget

Table 2.4 outlines the effect of policy changes on the non financial public sector's fiscal balance since the 2023-24 Budget and includes changes published in the 2023-24 Mid-Year Report.

Table 2.4: Non financial public sector fiscal balance – policy changes since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Operating commitments	- 410	- 545	- 454	- 461
Savings measures	1	41	41	50
Net recurrent	- 409	- 504	- 413	- 410
Capital commitments	- 129	- 278	- 27	- 32
Total policy changes	- 538	- 782	- 440	- 442

(+) reflects an improvement; (-) reflects a worsening

Operating commitments

Since the 2023-24 Budget, a total of $1.87 billion in new operating commitments over the budget cycle to 2026-27 have been approved. These are summarised below.

Operating commitments reflected in the 2023-24 Mid-Year Report:

- $35.2 million over 2023-24 to 2024-25 for additional personnel and operational costs associated with increased prisoner numbers
- $35 million over 2023-24 to 2026-27 and $10 million ongoing from 2027-28 for additional grant funding to support non-government organisations
- $10 million over 2023-24 to 2025-26 for the Territory Aviation Attraction Scheme
- $4.4 million in 2023-24 for grants to St Vincent de Paul to demolish and remediate the Ozanam House site in Stuart Park.

Key new operating commitments approved in the 2024-25 Budget include:

- economic development:
  - $142 million over 10 years from 2024-25 to support repairs and maintenance as part of the Territory's contribution towards the joint $4 billion investment with the Commonwealth for housing in remote communities across the Territory
  - $85 million in 2023-24 to provide capacity to meet remediation and evacuation costs associated with Cyclone Megan
  - $30 million in 2024-25 and $20 million per annum ongoing from 2025-26 to increase the whole of government repairs and maintenance program with a focus on frontline service assets
  - $10 million per annum for three years from 2024-25 to support activation of the Middle Arm Sustainable Development Precinct, and stages 2 and 3 of the Tennant Creek to Darwin infrastructure corridor
- public order and safety:
  - $325 million over 2023-24 to 2026-27 and $120 million per annum ongoing from 2027-28 to establish the Territory Safety Division and implement outcomes from the Northern Territory Police Review, including employing an additional 200 police officers
  - $15 million per annum in 2023-24 to 2025-26 and $10 million per annum ongoing from 2026-27 for correctional services demand and cost pressures, and an additional $4 million in 2024-25 to support an alternative to custody facility in Central Australia
  - reprioritisation of $17.3 million per annum ongoing from 2024-25 to address rising costs of accommodation in out of home care, including residential care of children with complex needs, and increasing the foster and kinship carer allowance
  - $15 million per annum in 2024-25 and 2025-26 to establish residential youth justice camps in Darwin, Katherine, Tennant Creek and Alice Springs
  - $10 million in 2024-25 and $20 million in 2025-26 to support the continuation and expansion of existing initiatives under the Domestic, Family and Sexual Violence Prevention Action Plan 2
  - $5 million in 2024-25 and $3 million in 2025-26 to deliver and expand the Business Growth, Resilience and Security Package for grants to Territory small businesses to improve safety and security and reduce commercial crime
  - $4 million per annum in 2024-25 and 2025-26 to continue transit safety initiatives across the bus network to manage antisocial behaviour
  - $4 million over 2024-25 to 2026-27 and $2.6 million ongoing from 2027-28 to develop and maintain a digital Territory mobile drivers licence and identity card solution
- cost of living:
  - $40.8 million per annum ongoing from 2024-25 to contain utility price increases to below inflation, combined with $14.4 million in 2024-25 to support continuation of the interim gas sale agreement in the government owned trading entities
  - reprioritisation of $33.4 million over 2024-25 to 2027-28 and $10.2 million ongoing from 2028-29 to address urban housing cost pressures
  - $6 million per annum in 2024-25 and 2025-26 to support delivery of the YWCA and Shiers Street new social and affordable housing dwellings in accordance with the Housing Australia Future Fund and National Housing Accord

  - $3 million in 2024-25 to continue the Home and Business Battery Scheme to 30 June 2025
  - $3 million in 2024-25 to support affordable housing for key worker low-income households in the Territory through the Rent Choice program
- health services:
  - $200 million in 2023-24 and $100 million in 2024-25 to support hospitals, mainly the Royal Darwin Hospital
  - $2 million per annum ongoing from 2024-25 to support improved service delivery of the Public Guardian and Trustee
- education and training:
  - $50 million in 2024-25, $75 million in 2025-26 and $100 million per annum ongoing from 2026-27 as part of the Territory's contribution to support government and non-government schools under the Better and Fairer Schools Agreement.

Savings measures

The 2024-25 Budget incorporates savings measures to offset the impact of other policy commitments, totalling $133 million over 2023-24 to 2026-27. The savings measures relate to operational efficiencies and reprioritisation of existing initiatives.

Capital commitments

The following outlines total additional capital commitments of $466 million since the 2023-24 Budget.

Capital commitments reflected in the 2023-24 Mid-Year Report:

- $22 million in 2023-24 to expand prisoner and bail supported accommodation
- $6.5 million in 2023-24 to facilitate the redevelopment of Dawn House.

Key new capital commitments approved in the 2024-25 Budget include:

- $100 million in 2023-24, $262.5 million in 2024-25 and $12.5 million ongoing from 2025-26 to progress works on the infrastructure program
- $28.5 million over 2024-25 to 2026-27 to develop and implement a new education management ICT system to effectively manage school enrolments
- $14.1 million over 2024-25 to 2026-27 for the capital component of a digital Territory mobile drivers licence and identity card solution
- $6.1 million over 2024-25 to 2025-26 to implement and support a digital conveyancing solution for the Territory.

Non-policy changes since 2023-24 Budget

Table 2.5 highlights the effect of non-policy changes on the non financial public sector's fiscal balance since the 2023-24 Budget and incorporates changes published in the 2023-24 Mid-Year Report.

Table 2.5: Non financial public sector fiscal balance – non-policy changes since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
GST revenue	185	188	161	216
Taxation and royalties	- 171	- 84	17	- 14
Interest variations[1]	12	- 34	- 68	- 94
Government owned corporations	- 19	- 118	- 120	- 48
Leases	- 59	- 40	17	23
Revised timing of Darwin ship lift facility	174	41	- 72	- 126
Employee-related liability costs	- 16	- 19	- 20	- 22
Timing and agency-related adjustments	7	- 163	45	- 4
Total non-policy changes	113	- 229	- 40	- 69

(+) reflects an improvement; (-) reflects a worsening

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

Non-policy changes since the 2023-24 Budget have resulted in a $225 million net worsening to the non financial public sector fiscal balance across the budget cycle to 2026-27. Key variations include:

- an increase in GST revenue forecasts totalling $750 million, largely a result of upward revisions to national GST collections pool growth, combined with an increase in the Territory's GST relativity
- lower taxation and royalty revenue totalling $252 million following mining operations suspended due to the effects of Cyclone Megan, combined with the closure of a mine operator
- interest variations across the budget cycle reflect increased interest expense in line with increased borrowing requirements, partially offset by higher than expected return on investments
- revised operating costs and capital investment assumptions for government owned corporations in their updated statements of corporate intent (SCIs), largely reflecting increased capital replacement over the budget cycle
- new and revised timing of leases relating to accommodation for frontline health employees in Central Australia and lease renewals of office accommodation
- revised timing of payments for the Darwin ship lift facility in line with estimated construction milestones
- higher employee-related costs associated with increased workers compensation liabilities, in line with expected payments following actuarial adjustments, combined with higher than expected long service leave costs as a result of the flow-on effect of new enterprise agreements

- timing and agency-related adjustments, resulting in a projected net worsening of $115 million over the budget cycle to 2026-27. Key variations include:
  - carryover of unspent funds from 2022-23 into 2023-24 and forward years
  - revised timing of expenditure commitments including milestone payments for ICT systems to reflect funding delivery schedules and contractual payments to suppliers. These timing variations have no net effect on the projected fiscal balance over the budget cycle
  - increased fleet acquisitions over 2023-24 and 2024-25
  - higher motor vehicle compensation claim projections, partially offset by
  - improved income tax and dividend income expected to be received from the Northern Territory Treasury Corporation (NTTC).

2024-25 Budget and forward estimates

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

Revenue changes since 2023-24 Budget

Table 2.6 shows the composition of Territory revenue in the non financial public sector for the 2023-24 revised estimate, 2024-25 Budget and forward estimates. Total revenue is expected to be $8.2 billion in 2023-24, increasing by 6.7% in 2024-25 to $8.76 billion, with annual growth across the forward estimates averaging 1.9%.

Table 2.6: Non financial public sector – revenue components

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Revenue					
Taxation revenue	694	701	710	729	761
GST revenue	3 989	4 208	4 356	4 589	4 830
Current grants	1 485	1 431	1 212	1 234	1 227
Capital grants	382	684	670	475	404
Sales of goods and services	1 128	1 234	1 398	1 440	1 467
Interest income	139	130	131	134	136
Dividend and income tax equivalent income	55	54	51	54	52
Mining royalties	209	218	272	264	287
Other revenue	124	96	95	94	95
Total revenue	8 205	8 756	8 895	9 013	9 259

Table 2.7 compares the revised revenue projections for the 2024-25 Budget with those published in the 2023-24 Budget and 2023-24 Mid-Year Report.

Table 2.7: Non financial public sector – variation in revenue since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2023-24 Budget	8 198	8 327	8 209	8 327	n/a
2023-24 Mid-Year Report	8 256	8 324	8 282	8 400	n/a
2024-25 Budget	8 205	8 756	8 895	9 013	9 259
Variation from 2023-24 Budget	7	429	686	686	n/a

n/a: not available at the time of publishing the 2023-24 Budget and 2023-24 Mid-Year Report

As shown in Table 2.7, when compared with the 2023-24 Budget, total revenue in 2023-24 is expected to remain largely unchanged, however from 2024-25 and across the forward estimates, total revenue is projected to be on average $600 million per annum higher than forecast in the 2023-24 Budget. Table 2.8 identifies the variations in revenue components since the 2023-24 Budget.

Table 2.8: Non financial public sector – variations in revenue components since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Taxation revenue	21	16	20	9
GST revenue	185	188	161	216
Current grants	167	355	198	255
Capital grants	- 121	60	272	188
Sales of goods and services	- 116	- 106	30	33
Interest income	20	8	6	5
Dividend and income tax equivalent income	1	6	nil	2
Mining and petroleum royalties	- 191	- 98	- 1	- 22
Other revenue	41	nil	nil	nil
Total variation	7	429	686	686

(+) reflects an improvement; (-) reflects a worsening

Taxation revenue

Taxation revenue represents the Territory's primary source of income that government can directly influence. It comprises payroll tax, stamp duty on conveyances, taxes on gambling, taxes on insurance, and motor vehicle fees and taxes, and represents about 8.2% of total revenue over the budget cycle.

Table 2.6 shows taxation revenue is expected to grow from $694 million in 2023-24 to $761 million by 2027-28 and represents average growth of 2.3% per annum in line with expected economic activity.

As shown in Table 2.8, taxation revenue is projected to increase by an average of $17 million per annum over 2023-24 to 2026-27. This increase is largely attributable to increased taxes on employers due to ongoing strength in employment and nominal wages growth; improved taxes on insurance largely in line with premium growth and inflation; and increased motor vehicle taxes due to revenue unit indexation and vehicle registration growth. These increases were partially offset by lower stamp duty on conveyances, reflecting the expected impact of interest rate rises on transaction values and volumes in real estate over the budget cycle.

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

GST revenue

GST revenue is the Territory's largest revenue transfer from the Commonwealth and represents about 48% of total revenue in 2023-24 and 2024-25, before increasing to 52% by 2027-28. The primary factors that influence the amount of GST revenue the Territory receives are: growth in national GST collections pool; GST relativities as assessed by the Commonwealth Grants Commission (CGC); and the Territory's share of the national population.

As shown in Table 2.6, GST revenue is projected to increase from $3.99 billion in 2023-24 to $4.83 billion in 2027-28, at an average growth of 4.9% per annum.

When compared with the 2023-24 Budget, Table 2.8 shows the Territory's GST revenue is expected to increase by an average $188 million per annum, reflecting higher forecast growth in the GST collections pool; an increase to the Territory GST relativity from 4.98725 in 2023-24 to 5.06681 in 2024-25; partially offset by higher interstate population growth, reducing the Territory's GST share of national population.

Refer to Chapter 5 *Commonwealth revenue* for detailed information on the economic and other assumptions used to forecast GST revenue.

Current and capital grants

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

As shown in Table 2.6, current grant revenue in 2023-24 and 2024-25 is expected to be elevated, averaging $1.46 billion per annum, before reducing and remaining largely constant over the forward estimates, averaging $1.22 billion per annum. The higher revenue in earlier years is due to the conclusion of the National Partnership on Northern Territory Remote Aboriginal Investment (NTRAI) in 2024-25, and step down in funding for homelands housing and infrastructure upgrades, which peaks in 2024-25.

When compared with the 2023-24 Budget, Table 2.8 shows current grants revenue is forecast to increase over the budget cycle to 2026-27 by a total of $975 million, largely due to new Commonwealth funding of $163 million under the Better and Fairer Schools Agreement; $144 million for remote housing repairs and maintenance under the new landmark 10-year joint commitment by the Commonwealth and the Territory; $120 million for homelands housing and infrastructure upgrades; $90 million through the 'A Better, Safer Future for Central Australia' investment package; $93 million for a one-year extension of the NTRAI in 2024-25; and $56 million under the National Skills Agreement, combined with the reclassification of $79 million relating to Commonwealth funding under the Pharmaceutical Reform Agenda, previously recognised as sales of goods and services revenue.

As shown in Table 2.6, capital grants revenue is expected to be $382 million in 2023-24, increasing to an average of $677 million per annum over 2024-25 and 2025-26, before reducing and averaging $439 million per annum for the remainder of the forward estimates. Revenue for capital projects is recognised when spent and not when the cash is received in accordance with accounting standards, therefore annual fluctuations reflect the timing of delivery of capital projects including $189 million under the National Water Grid Fund, expected to be delivered over 2024-25 to 2026-27, combined with higher funding for Land Transport Infrastructure projects over 2024-25 and 2025-26.

As shown in Table 2.8, estimated capital grants revenue is expected to be $121 million lower in 2023-24 than forecast in the 2023-24 Budget due to the revised timing of Commonwealth-funded road projects and the National Water Grid from 2023-24 into the forward estimate years in line with expected delivery. From 2024-25 and over the forward estimates, capital grants revenue is expected to be a total of $520 million greater when compared with the 2023-24 Budget. This increase is mainly attributable to revised timing of projects from 2023-24, combined with new Commonwealth funding of $367 million for remote housing under the 10-year joint commitment by the Commonwealth and the Territory, increased roads funding of $66 million and funding for social housing of $50 million.

Sales of goods and services

Sales of goods and services includes fees and charges, rent and tenancy income collected by various government agencies, and represents around 15% of total revenue over the budget cycle. The most significant component relates to gas sales, and electricity, water and sewerage charges collected by government owned corporations.

As shown in Table 2.6, sales of goods and services revenue is expected to increase from $1.13 billion in 2023-24 to $1.47 billion by 2027-28. Sales of goods and services are expected to grow by an average 6.9% per annum over the budget and forward estimates, largely driven by an expected increase in the rate of return for electricity network, higher water consumption and expected increase in gas volumes from 2024-25 in the Power and Water Corporation.

When compared with the 2023-24 Budget, Table 2.8 shows expected reductions over 2023-24 and 2024-25 in sales of goods and services revenue, mainly due to lower forecast gas sales in the Power and Water Corporation. From 2025-26, increases predominantly reflect additional revenue under the public housing remote rent framework, expected to be higher in each year across the budget cycle, partially offset by the reclassification of Commonwealth funding under the Pharmaceutical Reform Agenda to current grants revenue across all years.

Interest income

Interest income includes returns on short-term and fixed-interest investments combined with realised gains on Conditions of Service Reserve investments, and represents around 1.5% of total estimated revenue over the budget cycle. Table 2.6 shows interest income is expected to remain relatively stable, averaging $134 million per annum. As shown in Table 2.8, interest income is projected to increase by $20 million in 2023-24 and then by an average $6 million per annum from 2024-25 when compared with the 2023-24 Budget, mainly due to higher than expected returns on investments.

Dividend and income tax equivalent income

Dividend and income tax equivalent income recognised in the non financial public sector comprises estimated payments by NTTC, and is expected to remain largely stable at an average $53 million per annum. The variations outlined in Table 2.8 mainly anticipate improved NTTC profitability in line with increased overall government borrowing requirements.

Mining and petroleum royalties

Mining and petroleum royalty forecasts are largely based on advice from mining companies and petroleum producers for estimated liability and related company estimates of commodity price movements, production levels and the value of the Australian dollar. Mining and petroleum royalties represent around 2.8% of total estimated revenue over the budget cycle.

As presented in Table 2.6, mining royalties are expected to be $209 million in 2023-24, marginally increase to $218 million in 2024-25, before increasing to an average $274 million per annum over the forward estimates. When compared with the 2023-24 Budget, Table 2.8 shows mining royalties etimates have been notably revised downwards in 2023-24 and 2024-25, and to a lesser extent over the forward estimates, following the suspension of mining operations due to the effects of Cyclone Megan, combined with the closure of a mine operator.

Other revenue

Other revenue includes miscellaneous revenue, such as reimbursements and research funding from non-government organisations. In 2023-24, other revenue is projected to be $124 million, a $41 million increase when compared with the 2023-24 Budget, predominantly due to insurance reimbursements relating to the Darwin Correctional Facility, and a GST refund from the Australian Taxation Office following a favourable tax ruling on the provision of disability housing. From 2024-25, other revenue is expected to remain relatively stable at an average $95 million per annum over the budget cycle.

Expenditure changes since 2023-24 Budget

Table 2.9 sets out the Territory's expenditure projections in the non financial public sector for the 2023-24 revised estimate, 2024-25 Budget and forward estimates.

Table 2.9: Non financial public sector – expenditure components

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Expenses					
Employee expenses	3 122	3 103	3 017	3 101	3 205
Superannuation expenses	520	528	528	532	520
Depreciation and amortisation	854	855	860	856	855
Other operating expenses	2 546	2 501	2 359	2 386	2 434
Interest expenses	482	586	663	716	756
Current grants	1 182	1 213	1 143	1 149	1 179
Capital grants	165	193	108	92	33
Subsidies and personal benefit payments	74	68	67	68	69
Total expenses	8 945	9 047	8 745	8 900	9 051
Net capital investment	1 537	2 070	1 617	1 399	1 198
Total expenditure	10 482	11 117	10 362	10 299	10 249

As shown in Table 2.9, total expenditure is projected to peak in 2024-25 at $11.12 billion, and then average $10.3 billion per annum over the forward estimates period.

Table 2.10 compares the revised expenditure projections for the 2024-25 Budget with those published in the 2023-24 Budget and 2023-24 Mid-Year Report.

Table 2.10: Non financial public sector – variation in expenditure since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Total expenses					
2023-24 Budget	8 312	8 055	7 973	8 021	n/a
2023-24 Mid-Year Report	8 633	8 153	8 051	8 079	n/a
2024-25 Budget	8 945	9 047	8 745	8 900	9 051
Variation from 2023-24 Budget	633	992	772	879	n/a
Net capital investment					
2023-24 Budget	1 673	1 623	1 152	1 000	n/a
2023-24 Mid-Year Report	1 636	1 580	1 208	1 066	n/a
2024-25 Budget	1 537	2 070	1 617	1 399	1 198
Variation from 2023-24 Budget	- 136	447	465	399	n/a

n/a: not available at the time of publishing the 2023-24 Budget and 2023-24 Mid-Year Report

The projected increase in total expenses over the budget cycle when compared with the 2023-24 Budget reflects new government policy decisions as detailed earlier in this chapter, government owned corporation expense assumptions and expenditure associated with delivering new tied Commonwealth funding agreements.

Parameters

Included in the total expense variations are adjustments to agency budgets as a result of parameters applied to agency budgets. Parameter factors are reviewed each budget, taking into consideration the latest policy and economic developments, for the purpose of providing agencies with additional financial capacity to deliver services at current pricing levels, offset by measures designed to improve efficiency in government. The main parameters used to adjust forward estimates are:

- wages – inflator
- consumer price index (CPI) – inflator
- efficiency dividend – deflator.

As part of the 2024-25 Budget, the medium-term wages indexation parameter that applies beyond the Northern Territory Public Sector (NTPS) 2021–2024 Wages Policy from 2025-26 and for the remainder of the 10-year fiscal projection period, was changed from 2% to 3% ongoing. The impact of this policy change on the budget is $30 million compounding per annum from 2025-26. There was no change to the wages inflator for 2023-24 and 2024-25, remaining at 0%, however agencies received additional lump sum funding in the 2023-24 Budget for these two years to reflect the change in the Wages Policy to 2%.

The CPI parameter for the budget year is generally adjusted to match the year-on-year change in the Darwin CPI for the latest December quarter to better reflect actual price trends. The CPI factor for 2024-25 has been increased from 3.3% to 3.9% to align with the December 2023 quarter annual Darwin CPI growth. CPI parameters for the forward estimates were adjusted to 2.8% in 2025-26, 2.5% in 2026-27, 2.4% in 2027-28, and 2.5% per annum thereafter.

An additional growth parameter of 1.4% applied to all hospital-related expenditure in recognition of growth in demand for health services, remains unchanged from the 2023-24 Budget.

An efficiency dividend is applied to agency budgets for operational costs, employee costs, and recurrent grants and subsidies premised on improving processes and technology, and delivering services more efficiently over time, as is the case with private sector enterprises. An efficiency dividend of 1% per annum has been applied in all years and remains unchanged from the 2023-24 Budget.

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

- Department of Education
- Northern Territory Police
- Northern Territory Fire and Emergency Service
- correctional services function of the Department of the Attorney-General and Justice
- children and families and youth justice functions of the Department of Territory Families, Housing and Communities
- hospital services function of the Department of Health.

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

Government owned corporation forward estimates are based on forecasts provided by the corporations during the development of their SCIs. The forecasts reflect future expectations in revenue, contracted and regulated costs, capital investments, operational efficiencies and other factors agreed by a corporation's shareholding minister and the board.

Employee and related expenses

Table 2.9 shows estimated employee and related expenses, including superannuation, continue to account for about 41% of total expenses and represent the Territory's largest expenditure. Employee expenses are expected to remain largely constant over 2023-24 and 2024-25 at an average of $3.64 billion per annum, declining to $3.55 billion in 2025-26 before resuming average annual growth of around 2.5% from 2026-27. The decline in 2025-26 reflects the step down and cessation of time-limited funding to support hospital demand pressures over 2023-24 and 2024-25, combined with the cessation of Commonwealth funding agreements from 2025-26, partially offset by increased costs associated with the change in the wages indexation factor from 2% to 3%. The growth from 2026-27 reflects year-on-year funding increases to support police resourcing and government schools, combined with the compounding effect of wages indexation increasing from 2% to 3% from 2025-26.

Depreciation and amortisation

Depreciation and amortisation expenses represent the consumption of physical and intangible asset values over their expected useful life. These expenses will vary over the budget cycle as new assets are purchased or constructed and assets reach the end of their useful life or are revalued in line with accounting standards. For the 2024-25 Budget, depreciation and amortisation expenses are expected to remain relatively constant, and average $856 million per annum across the budget cycle.

Other operating expenses

Other operating expenses are influenced by the same factors affecting employee and related expenses, and as shown in Table 2.9 are expected to fluctuate over the budget cycle in the same manner, remaining largely constant over 2023-24 and 2024-25, declining in 2025-26 and followed by growth from 2026-27. Operating expenses largely comprise government's repairs and maintenance program, property-related costs, medical supplies, ICT and communication charges, and motor accident compensation and related payments.

Interest expenses

Table 2.11 shows projected interest expenses are higher in all years when compared with the 2023-24 Budget, due to higher borrowing requirements in line with the cumulative increase in fiscal balance deficits across the budget cycle.

Table 2.11: Non financial public sector – variation in interest expenses since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2023-24 Budget	474	536	580	603	n/a
2023-24 Mid-Year Report	479	544	593	619	n/a
2024-25 Budget	482	586	663	716	756
Variation from 2023-24 Budget	8	50	82	113	n/a

n/a: not available at the time of publishing the 2023-24 Budget and 2023-24 Mid-Year Report

Current grants

Table 2.9 shows current grant expenses are projected to peak in 2024-25 at $1.21 billion, due to one-off and increased funding for Territory-funded programs including to support non-government organisations to reduce domestic, family and sexual violence; business growth, resilience and security package; and screen industry and tourism grants. Over the forward estimates, current grants are projected to remain constant at around $1.16 billion per annum, and primarily comprise Territory and Commonwealth-funded grants to schools, non-government health service providers, cultural and sporting organisations, local government councils, and delivery of children and family programs by non-government organisations.

Capital grants

Capital grants comprise payments to recipients, such as local government councils and non-government organisations, for the purpose of acquiring or constructing new physical assets or upgrading existing physical assets. As highlighted in Table 2.9, capital grant expenses are projected to peak in 2024-25 at $193 million, in line with the payment profile of Commonwealth-funded housing homelands and infrastructure upgrade grants, before declining each year to $33 million by 2027-28. The reduction in capital grants across the forward estimates reflects the conclusion of Commonwealth funding agreements for homelands and social housing accelerator payment.

Subsidies and personal benefit payments

Subsidies and personal benefits are payments aimed at reducing all or part of the costs of an activity and include debts owing to the Territory that are waived or extinguished. Subsidies and personal benefit payment estimates are highest in 2023-24 at $74 million, mainly due to one-off support for the Tiwi Plantation Corporation. Over the budget and forward estimates they remain largely constant averaging $68 million per annum and comprise payments for early childhood and out of home care services, back-to-school payments and payments under the Territory senior's recognition and carer's concession schemes.

Net capital investment

Net capital investment comprises purchases and sales of non financial assets, such as vehicles, ICT and equipment, and includes the construction of assets under the Territory's capital works program. As shown in Table 2.9, net capital investment is expected to peak in 2024-25 at $2.07 billion, before declining each year to $1.2 billion by 2027-28.

As shown in Table 2.10, estimated net capital investment in 2023-24 is $136 million lower when compared with the 2023-24 Budget, before increasing each year over the budget cycle by an average of $437 million. This variation largely reflects the revised timing of works for the Darwin ship lift facility from 2023-24 into forward years, increased capital replacement within government owned corporations averaging $55 million per annum over the budget cycle, additional Territory-funded initiatives as detailed earlier in this chapter, combined with new Commonwealth funding for remote housing averaging $125 million per annum from 2024-25.

