Chapter 4

Fiscal strategy statement

Overview

The 2021-22 Budget incorporates improved GST and own-source revenue estimates combined with government's policy measures to continue to protect Territorians against COVID-19, support economic recovery, manage demand for government services and enhance community safety.

The 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 the principles of sound fiscal management, where the government must:

- formulate and apply spending and taxation 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 the 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 achievement of the key fiscal indicators.

2021-22 Fiscal strategy

The fiscal strategy objectives and targets in the 2021-22 Budget remain unchanged from those reported in the 2020-21 Budget. Detailed assessment of expected outcomes for fiscal strategy objectives and key fiscal targets follows.

Assessment of the fiscal strategy

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

Principle 1: Sustainable service provision

The government's principle of sustainable service provision satisfies FITA principles 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.

Stability and predictability are more attainable when the Territory's finances are sustainable. Operating surpluses indicate government can finance services from revenue generated in that financial year. Conversely, operating deficits indicate operating 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.

Due to the Territory's small own-source revenue base, the Territory has limited ability to influence the level of revenue it can generate, however, it is able to directly influence expenditure growth. Accordingly, the fiscal strategy objectives in pursuit of sustainable service provision aim to contain expenditure growth, maintain a financially sustainable public sector and achieve general government net operating surpluses to ensure debt is not passed on to future generations.

While there is no explicit time period in the definition of a generation, the Territory Government's fiscal strategy focuses on the 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 in order 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 specifically targets Territory-controllable expenditure growth and excludes time-limited external funding that can distort growth rates over the forward estimates, and ultimately 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 grow by 0.2% in aggregate over the forward estimates when compared to a 5.4% anticipated growth in own-source and untied revenue over the same period. As a result, this fiscal strategy objective and target has been met over the budget cycle. The relatively flat growth in Territory-funded expenses is largely driven by nil wages indexation from 2021-22 to 2024-25 in line with the government's 2021–2024 wages policy, partially offset by demand growth in the health sector, combined with low CPI indexation over the budget and forward estimates, as detailed in Chapter 2, *Fiscal outlook*. Growth in untied revenue of 5.4% reflects improvements in both GST revenue and own-source revenue estimates since the 2020-21 Budget.

Table 4.1: Territory-funded expense growth, and own-source and untied revenue growth

	2021-22	2022-23	2023-24	2024-25	
	Budget	Forward estimate			Growth
	$M	$M	$M	$M	%
Territory-funded expenses[1]	5 131	5 083	5 131	5 141	0.2
Own-source and untied revenue	4 626	4 621	4 722	4 876	5.4

1 Excludes expenses carried over from prior years.

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

Given the Territory's public service employee expenses account for about 40% of the general government sector's total expenses, maintaining a financially sustainable public service is critical in containing expenditure growth.

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. This objective is premised on ensuring service provision does not outpace population growth. Accordingly, the target has been set that general government Territory-funded employee expense growth is not to exceed the wages policy parameter, net of efficiency dividends, plus the Territory's long-term annual population growth of 1.4% in any year over the budget and forward estimates period.

To assist in meeting this objective and support budget repair, the wage indexation for government's 2021–2024 wages policy was amended from 2% per annum to nil for four years from 2021-22. Table 4.2 highlights that Territory-funded employee expense growth is well below the sum of the wages policy parameter net of efficiency dividends and the Territory's 1.4% long-term population growth. It also demonstrates that government is containing growth in the general government sector's single largest expenditure item.

Table 4.2: Territory-funded expense growth and wages growth

	2021-22	2022-23	2023-24	2024-25
	Budget	Forward estimate		
	%	%	%	%
Territory-funded employee expense growth	- 1.3	- 0.5	0.4	0.0
Wages policy parameter plus long-term population growth	0.8	0.8	0.8	0.8
Variation	- 2.2	- 1.3	- 0.4	- 0.9

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 has improved on average by $273 million per annum over the budget cycle when compared to the 2020-21 Budget, in line with the improved GST and own-source revenue estimates. Despite this improvement, the net operating balance remains in deficit over the budget cycle.

Table 4.3: General government sector – net operating balance

	2021-22	2022-23	2023-24	2024-25
	Budget	Forward estimate		
	$M	$M	$M	$M
2020-21 Budget	- 774	- 819	- 739	n/a
2021-22 Budget	- 497	- 536	- 480	- 570
Variation from 2020-21 Budget	277	283	259	n/a

n/a: not available at the time of publishing the 2020-21 Budget

One of the key objectives of government's *A plan to fix the budget* is to return the budget to an operating balance surplus over a 10-year period, previously forecast to be achieved by 2027-28. Since the emergence of COVID-19, forecast growth in GST and own-source revenue over the medium term has significantly deteriorated. Over the medium term from the budget year, the general government sector net operating balance is now expected to stabilise with an average deficit of $564 million per annum. In the absence of any further improvements in the Territory's revenue base or reduction in expenditure, a net operating surplus will not be achieved.