Key fiscal indicators – balance sheet

The key measures for the balance sheet are net debt and the resulting net debt to revenue ratio. As shown in Table 2.12, net debt is projected to be $11.05 billion in 2024-25, increasing to $12.33 billion by 2027-28. The net debt to revenue ratio is projected to be 126% in 2024-25, increasing to a peak of 135% in 2026-27, before declining to 133% in 2027-28.

When compared with the 2023-24 Budget, net debt is projected to increase each year across the budget cycle, in line with the cumulative effect of projected fiscal balance deficits. The variations to the net debt to revenue ratio since the 2023-24 Budget are similarly affected by additional borrowing requirements to fund projected fiscal balance deficits, however from 2027-28 the net debt to revenue ratio is expected to decline as a result of revenue projections increasing at a greater rate than net debt.

Table 2.12: Non financial public sector – variation in net debt and net debt to revenue ratio since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Net debt					
2023-24 Budget	9 231	9 849	9 984	9 861	n/a
2023-24 Mid-Year Report	9 178	9 938	10 190	10 138	n/a
2024-25 Budget	9 396	11 046	11 776	12 210	12 329
Variation from 2023-24 Budget	165	1 197	1 792	2 349	n/a
Net debt to revenue (%)					
2023-24 Budget	113	118	122	118	n/a
2023-24 Mid-Year Report	111	119	123	121	n/a
2024-25 Budget	115	126	132	135	133
Variation from 2023-24 Budget	2	8	10	17	n/a

n/a: not available at the time of publishing the 2023-24 Budget and 2023-24 Mid-Year Report

Factors affecting net debt are the net result of policy and non-policy changes. Policy changes outlined earlier in this chapter include government's operational and capital commitments, partially offset by savings measures. Non-policy changes include GST, taxation and royalty revenue, the effect of renewed and extended leases of office accommodation, operating and capital results of government owned corporations, and timing of Commonwealth and agency payments. Table 2.13 summarises the effect of policy and non-policy changes on net debt since the 2023-24 Budget and demonstrates that policy changes are the main contributor to the projected variation.

Table 2.13: Non financial public sector – cumulative changes to net debt since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Policy changes	538	1 320	1 760	2 202
Non-policy changes	- 373	- 123	32	147
Net cumulative change	165	1 197	1 792	2 349

(+) reflects a worsening; (-) reflects an improvement

Table 2.14 provides details on the cumulative factors contributing to the projected variation in net debt over the forward estimates since the 2023-24 Budget.

Table 2.14: Non financial public sector – detailed cumulative changes to net debt since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
2022-23 net debt outcome[1]	- 292	- 292	- 292	- 292
Operating commitments	410	955	1 409	1 870
Savings measures	- 1	- 42	- 83	- 133
Capital commitments	129	407	434	466
GST revenue	- 185	- 373	- 534	- 750
Taxation and royalties	171	255	238	252
Interest variations[2]	- 12	22	90	184
Government owned corporations	19	137	257	305
Leases	59	99	82	59
Revised timing of Darwin ship lift facility	- 174	- 215	- 143	- 17
Employee-related liability costs	16	35	55	77
Timing and agency-related adjustments[3]	25	209	279	328
Net cumulative changes	165	1 197	1 792	2 349

(+) reflects a worsening; (-) reflects an improvement

1 Reported in the 2022-23 Treasurer's Annual Financial Report and includes Commonwealth capital funding received in 2022-23, to be spent and recognised in the fiscal balance in future years; cash collected in 2022-23 from receivables relating to revenue recognised in the fiscal balance in earlier years; unrealised valuation gains on investments not included in the fiscal balance.

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

3 Includes items discussed in Table 2.5 combined with the use of Commonwealth capital funding received in 2022-23, now spent over the budget cycle; payments of cash relating to outstanding claims liabilities excluded from net debt, and other non cash items improving the fiscal balance that do not affect net debt.

Chapter 3

Economic outlook

Overview

The information provided in this chapter meets the requirements of sections 10(1)(b) and 10(1)(c) of the FITA that each fiscal outlook report contains an account of the economic assumptions and analysis of the effects of their changes on the updated financial projections. This chapter also addresses the requirements under section 10(1)(f) of the FITA and provides explanations of material differences between the updated economic projections and those published in the 2023-24 Budget.

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

Table 3.1 details the Territory's key economic indicators for the 2022-23 actual outcome and forecasts for the 2024-25 Budget.

Table 3.1: Territory key economic indicators (%)

	2022-23a	2023-24e	2024-25f	2025-26f	2026-27f	2027-28f
Gross state product[1]	- 5.3	4.9	2.3	7.1	4.1	2.1
State final demand[1]	1.9	1.7	1.9	- 0.2	2.1	1.9
Population[2]	0.9	0.8	0.9	1.1	1.1	1.1
Employment[1]	2.6	1.5	1.1	0.9	1.3	1.3
Unemployment rate[3]	4.3	4.4	4.6	4.8	4.7	4.6
Consumer price index[1]	6.4	3.6	2.9	2.5	2.4	2.4
Wage price index[1]	2.8	4.1	3.2	3.1	3.1	3.0

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

The Territory economy contracted by 5.3% in 2022-23, due to a decline in net exports. This was driven by a reduction in LNG exports, as major maintenance work at the Ichthys LNG plant ceased production for a number of weeks. Lower exports were also reported from the Darwin LNG plant in 2022-23.

In 2023-24, GSP is expected to be 4.9%, reflecting a positive contribution from net exports, primarily due to upgrades to LNG production capacity at the Ichthys LNG project, and lower imports due to weak household consumption, and lower machinery and equipment imports. Exports have been impacted by Cyclone Megan, with Groote Eylandt Mining Company (GEMCO) ceasing manganese ore exports while the site is remediated and brought back on line.

Household consumption is expected to detract from economic growth in 2023-24 as higher interest rates and cost of living pressures constrain household spending. Household consumption is expected to recover from 2024-25 as inflation moderates and real wage increases improve spending capacity.

Private investment is estimated to increase by 5.8% in 2023-24 and by 1.5% in 2024-25. Following completion of the construction phase of the Barossa project, private investment is forecast to decline in 2025-26. Public consumption is estimated to steadily increase over the forecast period, with public investment expected to average $2.3 billion over the five years to 2027-28.

Population is forecast to grow by 0.8% in 2023-24 and 0.9% in 2024-25 with continued strength in net overseas migration supporting growth. Population growth is expected to return to its long-run average of around 1.1% over the forecast period.

Employment is forecast to grow by 1.5% in 2023-24 before declining to 0.9% in 2025-26 as construction at the Barossa project is completed. The unemployment rate is expected to trend up from 4.4% in 2023-24 to 4.8% in 2025-26, then moderate over the rest of the forecast period.

Inflation continues to moderate in the Territory, with growth forecast to ease to 3.6% in 2023-24 and 2.9% in 2024-25. Wages growth has been strong, however the pace of growth is expected to ease from current elevated levels. Wages are expected to grow by 4.1% in 2023-24 and remain at or above 3% over the forward estimates period.

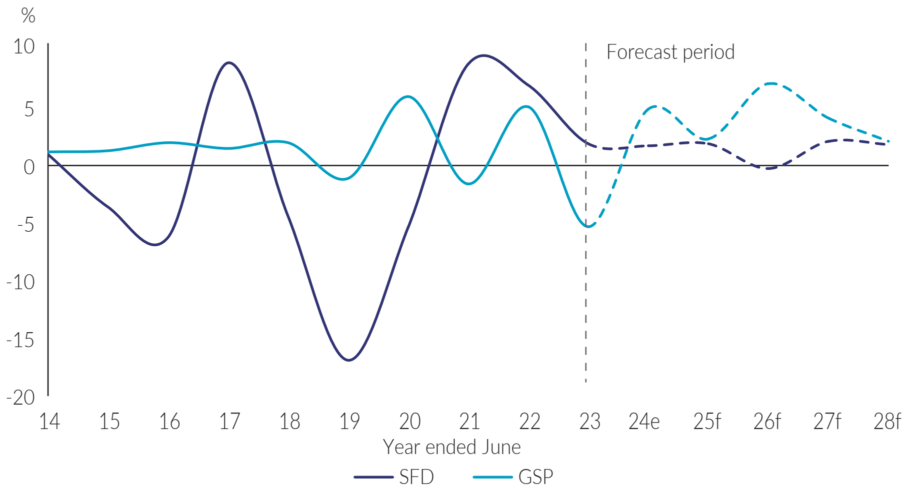
There are upside risks to the economic outlook if several major projects on the horizon reach a final investment decision in next 12 to 18 months. The economic contributions from projects yet to reach final investment decision are not included in the economic projections, therefore if they proceed, they will add to economic growth. These projects are outlined in Chapter 2 of the *Northern Territory Economy* book.

The forecasts have changed since the 2023-24 Budget in response to evolving economic conditions and outcomes reported over the past year. Explanations for material variations are provided in the relevant sections that follow.

Economic growth

GSP is estimated to increase by 4.9% in 2023-24 and 2.3% in 2024-25 (Chart 3.1). The estimate for 2023-24 is higher than the 2023-24 Budget forecast of 2.7% growth. The difference is primarily the result of lower imports due to weaker household and capital consumption (Chart 3.2).

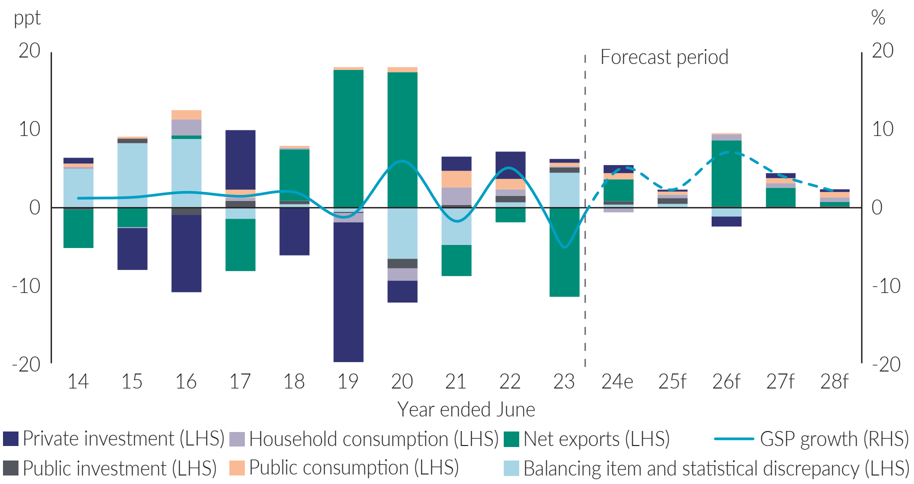
Chart 3.1 Territory gross state product and state final demand



e: estimate; f: forecast; GSP: gross state product; SFD: state final demand
Source: ABS, *Australian National Accounts: State Accounts*, Cat. No. 5220.0; Department of Treasury and Finance

SFD, which excludes trade, is estimated to increase by 1.7% in 2023-24 and 1.9% in 2024-25, with growth more evenly spread across the two years than anticipated in the 2023-24 Budget. The changes primarily result from a re-profiling of private and public investment projects. Private investment growth will be stronger in 2023-24 than previously forecast as the Barossa project ramps up following a pause in activity due to court proceedings. Public investment includes changes to project activity profiles and new Commonwealth supported projects. Household consumption is expected to detract from SFD and GSP growth in 2023-24 following the sharp increase in interest rates over the past year, and the impact of inflation on cost of living and household balance sheets.

Chart 3.2: Contributions to Territory gross state product growth



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

Consumption

Household consumption growth is forecast to decline by 1.5% in 2023-24, before increasing by 1.2% in 2024-25 and 1.4% in 2025-26, as inflation moderates and monetary policy eases in line with market expectations. Forecasts are lower relative to the 2023-24 Budget as interest rates remain high and household behavioural changes have led to lower spending than anticipated.

Public consumption has been revised up in the near term, reflecting higher demand for government services. Demand for housing services, community safety and disaster assistance for flood impacted parts of the Territory have driven the increase in service provision.

Investment

The forecasts for investment have been adjusted reflecting updated data, and data revisions and developments relating to the Barossa project. Private investment is now expected to grow by 5.8% in 2023-24 and 1.5% in 2024-25. Private investment is expected to contract in 2025-26 as construction work on the Barossa project is completed.

Relative to the 2023-24 Budget, where private investment was expected to decrease in 2024-25, timing is revised to the following year. The changes reflect private investment data in the year to date and a re-profiling of spending on the Barossa project, with anticipated production being pushed out from the beginning of calendar year 2025 to September 2025. Other projects that will contribute to private investment activity in the coming years include the Tanami gold mine expansion, and the Ranger mine and Rum Jungle rehabilitation projects.

Forecasts for the level of public investment have been revised up across the forecast period. Public investment is expected to average $2.3 billion per annum over 2023-24 to 2027-28. The upgrades to the public investment forecasts in the near term reflect increased expenditure on housing projects and road infrastructure works. Spending associated with the Darwin ship lift, Marine Industry Park and Darwin region water supply infrastructure program will also contribute to public investment.

External economic environment

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

Nationally, the RBA forecasts weak economic growth in the near term as inflation and monetary policy weigh on demand. While business investment is also expected to ease, the level of investment is expected to remain relatively high by historical standards, supported by the large pipeline of existing construction projects. Annual growth of 1.3% is forecast for the June quarter 2024 and 2.1% for the June quarter 2025.

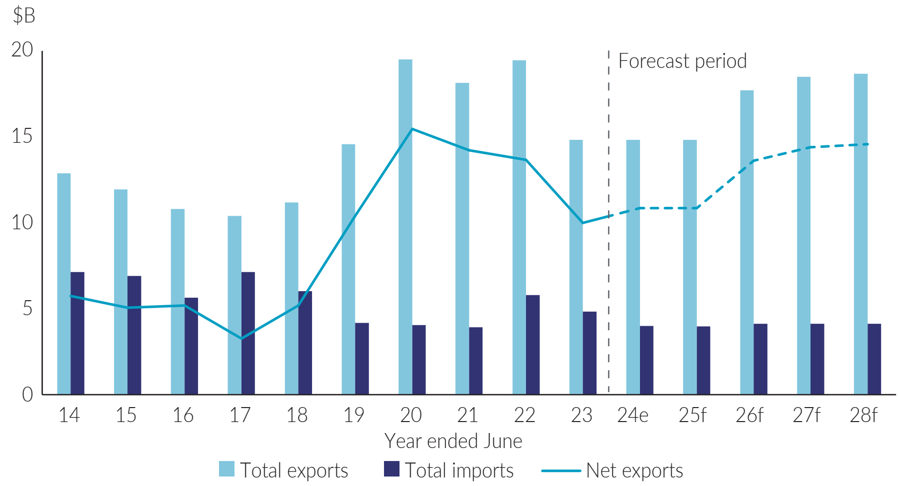
Globally, the International Monetary Fund (IMF) has estimated global economic growth to be 3.2% in 2024 and 2025. Strong economic performance in the United States together with fiscal stimulus in China has led to upward revisions in economic growth in 2024 by the IMF. With inflation falling ahead of expectations, and supply shock impacts receding, the global economy appears to be on a stable path to a soft landing. A renewed focus on fiscal consolidation is needed to rebuild budget capacity and ensure debt sustainability. Growth among the Territory's major trading partners is expected to be slightly slower than global growth, at 2.4% in 2024 and 2.3% in 2025.

International trade

Net exports are expected to contribute positively to economic growth over the forecast period and export levels to be slightly lower compared with the 2023-24 Budget. Developments in the mining sector that affected exports following the release of the 2023-24 Budget include the suspension of mining operations at Core Lithium, the Peko mine moving into administration and a decrease in manganese ore production due to damage caused by Cyclone Megan at the GEMCO mine. This is partly offset by Ichthys LNG which is on track to increase production, and exports are forecast to increase significantly once the Barossa field comes on line (Chart 3.3).

Revised production timing for the Barossa project has also resulted in a delay in LNG production coming on line, with exports now expected to begin in 2025-26 instead of 2024-25 as reflected in the 2023-24 Budget.

Chart 3.3: Territory net exports

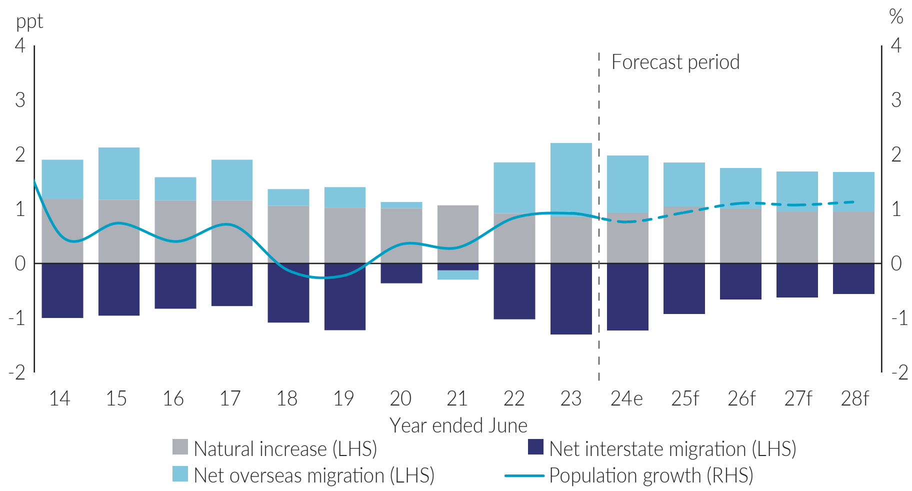


e: estimate; f: forecast
Source: ABS, *Australian National Accounts: State Accounts*, Cat. No. 5220.0; Department of Treasury and Finance

Population

The Territory's population forecast remains broadly unchanged from the 2023-24 budget. Growth over 2023-24 and 2024-25 has been revised down slightly to 0.8% and 0.9%, respectively, reflecting weaker than expected natural increase outcomes, potentially reflecting cost of living pressures affecting family planning decisions, as well as weaker net interstate migration outcomes. However, over the rest of the forecast period, population growth is expected to be slightly stronger at 1.1% per annum, supported by higher overseas migration expectations and an assumption that net interstate migration will normalise (Chart 3.4). Risks to the Territory's population forecasts remain elevated with significant volatility in migration flows over recent years.

Chart 3.4: Population growth



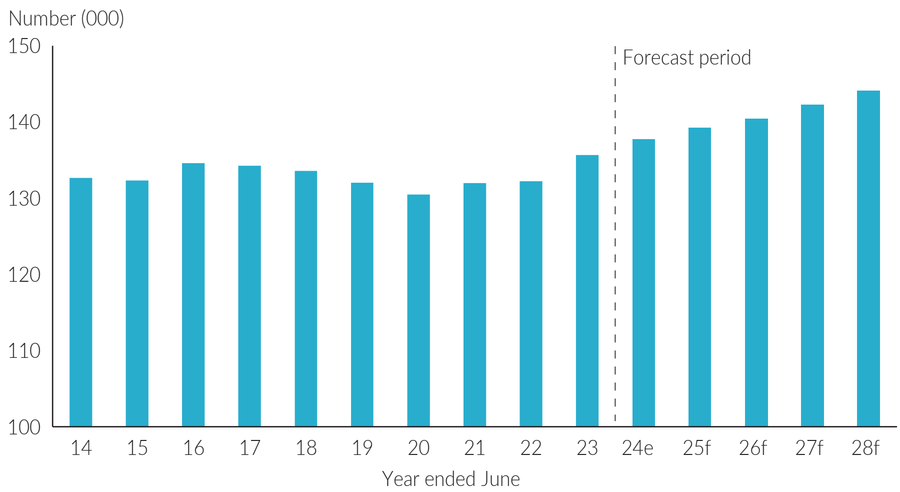
e: estimate; f: forecast; LHS: left-hand side; ppt: percentage point; RHS: right-hand side
Source: ABS, *Australian Demographic Statistics*, Cat. No. 3101.0; Department of Treasury and Finance

Labour market

Employment is forecast to grow by 1.5% in 2023-24 and moderate to 0.9% in 2025-26, reflecting the Territory's investment growth profile, and then stabilise around 1.3% per annum from 2026-27. The unemployment rate is forecast to increase from 4.4% in 2023-24 to 4.8% in 2025-26 as growth in the labour force outpaces jobs creation, before falling over the rest of the forward estimates, reflecting a return to equilibrium for the labour market.

On 21 March 2024, the Australian Bureau of Statistics (ABS) implemented changes to the labour force survey from which labour force statistics are derived. These changes resulted in improved labour force estimates and reduced volatility by applying administrative data to estimate small and remote populations augmenting the survey data. This change has led to revisions in the Territory's labour force statistics between August 2016 and February 2024. Labour force forecasts presented in the 2024-25 Budget are not comparable with forecasts in previous publications. For further information, refer to Chapter 5 of the *Northern Territory Economy* book.

Chart 3.5: Territory employment



e: estimate; f: forecast
Source: ABS, *Labour Force, Australia*, Cat. No. 6202.0; Department of Treasury and Finance

Prices and wages

Consumer Price Index (CPI) growth has been broadly in line with the 2023-24 Budget, with year-on-year growth of 6.4% in 2022-23 and expected year-on-year growth of 3.6% in 2023-24. Forecasts have been revised upwards slightly over 2024-25, in part reflecting the Commonwealth's introduction of a 5% per annum indexation to the tobacco excise. Over the forward estimates period year-on-year growth is expected to average 2.4%, consistent with mid-point of the RBA target inflation range.

With goods inflation coming down significantly in recent quarters, services inflation has become the main contributor to inflation, and this is expected to remain the case over 2024. Services inflation is sensitive to labour costs, which have been elevated over the last year and remain a key risk to the inflation outlook. The expiry of the Energy Bill Relief Fund combined with childcare subsidy changes from July 2023 is expected to create some volatility in inflation over 2024.

Forecasts for wages growth have been revised upwards to 4.1% in 2023-24, largely reflecting stronger than expected wage increases in the public sector due to outcomes of enterprise agreement negotiations. Wages growth is expected to remain above its 10-year average across the outlook period, averaging 3.1% over the four years to 2027-28.

Chapter 4

Fiscal strategy statement

Overview

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

Government's fiscal strategy

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

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

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

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

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

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

2024-25 Budget fiscal strategy

The fiscal strategy objectives and targets in the 2024-25 Budget remain unchanged from those established in the 2019-20 Budget and reported in subsequent budgets. Detailed assessment of expected outcomes for fiscal strategy objectives and key fiscal targets follows.

Assessment of the fiscal strategy

Principle 1: Sustainable service provision

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

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

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

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

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

As shown in Table 4.1, Territory-funded expenses, excluding depreciation, are projected to increase by 1% in aggregate over the budget and forward estimates compared to anticipated growth in own-source and untied revenue of 13.1% over the same period. As a result, this fiscal strategy objective and target is projected to be achieved over the budget cycle.

The marginal growth in Territory-funded expenses over the budget cycle is largely driven by time-limited government operational commitments over 2024-25 and 2025-26, including for hospital and correctional services, youth justice, urban housing, tourism activities, and domestic, family and sexual violence prevention. Projected growth in own-source and untied revenue of 13.1% reflects improvements in GST revenue over the budget cycle, combined with notably lower mining royalties in 2024-25 following the suspension of mining operations due to the effects of Cyclone Megan.

Table 4.1: General government sector – Territory-funded expense growth, and own-source and untied revenue growth

	2024-25	2025-26	2026-27	2027-28		Target
	Budget	Forward estimate			Growth	on track
	$M	$M	$M	$M	%	
Territory-funded expenses[1]	6 142	6 019	6 090	6 203	1.0	yes
Own-source and untied revenue	5 870	6 074	6 340	6 636	13.1	

1 Excludes depreciation and unspent funds carried over from prior years.

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

The Territory's public service employee expenses account for about 40% of the general government sector's total expenses. Accordingly, maintaining a financially sustainable public service is critical in containing expenditure growth. However, as the Territory Government is a major contributor to the Territory economy and the single largest employer in the Territory, this fiscal strategy objective takes a balanced approach premised on ensuring outlays for service provision do not outpace population growth.

The target requires general government sector Territory-funded employee expense growth not to exceed the wages policy parameter, net of efficiency dividends, plus the Territory's long-term annual population growth in any year over the budget and forward estimates.

Since the 2023-24 Budget, the wages factor influencing the target for Territory-funded employee expense growth has been revised. As discussed earlier in Chapter 2 *Fiscal outlook*, the wages indexation parameter was changed from 2% to 3% ongoing from 2025-26, while the Territory's long-term annual population growth and efficiency dividend remain unchanged at 1.1% and 1%, respectively.

Frontline expenditure equates to around 65% of total Territory-funded expenditure and receives a two-thirds discount on the efficiency dividend, resulting in a net efficiency dividend of 0.6% for the purposes of this assessment. Accordingly, the wages policy parameter assessed in 2024-25 is 2.5%, reflecting the 2% wages policy, less a net efficiency dividend of 0.6%, plus 1.1% long-term annual population growth. From 2025-26, the wages policy parameter reflects the increase to the wage indexation parameter.

Table 4.2 highlights that estimated Territory-funded employee expense growth is well below the sum of the wages policy parameter (net of efficiency dividends) and the Territory's 1.1% long-term annual population growth. It also demonstrates that government is budgeting to limit growth in the general government sector's single largest expenditure item.

The projected decline in Territory-funded employee expense growth in 2024-25 largely reflects the step down in time-limited funding to support hospital demand pressures over 2023-24 and 2024-25. The growth profile in Territory-funded employee expenses from 2025-26 reflects year-on-year funding increases to support police resourcing and government schools combined with increased funding for the change in the wages indexation factor from 2% to 3%.

Table 4.2: General government sector – Territory-funded employee expense growth

	2024-25	2025-26	2026-27	2027-28
	Budget	Forward estimate		
	%	%	%	%
Territory-funded employee expense growth	- 0.4	1.5	2.8	2.2
Wages policy parameter[1] plus long-term annual population growth	2.5[2]	3.5	3.5	3.5
Target on track	yes	yes	yes	yes

1 Net of efficiency dividends.

2. While the 2024-25 wages inflator remained unchanged at 0%, agencies received additional lump sum funding in the 2023-24 Budget to reflect the change in the Wages Policy to 2%.

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

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

Table 4.3 shows the net operating balance is projected to be in surplus and improving from 2025-26. Accordingly, the fiscal strategy objective and target are on track to be met, with a net operating balance surplus projected two years ahead of the target.

Table 4.3: General government sector – net operating balance

	2024-25	2025-26	2026-27	2027-28	Target on track
	Budget	Forward estimate			
	$M	$M	$M	$M	
2024-25 Budget	- 410	31	96	231	yes

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

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

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

Table 4.4 shows that while general government sector borrowing (net) is projected to decline across the budget cycle, borrowings are required in all years, consistent with projected fiscal balance deficits. Accordingly, this fiscal strategy objective is not met over the budget cycle.

Table 4.4: General government sector – borrowing (net)

	2024-25	2025-26	2026-27	2027-28
	Budget	Forward estimate		
	$M	$M	$M	$M
2024-25 Budget	1 674	570	445	170

Principle 2: Infrastructure for economic and community development

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

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

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

This fiscal strategy objective aims to strike a balance between maintaining public assets, supporting the economy and restraining expenditure growth.

As shown in Table 4.5, projected general government infrastructure investment, including Commonwealth-funded projects (comprising capital works, minor works, and repairs and maintenance expenses) is consistent with the first element of this objective, with annual average infrastructure investment over the budget cycle of $1.33 billion, well above annual average depreciation of $605 million.

This measure differs from total infrastructure payments of $2.58 billion for 2024-25, as reported in Budget Paper No. 4 *The Infrastructure Program*, as it excludes capital-related grants and is presented for the general government sector only.

The second element of this objective ensures Territory-funded infrastructure investment does not exceed twice the level of depreciation in any single year. Table 4.5 highlights that this element of the strategy is also on track to being achieved, with the ratio of Territory-funded infrastructure to depreciation peaking at 1.7 in 2024-25 and averaging 1.3 over the budget cycle. The elevated levels of Territory-funded infrastructure investment in 2024-25 reflect $250 million in additional funding to progress works on the Territory's capital works program and, in 2026-27, the spending profile of the Darwin ship lift facility.

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

	2024-25	2025-26	2026-27	2027-28		Target
	Budget	Forward estimate			Average	on track
Total infrastructure investment ($M)	1 664	1 303	1 229	1 128	1 331	
Depreciation ($M)	619	611	602	590	605	yes
Territory-funded infrastructure investment ($M)	1 040	673	738	687	785	
Depreciation ($M)	619	611	602	590	605	
Territory-funded infrastructure investment to depreciation ratio	1.7	1.1	1.2	1.2	1.3	
Target on track	yes	yes	yes	yes	yes	

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

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

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

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

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

Since the 2023-24 Budget, there have been no new Territory-funded capital works projects exceeding $30 million to progress through the framework.

Principle 3: Competitive tax environment

While the Territory's own-source revenue base is relatively small compared to other jurisdictions, taxation and own-source revenues provide the government with a reasonable degree of stability and predictability, which are key principles of the FITA. This stability provides consistent revenue streams to fund service delivery in contrast to more volatile GST revenue outcomes in recent years.

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

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

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

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

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

Taxation effort assesses the extent to which a jurisdiction's actual revenue collections are above or below its assessed capacity to raise revenue if it imposed national average tax settings. A ratio above 100 indicates a state is collecting more revenue than it would if it applied state average policy settings, whereas a ratio below 100 indicates it collects less revenue than it would if it applied state average policies. The fiscal strategy aims to achieve an assessed taxation effort of at least 90% to maximise revenue generation while remaining competitive with other states.

Table 4.6 shows the Territory is the lowest taxing jurisdiction with an assessed taxation effort of 82% for 2022-23, the latest year assessed by the CGC. Accordingly, this fiscal strategy target has not been achieved as the Territory's taxation effort is below the target of 90%. The Territory generally demonstrates below-average taxation effort as it does not impose land tax and levies lower than average motor vehicle taxes.

Table 4.6: Taxation effort by jurisdiction, 2022-23

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average	Target met
	%	%	%	%	%	%	%	%	%	
Total taxation effort	97.1	108.0	95.1	98.6	96.0	84.2	135.3	82.0	100	no

Source: CGC 2024 Update

The Territory's taxation effort decreased from 86.2% in 2021-22 to 82% in 2022-23 largely due to lower stamp duty on conveyances and fewer large one-off commercial transactions in 2022-23 compared with 2021-22.

Ongoing objective: Generate own-source revenue efficiently

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

As discussed earlier, own-source revenue generation improves financial stability and predictability. However, to maximise capacity for service delivery, the collection of own-source revenue must be efficient. Accordingly, the fiscal strategy aims for the Territory Revenue Office's operating expenditure to be less than 1% of total taxes and royalties collected.

Table 4.7 demonstrates this element of the fiscal strategy is expected to be achieved with the Territory Revenue Office's operating expenditure projected to be below the 1% target across the budget and forward estimates. The higher ratio in 2024-25 reflects elevated operating expenditure associated with developing a new revenue management ICT system, combined with a reduction in mining royalties in 2024-25 following the suspension of mining operations due to effects of Cyclone Megan.

Table 4.7: Territory Revenue Office expenditure to taxation revenue raised

	2024-25	2025-26	2026-27	2027-28
	Budget	Forward estimate		
Territory Revenue Office expenditure ($M)	8	5	5	5
Territory taxes and royalties ($M)	919	982	993	1 048
Expenditure to revenue (%)	0.8	0.5	0.5	0.5
Target on track	yes	yes	yes	yes

Principle 4: Prudent management of debt and liabilities

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

During periods of low economic growth and constrained revenues, it may be prudent to raise higher levels of debt to maintain government expenditure and support services to the economy. When there is strong revenue growth and private sector investment, lower borrowings are justified as they present an opportunity to reduce debt. Consequently, prudent debt management is difficult to explicitly define and requires borrowings to be assessed in the context of prevailing economic and fiscal conditions.

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

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

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

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

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

The Territory's credit rating was last assessed by Moody's on the 2023-24 Budget in July 2023, resulting in an unchanged credit rating for the Territory at Aa3 with a stable outlook. Accordingly, this fiscal strategy target has not yet been met.

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

The net debt to revenue ratio is a recognised measure of a jurisdiction's ability to repay borrowings, with a higher ratio indicating a lower ability to repay debt and a lower ratio indicating a stronger ability to repay debt. The net debt to revenue ratio is calculated as gross debt liabilities less select liquid financial assets as a proportion of total revenue for the non financial public sector. Historically, the Territory maintained a long-term average net debt to revenue ratio of 40%. Due to the implementation of revised accounting standards on leases in 2019-20, this long-term average has been adjusted to 50% and retained as a long-term objective of the fiscal strategy.

As shown in Table 4.8, the non financial public sector's net debt to revenue ratio is projected to be 126% in 2024-25, increasing to 133% by 2027-28. It is anticipated the net debt to revenue ratio will remain above 100% over the medium term, and therefore this fiscal strategy objective and target is not likely to be met.

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

	2024-25	2025-26	2026-27	2027-28	Target on track
	Budget	Forward estimate			
	%	%	%	%	
2024-25 Budget	126	132	135	133	no

The FITA incorporates a cap on assessable debt at the non financial public sector of $15 billion (the debt ceiling). The legislated debt ceiling increases accountability for financial performance and supports improving the Territory's credit rating and net debt to revenue ratio.

Assessable debt is defined as total borrowings less lease liabilities. Lease liabilities are excluded from the debt ceiling as their valuation is subject to changes in discount rates and does not correlate with actual cash proceeds sought from financial markets to fund the operating and capital activities of government.

Net debt is a fiscal measure determined by the ABS and accounting standards, and can be influenced by valuations of leases and returns on investments. Targeting borrowings is an indirect means of controlling net debt, as government can directly control and influence its level of borrowings, exclusive of leases. Total borrowings will always be greater than reported net debt as borrowings represent gross debt liabilities, while net debt comprises gross debt liabilities less select liquid financial assets.

Table 4.9 presents the assessable debt for the 2024-25 Budget in accordance with the FITA debt ceiling and shows that total borrowings, excluding leases, are projected to increase over the budget cycle but remain below the $15 billion cap in all years.

Table 4.9: Non financial public sector – debt ceiling assessment

	2024-25	2025-26	2026-27	2027-28
	Budget	Forward estimate		
	$M	$M	$M	$M
Total borrowings	14 401	15 196	15 759	16 006
Less: leases	1 777	1 673	1 546	1 433
Total assessable debt	12 624	13 523	14 213	14 573
Target on track	yes	yes	yes	yes

Principle 5: Commercial management of government owned corporations

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

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

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

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

Similar to the general government sector's fiscal strategy principle of sustainable service provision, this fiscal strategy objective aims to improve profitability and restrain expenditure growth specifically in government trading entities.

Table 4.10 shows all three government owned corporations are expected to meet this element of the fiscal strategy. Power and Water Corporation's high growth rate for revenue is driven by an expected increase in the rate of return for electricity network, higher water consumption and expected increase in gas volumes from 2024-25. The high revenue growth rate in Territory Generation reflects improved wholesale generation prices over the SCI period.

Table 4.10: Government owned corporation growth rates over 2024-25 to 2027-28

	Power and Water Corporation	Territory Generation	Jacana Energy
	%	%	%
Revenue	27.0	15.6	13.1
Operating expenses[1]	18.7	7.2	12.9
Target on track	yes	yes	yes

1 Excludes depreciation, impairments, interest and tax expenses.

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

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

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

This element of the fiscal strategy is expected to be achieved with each government owned corporation reporting their respective agreed targets in their 2024-25 SCIs.

Ongoing objective: Debt ratios should improve annually

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

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

As demonstrated in Table 4.11, Power and Water Corporation's debt to equity ratio is expected to increase over the SCI period, driven by increased borrowings to finance its capital replacement program. Territory Generation's estimated debt to equity ratio is expected to improve over the SCI period following the finalisation of its capital replacement program that is expected to facilitate debt reduction from 2027-28.

Table 4.11: Government owned corporation 2024-25 statements of corporate intent debt to equity ratios

	2024-25	2025-26	2026-27	2027-28	Target on track
	Budget	Forward estimate			
Power and Water Corporation	1.1	1.2	1.2	1.3	no
Territory Generation	1.8	1.9	1.9	1.7	yes
Jacana Energy[1]	n/a	n/a	n/a	n/a	n/a

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

Ongoing objective: Reduce controllable costs and improve operating efficiencies

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

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

Table 4.12 shows that none of the government owned corporations are estimating to meet this fiscal strategy objective, with controllable costs anticipated to increase over the SCI period. The increase in controllable costs in Power and Water Corporation reflect increases in personnel costs following enterprise agreement outcomes and CPI forecasts. The increase in Territory Generation is similarly driven by wages and CPI growth, partially offset by declining maintenance costs over the forward estimates. The marginal increase in controllable costs for Jacana Energy in 2027-28 reflects increased wages growth over the SCI period in line with enterprise agreement outcomes, largely offset by declining marketing, travel and training costs, and professional fees.

Table 4.12: Government owned corporation 2024-25 statements of corporate intent controllable costs[1]

	2024-25	2025-26	2026-27	2027-28	Target
	Budget	Forward estimate			on track
	$M	$M	$M	$M	
Power and Water Corporation	234	228	241	256	no
Territory Generation	93	92	94	95	no
Jacana Energy	24	24	24	25	no

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

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

Target: Dividends paid/payable greater than zero in each year over the SCI period

Returns to government from the corporations support the delivery of essential social services including health, education and community safety. Increased returns also indicate a corporation's profitability has improved, increasing capacity to retire debt and subsequently leading to improvements in government debt targets.

Table 4.13 shows the government owned corporations, with the exception of Territory Generation, are expected to meet this element of the fiscal strategy with dividends projected to be paid in each year over the SCI period. Power and Water Corporation is projecting to pay smaller dividends in 2024-25 and 2025-26 as a result of a projected deficit for 2023-24 and lower profits in 2024-25. The reduced profitability for these years is largely the result of lower gas and recoverable electricity network revenue forecasts. No dividends are projected to be paid by Territory Generation over 2024-25 to 2026-27, with profits expected to be used to finance Territory Generation's capital replacement program.

Table 4.13: Government owned corporation 2024-25 statements of corporate intent dividends paid

	2024-25	2025-26	2026-27	2027-28	Target
	Budget	Forward estimate			on track
	$M	$M	$M	$M	
Power and Water Corporation	1.0	5.4	23.2	23.0	yes
Territory Generation	0.0	0.0	0.0	1.0	no
Jacana Energy	3.5	3.2	3.9	3.7	yes

Chapter 5

Commonwealth revenue

Overview

The information provided in this chapter meets the requirements of sections 10(1)(b), 10(1)(c) and 10(1)(f) of the FITA in respect of Commonwealth revenues, both tied and untied. It includes the Territory's forecasts of Commonwealth revenues and the assumptions on which they are based, and explanations of material differences between the revised forecasts and those published in the 2023-24 Budget.

Table 5.1 sets out the components of total Territory revenue for the non financial public sector for the 2023-24 revised estimate, 2024-25 budget and forward estimates. It shows the Territory expects to receive $6.28 billion Commonwealth revenue in 2024-25, comprising untied revenue of $4.21 billion and tied revenue of $2.08 billion. In 2024-25, Commonwealth revenue is estimated to represent about 72% of total Territory revenue.

Table 5.1: Non financial public sector – components of total revenue

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Untied Commonwealth revenue	3 989	4 208	4 356	4 589	4 830
Tied Commonwealth revenue	1 802	2 076	1 853	1 697	1 620
Total Commonwealth revenue	5 791	6 284	6 209	6 286	6 450
Other non-Commonwealth grants[1]	65	39	29	12	11
Territory own-source revenue	2 349	2 433	2 657	2 715	2 798
Total revenue	8 205	8 756	8 895	9 013	9 259

1 Includes grants from the private sector, non-government entities and other states, territories and local governments.

Analysis of variations in Commonwealth revenue over the budget and forward estimates period is provided later in this chapter.

Table 5.2 compares the revised projections for total Commonwealth revenue from those published in the 2023-24 Budget and shows that total Commonwealth revenue has been revised upwards across all years.

Table 5.2: Non financial public sector – variation in total Commonwealth revenue since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2023-24 Budget	5 595	5 692	5 586	5 630	n/a
2024-25 Budget	5 791	6 284	6 209	6 286	6 450
Variation from 2023-24 Budget	196	592	623	656	n/a

n/a: not available at the time of publishing the 2023-24 Budget

Table 5.3 presents variations in untied and tied Commonwealth revenue forecasts compared with the 2023-24 Budget.

Untied funding comprises GST revenue and is expected to increase in all years due to higher than previously forecast growth in the national GST collections pool and an increase in the Territory's GST relativity from 2024-25. This is partly offset by higher estimates of interstate population growth reducing the Territory's GST share over the period.

Tied Commonwealth revenue is expected to increase in all years largely reflecting additional funding for housing and school-related agreements.

Table 5.3: Non financial public sector – variations in Commonwealth revenue components since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Untied Commonwealth revenue – GST revenue	185	188	161	216
Tied Commonwealth revenue	11	404	462	440
National federation funding agreements	4	- 6	37	110
Federation funding agreement schedules	- 33	365	383	303
National specific purpose payments[1]	3	21	16	16
Other tied Commonwealth revenue[2]	37	24	26	11
Total variation	196	592	623	656

1 The National Skills Agreement, which commenced on 1 January 2024 and replaced the National Agreement for Skills and Workforce Development National Specific Purpose Payment (NSPP), is continuing to be reported as an NSPP until Commonwealth legislation is amended to replace the NSPP with a national partnership payment.

2 Includes Disaster Recovery Funding Arrangements and Commonwealth own-purpose expenses.

GST revenue

Overview

GST revenue is the largest revenue transfer from the Commonwealth, estimated to account for 67% of Commonwealth payments to the Territory and 48% of total Territory revenue in 2024-25.

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

GST is paid to states and territories in line with Commonwealth GST forecasts. Actual GST entitlements are determined in the Commonwealth *Final Budget Outcome* and any differences are reconciled through a balancing adjustment in the following financial year.

The Territory's GST revenue forecasts are detailed in Table 5.4, which shows GST revenue is expected to be higher in all years compared with the 2023-24 Budget.

Table 5.4: Territory GST revenue

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2023-24 Budget	3 804	4 020	4 195	4 373	n/a
2024-25 Budget	3 989	4 208	4 356	4 589	4 830
Variation from 2023-24 Budget	185	188	161	216	n/a
Annual change in 2024-25 Budget forecast		5.5%	3.5%	5.3%	5.3%

n/a: not available at the time of publishing the 2023-24 Budget

Table 5.5 outlines the contribution of each GST parameter to the revised Territory GST revenue forecast since the 2023-24 Budget. It shows that growth in the national GST collections pool and a higher relativity are the main contributors of the upward revisions.

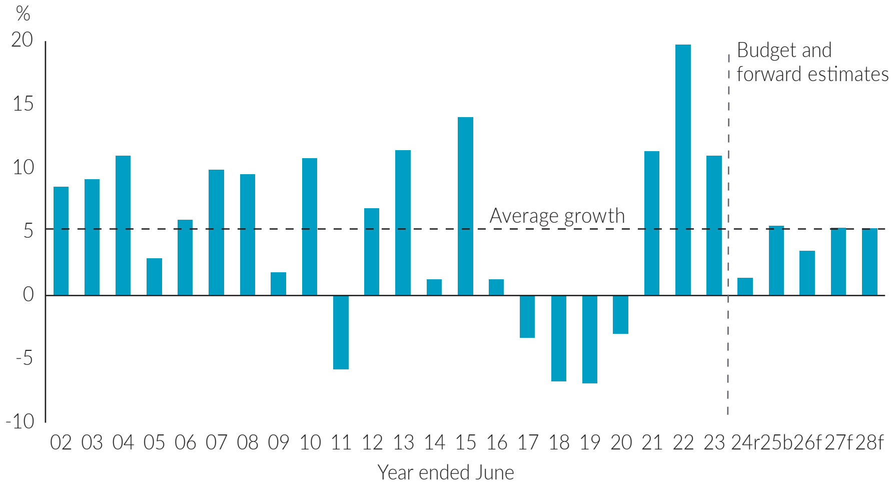
Table 5.5: GST revenue variations by parameter since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Change caused by:				
GST collections pool	120	92	134	183
GST relativity[1]	7	158	94	95
Population share	- 62	- 67	- 73	- 73
Payment timing[2]	119	- 3	nil	nil
No-worse-off guarantee	2	9	7	11
Interactions[3]	- 1	- 1	- 2	nil
Total variation	185	188	161	216

1 Relativity differences in 2023-24 are due to updated population data impacting final relativity calculations.
2 Payment timing reflects differences between Territory forecasts, Commonwealth budget GST advances, and final entitlements, which are reconciled through balancing adjustments.
3 Interactions are the combined impacts of GST collections pool, population and relativity being different to these changes in isolation.

Chart 5.1 shows actual annual GST revenue growth for the Territory from 2001-02 to 2022-23, and estimates across the budget cycle to 2027-28. It highlights the volatility of Territory GST revenue, mainly due to fluctuations in the national GST collections pool and Territory relativity, with actual annual growth rates ranging from -6.9% to 19.7% across 2001-02 to 2022-23. Since the introduction of GST, the Territory's GST revenue has averaged annual growth of about 5.2%.

Chart 5.1: Territory GST revenue annual growth[1]



b: budget; f: forecast; r: revised

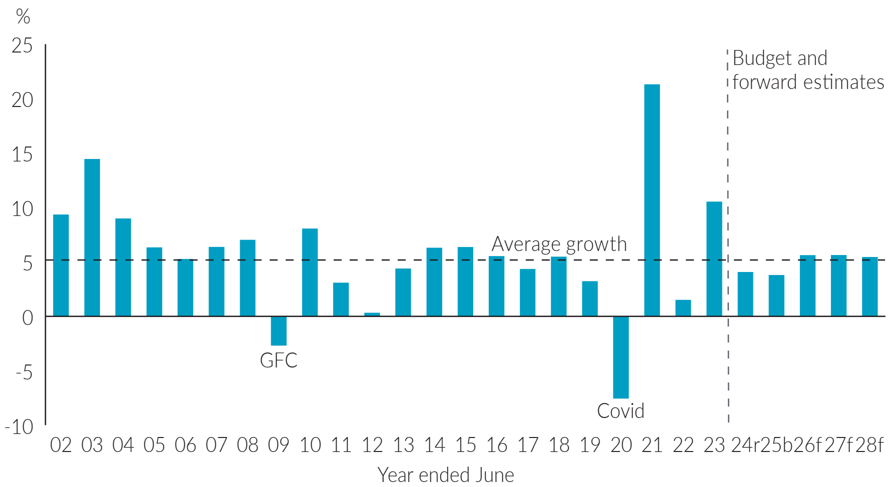
1 GST revenue amounts include balancing adjustments for the over or under payment of GST revenue to the Territory from preceding financial years. Includes no-worse-off guarantee payments from 2022-23. Excludes GST top-up payment in 2017-18 and 2019-20.

Source: Commonwealth *Final Budget Outcome* 2001-02 to 2022-23, Department of Treasury and Finance estimates for 2023-24 to 2027-28

GST collections pool

The national GST collections pool determines the total amount of GST revenue available to be distributed to states and territories. It is heavily influenced by the broader performance of the national economy. Chart 5.2 shows the growth in the GST collections pool since 2001-02 and illustrates the significantly higher volatility since 2019-20 due to covid responses and subsequent global economic conditions, including high inflation.

Chart 5.2: Growth in the GST collections pool



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

Source: Commonwealth *Final Budget Outcome*, 2001-02 to 2022-23, Department of Treasury and Finance estimates for 2023-24 to 2027-28

In 2023-24, the Territory expects the GST collections pool to increase by 4.1% from 2022-23. This is 2.2 percentage points higher when compared with the 2023-24 Budget forecast. The GST collections pool is expected to grow by 3.8% in 2024-25, reflecting updated nominal consumption and private dwelling investment outlooks, as well as a $250 million scheduled increase in Commonwealth GST pool boost payments. Factors impacting revised GST collections pool forecasts are set out below.

The national GST collections pool is mostly driven by national consumption and private dwelling investment. As GST is imposed on the nominal price of goods and services, collections are dependent on both the underlying level of consumption and investment (real consumption and real private dwelling investment), as well as the price of goods and services (inflation). GST is also impacted by the proportion of consumption related to non-taxable goods and services such as fresh food, rent, and health and education services.

As shown in Table 5.5. when compared with the 2023-24 Budget, GST collections pool forecasts have been revised upward across all years. This is partly driven by higher prices on goods and services in the first half of 2023-24 due to inflation persisting for longer than expected, combined with a greater share of consumption on goods and services that attract GST such as restaurants, hotels, travel and new motor vehicles. GST collections pool forecasts were also affected by the significant increase in national population due to migration, particularly international students in 2023.

Although headline inflation rates have moderated in 2023-24 and are expected to continue to ease in 2024-25, higher prices, construction costs and population growth have increased GST collections pool forecasts over the forward estimates. These factors are expected to be partly offset by slightly lower real consumption growth as the impacts of past interest rate rises flow through the economy and households resume saving following recent savings drawdowns and debt increases.

GST relativity

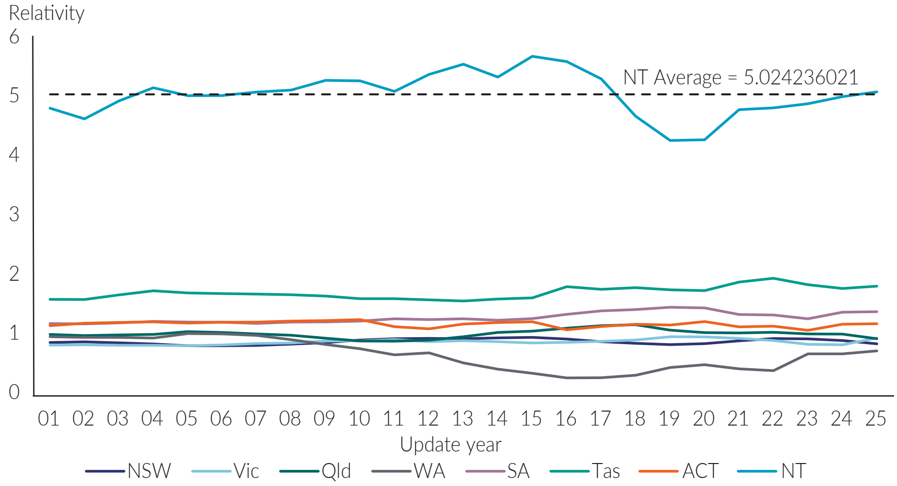
The GST relativity is a key parameter used to determine a state's GST revenue. The relativity determines whether a state will receive more or less than its population share of the GST collections pool.

GST relativities are determined annually by the Commonwealth Treasurer based on CGC recommendations. The CGC calculates relativities based on data over a three-year rolling period to derive a distribution of GST revenue that allows all states to provide services and infrastructure to a similar standard across the nation, having regard to differences in each jurisdiction's revenue-raising capacities, cost of service delivery and underlying service delivery needs.

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

In March 2024, the CGC released its 2024 Update, which recommended increasing the Territory's GST relativity to 5.06681 in 2024-25, from 4.98725 in 2023-24. Chart 5.3 sets out the Territory's relativity over time and illustrates its greater volatility compared with other states.

Chart 5.3: Territory GST relativity, 2000-01 to 2024-25



Source: Commonwealth *Final Budget Outcome*, 2000-01 to 2022-23, CGC Annual Update 2023-24 and 2024-25

The 2024-25 Budget adopts the CGC 2024 Update as the GST relativity for 2024-25. The GST relativity forecast for the forward estimates is based on a three-year average relativity held constant over the forecast period, adjusted for GST distribution reforms.

The 2024-25 GST relativity recognises that the Territory is assessed as having the lowest fiscal capacity of the states, reflecting:

- above-average assessed expenditure needs due to a relatively high share of disadvantaged population groups, including people living in remote and very remote areas, diseconomies of scale in administration and above-average infrastructure requirements, primarily for roads (higher GST relativity)
- below-average assessed capacity to raise own-source revenue across most revenue lines, particularly property taxes (higher GST relativity)
- above-average assessed investment requirements and construction costs (higher GST relativity)
- above-average share of relevant Commonwealth payments (lower GST relativity).

The main contributors to the increase in the Territory's GST relativity in the 2024 Update as assessed by the CGC were:

- large increases in coal prices and royalties, which decreased other states' GST requirements
- increased Territory wage costs relative to other states
- updated socioeconomic data following the 2021 Census showing greater Territory disadvantage and a more dispersed population, which particularly increased the Territory's assessed health and housing needs.

These factors were partly offset by national schools and health spending growing faster for non-Indigenous populations, and slower growth in administrative scale costs impacting small jurisdictions. Changes to capital investment also had a downward impact on the Territory's relativity due to greater urban transport, and slower health and rural roads expenditure growth.

The 2024-25 GST relativity also includes the Commonwealth's GST distribution reforms, which have the effect of reducing the Territory's relativity from 5.14575 to 5.06681. The reforms are being implemented over six years from 2021-22 to 2026-27, with 2024-25 being the first year in which a minimum relativity of 0.75 applies. The impact of these reforms is temporarily offset through a Commonwealth funding 'no-worse-off' guarantee, which was extended to the end of 2029-30.