Principle 2: Infrastructure for economic and community development

The government's principle of infrastructure for economic and community development directly 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 balance objective aims at striking an appropriate balance between maintaining public assets, supporting the economy and restraining expenditure growth.

As shown in Table 4.4, projected general government infrastructure investment, inclusive of Commonwealth-funded projects (comprising capital works, minor new 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 $1.09 billion, well above annual average depreciation of $528 million.

This measure differs from total infrastructure payments of $1.62 billion, as reported in Budget Paper No. 4, as it excludes capital-related grants and is presented for the general government sector only.

The second element of this objective supports the government's primary agenda of budget repair by restraining growth by ensuring Territory-funded infrastructure investment does not exceed twice the level of depreciation in any single year. Table 4.4 highlights that this element of the strategy is also being achieved, with the ratio of Territory-funded infrastructure to depreciation peaking at 1.5 in 2022-23 before falling to 1.1 from 2023-24.

Table 4.4: General government sector – infrastructure investment to depreciation ratio

	2021-22	2022-23	2023-24	2024-25	
	Budget	Forward estimate			Average
Total infrastructure investment ($M)	1 256	1 284	1 060	776	1 094
Depreciation ($M)	536	530	526	520	528
Territory-funded infrastructure investment ($M)	660	782	587	559	647
Depreciation ($M)	536	530	526	520	528
Territory-funded infrastructure investment to depreciation ratio	1.2	1.5	1.1	1.1	1.2

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

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 both FITA principles of prudent debt management and economic development, and growth of 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 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 introduction of the Northern Territory Project Development Framework in October 2019, there have been no Territory Government-funded projects in excess of $30 million added to the capital works program beyond existing rolling programs, including roads and prior commitments such as government's $1.1 billion 10-year remote housing program and projects related to the Darwin City Deal.

Once fiscal surpluses are achieved, it is intended that all infrastructure projects will be funded through revenues as per long-term objectives of sustainable service provision.

Principle 3: Competitive tax environment

While the Territory's revenue base is small in comparison to other jurisdictions, taxation and own-source revenues provide the government with a reasonable degree of stability and predictability, which are key principles of FITA. This stability provides consistent revenue streams to fund service delivery, unlike the volatility experienced with GST revenue in past 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 growth of 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 that are competitive with the other jurisdictions and encourage increased levels of business activity in the Territory while 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 states. 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 particular 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 settings, whereas a ratio below 100 indicates that it collects less revenue than it has the assessed capacity to do so. The fiscal strategy aims to achieve assessed taxation effort of at least 90% in order to maximise revenue generation but remain competitive when compared to other states.

Table 4.5 shows the Territory's taxation effort decreased to 74.9% in 2019-20, the latest year assessed by the CGC, compared with 81.1% in 2018-19. The reduction in taxation effort was due to overall declining economic activity in 2019-20 following higher payroll tax receipts in prior years during the construction of the Ichthys LNG project, and large one-off commercial stamp duties received in 2018-19. On this basis, the fiscal strategy target has not been achieved.

Table 4.5: 2019-20 taxation effort by jurisdiction

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
	%	%	%	%	%	%	%	%	%
Total taxation	102.1	99.7	93.7	102.5	97.5	82.9	157.6	74.9	100

Source: CGC 2021 Update

The Territory generally demonstrates below-average taxation effort as the Territory does not impose a land tax and levies lower than average motor vehicle taxes. One-off increases in gambling and motor vehicle taxes in 2020-21, combined with the improvement in housing values and market activity, are anticipated to have a positive effect on the Territory's taxation effort for 2020-21. In addition, the cessation of stamp duty concessions and most COVID-19 revenue relief measures from 2021-22 will also improve taxation effort in future updates.

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 is critical in providing stability and predictability. However, in order to maximise the capacity to allocate to service delivery and new initiatives, the collection of own-source revenue must be efficient through maintaining low direct operating costs. Accordingly, the fiscal strategy aims for the Territory Revenue Office's operating expenditure to be less than 1% of total taxes and royalties collected to ensure efficient revenue collection.