GST relativity calculation methods are reviewed by the CGC every five years, with the next review to be finalised in early 2025. This will alter the calculation of relativities from 2025-26.

Population share

A jurisdiction's share of the national population affects its share of GST revenue. Shares are influenced by the level of population growth in each state and territory relative to national population growth.

The Territory's share of the national population is forecast to decline over the budget and forward estimates from 0.94% in 2023-24 to 0.93% in 2027-28. The Territory's forecasts are marginally below the Commonwealth's *2023-24 Mid-Year Economic and Fiscal Outlook* forecasts. The forecast decline is largely due to increased population growth in other states as a result of higher overseas migration intakes. Territory population growth may be stronger than forecast if new major projects reach final investment decision.

The Territory uses its own estimates of Territory population growth, given its local knowledge regarding major projects and other events that may affect migration levels. Estimates of other states' populations are based on Commonwealth population projections prepared by the Centre for Population. Chapter 4 of the *Northern Territory Economy* publication provides more detail on the Territory's population characteristics and forecast growth patterns.

Payment timing

Annual GST payments to the states are made in line with Commonwealth budget forecasts. As the Commonwealth budget is prepared prior to final GST entitlements being determined, the amount paid by the Commonwealth as a GST advance may be more or less than a state's actual entitlement, which is determined in the Commonwealth's *Final Budget Outcome*. Any differences between the Commonwealth's GST advances and the *Final Budget Outcome* entitlement are reconciled through a balancing adjustment in the subsequent year's GST payments to the states and territories.

The Territory adopts the most recent Commonwealth forecast of GST advances plus the *Final Budget Outcome* balancing adjustment when forecasting current-year GST revenue as this reflects the most likely payment outcome. Over time, balancing adjustments do not impact total Territory GST revenue, but rather change the period in which the revenue is received.

The Territory's 2023-24 balancing adjustment is a $50 million reduction, reflecting the difference between Commonwealth GST advances and the Territory's actual GST entitlement for 2022-23. This was $115.5 million higher than forecast in the Territory's 2023-24 Budget, partly due to the Commonwealth revising the 2022-23 GST collections pool forecasts down in its 2023-24 May Budget to be closer to final entitlements, reducing the size of the balancing adjustment.

For 2024-25, the estimated balancing adjustment is a $3 million reduction relating to GST revenue advances in 2023-24. This reflects the difference in the Territory's GST revenue forecast compared to the most recent Commonwealth forecast of Territory revenue. The divergence is due to differing pool and population assumptions.

GST distribution reforms

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

GST relativities are calculated by the CGC in accordance with horizontal fiscal equalisation (HFE). The principle of HFE is designed to provide each state with the fiscal capacity to deliver the same or similar standard of services and associated infrastructure if each made the same effort to raise revenue from own sources and operated at the same level of efficiency. The GST distribution reforms, which have introduced a relativity floor, alter this fundamental principle with the effect that most states would be funded to a lower standard of services and infrastructure without the Commonwealth's no-worse-off guarantee payments.

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

- staged implementation from 2021-22 to 2026-27 of a new equalisation standard, being the stronger of New South Wales or Victoria
- a minimum GST relativity floor of 0.7 from 2022-23, increasing to 0.75 from 2024-25
- Commonwealth-funded top-ups to the GST pool of $600 million from 2021-22, increasing by $250 million from 2024-25, and indexed in line with GST pool growth
- a temporary no-worse-off guarantee to the end of 2029-30.

The impact of these reforms has increased Western Australia's GST share, which is the only jurisdiction with a relativity below the minimum floor due to its significantly greater ability to raise own-source revenue from mining. As the amount distributed to Western Australia by this reform is more than the amount of GST pool top-up payments, all other jurisdictions are worse off and require the Commonwealth to make no-worse-off guarantee payments. Due to the no-worse-off guarantee, the reforms currently do not have a net impact on Territory GST revenue.

The Commonwealth's *2023-24 Mid-Year Economic and Fiscal Outlook* estimates total national no-worse-off guarantee payments of $19.4 billion over 2023-24 to 2026-27. The Territory is expected to receive $132 million in no-worse-off guarantee payments over 2023-24 to 2027-28, based on relativity, pool and population forecasts.

The GST distribution reforms are scheduled to be reviewed by the Productivity Commission in 2026.

Tied Commonwealth revenue

The majority of tied Commonwealth funding to the Territory is provided under the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) through national federation funding agreements and Federation Funding Agreement (FFA) schedules. Tied funding is also provided outside the IGA FFR through Commonwealth own-purpose expense (COPE) funding arrangements.

National federation funding agreements are bespoke complex arrangements that contain significant policy intent, and act as sources of longer-term funding. FFAs cover five sectors, including:

- health
- education and skills
- infrastructure
- environment
- affordable housing, community services and other agreements.

Funding arrangements are detailed in FFA schedules. National partnership and project agreements that were part of the former federal financial relations framework have either been consolidated under the five FFAs or are being phased out as they expire.

In 2023-24 and 2024-25, the Territory expects to receive $1.8 billion and $2.08 billion, respectively, in tied Commonwealth funding payments. A further $5.17 billion is expected to be received over the forward estimates. Table 5.6 sets out tied Commonwealth revenue estimates for the Territory.

Table 5.6: Tied Commonwealth revenue components

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
National federation funding agreements	885	895	944	997	1 050
National School Reform Agreement/Better and Fairer Schools Agreement	471	506	555	608	661
National Health Reform Agreement	389	389	389	389	389
National Housing and Homelessness Agreement	22				
National Mental Health and Suicide Prevention Agreement	3				
Federation funding agreement schedules	743	1 032	771	580	451
Land Transport Infrastructure Projects	246	345	389	284	223
Remote Housing Northern Territory	137	166	170	178	185
Northern Territory Remote Aboriginal Investment	82	114	2		
Housing and Essential Services on Northern Territory Homelands	49	84	40	40	
Central Australia Plan: A Better, Safer Future for Central Australia	35	25	15	15	
National Water Grid Fund	15	114	76	20	
Social Housing Accelerator	1	24	23	3	
Other federation funding agreement schedules	178	160	56	40	43
National specific purpose payments/National Skills Agreement[1]	18	35	31	31	32
Other tied Commonwealth revenue[2]	156	114	107	89	87
Total tied Commonwealth revenue	1 802	2 076	1 853	1 697	1 620

1 The National Skills Agreement, which commenced on 1 January 2024 and replaced the National Agreement for Skills and Workforce Development NSPP, is continuing to be reported as an NSPP until Commonwealth legislation is amended to replace the NSPP with national partnership payments.
2 Includes Disaster Recovery Funding Arrangements and COPEs.

Year-on-year variances in tied funding payments mostly reflect program completions, agreement expiry, expected delivery timeframes, and payment schedules. Unlike national federation funding agreements, FFA schedules and other tied Commonwealth revenue arrangements can include shorter-term, program-specific funding commitments with less ongoing funding certainty.

The Territory budget typically incorporates Commonwealth funding when agreements are signed, with agreements under development or negotiation generally excluded. Where agreements contain sufficiently specific performance obligations, revenue is recognised by the Territory as services are delivered. Where agreements do not contain sufficiently specific performance obligations, the Territory recognises revenue upon receipt of funds. Accordingly, timing variations will occur between revenue recognised by the Territory and payments specified in individual funding agreements.

Further discussion on key agreements in Table 5.6 follows.

National federation funding agreements

National School Reform Agreement/Better and Fairer Schools Agreement

The Territory expects to receive $2.8 billion over the budget cycle to 2027-28 for government and non-government schools.

The National School Reform Agreement sets out national education reforms aimed at driving improved student outcomes and requirements for school funding contributions. The agreement is scheduled to expire on 31 December 2024 and is expected to be replaced with the Better and Fairer Schools Agreement (BFSA) to come into effect from 2025.

The Territory and Commonwealth governments have signed a statement of intent, committing to achieving a Schooling Resource Standard of 100% for government schools over the life of the BFSA. The Territory contribution will be 60% and the Commonwealth contribution will be 40%.

National Health Reform Agreement

The Territory expects to receive $389 million per annum over the budget cycle to 2027-28.

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

The next addendum is under negotiation, however the Commonwealth has committed to increasing its funding share to 45% over a 10-year glide path from 2025-26 to 2034-35.

National Housing and Homelessness Agreement

The Territory expects to receive $22 million in 2023-24 in line with planned program delivery.

The National Housing and Homelessness Agreement seeks to improve outcomes across the housing spectrum, including outcomes for Australians who are homeless or at risk of homelessness.

Funding under the agreement is scheduled to expire in 2023-24, however a new agreement is currently under negotiation.

Federation funding agreement schedules

Under Territory FFA schedules, Commonwealth funding of $1.03 billion is expected in 2024-25, an increase of $289 million from 2023-24, mainly due to additional funding for the National Water Grid Fund and land transport infrastructure projects. FFA funding is forecast to reduce over the forward estimates, reflecting the completion of projects and the expiry of agreements, a number of which are expected to be renegotiated.

National Partnership Agreement on Land Transport Infrastructure Projects

Across the budget cycle to 2027-28, the Territory expects to receive $1.49 billion for land transport infrastructure projects.

The agreement contributes to a national transport system that is safe, sustainable, drives economic growth and supports a competitive infrastructure market. The agreement has a number of components, including Road Investment, Roads of Strategic Importance, Black Spot projects, heavy vehicle safety, bridges renewal, and the Developing Northern Australia roads program.

National Partnership for Remote Housing Northern Territory

In March 2024, the Commonwealth and Territory governments announced a landmark joint $4 billion investment for housing in remote communities across the Territory. The 10-year commitment aims to deliver up to 270 homes each year in remote communities across the Territory, or 2,700 homes over the life of the arrangement.

Accordingly, the Territory is expected to receive $166 million in 2024-25, $170 million in 2025-26, $178 million in 2026-27 and $185 million in 2027-28.

National Partnership on Northern Territory Remote Aboriginal Investment

The Territory expects to receive $198 million from 2023-24 to 2025-26, in line with expected program delivery under the NTRAI.

NTRAI commenced in 2015-16 with the aim of improving outcomes for remote Aboriginal people, funding health; schooling; community safety and justice; tackling alcohol abuse; child, youth, family and community wellbeing; housing; municipal and essential services; and remote engagement and coordination.

The continuation of expiring NTRAI programs is subject to ongoing negotiation with the Commonwealth.

Housing and Essential Services on Northern Territory Homelands

The Territory expects to receive $84 million in 2024-25, $40 million per annum in 2025-26 and 2026-27, to deliver urgent housing and essential infrastructure on Territory homelands.

Central Australia Plan – A Better, Safer, Future for Central Australia

The Territory expects to receive $25 million in 2024-25, and $15 million per annum in 2025-26 and 2026-27 through the 'A Better, Safer, Future for Central Australia' investment package, in line with program delivery timing.

The Central Australia investment package is focused on improving community safety and cohesion, job creation and better health services. It includes funding for on-country learning to support improved student enrolment, engagement, wellbeing, and learning outcomes; and a community infrastructure package to support community infrastructure projects that improve regional development, economic, social and cultural outcomes.

National Water Grid Fund

The Territory expects to receive $114 million in 2024-25, $76 million in 2025-26 and $20 million in 2026-27 under the National Water Grid Fund.

The Fund aims to develop nationally important water infrastructure projects that support primary industries and unlock potential, promote growth and sustainability of regional economies, build resilience, and improve water reliability and security. The fund includes support for the Manton Dam return to service project, and project development for the Adelaide River off-stream water storage.

Social Housing Accelerator

The Territory expects to receive $24 million in 2024-25, $23 million in 2025-26 and $3 million in 2026-27 to deliver additional social housing in the Territory.

Other federation funding agreement schedules

The Territory expects to receive $160 million in 2024-25, $56 million in 2025-26, $40 million in 2026-27, and $43 million in 2027-28 under a number of other FFA schedules, including funding for legal aid and the National Critical Care and Trauma Response Centre.

The decline in other FFA funding over the budget and forward estimates is predominantly due to the expiry of agreements, some of which are expected to be renegotiated.

National specific purpose payments/National Skills Agreement

The Territory expects to receive $35 million in 2024-25, $31 million per annum in 2025-26 and 2026-27, and $32 million in 2027-28, to support vocational education and training.

The National Skills Agreement came into effect in January 2024 and replaces the National Agreement for Skills and Workforce Development national specific purpose payment (NSPP), however payments will continue to be reported as an NSPP until Commonwealth legislation is changed to replace the NSPP with a national partnership payment under the new agreement.

Other tied Commonwealth revenue

The Territory receives other tied revenue from the Commonwealth, including COPE and contingent payments. COPEs are primarily payments made by the Commonwealth directly to a Territory agency for the provision of specific services or for on-passing to non-government or local government organisations. Contingent payments include funding under Disaster Recovery Funding Arrangements.

It is estimated revenue for these agreements will total $114 million in 2024-25, $107 million in 2025-26, $89 million in 2026-27, and $87 million in 2027-28. The forecast decline over the forward estimates is largely attributable to the expiry of health-related COPE agreements in 2023-24, which are currently under negotiation and expected to be renewed.

Other Commonwealth commitments for the Territory

The Commonwealth has announced a number of funding arrangements for the Territory that are still under negotiation, and have not yet been incorporated in the Territory's budget as business cases and agreements are still to be executed. These agreements include:

- $1.5 billion to support the construction of common-user marine infrastructure within the Middle Arm Sustainable Development Precinct, providing a pathway to a decarbonised economy by helping emerging clean energy industries
- $840 million to kick-start a rare earths mining industry through an enhanced commitment to Arafura's Nolans rare earths project
- $440 million to support the development of regional logistic hubs.

Chapter 6

Territory taxes and royalties

Overview

In accordance with sections 10(1)(c) and 10(1)(f) of the FITA, this chapter includes forecasts of the Territory's tax and royalty revenues, and explanations for material variations between the current forecasts and those published in the 2023-24 Budget. It also includes a comparison of taxes and royalties with other jurisdictions to demonstrate Territory tax policies are based on the FITA principles of sound fiscal management. In accordance with section 10(1)(d), this chapter also contains an overview of the Territory's forecast tax expenditure as a result of concessions and exemptions for 2023-24 through to 2027-28.

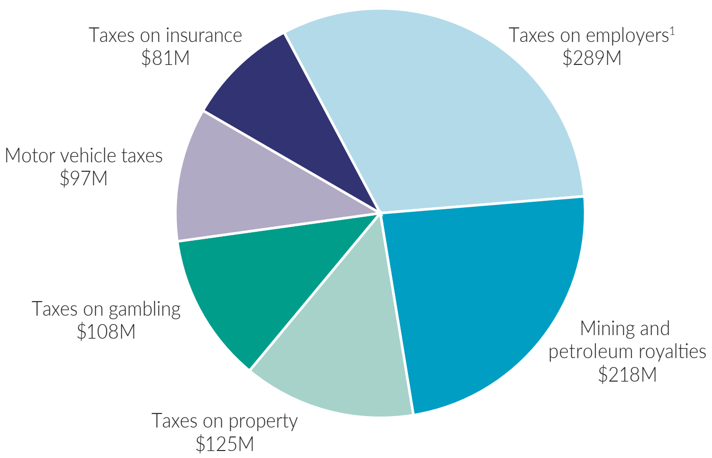
The Territory's own-source revenue includes taxes, mining and petroleum royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets. Own-source revenue provides the Territory with a degree of fiscal autonomy to support the delivery of infrastructure and services. As taxation and royalty revenue represents the Territory's largest own-source revenue stream, constituting 38% of the Territory's own-source revenue or 11% of total revenue expected in the non financial public sector in 2024-25, this chapter focuses on own-source revenue from taxes and royalties.

While the Territory's sources of revenue are broadly comparable with other states, with the exception of land tax which the Territory does not levy, the Territory is more reliant on revenue from the Commonwealth compared with other states, with own-source revenue comprising 28% of total revenue expected in 2024-25 in the non financial public sector, compared with an average of 59% in other jurisdictions. This is due to the Territory's relatively low own-source revenue capacity, reflecting a population of just over 250,000 and a narrower industry base than other states.

Analysis of Territory taxes and royalties

In 2024-25, revenue from taxes and royalties is expected to total $919 million and mainly comprises taxes on employers (payroll tax) at 31%, mining and petroleum royalties at 24%, and taxes on property (conveyance duty) at 14%. Chart 6.1 shows the components of tax and royalty revenue estimates for 2024-25.

Chart 6.1: Estimated tax and royalty components, 2024-25



1 Excludes internal payroll tax payments within the non financial public sector.

Table 6.1 sets out updated projections for Territory taxes and royalties by each revenue category, which are estimated to total $903 million in 2023-24, marginally increasing to $919 million in 2024-25 and averaging $1 billion per annum over the forward estimates period.

Table 6.1: Territory taxes and royalty components

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Taxation revenue	694	701	710	729	761
Taxes on employers	292	289	284	286	301
Taxes on property	115	125	125	128	132
Taxes on gambling	110	108	111	114	117
Motor vehicle taxes	100	97	101	104	106
Taxes on insurance	77	81	89	97	104
Mining and petroleum royalties	209	218	272	264	287
Total taxes and royalties revenue	903	919	982	993	1 048

Table 6.2 compares the revised projections for tax and royalty revenue from those published in the 2023-24 Budget and shows that estimated tax and royalty income has been revised downwards by $170 million in 2023-24 and $82 million in 2024-25. Over the forward estimates period, the 2024-25 Budget forecasts for total Territory taxes and royalties remain broadly consistent with the forecasts published in the 2023-24 Budget. However, individual components of those forecasts have varied, with lower than expected revenue from mineral royalties and taxes on property generally offset by expected increases across other revenue lines.

Table 6.2: Territory taxes and royalties – variation since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
2023-24 Budget	1 073	1 001	963	1 005	n/a
2024-25 Budget	903	919	982	993	1 048
Variation from 2023-24 Budget	- 170	- 82	19	- 12	n/a

n/a: not available at the time of publishing the 2023-24 Budget

Table 6.3 highlights the variation in estimates in each revenue category compared with forecasts published in the 2023-24 Budget. Analysis of variations in Territory taxes and royalties over the budget and forward estimates period is provided later in this chapter.

Table 6.3: Territory taxes and royalties – variations in revenue components since 2023-24 Budget

	2023-24	2024-25	2025-26	2026-27
	Revised	Budget	Forward estimate	
	$M	$M	$M	$M
Taxation revenue	20	16	20	10
Taxes on employers	30	18	14	1
Taxes on property	- 40	- 21	- 18	- 18
Taxes on gambling	5	-1	- 1	- 2
Motor vehicle taxes	13	8	9	10
Taxes on insurance	12	12	16	19
Mining and petroleum royalties	- 191	- 98	- 1	- 22
Variation from 2023-24 Budget	- 170	- 82	19	- 12

Taxation revenue

The Territory's taxation revenue comprises payroll tax, stamp duty, and taxes on gambling, insurance and motor vehicles. Taxation revenue for 2023-24 is expected to total $694 million and rise steadily over the budget and forward estimates period, underpinned by stable growth across most tax categories in line with the broader Territory economy.

On average, total taxation revenue between 2023-24 and 2026-27 is forecast to be around $16 million per annum higher than estimated in the 2023-24 Budget due to stronger than expected receipts for payroll tax, taxes on insurance and motor vehicle taxes. This growth is partly offset by downward revisions to conveyance duty following the greater than expected impact of interest rate rises on property transaction volumes and prices in the Territory.

Taxes on employers

Payroll tax

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

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

Table 6.1 shows payroll tax revenue in 2023-24 is expected to total $292 million, declining slightly to $284 million by 2025-26, largely due to the Barossa offshore LNG facility transitioning from construction to operational activity, before rising steadily over the remaining forward estimates period. As presented in Table 6.3, when compared to the 2023-24 Budget, payroll tax is likely to be $30 million higher in 2023–24 and is expected to be on average $8 million per annum higher over the forward estimates. These variations are mainly attributable to increased employment and strength in wages growth.

Taxes on property

Conveyance duty

Conveyance and related duty is derived from direct and indirect conveyances of dutiable property in the Territory. Dutiable property consists of land and chattels acquired with land.

The imposition of conveyance and related duty in the Territory differs depending on the dutiable value of the property. There are four tax brackets for conveyance and related duty. For property in the lowest tax bracket (dutiable value not exceeding $525,000), a formula-derived rate is applied. Otherwise, a fixed rate applies determined by the value of the item being conveyed, as outlined in Table 6.4.

Table 6.4: Stamp duty rates on assets greater than $525,000 in value

	Stamp duty rate
Value range of asset being conveyed:	%
– exceeds $525,000 but less than $3,000,000	4.95
– $3,000,000 to less than $5,000,000	5.75
– $5,000,000 or greater	5.95

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

Table 6.1 shows the Territory is expected to collect $115 million in conveyance and related duty in 2023-24, increasing to $125 million by 2024-25 and resume trend growth from 2026-27 as property market conditions are expected to normalise. Large commercial transactions are a significant source of variability to this profile, varying greatly in scale and being sporadic in nature.

Conveyance and related duty is expected to be $40 million lower in 2023-24 compared with the 2023-24 Budget, as presented in Table 6.3. The variation in forecast collections mainly reflects the impact of interest rate rises on the cost of borrowing, which has reduced the volume of transactions, particularly for commercial transactions. As the RBA's monetary policy settings become less restrictive, the volume of transactions and revenue is expected to recover over the forward estimates period.

Taxes on the provision of goods and services

Taxes on gambling

Gambling taxes in the Territory comprise community gaming machine tax, bookmaker tax, lotteries tax, the community benefit levy, casino/internet tax, betting exchange tax and wagering tax. Gambling tax revenue is a consistent and relatively stable contributor to Territory own-source revenue.

As shown in Table 6.1, gambling tax is forecast to total $110 million in 2023-24, reflecting higher than expected community gaming machine tax revenue, offset by lower than expected revenue from lotteries tax. While households face cost of living pressures, gambling, unlike other discretionary spending, tends to be relatively resilient with growth over the forward estimates period projected to be broadly in line with historical rates.

Table 6.3 shows taxes on gambling are largely unchanged from forecasts published in the 2023-24 Budget.

Table 6.5 highlights estimated revenue from each of the Territory's gambling taxes.

Table 6.5: Estimated revenue from gambling taxes

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Community gaming machine tax	45 805	44 351	46 013	47 743	49 595
Bookmaker tax	21 498	22 453	23 090	23 727	24 364
Lotteries tax	19 882	19 882	19 882	19 882	19 882
Community benefit levy	15 373	14 435	14 820	15 220	15 860
Casino/internet tax	5 566	5 636	5 707	5 779	5 852
Betting exchange tax	1 350	1 410	1 450	1 490	1 530
Wagering tax	74	74	74	74	74
Total	109 548	108 241	111 036	113 915	117 157

Community gaming machine tax revenue is based on gross profits (that is, net player losses) and is estimated to total $45.8 million in 2023-24, exceeding 2023-24 Budget forecasts by $6.1 million. In 2024-25, community gaming machine tax is expected to total $44.4 million, and subsequently increase over the forward estimates in line with trend growth of about 3.7% per annum. These projections reflect overall population growth and economic activity.

Bookmaker tax revenue is expected to total $21.5 million in 2023-24, in line with the 2023-24 Budget forecast. Growth projections over the budget and forward estimates period reflect CPI-based indexation on the statutory tax cap.

Lotteries tax revenue is expected to total $19.9 million in 2023-24, about $4.1 million lower than estimated in the 2023-24 Budget, and is largely due to a change in the business model of one operator.

The community benefit levy fluctuates according to community gaming machine tax receipts. The levy is expected to total $15.4 million in 2023-24, or $2 million higher than forecast in the 2023-24 Budget, mainly due to higher than expected community gaming tax receipts. Levy receipts are expected to grow over the forward estimates period in line with growth forecasts for community gaming machine tax receipts.

Casino/internet tax revenue is expected to total $5.6 million in 2023-24, around $0.9 million higher than forecast in the 2023-24 Budget, reflecting higher than anticipated gaming machine profits in casino venues. Receipts are forecast to total $5.6 million in 2024-25 and increase modestly by 1.3% per annum over the forward estimates period.

Betting exchange tax revenue is expected to total $1.4 million in 2023-24, with forecasts over the forward estimates remaining consistent with the 2023-24 Budget.

Wagering tax revenue is expected to total $74,000 in 2023-24 and across the budget and forward estimates, about $0.2 million less than forecast in the 2023-24 Budget. This decrease reflects a shift in gambling practices and behaviours as bets are increasingly placed online and betting venues such as TABs close.

Taxes on insurance

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

Table 6.1 highlights revenue from insurance duty is estimated to total $77 million in 2023-24, $81 million in 2024-25, and grow at an average of 8.6% per annum over the forward estimates. This growth is above historical trends and reflects higher estimated receipts, due to premium growth and effects of inflation. When compared to 2023-24 Budget forecasts, Table 6.3 shows insurance duty forecasts have increased across all years by around $15 million per annum.

Taxes on use of goods and performance of activities

Motor vehicle taxes

Motor vehicle taxes comprise stamp duty on initial registration and transfer of motor vehicles, motor vehicle registration fees and a passenger service levy.

Table 6.1 shows motor vehicle taxes are expected to be $100 million in 2023-24, decline slightly in 2024-25, before increasing modestly over the forward estimates period. When compared with the 2023-24 Budget, motor vehicles taxes are projected to increase by $13 million in 2023-24 and increase on average $9 million per annum over the forward estimates, as demonstrated in Table 6.3.

Generally, stamp duty is levied on the purchase price of a vehicle at a rate of $3 per $100 or part thereof. In 2023-24, revenue from this source is estimated to total $33 million, an increase of $11.9 million compared with 2023-24 Budget forecasts. Receipts in 2024-25 are expected to moderate to $25.2 million and increase at a long-term trend rate of 2.1% per annum over the forward estimates period.

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

In 2023-24, the Territory is forecast to receive $64.9 million in motor vehicle fees, $1.3 million above the 2023-24 Budget forecast. Revenue is expected to increase to $69.8 million in 2024-25 and grow by an average of 3.6% per annum over the forward estimates period, in line with revenue unit indexation and vehicle registration growth consistent with the economic outlook.

A passenger services levy of $1 is imposed on every trip taken in a taxi, minibus, private hire car or rideshare vehicle. Revenue from the passenger services levy remains unchanged from the 2023-24 Budget, and is estimated at $2 million in 2023-24 and ongoing.

Mining and petroleum revenue

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

Royalties are levied in the Territory on gold, silver, bauxite, iron ore, manganese, lead, zinc, lithium, ilmenite, magnetite, oil and gas. Royalties have also been imposed in the past on commodities such as copper, limestone, vermiculite and mineral sands, and the Territory is highly prospective for several other minerals, including phosphate and rare earths.

The Territory currently imposes a royalty based on 20% of the net value or profit from mining activities after deductions for allowable costs. A minimum royalty rate of 1% to 2.5% applies to the gross production value of commodities extracted where the operator would otherwise pay less than that amount under the net value calculation.

In terms of petroleum royalties, the Territory imposes an ad valorem royalty of 10% on the value of production at the wellhead, which is generally consistent with other Australian jurisdictions. The wellhead value is important for royalty purposes as it is the point at which ownership of the resource transfers from the Territory to the producer. As most petroleum is not sold at the wellhead, the value is calculated by recognising certain post-wellhead costs incurred in transforming the raw product to its first saleable point.

Mining and petroleum royalty projections use a range of information from mining companies and petroleum producers, including estimates of commodity price movements, production levels and the value of the Australian dollar, as well as the Department of Treasury and Finance's internal commodity price and market outlook.

As presented in Table 6.1, mining and petroleum royalties are expected to total $209 million in 2023-24, increasing marginally to $218 million in 2024-25, and average $274 million per annum over the forward estimates period.

The estimate for mining and petroleum royalties in 2023-24 was revised down in the 2023-24 Mid-Year Report due to softening of key commodity prices, combined with the impact of global and domestic inflationary pressures on the operating costs of Territory mines. Following this downward revision, a Territory mine operator announced its closure to the Australian Securities Exchange in January 2024 and in March 2024, Cyclone Megan significantly impacted infrastructure on Groote Eylandt, leading to the suspension of mining activities. Flooding and evacuation of Borroloola, associated with the cyclone, also temporarily impacted mining activities. Under the profit-based mineral royalty regime, infrastructure repairs and replacement are claimable costs and will reduce mining royalty income to the Territory. These events have resulted in downward revisions to 2023-24 royalty revenue since the 2023-24 Budget of $191 million as highlighted in Table 6.3.

In 2024-25, mining and petroleum royalties are estimated to decrease by $98 million compared to the 2023-24 Budget forecast. This largely reflects the continuation of suspended mining operations as a result of Cyclone Megan, slightly offset by an expectation of stronger prices for other commodities. From 2025-26, royalties are expected to remain largely stable and fluctuate in line with mine life projections and the ongoing impact of inflation and Cyclone Megan on the operating costs of Territory mines. Positive growth in royalties in 2027-28 is expected due to anticipated favourable commodity prices.

Mineral Royalties Act 2024

The Mineral Development Taskforce Final Report released in April 2023 recommended that government reform the Territory's mineral royalty arrangements by introducing an ad valorem royalty scheme. The Department of Treasury and Finance conducted several rounds of consultation with stakeholders and procured independent economic and financial modelling to design an effective royalty scheme that meets the recommendation of the taskforce. The legislation for a new *Mineral Royalties Act 2024*, if passed into law in the May 2024 Legislative Assembly sittings, will commence on 1 July 2024 and will apply to all mines that commence from that date. The current profit-based royalty scheme under the *Mineral Royalty Act 1982* will continue to apply to mines that were active in 2023 and prior years. This policy change has had no impact on the budget or forward estimates.

The *Mineral Royalties Act 2024* will include the following key features:

- four categories of rates, 7.5%, 5%, 3.5% and 2.5%, assigned to a mineral depending on cost intensity/complexity/value add through processing in the Territory
- simplified royalty calculation
- deduction of transport costs to recognise high cost of transport in the Territory
- list of commodities and applicable royalty rates (based on the four categories) to provide certainty and transparency
- valuation determined on arm's-length sales or published indexes
- quarterly royalty payments and annual returns
- recognition of value-add processing in the Territory
- application of the *Taxation Administration Act 2007* for administrative functions of the scheme.

The *Mineral Royalties Act 2024* will provide a competitive and simplified scheme to incentivise new mines while providing a fair return to the Territory.

The Territory's new ad valorem royalty scheme is not expected to have a significant impact on royalty projections over the forward estimates due to the grandfathering of existing mines under the current profit-based scheme. New mining operations will only be included in the royalty outlooks once final investment decision has been achieved.

Interstate tax comparison

The composition of the Territory's taxes is broadly similar to other jurisdictions, with the main difference being the rates, exemptions and thresholds set by each state. The Territory is also the only jurisdiction that does not have a land tax. The ability of states to determine their own tax policy promotes competition between jurisdictions, and provides autonomy in calibrating tax systems to achieve a jurisdiction's specific fiscal, economic and social aims.

There are various approaches to measuring tax competitiveness. Two common approaches are CGC measures of taxation effort and capacity, and the representative taxpayer model.

Commonwealth Grants Commission

Revenue effort

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

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

Table 6.6 provides a comparison of the CGC's assessment of taxation and own-source revenue-raising effort in 2022-23 (the most recent year for which an assessment is available). Total own-source revenue effort includes taxation and mining revenue, contributions by trading enterprises (government owned corporations) and user charges for some government services, including waste management levies, road charges and registry services.

Table 6.6: Revenue effort by jurisdiction, 2022-23

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Total taxation effort	97.1	108.0	95.1	98.6	96.0	84.2	135.3	82.0
Total own-source revenue effort	86.6	102.8	113.4	98.2	107.9	97.0	145.6	118.2

Source: CGC 2024 Update

The Territory's taxation effort remains below the national average, declining slightly in comparison to 2021-22. The Territory generally demonstrates below-average taxation effort as it does not impose land tax and levies lower than average motor vehicle taxes. However, total own-source revenue effort is above the national average and second only to the Australian Capital Territory, mostly due to the Territory's mineral royalty arrangements.

The 2022-23 outcomes are lower than the results reported for 2021-22 when the Territory's total taxation and own-source revenue efforts were 86.2% and 123.5%, respectively. The Territory's reduced taxation effort over this period is predominantly a result of lower stamp duty on conveyances, due to a reduction in the value of property conveyed relative to the national average and fewer large one-off transactions in 2022-23 compared with 2021-22. The reduced own-source revenue effort reflects the same factors affecting the taxation effort, in addition to lower key commodity prices and production relative to other states over the same period.

Revenue capacity

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

In 2023-24, the Territory's taxation and royalty own-source revenue comprises 11% of total revenue for the non financial public sector.

Optimally, state taxation policy balances the aims of raising sufficient revenue to fund government services, minimising the tax burden and imposition of red tape for taxpayers, cultivating conditions for business growth, and creating a tax environment that is competitive with other jurisdictions and attracts private investment.

Although all states face similar constraints in raising own-source revenue, the Territory's capacity to raise revenue is further limited by its relatively small resident and business tax base. This is illustrated in Table 6.7, which reports the CGC's assessments of revenue-raising capacity for major state taxes and mining revenue. Revenue-raising capacity is the ratio of the per capita amount a state could raise if it applied the national average policy to its tax base, compared to actual per capita average revenue raised on the national tax base. This measure removes differences in state policies such as the Territory's decision not to impose land tax. A ratio close to 100 means the Territory's actual revenue-raising capacity for that tax category matches the state average (for example, payroll tax).

Table 6.7: Assessed revenue-raising capacity, 2022-23

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Total taxation revenue	113.6	102.7	88.2	99.4	77.7	72.4	92.5	81.0
Land tax	159.0	109.3	52.0	57.5	45.0	38.5	43.0	68.5
Payroll tax	105.7	99.3	89.1	132.2	71.9	66.2	93.4	98.2
Stamp duty	118.1	108.2	89.2	79.4	66.2	61.4	119.2	46.7
Insurance tax	107.3	94.3	99.3	88.5	118.2	81.1	85.2	94.6
Motor vehicle tax	91.5	100.1	105.1	112.2	105.9	115.8	80.0	89.5
Mining and petroleum revenue	81.0	3.5	181.9	320.9	16.0	11.4	0.0	55.5

Source: CGC 2024 Update

The main difference from the Territory's assessed 2021-22 revenue-raising capacity is a reduction in assessed mining revenue capacity from 80.5% to 55.5% in 2022-23. The change is mostly due to a relative increase in revenue-raising capacity from mining for New South Wales and Queensland, which rose significantly on the back of substantial coal production.

The Territory is assessed as having a relatively low capacity to raise taxes, particularly land tax and conveyance duty, where the Territory's capacity is significantly below the national average of 100%. This reflects the Territory's geographical composition, a relatively small number of very high value commercial and residential properties, a resident population just over 250,000 and large areas of the Territory with very little private property ownership.

Representative taxpayer model

The representative taxpayer model compares the amount of tax payable in each jurisdiction by a representative household or firm. This approach takes into account the different circumstances of each state by applying each state's tax rate to a representative or average standard.

Land tax

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

Land tax is an important source of income for other states, generating more than $12.2 billion in revenue in 2022-23. Land tax is levied on the landowner's total holdings of commercial land and residential investment property, although an exclusion is generally provided for land used for primary production. Land tax rates are usually progressive and most jurisdictions have tax-free thresholds.

The Territory does not impose a land tax. However, in its 2024 Update, the CGC assessed the Territory could raise about $95 million per annum if it adopted average state policy on land tax.

Payroll tax

Table 6.8 compares the payroll tax rates and thresholds for each jurisdiction. The table shows the Territory's payroll tax annual threshold is the equal second highest in Australia, meaning the majority of small local businesses are excluded from the tax base, and its payroll tax rate is slightly above the national average.

Table 6.8: State and territory payroll tax rates and annual thresholds for 2023-24

	NSW	Vic[1]	Qld[2]	WA[3]	SA[4]	Tas[5]	ACT	NT[6]	Average
Threshold ($M)	1.20	0.70	1.30	1.00	1.50	1.25	2.00	1.50	1.31
Rate (%)	5.45	4.85	4.75	5.50	4.95	4.00	6.85	5.50	5.23

1 Rate is 1.2125% for regional employers. Two payroll tax surcharges apply to large employers – the mental health and wellbeing surcharge and the covid debt temporary surcharge. Both surcharges are calculated on the same basis and apply at a rate of 0.5% applied to annual taxable wages, where an employer's Australian wages exceed $10 million. An additional 0.5% surcharge applies to annual taxable wages where Australian wages exceed $100 million. The surcharges only apply to wages in excess of those thresholds.
2 Rate is 4.75% for wages between $1.3 million and $6.5 million, and 4.95% for wages over $6.5 million. The tax-free threshold reduces as an employer's Australian wages increases, with no deduction provided for employers with wages over $6.5 million. A mental health levy applies a 0.25% surcharge to annual taxable wages, where an employer's Australian taxable wages exceed $10 million, and an additional 0.5% surcharge to annual taxable wages, where an employer's Australian wages exceed $100 million. Surcharges only apply to wages in excess of those thresholds.
3 Threshold reduces as an employer's wages increase, with no deduction for employers with wages over $7.5 million. Where annual Australian taxable wages exceed $100 million, a tax rate of 6% applies to taxable wages. Similarly, a rate of 6.5% applies where annual Australian taxable wages exceed $1.5 billion.
4 Rate increases from 0% to 4.95% for employers with wages between $1.5 million and $1.7 million. A maximum deduction of $600,000 is available to employers.
5 Rate is 4% for wages between $1.25 million and $2 million, and 6.1% for wages over $2 million.
6 Threshold reduces as an employer's payroll increases, with no deduction for employers with payrolls over $7.5 million.
Source: State legislation and information available at 7 March 2024

Table 6.9 provides the effective payroll tax rate at various wage levels for each jurisdiction after considering individual state thresholds and payroll tax rates. For businesses with wages of $3 million and below, the Territory has a competitive payroll tax scheme with effective tax rates either around or below the national average, and no tax payable when taxable wages are $1.5 million or less. For very large businesses with annual wage costs of $20 million or more, the Territory has a more favourable effective payroll tax rate than the Australian Capital Territory and Tasmania, and is comparable to Western Australia.

Table 6.9: Effective state and territory payroll tax rates at various annual payroll levels for 2023-24

Annual payroll	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
$M	%	%	%	%	%	%	%	%	%
1	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.2
2	2.2	3.2	1.9	3.2	3.5	1.5	0.0	1.7	2.1
3	3.3	3.7	3.1	4.2	4.0	3.0	2.3	3.4	3.4
4	3.8	4.0	3.7	4.8	4.2	3.8	3.4	4.3	4.0
5	4.1	4.2	4.0	5.1	4.4	4.3	4.1	4.8	4.4
10	4.8	4.5	4.9	5.5	4.7	5.2	5.5	5.5	5.1
20	5.1	5.2	5.1	5.5	4.8	5.6	6.2	5.5	5.4
50	5.3	5.6	5.2	5.5	4.9	5.9	6.6	5.5	5.6
100	5.4	5.7	5.2	5.5	4.9	6.0	6.7	5.5	5.6

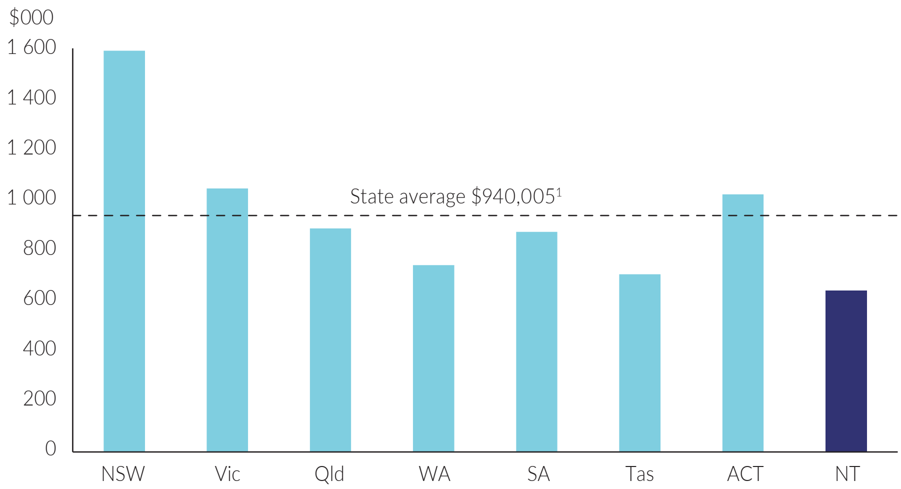
Source: State legislation and information available at 7 March 2024

Stamp duty on residential conveyances

Stamp duty receipts on residential properties are impacted by house prices, transaction volumes, rate of stamp duty, and availability of concessions.

The Territory's below-average capacity to raise stamp duty revenue as shown in Table 6.7 is mainly due to having lower house and unit prices than the state average. Chart 6.2 compares the median house price of each capital city.

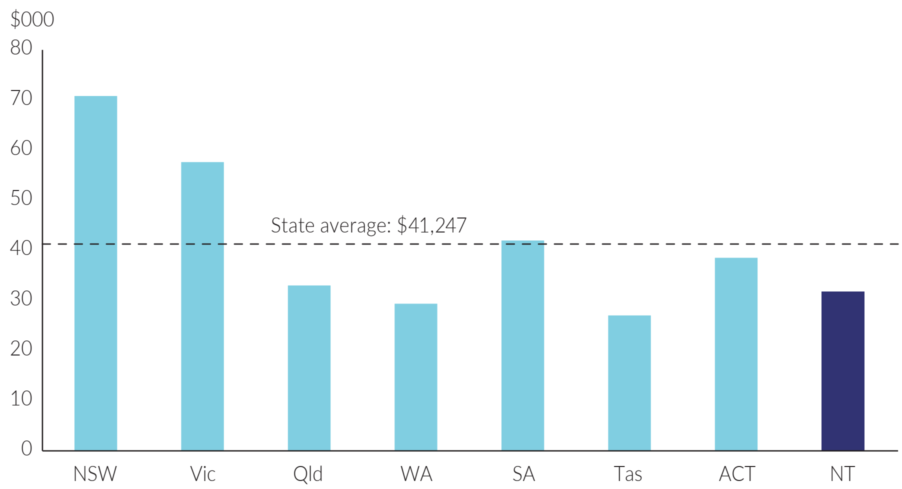
Chart 6.2: Median capital city house prices, December 2023 quarter



1 The state average is 47% higher than the Darwin median house price.
Source: Australian Property Monitor for December quarter 2023

Chart 6.3 compares the amount of stamp duty payable on the purchase of a residential property in each jurisdiction based on the median house price in that jurisdiction's capital city, excluding stamp duty concessions. The comparison shows the amount payable in the Territory is generally comparable to jurisdictions such as Tasmania, Western Australia and Queensland. However, the Territory's overall property tax impost is lower than other jurisdictions as the Territory does not impose a land tax.

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



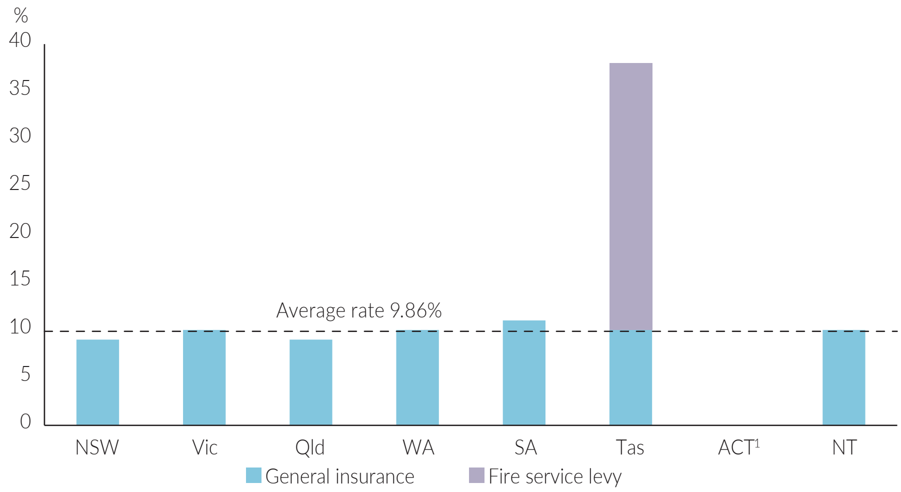
Source: Australian Property Monitor for December quarter 2023; state legislation and information available at 7 March 2024

Insurance duty

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

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

Chart 6.4: Average state tax rate on general insurance premiums

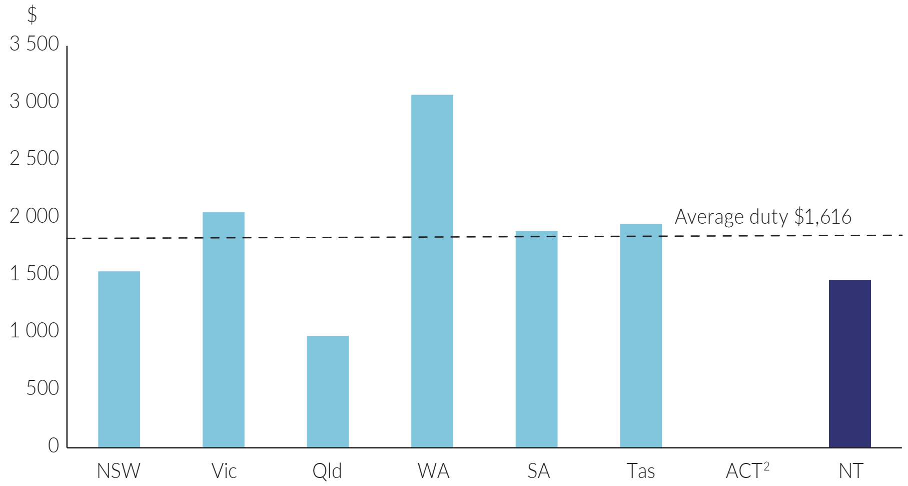


1 ACT does not impose insurance duty.
Source: State legislation and information available at 7 March 2024

Stamp duty on motor vehicles

Chart 6.5 compares the stamp duty payable on for a new motor vehicle, represented by a 4-cylinder 2023 Toyota Camry SL sedan 2.5L automatic valued at $48,700. The chart shows the stamp duty payable in the Territory is below the national average and the third-lowest in Australia. The Australian Capital Territory does not impose stamp duty on environmentally friendly new motor vehicles but applies duty similar to the Territory on motor vehicles valued below $49,000 that have average environmental performance or are second-hand. Similarly, Queensland applies a comparable rate of motor vehicle stamp duty to the Territory but offers a concessional rate for hybrid vehicles (such as the comparison car).

Chart 6.5: Stamp duty on purchase of a medium-sized passenger vehicle[1]

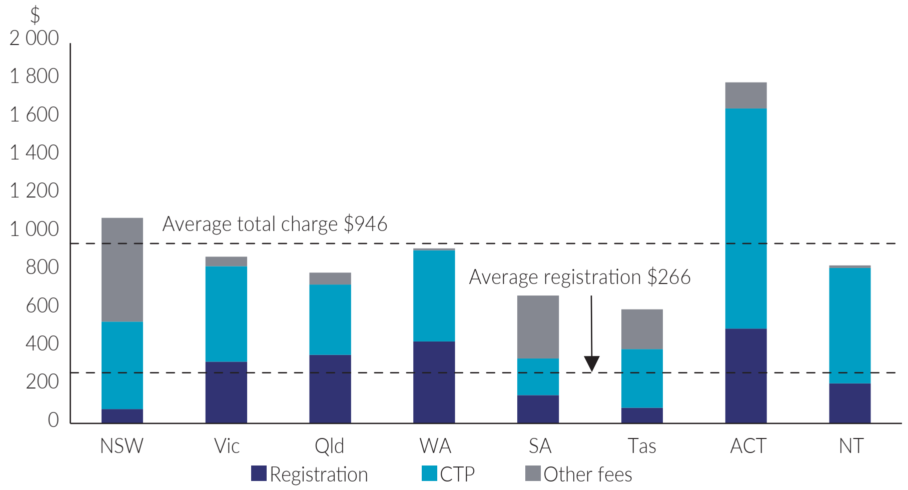


1 Based on a 4-cylinder 2023 Toyota Camry SL sedan 2.5L automatic with carbon dioxide emissions of 103g/km.
2 The Australian Capital Territory's Vehicle Emission Reduction Scheme allocates vehicles a performance rating based on their carbon dioxide emissions, and the stamp duty payable is reduced or increased based on that rating. The vehicle used for this comparison achieves a rating of A, which means no stamp duty is payable.
Source: State legislation and information available at 7 March 2024

Motor vehicle registration

Motor vehicle registration fees comprise registration, compulsory third-party or similar insurance and other fees, and vary significantly between jurisdictions. Chart 6.6 compares the costs of registering a 4-cylinder 2023 Toyota Camry SL sedan 2.5L automatic. A registration fee of $210 and total registration cost of $831.25 demonstrates the Territory's registration fees and total registration costs are below the average cost Australia-wide.

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



CTP: compulsory third-party insurance or equivalent
Source: State legislation and information available at 7 March 2024

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

Despite MAC premiums being higher than average compulsory third-party insurance premiums, total registration and administrative costs in the Territory remain below the national average due to relatively low registration fees and because the Territory does not include ancillary taxes and levies in the cost of registration. Additional levies imposed in other jurisdictions include fire and emergency service levies, motor taxes, traffic improvement levies and road safety contributions.

Tax expenditure statement

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

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

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

The tax expenditure identified in this statement relates to the major concessions available in the Territory. In accordance with section 10(1)(d) of the FITA, the tax expenditure statement provides an estimate of expenditure (or forgone revenue) in 2023-24, and estimates for 2024-25 and the following three financial years.

Table 6.10 details the total estimated tax expenditure across payroll tax, stamp duty and motor vehicle fees.

Table 6.10: Total tax expenditure[1]

	2023-24	2024-25	2025-26	2026-27	2027-28
Tax expenditure ($M)	204.9	208.4	218.8	229.9	241.3

1 Does not include forgone land tax.

Methodology

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

Measuring tax expenditure requires the identification of:

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

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

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

Payroll tax

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

Table 6.11: Payroll tax expenditure

	2023-24	2024-25	2025-26	2026-27	2027-28
Tax expenditure ($M)	154.2	160.9	167.9	175.2	182.8

As data is not generally collected by the Territory Revenue Office from employers with no payroll tax liability, tax expenditure in relation to payroll tax concessions must be estimated. The tax expenditure in Table 6.11 has been calculated by adding actual tax concessions to an estimate of concessions. The estimate is derived by comparing the average of Australian Taxation Office data reporting wages paid by employers in the Territory and ABS data on employment and wages in the Territory, to data reported by employers registered for payroll tax in the Territory. The difference provides a reasonable estimate of wages paid by employers that are not subject to Territory payroll tax because of the small business exclusion (detailed below) or for being an exempt body.

Payroll tax expenditure estimates over the budget cycle have weakened in comparison to forecasts made in the 2023-24 Budget. The number of employed persons in the Territory remained stable while per capita average weekly earnings continued to increase. This contributes to an aggregate decrease in the value of payroll tax expenditure as a larger number of existing businesses no longer fall under the tax-free threshold. The reported estimated tax expenditure in relation to payroll tax mainly comprises the following exemptions.

Small business exclusion

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

Charities and other exempt bodies

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

Stamp duty on conveyances

Tax expenditure estimates in Table 6.12 are based on actual stamp duty data.

Table 6.12: Stamp duty on conveyances expenditure

	2023-24	2024-25	2025-26	2026-27	2027-28
Tax expenditure ($M)	11.4	5.5	5.6	5.7	5.9

Forecast expenditure (forgone revenue) over the forward estimates is anticipated to decline from 2023-24 and remain stable over the forward estimates. A large, one-off corporate reconstruction in 2023-24 contributed to higher than expected expenditure for that period, and is an outlier result.

The stability in total tax expenditure over the forward estimates period is due to the absence of home owner stamp duty concessions in the Territory, which would typically introduce a degree of volatility in expenditure in this area.

The tax expenditure estimates mainly comprise the following exemptions.

Corporate reconstructions exemption

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

Other conveyance duty exemptions

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

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

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

Stamp duty on general insurance policies

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

Table 6.13: Stamp duty on general insurance

	2023-24	2024-25	2025-26	2026-27	2027-28
Tax expenditure ($M)	37.0	39.6	43.1	46.7	50.3

The Territory provides stamp duty concessions on certain insurance products to reduce the costs of such insurance, namely workers compensation insurance and private health insurance. Tax expenditure reported in Table 6.13 has been estimated using total work health insurance policy premiums paid during past years compared to total payroll data of employers in the Territory and data on private health insurance premiums obtained from the Private Health Insurance Administration Council.

Forecast tax expenditure over the budget cycle has increased in comparison to forecasts made in the 2023-24 Budget. This can be attributed to a marked increase in aggregate work health insurance policy premiums, which is itself a consequence of continued strength in employment and aggregate average weekly earnings.