Table 4.6 demonstrates this element of the fiscal strategy has been achieved with Territory Revenue Office operating expenditure projected to be half of the target 1% of total taxes and royalty revenue across the budget and forward estimates period.

Table 4.6: Territory Revenue Office expenditure to taxation revenue raised

	2020-21	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate		
Territory Revenue Office expenditure ($M)	5	5	4	4	4
Territory taxes and royalties ($M)	887	889	905	911	941
Expenditure to revenue (%)	0.5	0.5	0.5	0.5	0.5

Principle 4: Prudent management of debt and liabilities

The fiscal strategy principle of prudent management of debt and liabilities directly satisfies 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 considered prudent to maintain higher levels of debt in order to maintain government expenditure and support services to the economy. When economic growth and own-source revenues are strong, lower debt levels may be considered prudent as they present an opportunity for government to pay down debt while there is strong revenue growth and private sector investment. Consequently, prudent debt management cannot be explicitly defined but rather is an assessment made in developing a budget in light of the economic and fiscal conditions faced by the Territory at that time.

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

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

Excessive debt can lead to restrictions on government's capacity to maintain appropriate levels of service through increased borrowing costs and can 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 Northern Territory Treasury Corporation (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. 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 2020-21 Budget, confirming an unchanged credit rating for the Territory at Aa3 with a stable outlook. Moody's acknowledged that the significant deterioration in the Territory's 2020-21 Budget projections was largely driven by the material contraction in the national GST pool as a result of the COVID-19-induced economic slowdown. Moody's noted that, despite the Territory's effective containment of the pandemic, given the Territory-funded COVID-19 stimulus measures combined with the effects of the broader economic slowdown, the achievement of the initial budget repair and savings measures identified in the government's *A plan to fix the budget* would be unlikely. Accordingly, this fiscal strategy target has not been met.

Subsequent to this assessment, Moody's published an updated credit opinion for the Territory in February 2021 stating the Territory's current credit profile is reflective of the significant support of the Commonwealth, and the Territory is heavily exposed to Australia's broader economic recovery. Accordingly, Moody's highlighted that a downgrade to the Australian sovereign debt rating would place downward pressure on the Territory's credit rating.

Net debt to revenue is a recognised measure to assess a jurisdiction'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 debt to revenue 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 has maintained a long-term average net debt to revenue ratio of 40%. Due to the implementation of new accounting standards on leases, this long-term average has been adjusted to 50% and retained as a long-term objective of the fiscal strategy.

As shown in Table 4.7, the non financial public sector's net debt to revenue ratio is projected to be lower in all years when compared to the 2020-21 Budget. The improvement in the net debt to revenue ratio is in line with improved fiscal balance deficits, with a ratio of 122% in 2021-22, increasing to 166% by 2024-25.

Table 4.7: Non financial public sector – net debt to revenue ratios

	2020-21	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate		
	%	%	%	%	%
2020-21 Budget	132	148	167	179	n/a
2021-22 Budget	111	122	146	155	166
Variation from 2020-21 Budget	- 20	- 26	- 21	- 24	n/a

n/a: not available at the time of publishing the 2020-21 Budget

To support the achievement of improving the Territory's credit rating and net debt to revenue ratios, in the May 2021 Legislative Assembly sittings the Territory Government introduced amendments to the FITA to legislate a debt ceiling. A legislated debt ceiling provides greater accountability for financial performance and is one of the key financial accountability pillars of government's *A plan to fix the budget*, complementing the Charter of Budget Discipline and strengthened chief executive budget accountability reforms.

The debt ceiling has been set at a fixed cap on total borrowings at the non financial public sector (excluding finance leases) of $15 billion. Finance lease liabilities have been explicitly excluded from the cap as their valuation is subject to changes in discount rates and does not correlate with actual cash proceeds sought from financial markets to fund operating and capital activities of government.

Net debt is a fiscal measure as determined by the Australian Bureau of Statistics (ABS) and accounting standards. Total borrowings will always be greater than reported net debt figures as borrowings only represent gross debt liabilities, while net debt comprises gross debt liabilities less select liquid financial assets. Targeting borrowings is an indirect means of controlling net debt but represents a more directly controllable measure by government as net debt can be influenced by valuations of finance leases and returns on investments.

In the event the debt ceiling is exceeded or expected to be exceeded over the budget and forward estimates period, the Treasurer will be required to prepare a report within three months and then table it in parliament within six sitting days providing a detailed explanation of the circumstances that have contributed to the forecast breach, identifying actions that will be progressed to remedy the breach to ensure the cap is not exceeded, along with revised forward estimates. The Treasurer will also have the power to suspend the borrowing limit for 12 months in certain situations such as in the event of natural disasters or public health emergencies.