Motor vehicle registration fees

Motor vehicle registration concessions are available under the Northern Territory Concession Scheme and Northern Territory Seniors Recognition Scheme. Table 6.14 shows the motor vehicle registration fees expenditure. Actual registration fee data has been used to estimate this item of tax expenditure.

Table 6.14: Motor vehicle registration fees expenditure

	2023-24	2024-25	2025-26	2026-27	2027-28
Tax expenditure ($M)	2.3	2.3	2.3	2.3	2.3

Chapter 7

Risks and contingent liabilities

Section 10(1)(e) of the FITA requires each fiscal outlook report to contain a statement of risks, quantified as far as practicable, that could materially affect updated financial projections, including any contingent liabilities and related agreements that are yet to be finalised. Section 5(1)(d) of the FITA requires government to manage financial risks faced by the Territory prudently (having regard to economic circumstances), including by maintaining Territory debt at prudent levels.

This section meets the FITA requirements by outlining potential risks to the budget due to changes in factors underpinning revenue and expenditure estimates, and the likelihood of contingent liabilities becoming actual liabilities.

Risks to the Territory are assessed and categorised in accordance with those identified in section 5(2) of the FITA, comprising risks from excessive debt, risks from the ownership of trading entities, risks from erosion of the Territory's revenue base, risks from managing assets and liabilities, and other risks.

For more information on the Territory's risks and contingent liabilities refer to the 2022-23 Treasurer's Annual Financial Report Note 42, *Contingent assets and liabilities*.

Sound fiscal management of risks

Risks from excessive debt

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

Risks associated with excessive debt are mitigated by a limit on government borrowings to $15 billion as legislated in the FITA, diversifying borrowing and investment activities across a maturity spectrum using a variety of funding sources, and adherence to government's fiscal strategy objectives.

One of government's fiscal strategy objectives is to maintain or improve the Territory's credit rating. Credit ratings reflect an independent assessment of a government's credit worthiness and ability to fulfil its financial commitments and repay debt. A higher rating indicates a strong fiscal and economic position and results in the ability to borrow at lower interest rates, while a lower rating indicates credit challenges and results in higher interest rates on borrowings.

The Territory's credit rating was last assessed by Moody's on the 2023-24 Budget in July 2023, which resulted in an unchanged credit rating for the Territory of Aa3 with a stable outlook. However, the 2024-25 Budget incorporates significant new recurrent and capital investments resulting in increased fiscal balance deficits and debt levels, and this poses a risk to the Territory's future credit rating.

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

Risks from the ownership of trading entities

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

The Territory's fiscal strategy incorporates government owned corporations, with targets aimed at strengthening commercial sustainability and reducing reliance on government support. Risks are also mitigated through the government owned corporations operating and accountability framework, comprising the Corporate Governance and Reporting Framework, *Government Owned Corporations Act 2001*, enabling legislation for each government owned corporation and the Territory's Policy Statement on Competitive Neutrality. The Corporate Governance and Reporting Framework sets out processes in line with best practice for strategic planning, monitoring and reporting performance targets, and accountability for performance set in the SCI.

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

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

Power and Water Corporation's gas business has significant market-related risks arising from its long-term gas purchase, sales and transportation agreements. The corporation's board oversees a gas sales strategy to address future market opportunities and position the corporation to ensure costs are covered by revenue, and any risks are appropriately mitigated.

Government has further strengthened oversight of the Territory's strategic energy security, by establishing the Gas Strategy Steering Committee, comprising chief executive officers from relevant agencies and Power and Water Corporation to oversee measures to mitigate immediate to long-term risks around gas supply.

Risks from erosion of the Territory's revenue base

Reliance on Commonwealth funding

Australia's federal system is characterised by a high level of vertical fiscal imbalance, where the expenditure requirements of states under the Australian Constitution far outweigh their capacity to raise revenue. This imbalance is addressed through intergovernmental payments from the Commonwealth to the states to facilitate the delivery of essential services.

In comparison to all other states, the Territory is more reliant on Commonwealth payments due to greater expenditure needs and a lower ability to fund expenditure through own-source revenue. In 2024-25, Commonwealth funding to the Territory is expected to account for 72% of the Territory's total revenue, with GST revenue and tied funding payments accounting for 48% and 24% of total revenue, respectively, in the non financial public sector. Due to the Territory's reliance on these funding sources, any changes will have a significant effect on Territory revenue. Risks include variations in national GST collections and changes to tied Commonwealth funding agreements, such as their amount, timing, deliverables and duration.

GST revenue volatility

Volatility in GST revenue represents the largest revenue risk for the Territory, as GST revenue is estimated to account for 48% of the Territory's total revenue in 2024-25 in the non financial public sector.

The Territory's GST revenue entitlement is dependent on four parameters:

- national GST collections pool
- the Territory's share of the national population
- the Territory's GST relativity as determined by the Commonwealth Treasurer based on the recommendation of the CGC
- the impact of Commonwealth-legislated GST distribution reforms that commenced in 2021-22.

There are variables that influence each of these parameters, adding to the complexity of forecasting GST revenue over the budget and forward estimates, as discussed in Chapter 5 *Commonwealth revenue*. The following analysis examines the effect of variations of each parameter in isolation. However, as these parameters interact with each other, variations can have a compounding or offsetting effect on GST revenue estimates.

GST collections pool

The Territory's GST revenue is directly affected by variations in the national GST collections pool, with growth in the pool representing the largest driver of change to the Territory's GST revenue forecasts since the 2023-24 Budget. The factors influencing the national GST collections pool are discussed in Chapter 5 *Commonwealth revenue*.

The risks to the national GST collections pool forecasts relate to the outlook for national nominal consumption of goods and services subject to GST and private dwelling investment. Results may vary from forecasts if nominal prices or real economic activity is materially different to expectations. Particular uncertainty arises for the 2024-25 Budget around the extent to which inflation returns to target bands and any corresponding interest rate reductions, as inflation is currently above but on track to return to the Reserve Bank of Australia's inflation target band of 2% to 3%. Other economic indicators, such as employment and wages outcomes, can also impact consumption and investment spending, and these indicators may influence monetary policy decisions. Territory GST forecasts are based on recent economic outlooks, which include major policy announcements such as the Commonwealth's scheduled income tax reductions. If there are any new major policy changes, or if the economic reaction to these policies is larger or smaller than expected, this may also impact GST collections pool outcomes.

A ±1 percentage point change in the GST collections pool growth rate is estimated to have a ±$41 million impact on the Territory's GST revenue in 2024-25, all else being equal. If a variation of ±1 percentage point was applied to GST collections pool growth rates in each of the budget and forward estimate years, the cumulative impact on Territory GST revenue would be around ±$439 million.

Territory's share of the national population

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

The Territory uses its own estimates of Territory population growth, given its knowledge of local factors that may affect migration levels. Estimates of other states' populations are based on Commonwealth population projections. Accordingly, the Territory's GST revenue projections are sensitive to the Territory's forecasts of Territory population growth, as well as Commonwealth forecasts of interstate population growth. The Territory's population is expected to grow at a slower rate than the national population over 2024-25 and the forward estimates. Chapter 4 of the *Northern Territory Economy* book provides more detail on the Territory's population characteristics and forecast growth patterns.

The effect of a ±1,000 person variation in the Territory's population forecast is expected to have a ±$31 million impact in 2024-25, all else being equal. The cumulative impact of a ±1,000 person variation in the Territory's population each year over the budget and the forward estimates would be about ±$81 million.

GST relativity

The distribution of GST revenue is based on the principles of HFE that aim to provide all states with the capacity to provide similar levels of services and infrastructure.

The CGC recommends GST relativities annually, and incorporates new data and changes in state fiscal capacities. In the 2024 Update, the CGC recommended an increase in the Territory's GST relativity to 5.06681 for 2024-25 from 4.98725 in 2023-24.

Relativities are subject to calculations based on the financial and demographic circumstances of all states and territories in a rolling three-year assessment period, updated annually. As a result of the methodology associated with estimating GST relativities, the Territory forecasts relativities on a three-year average basis, held constant over the forward estimates period, adjusted for GST distribution reforms. In any relativity update, the Territory's GST relativity will be sensitive to changes in all jurisdictions' relativities, reflecting the fixed sum nature of the GST distribution process.

Risks to the Territory forecast arise if any state's relativity circumstances vary significantly from its three-year average over the forecast period. Recent relativities have varied substantially due to factors such as covid, which will continue to impact data for at least two years. Mineral royalty production volumes and values, particularly for coal, data revisions to population, demographic and socio-economic data following the 2021 Census, and levels of capital and urban transport investment, have all affected the Territory's 2024-25 relativity. Relativity calculation methods are reviewed every five years with the next review due in 2025. Any change to calculation methods will affect relativities from 2025-26.

The impact of a ±0.1 variation in the Territory's GST relativity is about ±$78 million in 2024-25, all else being equal. A ±0.1 variation in the Territory's GST relativity in each of the budget and forward estimate years would have a cumulative effect of about ±$338 million.

GST distribution reforms

The Commonwealth has legislated changes to the GST distribution system through the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*. These reforms are discussed in Chapter 5 *Commonwealth revenue*.

The reforms include a Commonwealth temporary no-worse-off guarantee that operates as a time-limited safety net for jurisdictions. This ensures jurisdictions receive, at a minimum, the cumulative amount of GST they would have received under the previous methodology. This guarantee temporarily mitigates the risks of GST distribution reforms to the Territory's GST.

The Territory expects to receive no-worse-off guarantee payments totalling $132 million from 2023-24 to 2027-28. Any change to relativities or GST collections pool growth may affect forecast no-worse-off guarantee payments. The guarantee is extended to the end of 2029-30, with any further policy changes reflecting a risk to forecasts.

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

Tied Commonwealth funding

Tied Commonwealth funding is provided under the IGA FFR through national federation funding agreements and FFA schedules. Tied funding can also be provided outside IGA FFR payment arrangements through COPE arrangements.

Key risks to the Territory budget associated with tied Commonwealth funding include uncertainty as to the amount, timing, deliverables and duration of new and renegotiated funding agreements, expiry of agreements, and the increasing inclusion of financial input controls.

Agreements that are short term in nature and subject to repeated short-term extensions upon expiry inhibit the ability of governments and other providers to plan for the provision of ongoing, reliable service delivery in key areas. Short-term funding arrangements can lead to heightened community expectations without providing associated Commonwealth funding certainty in the long run. Recently, Commonwealth funding has been increasingly short term, with a number of one-year extensions and agreements being renewed close to expiry, increasing Territory funding risks.

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

Further risks may arise from the expiry of tied Commonwealth funding agreements including the cessation of public services or assuming financial responsibility to continue the services previously funded by these agreements.

Funding agreements expiring in the budget and forward estimates period include the National Housing and Homelessness Agreement, National Water Grid Fund and Northern Territory Remote Aboriginal Investment. These are further discussed in Chapter 5 *Commonwealth revenue*.

Territory taxes and royalties

Territory taxes and royalty revenues mainly comprise revenue from mining and petroleum royalties, as well as payroll tax, and conveyance and related duties. In 2024-25, Territory taxes and royalties are expected to account for about 11% of total revenue and 38% of own-source revenue in the non financial public sector.

Forecasting tax and royalty revenue involves judgements and assumptions about the performance of various economic factors and indicators, such as growth in wages, employment, average hours worked, business investment, commodity prices, market conditions and activity, and exchange rates.

Mining royalty revenue has historically been the largest single contributor to Territory taxes and royalties, and forecasts are sensitive to mineral price outlooks, production levels, mine expansions or disruptions, as well as exchange rates and global trade conditions. Mining revenue forecasts are informed by independent assessments of commodity prices and market conditions, and advice from mining companies about their expectations of production, prices and royalty obligations over the budget and forward estimate years. Changes in commodity prices, mine end of life estimates, and production or exchange rates can materially impact these forecasts.

International economic conditions following the covid pandemic and trends in electric vehicle markets have contributed to the significant volatility of key commodity prices due to a supply-demand imbalance. Further, inflationary pressures have increased operating costs for mines, potentially affecting profitability, which will flow through to mineral royalty forecasts over the forward estimates. In March 2024, Cyclone Megan crossed the Gulf of Carpentaria coast and impacted major mines located in Borroloola and Groote Eylandt. While the 2024-25 Budget incorporates lower mining royalty revenue in 2023-24 and 2024-25 to reflect the suspension of mining operations, the uncertainty of costs and duration of returning the mines to normal operations poses a risk to the Territory's royalty revenue projections.

Payroll tax is the Territory's largest source of tax revenue and is imposed on businesses with total payroll above the tax-free threshold of $1.5 million per annum. Payroll tax forecasts are influenced by employment, wages and business investment projections.

The Territory's conveyance and related duty is derived from direct and indirect conveyances of property in the Territory. Forecasting for conveyance duty is linked to the outlook for the property market with commercial transactions linked to economic conditions and sentiment more broadly. The extent and timing of any market changes in terms of property prices and transaction volumes can be volatile and directly affects conveyance duty collections.

Conveyance duty forecasts are influenced by the size of the Territory's conveyance duty base, which includes valuable commercial properties such as pastoral properties, mining projects and commercial precincts. The duty collected in respect of large commercial transactions contributes significant volatility to conveyance duty collections.

Unlike tax revenue from property transactions or employment, gambling tax revenue is not as closely correlated with the economic or business cycle. Lower than expected lotteries tax will be offset by stronger than expected community gaming machine and casino tax in 2023-24, which may indicate a shift in consumer preferences.

In total, a variation of ±1% to the forecast of Territory taxes and royalties would affect revenue by about ±$9.2 million in 2024-25.

An emerging risk to state and territory taxes has arisen following the case of *Vanderstock & Anor versus the state of Victoria*. The High Court of Australia found that a road-user charge imposed by the state of Victoria, on registered owners of particular vehicles, was unconstitutional. The basis for the High Court decision has cast doubt on the validity of other state and territory taxes, with at least two states currently facing legal challenges. In the event that similar legal challenges are upheld, in relation to other state and territory taxes, levies or duties, Australian states and territories are at risk of further erosion of own-source revenue, and an increased reliance on Commonwealth funding.

Risks arising from the management of assets and liabilities

Assets and liabilities of the Territory are each subject to inherent risks that are managed through the Territory's fiscal strategy objectives.

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

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

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

Equity investments

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

Loans and concessional loans

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

Risks to expenses and payments

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

The Territory's public service employee expense accounts for about 40% of the general government sector's total expenses and represents the Territory's largest expense. The primary risks to this expenditure are wages growth, number of employees and composition of the labour force. The 2024-25 Budget incorporates an increase to the wages parameter from 2% to 3% from 2025-26 onwards in line with expected economic growth. Enterprise agreements contain terms and conditions of employment that are negotiated through an enterprise bargaining process and apply to particular groups of public sector employees. Enterprise agreements pose a risk to the Territory's expenses to the extent that the outcome exceeds indexation factored into the budget and forward estimates. The Northern Territory Public Sector Non-Contract Principals, Teachers and Assistant Teachers Enterprise Agreement, which expires in October 2024, is the only enterprise agreement currently under negotiation.

Demand for skilled labour nationally also poses a risk to the delivery of government services, as labour shortages may require the use of higher cost external providers to ensure service delivery is not compromised. Additionally, inflationary pressures have increased the risks relating to the delivery of government services. This poses a risk to the Territory's expenses to the extent that inflation growth exceeds the indexation currently factored into the budget and forward estimates.

The effect of adverse weather events and natural disasters also pose a risk to the Territory's expense projections due to the uncertainty of costs and timing of restoration works, evacuation costs, and costs and duration of providing temporary housing for evacuees. Although the Territory may be eligible for partial reimbursement of these costs from the Commonwealth under Disaster Recovery Funding Arrangements, the extent and timing of such reimbursements are also uncertain.

In January 2024, the Territory experienced severe flooding due to a tropical low over the Victoria River and Daly districts. The flooding caused extensive damage to housing and infrastructure, and an emergency declaration was made for Daguragu, Pigeon Hole, Gilwi, Gulardi, One Mile and Myatt communities. People from these communities were relocated to Darwin and Katherine. Additionally, in March 2024, Cyclone Megan made landfall on the Gulf of Carpentaria coast as a category 3 system, impacting Borroloola and surrounding areas. Around 380 people were evacuated to Darwin as the McArthur River approached major flood level.

The Territory has commenced assessing damage and implementing a plan for recovery including restoration works to properties, critical infrastructure and essential services with costs not yet quantifiable. A level of budget capacity has been incorporated into the Territory's budget projections for this purpose.

Emerging risks to expenses and payments are mitigated through the Territory's fiscal strategy objectives, and are supported by strengthened budget accountability, agency performance monitoring and reporting obligations within the Territory's Financial Management and Accountability Framework, enabling early identification and remediation of budget pressures where necessary.

Risks to economic forecasts

Economic forecasts included in the Territory's budget papers are subject to risks and uncertainties in the assumptions and data relied upon to generate the forecasts.

There are a wide variety of risks that can impact the economic forecasts, including the state of the global economy and any impacts on commodity prices, national economic growth, interest rates, inflation and exchange rates, government and private spending, and consumer behaviour. Any changes in these assumptions can lead to actual outcomes diverging significantly from forecast outcomes.

Key risks to the economic forecasts include:

- potential escalation of conflicts in Europe and the Middle East, which may affect global supply chains and inflation, particularly through disruptions to global energy markets
- ongoing tight labour market conditions in other jurisdictions potentially affecting the Territory's ability to compete for labour and population growth
- interest and inflation rate paths that differ from current market expectations, which could lead to different consumption growth nationally and in the Territory.

Other risks include:

- the extent to which large projects that underpin economic growth over the forecast period do not proceed to the same level or in the same timeframes as planned
- projects without a final investment decision at the time of the budget, proceeding to final investment decision within the outlook period, resulting in upside risks to forecasts
- changes in exchange rates and commodity prices, which can have a significant effect on the production of current resource and agriculture projects
- adverse weather conditions, such as cyclones, floods and droughts, and agricultural pests and diseases, which can affect production and or put upwards pressure on prices and add downside risks to economic growth, employment, and revenue forecasts.

Uncertainty in economic forecasts is driven by the use of economic data that is subject to reporting limitations, statistical error, revisions and methodological changes. New information can also become available. The impact of this uncertainty is generally more pronounced in small jurisdictions, such as the Territory.

Contingent liabilities

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

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

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

Quantifiable contingent liabilities

Public Trustee Common Fund 1

Under section 97 of the *Public Trustee Act 1979*, the Treasurer indemnifies the Public Trustee Common Fund 1 against any deficiencies in money available to meet claims on it. At 30 June 2023, the Common Fund 1 had a reported total of $26.4 million, which is government guaranteed.

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

Darwin ship lift and Marine Industry Park

The Territory has entered into a loan facility agreement with the Northern Australia Infrastructure Facility (NAIF) to borrow $300 million for the Darwin ship lift and Marine Industry Park. The project is estimated at $515 million and will enable maintenance and servicing of defence and Australian Border Force vessels, along with commercial and private vessels, including from the oil, gas and marine industries.

The Territory indemnifies NAIF and the Commonwealth against any loss related to the Territory's fulfilment of any condition precedent to the loan facility agreement. The conditions and obligations contained in the facility agreement are being monitored during development of the project to ensure the conditions are satisfied.

Unquantifiable contingent liabilities

Banking

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

Correctional facilities

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

Economic-enabling projects

Northern gas pipeline project

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

Adelaide to Darwin railway project

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

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

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

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

As part of the long-term lease of the Darwin port, the railway corridor was transferred to the Territory and leased to the concession holder. There are contingent liabilities that arise out of any loss or claim incurred or suffered as a result of the Territory's failure to comply with its environmental obligations contained in the lease. The lease contains similar indemnities given by the lessee with respect to contamination caused by the lessee and a failure to comply with its environmental obligations.

East Arm Port

The Territory has assumed the former Darwin Port Corporation's indemnity in relation to certain works at East Arm Port. The indemnity covers third-party claims, loss, damage, cost and expenses that may be incurred or sustained by parties arising out of any breach of the Territory's obligations under relevant agreements and licences. Comprehensive risk management procedures are in place to minimise risk exposure to the Territory.

Jabiru electricity supply project

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

Government administration

Territory appointed members of councils, boards and committees

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

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

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

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

Sponsorship

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

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

Legal proceedings

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

Workers compensation

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

Health and community services

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

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

Land development

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

Native title

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

Property and business services

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

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

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

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

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

Chapter 8

Consolidated financial statements

The financial statements in this chapter meet the requirements of the FITA, and have been prepared in accordance with relevant Australian accounting standards, including AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, and the UPF.

The UPF mandates that all Commonwealth, state and territory governments must comply with AASB 1049, and publish financial information in budget papers and fiscal outcome reports in a standard format, allowing for greater transparency and comparison of fiscal data between jurisdictions.

Each set of financial statements includes a comprehensive operating statement, balance sheet and cash flow statement for the following government sectors:

- general government sector
- public non financial corporation sector
- non financial public sector
- public financial corporation sector
- total public sector.

The financial statements for the general government, public non financial corporation and non financial public sectors include the 2023-24 revised budget, 2024-25 budget and 2025-26 to 2027-28 forward estimates. The statements for the public financial corporation and total public sectors present the 2023-24 revised budget only.

Also included in this chapter are supplementary tables, which present the 2023-24 revised budget and 2024-25 budget for the following items:

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

Details on changes to the revised projections since the 2023-24 Budget can be found in Chapter 2, *Fiscal outlook*. For a list of entities included in each sector of government, refer to Appendix A, *Classification of entities in the Northern Territory*.

General government sector comprehensive operating statement

		2023-24	2024-25	2025-26	2026-27	2027-28
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	701 990	708 824	718 382	737 657	770 431
	Current grants	5 527 196	5 771 246	5 572 276	5 822 876	6 057 050
	Capital grants	372 635	580 049	588 314	447 405	396 521
	Sales of goods and services	439 097	435 983	429 044	428 947	431 654
	Interest income	130 409	123 908	126 137	128 249	130 276
	Dividend and income tax equivalent income	92 016	102 531	103 697	123 462	116 348
	Other revenue	311 432	290 283	340 324	332 354	357 087
	TOTAL REVENUE	**7 574 775**	**8 012 824**	**7 878 174**	**8 020 950**	**8 259 367**
less	EXPENSES					
	Employee benefits expense	3 001 265	2 979 758	2 892 210	2 968 519	3 062 673
	Superannuation expenses					
	Superannuation interest cost	140 589	137 737	133 379	128 794	123 962
	Other superannuation expenses	370 231	380 431	383 050	390 548	382 963
	Depreciation and amortisation	621 714	618 842	610 646	601 661	590 157
	Other operating expenses	1 979 996	1 903 524	1 696 593	1 704 760	1 741 603
	Interest expenses	399 868	484 383	541 625	575 464	609 740
	Other property expenses					
	Current grants	1 246 069	1 278 512	1 210 108	1 217 552	1 248 930
	Capital grants	291 574	411 198	167 501	124 833	54 558
	Subsidies and personal benefit payments	251 513	228 837	212 100	213 073	214 051
	TOTAL EXPENSES	**8 302 819**	**8 423 222**	**7 847 212**	**7 925 204**	**8 028 637**
equals	**NET OPERATING BALANCE**	**- 728 044**	**- 410 398**	**30 962**	**95 746**	**230 730**
plus	Other economic flows – included in operating result	- 2 735	59 405	64 642	71 275	77 593
equals	**OPERATING RESULT**	**- 730 779**	**- 350 993**	**95 604**	**167 021**	**308 323**
plus	Other economic flows – other comprehensive income	- 41 012	13 959	31 073	- 19 278	- 19 227
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**- 771 791**	**- 337 034**	**126 677**	**147 743**	**289 096**
	NET OPERATING BALANCE	**- 728 044**	**- 410 398**	**30 962**	**95 746**	**230 730**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	1 208 439	1 553 276	1 139 551	1 065 335	941 878
	Sales of non financial assets	- 31 474	- 31 549	- 26 149	- 26 149	- 26 149
	less Depreciation	621 714	618 842	610 646	601 661	590 157
	plus Change in inventories					
	plus Other movements in non financial assets	134 108	62 652	49 845	14 939	38 005
	equals **Total net acquisition of non financial assets**	**689 359**	**965 537**	**552 601**	**452 464**	**363 577**
equals	**FISCAL BALANCE**	**- 1 417 403**	**- 1 375 935**	**- 521 639**	**- 356 718**	**- 132 847**

General government sector balance sheet

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	821 283	803 978	704 521	684 082	648 324
Advances paid	158 685	169 685	179 935	185 335	182 335
Investments, loans and placements	2 602 189	2 757 078	2 898 668	3 043 875	3 197 976
Receivables	500 032	488 143	489 038	501 762	499 298
Equity investments					
Investments in other public sector entities	2 397 603	2 466 762	2 510 135	2 498 084	2 478 857
Equity accounted investments					
Investments – shares	23 199	43 199	63 199	78 199	78 199
Other financial assets	83 745	82 845	81 940	81 033	80 127
Total financial assets	**6 586 736**	**6 811 690**	**6 927 436**	**7 072 370**	**7 165 116**
Non financial assets					
Inventories	20 986	20 986	20 986	20 986	20 986
Property, plant and equipment	20 970 612	21 923 203	22 476 458	22 923 276	23 299 572
Investment property	34 812	30 812	26 812	22 812	18 812
Other non financial assets	506 899	531 545	541 491	557 737	555 618
Total non financial assets	**21 533 309**	**22 506 546**	**23 065 747**	**23 524 811**	**23 894 988**
TOTAL ASSETS	**28 120 045**	**29 318 236**	**29 993 183**	**30 597 181**	**31 060 104**
LIABILITIES					
Deposits held	541 289	460 881	417 847	400 164	368 349
Advances received	130 698	123 239	115 418	107 218	98 620
Borrowing	10 512 899	12 249 183	12 869 212	13 328 882	13 536 860
Superannuation	3 064 627	3 054 376	3 031 930	3 003 708	2 951 561
Other employee benefits	886 066	886 066	886 066	886 066	886 066
Payables	337 021	340 617	342 442	343 813	345 221
Other liabilities	1 179 602	1 073 065	1 072 782	1 122 101	1 179 102
TOTAL LIABILITIES	**16 652 202**	**18 187 427**	**18 735 697**	**19 191 952**	**19 365 779**
NET ASSETS/(LIABILITIES)	**11 467 843**	**11 130 809**	**11 257 486**	**11 405 229**	**11 694 325**
NET WORTH	11 467 843	11 130 809	11 257 486	11 405 229	11 694 325
NET FINANCIAL WORTH[1]	- 10 065 466	- 11 375 737	- 11 808 261	- 12 119 582	- 12 200 663
NET FINANCIAL LIABILITIES[2]	12 463 069	13 842 499	14 318 396	14 617 666	14 679 520
NET DEBT[3]	7 602 729	9 102 562	9 619 353	9 922 972	9 975 194

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.

General government sector cash flow statement

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	701 990	708 824	718 382	737 657	770 431
Receipts from sales of goods and services	456 892	453 340	446 401	446 304	449 011
Grants and subsidies received	6 038 059	6 198 362	6 111 854	6 267 581	6 453 571
Interest receipts	130 409	123 908	126 137	128 249	130 276
Dividends and income tax equivalents	93 746	101 562	103 517	111 899	118 812
Other receipts	303 855	281 807	333 404	325 524	349 070
Total operating receipts	**7 724 951**	**7 867 803**	**7 839 695**	**8 017 214**	**8 271 171**
Cash payments for operating activities					
Payments for employees	- 3 534 026	- 3 508 177	- 3 431 085	- 3 516 083	- 3 621 745
Payment for goods and services	- 1 512 700	- 1 457 427	- 1 262 567	- 1 268 593	- 1 297 369
Grants and subsidies paid	- 1 724 502	- 1 918 547	- 1 589 709	- 1 555 458	- 1 517 539
Interest paid	- 389 950	- 480 821	- 540 830	- 574 232	- 609 209
Other payments	- 429 479	- 416 507	- 416 507	- 416 507	- 416 507
Total operating payments	**- 7 590 657**	**- 7 781 479**	**- 7 240 698**	**- 7 330 873**	**- 7 462 369**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**134 294**	**86 324**	**598 997**	**686 341**	**808 802**
Cash flows from investments in non financial assets					
Sales of non financial assets	31 474	31 549	26 149	26 149	26 149
Purchases of non financial assets	- 1 208 737	- 1 553 276	- 1 139 551	- 1 065 335	- 941 878
Net cash flows from investments in non financial assets	**- 1 177 263**	**- 1 521 727**	**- 1 113 402**	**- 1 039 186**	**- 915 729**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 1 042 969	- 1 435 403	- 514 405	- 352 845	- 106 927
Net cash flows from investments in financial assets for policy purposes[1]	- 17 928	- 88 156	- 44 643	- 29 866	604
Net cash flows from investments in financial assets for liquidity purposes	- 96 345	- 79 511	- 59 738	- 56 576	- 58 995
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 291 536	- 1 689 394	- 1 217 783	- 1 125 628	- 974 120
Net cash flows from financing activities					
Advances received (net)	- 82 129	- 7 459	- 7 821	- 8 200	- 8 598
Borrowing (net)	1 059 285	1 673 632	570 184	444 731	169 973
Deposits received (net)	- 61 904	- 80 408	- 43 034	- 17 683	- 31 815
Other financing (net)	950				
NET CASH FLOWS FROM FINANCING ACTIVITIES	916 202	1 585 765	519 329	418 848	129 560
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 241 040	- 17 305	- 99 457	- 20 439	- 35 758
Net cash flows from operating activities	134 294	86 324	598 997	686 341	808 802
Net cash flows from investments in non financial assets	- 1 177 263	- 1 521 727	- 1 113 402	- 1 039 186	- 915 729
CASH SURPLUS (+)/DEFICIT (-)	- 1 042 969	- 1 435 403	- 514 405	- 352 845	- 106 927
Future infrastructure and superannuation contributions/earnings[2]	- 47 633	- 49 172	- 51 201	- 53 113	- 54 940
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 1 090 602	- 1 484 575	- 565 606	- 405 958	- 161 867

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

Public non financial corporation sector comprehensive operating statement

		2023-24	2024-25	2025-26	2026-27	2027-28
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Current grants	243 290	227 988	213 818	214 791	216 538
	Capital grants	138 238	227 529	66 822	40 156	29 071
	Sales of goods and services	768 253	877 344	1 048 081	1 089 906	1 113 902
	Interest income	9 673	6 723	5 421	6 051	5 829
	Other revenue	24 765	27 365	29 926	29 685	29 032
	TOTAL REVENUE	**1 184 219**	**1 366 949**	**1 364 068**	**1 380 589**	**1 394 372**
less	EXPENSES					
	Employee benefits expense	120 839	122 861	125 181	132 822	142 047
	Superannuation expenses	12 460	13 415	14 894	15 642	16 798
	Depreciation and amortisation	233 414	237 734	250 941	255 727	266 064
	Other operating expenses	653 299	683 616	748 491	767 957	779 347
	Interest expenses	83 144	102 611	121 378	140 456	146 492
	Other property expenses	29 845	43 992	43 009	40 171	35 134
	Current grants					
	Capital grants	1 866				
	Subsidies and personal benefit payments	1 372	1 290	1 320	1 352	1 386
	TOTAL EXPENSES	**1 136 239**	**1 205 519**	**1 305 214**	**1 354 127**	**1 387 268**
equals	NET OPERATING BALANCE	47 980	161 430	58 854	26 462	7 104
plus	Other economic flows – included in operating result	- 16 599	- 118 509	- 96 311	- 43 940	- 4 695
equals	**OPERATING RESULT**	**31 381**	**42 921**	**- 37 457**	**- 17 478**	**2 409**
plus	Other economic flows – other comprehensive income	- 26 933	12 894	8 324	7 255	7 360
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**4 448**	**55 815**	**- 29 133**	**- 10 223**	**9 769**
	NET OPERATING BALANCE	**47 980**	**161 430**	**58 854**	**26 462**	**7 104**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	359 610	548 059	520 119	386 423	282 842
	Sales of non financial assets			- 15 953	- 26 078	
	less Depreciation	233 414	237 734	250 941	255 727	266 064
	plus Change in inventories	2 089	16 817	4 202	- 1 034	3 017
	plus Other movements in non financial assets	- 509				
	equals **Total net acquisition of non financial assets**	**127 776**	**327 142**	**257 427**	**103 584**	**19 795**
equals	FISCAL BALANCE	- 79 796	- 165 712	- 198 573	- 77 122	- 12 691

Public non financial corporation sector balance sheet

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	292 731	211 085	172 697	145 402	117 637
Advances paid					
Investments, loans and placements	3	3	3	3	3
Receivables	187 344	195 798	200 142	205 722	212 432
Equity investments					
Investments in other public sector entities					
Equity accounted investments					
Investments – shares					
Other financial assets	5 340	4 471	3 281	1 879	1 095
Total financial assets	**485 418**	**411 357**	**376 123**	**353 006**	**331 167**
Non financial assets					
Inventories	209 840	226 657	230 859	229 825	232 842
Property, plant and equipment	4 131 926	4 315 959	4 516 401	4 618 346	4 656 888
Investment property					
Other non financial assets	73 627	76 166	60 222	35 065	34 454
Total non financial assets	**4 415 393**	**4 618 782**	**4 807 482**	**4 883 236**	**4 924 184**
TOTAL ASSETS	**4 900 811**	**5 030 139**	**5 183 605**	**5 236 242**	**5 255 351**
LIABILITIES					
Deposits held	2 491	2 491	2 491	2 491	2 491
Advances received					
Borrowing	2 102 118	2 169 514	2 342 625	2 444 841	2 482 707
Superannuation					
Other employee benefits	80 615	72 705	74 093	74 925	76 829
Payables	101 839	95 526	95 140	93 690	97 642
Other liabilities	181 735	151 366	157 423	140 903	135 551
TOTAL LIABILITIES	**2 468 798**	**2 491 602**	**2 671 772**	**2 756 850**	**2 795 220**
NET ASSETS/(LIABILITIES)	**2 432 013**	**2 538 537**	**2 511 833**	**2 479 392**	**2 460 131**
NET WORTH	**2 432 013**	**2 538 537**	**2 511 833**	**2 479 392**	**2 460 131**
NET FINANCIAL WORTH[1]	- 1 983 380	- 2 080 245	- 2 295 649	- 2 403 844	- 2 464 053
NET DEBT[2]	**1 811 875**	**1 960 917**	**2 172 416**	**2 301 927**	**2 367 558**

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.

Public non financial corporation sector cash flow statement

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Receipts from sales of goods and services	761 408	862 409	1 038 133	1 078 966	1 101 829
Grants and subsidies received	401 201	418 612	278 942	234 049	236 411
Interest receipts	9 683	6 723	5 421	6 051	5 829
Dividends and income tax equivalents					
Other receipts	22 934	22 591	30 187	20 623	29 032
Total operating receipts	**1 195 226**	**1 310 335**	**1 352 683**	**1 339 689**	**1 373 101**
Cash payments for operating activities					
Income tax equivalents paid	- 31 529	- 41 239	- 40 900	- 32 669	- 34 875
Payments for employees	- 131 308	- 152 168	- 147 085	- 156 240	- 165 989
Payment for goods and services	- 690 344	- 652 640	- 734 224	- 739 550	- 765 253
Grants and subsidies paid	- 1 372	- 1 290	- 1 320	- 1 352	- 1 386
Interest paid	- 82 587	- 101 758	- 120 094	- 139 950	- 146 289
Other payments	- 2 436	- 121	- 169	- 255	- 215
Total operating payments	**- 939 576**	**- 949 216**	**- 1 043 792**	**- 1 070 016**	**- 1 114 007**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**255 650**	**361 119**	**308 891**	**269 673**	**259 094**
Cash flows from investments in non financial assets					
Sales of non financial assets			15 953	26 078	
Purchases of non financial assets	- 359 610	- 548 059	- 520 119	- 386 423	- 282 842
Net cash flows from investments in non financial assets	**- 359 610**	**- 548 059**	**- 504 166**	**- 360 345**	**- 282 842**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 103 960	- 186 940	- 195 275	- 90 672	- 23 748
Net cash flows from investments in financial assets for policy purposes[1]					
Net cash flows from investments in financial assets for liquidity purposes	470	869	1 190	1 402	784
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 359 140	- 547 190	- 502 976	- 358 943	- 282 058
Net cash flows from financing activities					
Advances received (net)					
Borrowing (net)	164 266	54 620	151 966	83 160	25 291
Deposits received (net)	- 310				
Dividends paid	- 7 630	- 5 395	- 8 569	- 28 412	- 30 092
Other financing (net)	4 500	55 200	12 300	7 227	
NET CASH FLOWS FROM FINANCING ACTIVITIES	160 826	104 425	155 697	61 975	- 4 801
NET INCREASE (+)/DECREASE (-) IN CASH HELD	57 336	- 81 646	- 38 388	- 27 295	- 27 765
Net cash flows from operating activities	255 650	361 119	308 891	269 673	259 094
Net cash flows from investments in non financial assets	- 359 610	- 548 059	- 504 166	- 360 345	- 282 842
Dividends paid	- 7 630	- 5 395	- 8 569	- 28 412	- 30 092
CASH SURPLUS (+)/DEFICIT (-)	- 111 590	- 192 335	- 203 844	- 119 084	- 53 840

1 Includes equity acquisitions and disposals (net).

Non financial public sector comprehensive operating statement

		2023-24	2024-25	2025-26	2026-27	2027-28
		Revised	Budget	Forward estimate		
		$000	$000	$000	$000	$000
	REVENUE					
	Taxation revenue	694 210	700 842	709 984	729 049	761 383
	Current grants	5 474 196	5 639 246	5 568 186	5 822 876	6 057 050
	Capital grants	382 358	683 579	669 545	474 660	403 619
	Sales of goods and services	1 127 567	1 234 452	1 398 424	1 440 116	1 466 803
	Interest income	139 275	130 172	131 199	133 967	135 837
	Dividend and income tax equivalent income	54 928	54 048	50 817	53 846	52 184
	Other revenue	332 482	314 042	366 644	358 433	382 513
	TOTAL REVENUE	**8 205 016**	**8 756 381**	**8 894 799**	**9 012 947**	**9 259 389**
less	EXPENSES					
	Employee benefits expense	3 122 104	3 102 619	3 017 391	3 101 341	3 204 720
	Superannuation expenses					
	Superannuation interest cost	140 589	137 737	133 379	128 794	123 962
	Other superannuation expenses	379 524	390 679	394 777	403 023	396 594
	Depreciation and amortisation	853 882	855 330	860 341	856 142	854 975
	Other operating expenses	2 546 494	2 501 153	2 358 856	2 386 243	2 434 020
	Interest expenses	482 107	586 437	662 546	715 489	755 866
	Other property expenses					
	Current grants	1 182 015	1 212 630	1 142 615	1 149 086	1 178 717
	Capital grants	164 925	192 599	107 777	91 575	32 585
	Subsidies and personal benefit payments	73 649	68 021	67 095	68 100	69 112
	TOTAL EXPENSES	**8 945 289**	**9 047 205**	**8 744 777**	**8 899 793**	**9 050 551**
equals	**NET OPERATING BALANCE**	**- 740 273**	**- 290 824**	**150 022**	**113 154**	**208 838**
plus	Other economic flows – included in operating result	- 19 334	- 59 104	- 31 669	27 335	72 898
equals	**OPERATING RESULT**	**- 759 607**	**- 349 928**	**118 353**	**140 489**	**281 736**
plus	Other economic flows – other comprehensive income	- 12 184	12 894	8 324	7 254	7 360
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**- 771 791**	**- 337 034**	**126 677**	**147 743**	**289 096**
	NET OPERATING BALANCE	**- 740 273**	**- 290 824**	**150 022**	**113 154**	**208 838**
less	**Net acquisition of non financial assets**					
	Purchases of non financial assets	1 568 049	2 101 335	1 659 670	1 451 758	1 224 720
	Sales of non financial assets	- 31 474	- 31 549	- 42 102	- 52 227	- 26 149
	less Depreciation	853 882	855 330	860 341	856 142	854 975
	plus Change in inventories	2 089	16 817	4 202	- 1 034	3 017
	plus Other movements in non financial assets	134 384	62 652	49 845	14 939	38 005
	equals **Total net acquisition of non financial assets**	**819 166**	**1 293 925**	**811 274**	**557 294**	**384 618**
equals	**FISCAL BALANCE**	**- 1 559 439**	**- 1 584 749**	**- 661 252**	**- 444 140**	**- 175 780**

Non financial public sector balance sheet

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
ASSETS					
Financial assets					
Cash and deposits	822 031	804 726	705 269	684 830	649 072
Advances paid	158 685	169 685	179 935	185 335	182 335
Investments, loans and placements	2 602 192	2 757 081	2 898 671	3 043 878	3 197 979
Receivables	663 396	658 112	659 940	669 709	674 758
Equity					
Investments in other public sector entities	18 825	18 825	18 825	18 824	18 824
Equity accounted investments					
Investments – shares	23 199	43 199	63 199	78 199	78 199
Other financial assets	89 085	87 316	85 221	82 912	81 222
Total financial assets	**4 377 413**	**4 538 944**	**4 611 060**	**4 763 687**	**4 882 389**
Non financial assets					
Inventories	230 826	247 643	251 845	250 811	253 828
Property, plant and equipment	25 083 765	26 221 635	26 976 578	27 526 587	27 942 671
Investment property	34 812	30 812	26 812	22 812	18 812
Other non financial assets	580 526	607 711	601 713	592 802	590 072
Total non financial assets	**25 929 929**	**27 107 801**	**27 856 948**	**28 393 012**	**28 805 383**
TOTAL ASSETS	**30 307 342**	**31 646 745**	**32 468 008**	**33 156 699**	**33 687 772**
LIABILITIES					
Deposits held	251 797	253 035	248 389	258 001	253 951
Advances received	130 698	123 239	115 418	107 218	98 620
Borrowing	12 596 480	14 401 371	15 195 723	15 758 821	16 005 877
Superannuation	3 064 627	3 054 376	3 031 930	3 003 708	2 951 561
Other employee benefits	966 681	958 771	960 159	960 991	962 895
Payables	419 364	416 647	418 086	418 007	423 367
Other liabilities	1 409 852	1 308 497	1 240 817	1 244 724	1 297 176
TOTAL LIABILITIES	**18 839 499**	**20 515 936**	**21 210 522**	**21 751 470**	**21 993 447**
NET ASSETS/(LIABILITIES)	**11 467 843**	**11 130 809**	**11 257 486**	**11 405 229**	**11 694 325**
NET WORTH	11 467 843	11 130 809	11 257 486	11 405 229	11 694 325
NET FINANCIAL WORTH[1]	- 14 462 086	- 15 976 992	- 16 599 462	- 16 987 783	- 17 111 058
NET FINANCIAL LIABILITIES[2]	14 480 911	15 995 817	16 618 287	17 006 607	17 129 882
NET DEBT[3]	9 396 067	11 046 153	11 775 655	12 209 997	12 329 062

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.

Non financial public sector cash flow statement

	2023-24	2024-25	2025-26	2026-27	2027-28
	Revised	Budget	Forward estimate		
	$000	$000	$000	$000	$000
Cash receipts from operating activities					
Taxes received	694 210	700 842	709 984	729 049	761 383
Receipts from sales of goods and services	1 138 519	1 236 874	1 405 833	1 446 533	1 472 087
Grants and subsidies received	6 068 240	6 170 387	6 117 254	6 253 581	6 451 471
Interest receipts	139 275	130 172	131 199	133 967	135 837
Dividends and income tax equivalents	54 587	54 928	54 048	50 818	53 845
Other receipts	323 074	300 792	359 985	342 541	374 496
Total operating receipts	8 417 905	8 593 995	8 778 303	8 956 489	9 249 119
Cash payments for operating activities					
Payments for employees	- 3 654 387	- 3 649 196	- 3 566 605	- 3 660 548	- 3 775 519
Payment for goods and services	- 2 124 025	- 2 032 062	- 1 918 961	- 1 930 277	- 1 984 740
Grants and subsidies paid	- 1 354 854	- 1 473 250	- 1 317 487	- 1 308 761	- 1 280 414
Interest paid	- 471 622	- 582 022	- 660 467	- 713 751	- 755 132
Other payments	- 431 915	- 416 628	- 416 676	- 416 762	- 416 722
Total operating payments	- 8 036 803	- 8 153 158	- 7 880 196	- 8 030 099	- 8 212 527
NET CASH FLOWS FROM OPERATING ACTIVITIES	381 102	440 837	898 107	926 390	1 036 592
Cash flows from investments in non financial assets					
Sales of non financial assets	31 474	31 549	42 102	52 227	26 149
Purchases of non financial assets	- 1 568 347	- 2 101 335	- 1 659 670	- 1 451 758	- 1 224 720
Net cash flows from investments in non financial assets	- 1 536 873	- 2 069 786	- 1 617 568	- 1 399 531	- 1 198 571
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	- 1 155 771	- 1 628 949	- 719 461	- 473 141	- 161 979
Net cash flows from investments in financial assets for policy purposes[1]	- 13 428	- 32 956	- 32 343	- 22 639	604
Net cash flows from investments in financial assets for liquidity purposes	- 95 875	- 78 642	- 58 548	- 55 174	- 58 211
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 646 176	- 2 181 384	- 1 708 459	- 1 477 344	- 1 256 178
Net cash flows from financing activities					
Advances received (net)	- 82 129	- 7 459	- 7 821	- 8 200	- 8 598
Borrowing (net)	1 224 763	1 729 463	723 362	529 103	196 476
Deposits received (net)	- 119 550	1 238	- 4 646	9 612	- 4 050
Other financing (net)	950				
NET CASH FLOWS FROM FINANCING ACTIVITIES	1 024 034	1 723 242	710 895	530 515	183 828
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 241 040	- 17 305	- 99 457	- 20 439	- 35 758
Net cash flows from operating activities	381 102	440 837	898 107	926 390	1 036 592
Net cash flows from investments in non financial assets	- 1 536 873	- 2 069 786	- 1 617 568	- 1 399 531	- 1 198 571
CASH SURPLUS (+)/DEFICIT (-)	- 1 155 771	- 1 628 949	- 719 461	- 473 141	- 161 979
Future infrastructure and superannuation contributions/earnings[2]	- 47 633	- 49 172	- 51 201	- 53 113	- 54 940
UNDERLYING SURPLUS (+)/DEFICIT (-)	- 1 203 404	- 1 678 121	- 770 662	- 526 254	- 216 919

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

Public financial corporation sector comprehensive operating statement

		2023-24 Revised
		$000
	REVENUE	
	Current grants	
	Capital grants	
	Sales of goods and services	1 041
	Interest income	394 241
	Other revenue	
	TOTAL REVENUE	**395 282**
less	EXPENSES	
	Employee benefits expense	1 334
	Superannuation expenses	143
	Depreciation and amortisation	
	Other operating expenses	1 367
	Interest expenses	340 316
	Other property expenses	16 478
	Current grants	
	Capital grants	
	Subsidies and personal benefit payments	
	TOTAL EXPENSES	**359 638**
equals	NET OPERATING BALANCE	35 644
plus	Other economic flows – included in operating result	
equals	OPERATING RESULT	35 644
plus	Other economic flows – other comprehensive income	
equals	COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners	35 644
	NET OPERATING BALANCE	35 644
less	Net acquisition of non financial assets	
	Purchases of non financial assets	
	Sales of non financial assets	
	less Depreciation	
	plus Change in inventories	
	plus Other movements in non financial assets	
	equals Total net acquisition of non financial assets	
equals	FISCAL BALANCE	35 644

Public financial corporation sector balance sheet

	2023-24 Revised
	$000
ASSETS	
Financial assets	
Cash and deposits	51 080
Advances paid	
Investments, loans and placements	10 751 297
Receivables	6 884
Equity investments	
Investments in other public sector entities	
Equity accounted investments	
Investments – shares	
Other financial assets	
Total financial assets	**10 809 261**
Non financial assets	
Inventories	
Property, plant and equipment	
Investment property	
Other non financial assets	
Total non financial assets	
TOTAL ASSETS	**10 809 261**
LIABILITIES	
Deposits held	786
Advances received	166 214
Borrowing	10 494 904
Superannuation	
Other employee benefits	196
Payables	73 407
Other liabilities	54 929
TOTAL LIABILITIES	**10 790 436**
NET ASSETS/(LIABILITIES)	**18 825**
NET WORTH	**18 825**
NET FINANCIAL WORTH[1]	18 825
NET DEBT[2]	**- 140 473**

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.

Public financial corporation sector cash flow statement

	2023-24 Revised
	$000
Cash receipts from operating activities	
Receipts from sales of goods and services	1 041
Grants and subsidies received	
Interest receipts	383 086
Other receipts	
Total operating receipts	**384 127**
Cash payments for operating activities	
Income tax equivalents paid	- 16 376
Payments for employees	- 1 477
Payment for goods and services	- 1 367
Grants and subsidies paid	
Interest paid	- 349 230
Other payments	
Total operating payments	**- 368 450**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**15 677**
Cash flows from investments in non financial assets	
Sales of non financial assets	
Purchases of non financial assets	
Net cash flows from investments in non financial assets	
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**15 677**
Net cash flows from investments in financial assets for policy purposes[1]	
Net cash flows from investments in financial assets for liquidity purposes	- 1 325 361
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 325 361
Net cash flows from financing activities	
Advances received (net)	
Borrowing (net)	1 228 655
Deposits received (net)	
Dividends paid	- 38 211
Other financing (net)	
NET CASH FLOWS FROM FINANCING ACTIVITIES	1 190 444
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 119 240
Net cash flows from operating activities	15 677
Net cash flows from investments in non financial assets	
Distributions paid	- 38 211
CASH SURPLUS (+)/DEFICIT (-)	**- 22 534**

1 Includes equity acquisitions and disposals (net).

Total public sector comprehensive operating statement

		2023-24 Revised
		$000
	REVENUE	
	Taxation revenue	694 210
	Current grants	5 474 196
	Capital grants	382 358
	Sales of goods and services	1 127 307
	Interest income	139 775
	Dividend and income tax equivalent income	
	Other revenue	332 458
	TOTAL REVENUE	**8 150 304**
less	EXPENSES	
	Employee benefits expense	3 123 438
	Superannuation expenses	
	Superannuation interest cost	140 589
	Other superannuation expenses	379 643
	Depreciation and amortisation	853 882
	Other operating expenses	2 546 560
	Interest expenses	428 682
	Other property expenses	
	Current grants	1 182 015
	Capital grants	164 925
	Subsidies and personal benefit payments	73 649
	TOTAL EXPENSES	**8 893 383**
equals	NET OPERATING BALANCE	- 743 079
plus	Other economic flows – included in operating result	- 19 334
equals	OPERATING RESULT	**- 762 413**
plus	Other economic flows – other comprehensive income	- 9 378
equals	**COMPREHENSIVE RESULT – total change in net worth before transactions with owners in their capacity as owners**	**- 771 791**
	NET OPERATING BALANCE	**- 743 079**
less	**Net acquisition of non financial assets**	
	Purchases of non financial assets	1 568 049
	Sales of non financial assets	- 31 474
	less Depreciation	853 882
	plus Change in inventories	2 089
	plus Other movements in non financial assets	134 384
	equals **Total net acquisition of non financial assets**	**819 166**
equals	FISCAL BALANCE	- 1 562 245

Total public sector balance sheet

	2023-24 Revised
	$000
ASSETS	
Financial assets	
Cash and deposits	822 031
Advances paid	158 685
Investments, loans and placements	2 602 192
Receivables	608 533
Equity investments	
Investments in other public sector entities	
Equity accounted investments	
Investments – shares	23 199
Other financial assets	89 085
Total financial assets	**4 303 725**
Non financial assets	
Inventories	230 826
Property, plant and equipment	25 083 765
Investment property	34 812
Other non financial assets	580 526
Total non financial assets	**25 929 929**
TOTAL ASSETS	**30 233 654**
LIABILITIES	
Deposits held	201 503
Advances received	191 456
Borrowing	12 445 543
Superannuation	3 064 627
Other employee benefits	966 877
Payables	485 952
Other liabilities	1 409 853
TOTAL LIABILITIES	**18 765 811**
NET ASSETS/(LIABILITIES)	**11 467 843**
NET WORTH	**11 467 843**
NET FINANCIAL WORTH[1]	- 14 462 086
NET DEBT[2]	**9 255 594**

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.