Table 4.8 presents the debt values for the 2021-22 Budget to be assessed in accordance with the FITA debt ceiling. The table shows that total borrowings, excluding finance leases, are below the $15 billion cap in all years over the budget cycle.

Table 4.8: Non financial public sector – debt ceiling assessment

	2020-21	2021-22	2022-23	2023-24	2024-25
	Revised	Budget	Forward estimate		
	$M	$M	$M	$M	$M
Total borrowings	10 427	11 777	13 031	13 911	14 612
Less: finance leases	1 771	1 775	1 732	1 616	1 507
Total assessable debt	8 656	10 002	11 299	12 296	13 105

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 the 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 at strengthening their commercial sustainability, increasing accountability for financial and non-financial performance, and reducing their reliance on government support. It directly satisfies 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 the SCIs, the fiscal strategy targets reported in final SCIs may differ from those reported in this chapter.

At the time of drafting, SCIs have been submitted but not approved by the shareholding minister.

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 at improving profitability and restraining expenditure growth specifically in government trading entities. Table 4.9 shows that all three government owned corporations are expected to meet this element of the fiscal strategy. The Power and Water Corporation's high growth rate for revenue and operating expenses is driven by a forecast increase in gas purchases and sales from 2022-23.

Table 4.9: Government owned corporation growth rates over the statement of corporate intent period

	Power and Water Corporation growth	Territory Generation growth	Jacana Energy growth
	%	%	%
Revenue	17.0	5.6	2.6
Operating expenses[1]	7.2	- 2.6	2.2
Target met	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 2021-22 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 the corporation's assets. Low ratios are more favourable and indicate less risk, while high ratios indicate government owned corporations rely more on debt finance and therefore present higher risk. The 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 4.10, the government owned corporations are expected to meet this fiscal strategy objective with debt to equity ratios projected to marginally improve in the Power and Water Corporation and be maintained in Territory Generation. The Power and Water Corporation's improved debt to equity position forecast over the period is driven by improved forecast profitability in 2023-24 and 2024-25. The Power and Water Corporation is forecasting a decline in controllable operating costs as it implements its business transformation program. Territory Generation's ratio is largely maintained over the SCI period.

Table 4.10: Government owned corporations 2021-22 statement of corporate intent debt to equity ratios

	2021-22	2022-23	2023-24	2024-25	
	Budget	Forward estimate			Target met
Power and Water Corporation	1.0	1.0	0.9	0.9	yes
Territory Generation	1.9	1.9	1.9	1.9	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 4.11 shows that all three government owned corporations are estimating that they will meet this fiscal strategy objective and reduce or maintain controllable costs over the SCI period. Contributing to the achievement of this objective, all government owned corporations intend to adopt the government wages policy. The reduction to Territory Generation's controllable costs over the period is driven by one-off project costs in 2021-22.

Table 4.11: Government owned corporations 2021-22 statement of corporate intent controllable[1] costs

	2021-22	2022-23	2023-24	2024-25	
	Budget	Forward estimate			Target met
	$M	$M	$M	$M	
Power and Water Corporation	239	259	237	219	yes
Territory Generation	96	86	86	85	yes
Jacana Energy	19	18	18	19	yes

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

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 4.12 shows that only Territory Generation is expected to meet this element of the fiscal strategy with dividends projected to be paid across the SCI period.

Table 4.12: Government owned corporations 2021-22 statement of corporate intent dividends paid

	2021-22	2022-23	2023-24	2024-25	
	Budget	Forward estimate			Target met
	$M	$M	$M	$M	
Power and Water Corporation	nil	nil	nil	6.8	no
Territory Generation	3.9	1.6	3.2	6.4	yes
Jacana Energy	nil	4.4	4.8	5.9	no

A dividend is not expected to be declared by Jacana Energy for payment in 2021-22 with the corporation projecting a net loss for 2020-21 as the result of higher than estimated network costs. Jacana Energy is expected to return to profit in 2021-22 and pay dividends in each year of the forward estimates.

The Power and Water Corporation is projecting to pay a dividend in 2024-25 as a result of carried forward net operating losses projected for 2021-22 and negligible profit projected for 2022-23. The net losses and reduced profitability for 2022-23 are the result of lower revenue forecasts and a realignment of business transformation costs that can no longer be capitalised in accordance with accounting standards and are now projected to be expensed.