Total public sector cash flow statement

	2023-24 Revised
	$000
Cash receipts from operating activities	
Taxes received	694 210
Receipts from sales of goods and services	1 138 259
Grants and subsidies received	6 068 240
Interest receipts	139 275
Other receipts	323 050
Total operating receipts	**8 363 034**
Cash payments for operating activities	
Payments for employees	- 3 655 840
Payment for goods and services	- 2 124 091
Grants and subsidies paid	- 1 354 854
Interest paid	- 437 766
Other payments	- 431 915
Total operating payments	**- 8 004 466**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**358 568**
Cash flows from investments in non financial assets	
Sales of non financial assets	31 474
Purchases of non financial assets	- 1 568 347
Net cash flows from investments in non financial assets	**- 1 536 873**
NET CASH FROM OPERATING ACTIVITIES AND INVESTMENTS IN NON FINANCIAL ASSETS	**- 1 178 305**
Net cash flows from investments in financial assets for policy purposes[1]	- 13 428
Net cash flows from investments in financial assets for liquidity purposes	- 95 875
NET CASH FLOWS FROM INVESTING ACTIVITIES	- 1 646 176
Net cash flows from financing activities	
Advances received (net)	
Borrowing (net)	1 045 928
Deposits received (net)	- 310
Other financing (net)	950
NET CASH FLOWS FROM FINANCING ACTIVITIES	1 046 568
NET INCREASE (+)/DECREASE (-) IN CASH HELD	- 241 040
Net cash flows from operating activities	358 568
Net cash flows from investments in non financial assets	- 1 536 873
CASH SURPLUS (+)/DEFICIT (-)	**- 1 178 305**
Future infrastructure and superannuation contributions/earnings[2]	- 47 633
UNDERLYING SURPLUS (+)/DEFICIT (-)	**- 1 225 938**

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

General government sector taxes

	2023-24 Revised	2024-25 Budget
	$M	$M
Taxes on employers' payroll and labour force	**300**	**297**
Payroll taxes	300	297
Taxes on property	**115**	**125**
Stamp duties on financial and capital transactions	115	125
Taxes on the provision of goods and services	**187**	**189**
Taxes on gambling	110	108
Taxes on insurance	77	81
Taxes on the use of goods and performance of activities	**100**	**97**
Motor vehicle registration fees	98	95
Other	2	2
TOTAL TAXATION REVENUE	702	709

General government sector grant revenue

	2023-24 Revised	2024-25 Budget
	$M	$M
Current grant revenue		
Current grants from the Commonwealth (including for on-passing)	5 481	5 746
Untied revenue	3 989	4 208
Tied revenue	1 492	1 538
Other non-Commonwealth contributions and grants	46	26
Total current grant revenue	**5 527**	**5 771**
Capital grant revenue		
Capital grants from the Commonwealth (including for on-passing)	363	575
Tied revenue	363	575
Other non-Commonwealth contributions and grants	9	5
Total capital grant revenue	**373**	**580**
TOTAL GRANTS REVENUE	5 900	6 351

General government sector grant expenses

	2023-24 Revised	2024-25 Budget
	$M	$M
Current grant expense including subsidies and personal benefit payments		
Local government	76	76
Private and not-for-profit sector	1 070	1 065
Grants to other sectors of government	69	67
Other[1]	283	298
Total current grant expenses including subsidies and personal benefit payments	**1 498**	**1 507**
Capital grant expense		
Local government	63	6
Private and not-for-profit sector	99	186
Grants to other sectors of government	129	219
Other	1	
Total capital grant expenses	**292**	**411**
TOTAL GRANT EXPENSES	1 789	1 919

1 Comprises grants to government schools and Charles Darwin University.

General government sector dividend and income tax equivalent income

	2023-24 Revised	2024-25 Budget
	$M	$M
Dividend and income tax equivalent income from public non financial corporations sector	37	48
Dividend and income tax equivalent income from public financial corporations sector	55	54
TOTAL DIVIDEND AND INCOME TAX EQUIVALENT INCOME	92	102

General government sector operating expenses by function

	2023-24 Revised	2024-25 Budget
	$M	$M
General public services	672	763
Public order and safety	1 152	1 169
Economic affairs	563	580
Environmental protection	158	142
Housing and community amenities	916	1 029
Health	2 184	2 067
Recreation, culture and religion	187	201
Education	1 352	1 459
Social protection	771	695
Transport	348	318
TOTAL OPERATING EXPENSES	8 303	8 423

Reported by Classifications of Functions of Government – Australia.

General government sector purchases of non financial assets by function

	2023-24 Revised	2024-25 Budget
	$M	$M
General public services	9	6
Public order and safety	107	77
Economic affairs	49	56
Environmental protection	20	36
Housing and community amenities	403	414
Health	96	147
Recreation, culture and religion	64	49
Education	39	58
Social protection	28	28
Transport	393	682
TOTAL PURCHASES OF NON FINANCIAL ASSETS	1 208	1 553

Reported by Classifications of Functions of Government – Australia.

Non financial public sector total expenditure by function

	2023-24 Revised	2024-25 Budget
	$M	$M
General public services	693	781
Public order and safety	1 260	1 246
Economic affairs	1 302	1 414
Environmental protection	222	224
Housing and community amenities	1 523	1 725
Health	2 280	2 214
Recreation, culture and religion	251	250
Education	1 391	1 517
Social protection	799	723
Transport	762	1 024
TOTAL EXPENDITURE[1]	10 482	11 117

1 Total expenditure comprises operating expenses and net capital investment.
Reported by Classifications of Functions of Government – Australia.

Appendices

Appendix A

Classification of entities in the Northern Territory

Total public sector

Non financial public sector

General government sector

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

Public non financial corporations sector

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

Public financial corporation sector

Northern Territory Treasury Corporation[2]

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

Appendix B

Abbreviations and acronyms

a	actual
AARC	AustralAsia Railway Corporation
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
B	billion
BFSA	Better and Fairer Schools Agreement
Cat. No.	catalogue number
CGC	Commonwealth Grants Commission
COPE	Commonwealth own-purpose expenses
CPI	consumer price index
CTP	compulsory third-party insurance
e	estimate
f	forecast
FFA	Federation Funding Agreement
FITA	*Fiscal Integrity and Transparency Act 2001*
GEMCO	Groote Eylandt Mining Company
GFC	global financial crisis
GSP	gross state product
GST	goods and services tax
HFE	horizontal fiscal equalisation
ICT	information and communications technology
IGA FFR	Intergovernmental Agreement on Federal Financial Relations
IMF	International Monetary Fund
LHS	left-hand side
LNG	liquefied natural gas
M	million
MAC	Motor Accidents Compensation
Moody's	Moody's Investors Service
n/a	not applicable
NAIF	Northern Australia Infrastructure Facility
NHRA	National Health Reform Agreement
NSPP	national specific purpose payment
NTPS	Northern Territory Public Sector
NTRAI	Northern Territory Remote Aboriginal Investment
NTTC	Northern Territory Treasury Corporation
ppt	percentage points
r	revised
RBA	Reserve Bank of Australia
RHS	right-hand side
SCI	statement of corporate intent
SFD	state final demand
UPF	Uniform Presentation Framework

Appendix C

Explanation of terms

Administrative Arrangements Order

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

Advances/advances paid

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

Agency

A unit of government administration, office or statutory corporation, as nominated in an Administrative Arrangements Order for the purposes of the *Financial Management Act 1995*.

Appropriation

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

Appropriation Act

The Act that provides the legal authority for the Northern Territory Government's funding decisions and includes an annual *Appropriation Act* or additional *Appropriation Act*.

Assessable debt

Assessable debt comprises total borrowings less leases.

Australian accounting standards

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

Australian Bureau of Statistics

A Commonwealth agency that coordinates statistical activities and collaborates with official bodies in collecting, compiling, analysing and distributing statistics.

Australian Bureau of Statistics Government Finance Statistics Manual

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

Borrowings

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

Budget cycle

Financial years reported in the Budget, comprising the revised budget, budget year, and the three forward estimate years.

Capital grants expense/revenue

Transfers of assets from one unit to another, for which no economic benefit of equal value are receivable or payable in return. Includes transfers of ownership of assets (other than cash and inventories), transfers of cash to enable recipients to acquire another asset, and transfers of funds realised from the disposal of assets.

Capital works

Infrastructure projects involving building and engineering works that create or improve government owned assets, as well as constructing or installing facilities and fixtures associated with and forming an integral part of those works.

Cash and deposits

Notes and coin held, deposits at call with a bank or other financial institution, and highly liquid investments that are readily convertible to cash on hand at the investor's option.

Cash surplus/deficit

Net impact of cash flows during the period. A key fiscal aggregate reported in the cash flow statement, cash surplus/deficit is a useful indicator of the Territory's need to call on financial markets to meet its budget obligations. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non financial assets, less distributions paid.

Central Holding Authority

The parent financial entity of government. It receives all Territory own-source revenue collected by other agencies on behalf of the Territory, except revenue permitted by legislation to be retained by an agency. It also receives most Commonwealth income, including GST revenue, national partnership and specific purpose payments, and then distributes this funding to agencies in the form of appropriations.

Change in net worth

Change in net worth (comprehensive result) measures the variation in a government's accumulated assets and liabilities. It is calculated as revenue from transactions less expenses from transactions plus other economic flows.

Classifications of functions of government – Australia

A framework to classify government outlays or expenditure by the purpose served, for example, health or education, which is based on classifications set by the Australian Bureau of Statistics in the government finance statistics manual.

Commonwealth Grants Commission

A Commonwealth statutory body that makes recommendations to the Commonwealth Treasurer on how revenues raised from GST should be distributed to states and territories.

Commonwealth own-purpose expenses

Payments by the Commonwealth directly to an agency for provision of specific services or for on-passing to non-government and local government organisations.

Community service obligation

Arises when the government requires a government business division or government owned corporation to carry out activities it would not choose to do on a commercial basis or would only do so at higher commercial prices. Community service obligation funding allows the government to achieve identifiable community or social objectives that would not be achieved if left solely to commercial considerations.

Comprehensive result

Fiscal aggregate reported in the operating statement. The net result of all items of income and expense recognised for the period, it is the aggregate of the operating result and other movements in assets and liabilities, other than transactions with owners in their capacity as owners. It equals revenue from transactions less expenses from transactions plus other economic flows.

Consumer price index

A measure of the price of a representative basket of goods and services for each Australian capital city over time.

The consumer price index's basket of goods has 11 categories of goods and services (food and non-alcoholic beverages; alcohol and tobacco; clothing and footwear; housing; furnishings, household equipment and services; health; transport; communication; recreation and culture; education; and insurance and financial services). These categories are weighted to reflect household consumption patterns in each city. Weights for each capital city are updated on an annual basis to reflect changing household consumption patterns over time.

Contingent liability

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events not wholly in control of the Territory. It also includes present liabilities that arise from past events where it is not probable the Territory will be required to settle the liability, or the amount of the obligation cannot be reliably estimated.

Controllable costs

Costs that an entity is able to directly influence to improve profitability. These costs comprise total operating costs, such as personnel, professional fees, information and communications technology, training, travel and property costs, but exclude costs of sales, depreciation, impairments, interest and tax expenses.

Current grants expense/revenue

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Debt ceiling

Limit on the amount of assessable borrowings that can be incurred by the Territory to meet its operational and capital commitments in accordance with the *Fiscal Integrity and Transparency Act 2001*.

Deposits held

Net cash held by public sector entities as a result of deposits received, predominantly comprising cash held on behalf of, or for the benefit of, other parties.

Depreciation and amortisation

An expense that represents the cost of assets (both tangible and intangible) over their useful life, to account for declines in their value over time due to usage, wear and tear, and obsolescence.

Employed

Persons 15 years and older who worked for one hour or more in the week as measured by the labour force survey. Persons are measured as being employed in the jurisdiction in which they reside, regardless of the location of their employment.

Employee benefits expense

Consists of all uncapitalised compensation of employees except for superannuation. It includes payments in cash or in kind.

Federation funding agreement schedules

Fixed term agreements between the Commonwealth and states and territories, with defined objectives, outcomes, outputs and performance measures for the delivery of specific projects, services or to facilitate reforms arranged under five sectoral federation funding agreements covering health, education and skills, infrastructure, environment, and affordable housing, community services and other.

Financial asset

A non physical asset that gets its value from a contractual or ownership claim with a counterparty. Includes cash and deposits, advances paid, investments, loans and placements, receivables, equity investments, and other contractual rights to receive future economic benefits.

Financial instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Fiscal aggregate

Financial indicators used for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* prescribes net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth and cash surplus/deficit. The Uniform Presentation Framework prescribes additional fiscal aggregates not included in AASB 1049. These are net debt, net financial worth, net financial liabilities and cash surplus/deficit.

Fiscal balance (net lending/borrowing)

An operating statement measure, also referred to as net lending/borrowing, that differs from net operating balance as it includes spending on capital items but excludes depreciation. A net lending (or fiscal surplus) balance indicates that government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) balance indicates a government's level of investment is greater than its level of savings. The fiscal balance equals the net operating balance less the net acquisition of non financial assets.

General government sector

Agencies and other entities controlled by government mainly engaged in the production of goods and or services outside the normal market mechanism, where goods and services are provided free of charge or at nominal charge well below costs of production. This sector is generally funded by taxation revenues (directly or indirectly) and Commonwealth grants.

General revenue assistance

Commonwealth payments to states and territories that are untied and can be used for any purpose, and includes GST payments.

Goods and services tax revenue

The Territory's share of national GST collections, based on the Territory's population share weighted by its GST relativity. GST relativities are determined by the Commonwealth Treasurer, informed by the recommendations of the Commonwealth Grants Commission.

Government business division

A Territory Government-controlled trading entity that follows commercial practices and is required to comply with competitive neutrality principles.

Government finance statistics

Statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. Government finance statistics in Australia are developed by the Australian Bureau of Statistics in conjunction with all governments and are mainly based on international statistical standards, developed in consultation with member countries by the International Monetary Fund.

Government owned corporation

An entity governed by the *Government Owned Corporations Act 2001*. Operating under a shareholder model of corporate government, its objectives are to function as efficiently as any corporate business and maximise sustainable returns to government.

The Territory has three government owned corporations: Power and Water Corporation, Territory Generation and Jacana Energy.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving equal value in return. Grants can be either current or capital in nature (see current grants and capital grants).

Grants can be paid as general purpose grants, which refer to grants not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and or have conditions attached regarding their use.

Gross domestic product

The total value of goods and services produced in Australia over the period for final consumption. Intermediate goods, or those used in the production of other goods, are excluded. Gross domestic product can be calculated by summing total output, total income or total expenditure.

Gross state product

Measures the total value of goods and services produced in a state or territory. The sum of all income, namely wages, salaries and profits, plus indirect taxes less subsidies, gross state product can also be calculated by measuring expenditure, where it is the sum of state final demand and international and interstate trade, changes in the level of stocks, and a balancing item.

Guarantee

An undertaking to assume responsibility for the debt of, or performance obligations by another party should the party default.

Horizontal fiscal equalisation

A distribution of GST revenue to state and territory governments so, after allowing for material factors affecting revenues and expenditures, each would have the fiscal capacity to provide services and associated infrastructure at a similar standard, if each made the same effort to raise revenue from its own sources, operated at the same level of efficiency and maintained the average per capita net financial worth.

Household consumption

Expenditure by resident households on goods and services that will not be resold or used in production. The purchase of dwellings is excluded from household consumption as dwellings are goods used by owners to produce housing services for those owners and is therefore captured in private investment.

Household savings rate

The ratio of household net saving to household net disposable income. Household net saving is calculated as household net disposable income less household final consumption expenditure. Household net disposable income is calculated as household gross disposable income less household consumption of fixed capital.

Indemnity

An undertaking to compensate, protect or insure another person or entity against future financial loss, damage or liability.

Inflation

Annual change in the consumer price index. For the purpose of adjusting agency budgets and government fees, the Territory Government generally uses the year-on-year change in the consumer price index.

Interest expense

Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments and amortisation of discounts or premiums on borrowings.

Intergovernmental Agreement on Federal Financial Relations

An agreement outlining the objectives, principles and institutional arrangements governing financial relations between the Commonwealth and state and territory governments, including Commonwealth funding to states and territories through general revenue assistance, specific purpose payments and national partnership payments.

Inventories

Goods or other property used in the production of goods or services, or held for sale or consumption, but does not include livestock and other regenerative natural resources.

Investments, loans and placements

Surplus cash or funds available that are invested in permitted investment types with the goal of achieving desired financial returns within defined risk tolerance levels.

Key fiscal indicators

Key financial measures that must be specified by government in accordance with the *Fiscal Integrity and Transparency Act 2001*, against which fiscal policy is set and assessed. The fiscal indicators determined by government are derived from fiscal aggregates reported in the Uniform Presentation Framework and AASB 1049.

Labour force

All persons 15 years and over who are available for work, that is, employed plus unemployed persons actively seeking work. Labour force excludes Australian Defence Force personnel and non residents.

Leases

Rights conveyed in a contract or part of a contract to use an asset (the underlying asset) for a period of time in exchange for consideration.

Loans

Debt financial instruments used for the purpose of raising and obtaining funds from financial institutions (or central borrowing authority).

Local Jobs Fund

Funding pool established by the Territory Government to support job creation and accelerate major and significant economic projects for high growth potential Territory businesses through a variety of funding mechanisms such as concessional loans, equity co-investments, and grants.

Machinery of government changes

Changes or variations in government structure, including the abolition or creation of new government entities, the merger or absorption of government entities, and small or large transfers of policy, program or service delivery responsibilities between government entities.

Minor works

Capital projects of $1 million or less approved to start in the current financial year relating to improvements to or construction of new Territory Government assets.

National funding agreements

Agreements between the Commonwealth and states and territories that contain significant policy content and act as sources of longer-term funding.

National partnership agreements

Fixed-term agreements between the Commonwealth and states and territories, with defined objectives, outcomes, outputs and performance measures for the delivery of specific projects, services or reforms. National partnerships are being replaced with federation funding agreement schedules.

National partnership payments

Tied payments from Commonwealth Treasury to state and territory treasuries, and appropriated to government agencies to deliver outcomes and outputs under federation funding agreement schedules, national partnership agreements, and some national funding agreements.

Net acquisition/(disposal) of non financial assets

Measuring net capital expenditure for a fiscal year, it equals purchases (or acquisitions) of non financial assets less sales (or disposals) of non financial assets, less depreciation, plus changes in inventories and other movements in non financial assets.

Net actuarial gains/losses

Net gains and losses as a result of changes in actuarial assumptions, including those relating to defined benefit superannuation plans, reported in other economic flows in the operating statement.

Net capital investment

Purchases of non financial assets (incorporating the construction of assets) less sales of non financial assets as reported in the comprehensive operating statement.

Net cash flows from investments in financial assets (liquidity management purposes)

Cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash flows from investments in financial assets (policy purposes)

Cash receipts from liquidation or repayment of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. These cash flows are distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disasters.

Net debt

A government's net stock of selected gross financial liabilities less financial assets. A key fiscal aggregate reported in the balance sheet, it equals the sum of deposits held, advances received, loans and other borrowings, less the sum of cash and deposits, advances paid and investments, loans and placements.

Net debt to revenue

Fiscal measure that assesses net debt as a proportion of total revenue. It assesses government's ability to repay its borrowings, with a high ratio indicating a lower ability to repay debt and a low ratio indicating a strong ability to repay debt.

Net exports (also known as trade balance)

Difference between the value of a jurisdiction's exports and imports. When exports exceed imports, the jurisdiction has a trade surplus, and conversely, when imports exceed exports, the jurisdiction has a trade deficit.

Net financial liabilities

Reported in the balance sheet, this measure is broader than net debt, as it includes significant liabilities other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). It equals total liabilities less financial assets, other than equity in public non financial corporations and public financial corporations. For the public non financial corporation and public financial corporation sectors, it is equal to negative net financial worth.

Net financial worth

Reported in the balance sheet, net financial worth measures a government's net holdings of financial assets. It equals total financial assets minus total liabilities.

Net operating balance

Key fiscal aggregate reported in the operating statement, measuring the ongoing sustainability of a government's operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets, and is the component of the change in net worth that is due to transactions attributable directly to government policies. It equals total revenue less total expenses.

Net worth

Provides a 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 non financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as financial assets and liabilities including debtors, creditors and superannuation liabilities. Net worth also shows asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.

Non-budget sector entity

An entity in which the Territory has a controlling interest. The entity is consolidated at the whole of government level but not presented separately in the Territory's financial reports. Outside the scope of the *Financial Management Act 1995*, it is generally a statutory body that does not meet the definition of a general government sector agency, public non financial corporation or public financial corporation.

Non cash

Transactions that do not involve the inflow or outflow of cash, and are typically attributed to increases or decreases in the value of assets or liabilities. Non cash transactions include depreciation, amortisation, assets gifted for nil consideration and unrealised gains or losses.

Non financial assets

Assets that are not financial assets, predominantly comprising land and other fixed assets.

Non financial public sector

The sector formed through a consolidation of the general government and public non financial corporation sectors.

Non-policy variations

Changes in key fiscal indicators as a result of factors outside government's control, such as the timing of payments or changes in external economic conditions.

Northern Territory Project Development Framework

Framework applied to capital projects that are funded or partially funded by the Territory, where the Territory-funded contribution (either cash or non cash) is $30 million or more. The framework aims to ensure government-facilitated and funded projects are developed, evaluated and progressed in a consistent way to enhance transparency and public accountability, and maximise outcomes and public benefit of government expenditure.

Operating result

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions, such as revaluations, net actuarial gains and losses, and other changes in the volume of assets.

Other operating expenses

Expenses that generally represent day-to-day running costs incurred in normal operations. They also include total value of goods and services used in production and use of goods acquired for resale.

Other revenue

Revenue other than revenue from taxes, sales of goods and services, and property income. It includes revenue from fines other than penalties imposed by tax authorities.

Other superannuation expenses

Total superannuation expenses from transactions excluding superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are reported in other economic flows.

Own-source revenue

Revenue raised by the Territory, mainly through Territory administered legislation, largely comprising taxes and mining and petroleum royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets.

Parameters

Used to adjust agency budgets. Also referred to as inflators and deflators.

Payables

Liabilities (or amounts owed) that include short and long-term trade debt, accounts payable, accrued expenses, grants and interest payable.

Policy variations

Changes to key fiscal indicators that arise from government decisions to implement new or expand existing agency programs and savings, revenue and contingency measures.

Private investment

Expenditure by producers on fixed assets that are used in the process of production and used repeatedly or continuously for longer than one year. It comprises dwelling investment, ownership transfer costs (fees incurred by the buyer or seller of real estate), non-dwelling construction (industrial, commercial and non-dwelling buildings and other structures such as pipelines and bridges), machinery and equipment, cultivated biological resources (natural resources used repeatedly to produce products such as milk or orchards) and intellectual property products (products as a result of creative activity, research and development and mineral exploration).

Public consumption

Government expenditure on goods and services (including wages and rents). National consumption is a combination of Commonwealth consumption, defence consumption and consumption by universities. State and local government consumption includes all other public consumption.

Public financial corporation

Government-controlled entity that performs a central bank function and has the authority to incur financial liabilities and acquire financial assets in the market on its own behalf.

Public investment

Expenditure by all levels of government on the purchase of fixed assets that are used over a long time period. Most data for public investment is sourced from state and territory government financial reports. Adjustments are made by the Australian Bureau of Statistics to deduct expenditure that is classified as consumption, rather than investment. The Australian Bureau of Statistics' statistical treatment of public investment does not always reconcile with the Territory Government's reporting of investment expenditure and, as a result, is not directly comparable.

Public non financial corporations

Government owned and controlled entities that provide goods and services to consumers on a commercial basis and are funded largely by the sale of these goods and services with the aim to maximise sustainable returns to government. These entities are legally distinguishable from the government that owns them.

Receivables

Assets (or amounts to be received) that include short and long-term trade credit, accounts receivable, prepaid expenses, grants, taxes and interest receivable.

Repairs and maintenance expenses

Expenses incurred to maintain existing government owned assets in working condition or keep an asset functioning at its required capacity. Reported in other operating expenses in the operating statement, it excludes works that enhance an asset significantly or extend its useful life.

Sales of goods and services

Revenue from the direct provision of goods and services, including fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income from operating leases and on assets such as buildings and equipment, but excludes rental income from the use of non-produced assets such as land.

Service concession arrangement

A contract effective during the reporting period between a grantor and an operator in which the operator:

- has right of access to the service concession asset (or assets) to provide public services on behalf of the grantor for a specified period of time
- is responsible for at least some of the management of the public services provided through the asset and does not act merely as an agent on behalf of the grantor
- is compensated for its services over the period of the service concession arrangement.

Specific purpose payments

A Commonwealth financial contribution to support delivery of services in a particular sector. Payments are made from the Commonwealth Treasury to state and territory treasuries and are appropriated to the relevant government agency.

State final demand

A major component of gross state product, and a measure of the demand for goods and services in an economy. While state final demand includes consumption and investment expenditure, it does not include the contribution of trade or changes in inventories to economic growth and therefore is not a comprehensive measure of economic growth.

Statutory bodies

Entities established by or under an Act for a public purpose where there is a need for some operational independence from government. These entities are mainly funded through levies, taxes or grant funding.

Superannuation interest cost

Costs equivalent to interest expense that would be payable if the Territory borrowed funds to extinguish superannuation liabilities related to defined benefit and defined contribution schemes.

Tax equivalents regime

Mechanism used to ensure government business divisions and government owned corporations incur similar tax liabilities to private enterprises. The regime supports competitive neutrality by achieving a greater degree of parity between the cost structures of government-controlled trading entities and the private sector.

Territory-funded expenses

Expenses funded by the Territory from appropriation and payments made from the Central Holding Authority including interest and employee entitlements.

Tied revenue

Revenue received by the Territory that must be used for specific purposes, predominantly through national funding agreements, federation funding agreement schedules, national partnership agreements and specific purpose payments, which are tied with a sector.

Total public sector

The sector formed through a consolidation of the non financial public and public financial corporation sectors.

Treasurer’s Advance

An appropriation purpose as specified in the *Appropriation Act*, providing a pool of funds specifically set aside in each budget to meet one-off unexpected costs that arise during the year and are substantial enough to warrant additional appropriation actioned under section 18 of the *Financial Management Act 1995*. Treasurer’s Advance is also used to fund all new government decisions affecting the current financial year that require additional Territory appropriation to be paid to agencies.

Unemployment rate

Number of unemployed persons expressed as a percentage of the labour force.

Uniform Presentation Framework

A framework agreed by the Council on Federal Financial Relations to incorporate AASB 1049. The Uniform Presentation Framework requires Commonwealth, state and territory governments to present a minimum set of budget and financial outcome information based on the government finance statistics, according to an agreed format and specified reporting arrangements. This enables users of the information to make valid comparisons between jurisdictions.

Untied revenue

Revenue received by the Territory that can be used for discretionary purposes. It comprises GST revenue.

Wage price index

A measure of hourly rates of pay over time for a fixed range of jobs. The Australian Bureau of Statistics measures the wage price index at the state and territory level (as well as nationally) and for both the public and private sectors. It excludes non-wage costs such as superannuation, payroll tax and workers compensation.

Whole of government financial report

Financial report prepared by a government in accordance with Australian accounting standards, including AASB 10 *Consolidated Financial Statements* and AASB 127 *Separate Financial Statements*, thereby separately recognising assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.