

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

WRITTEN QUESTION

Mrs Lambley to the Treasurer:

Budget Deficit

1. What is your plan to return the fiscal balance to zero or surplus?

The Northern Territory Government's fiscal strategy is outlined in Budget Paper No. 2, including the Government's short and medium-term fiscal objectives and targets in the context of subdued economic conditions, falling GST revenue and the Government's commitment to increase investment to support jobs and stimulate the Territory economy.

The short-term objective is to support the economy through the current period of moderating economic conditions, while the medium-term objective is to set the budget on a pathway back to balance and reduce debt levels once revenue and economic activity return to historical levels of growth.

The overall fiscal strategy is built around four broad components:

- sustainable service provision, including maintaining an improving operating position over the budget cycle and achieving a general government sector net operating surplus
- delivering infrastructure for economic and community development, including stimulating the economy and maintaining general government infrastructure spending consistent with depreciation expense when economic growth returns to historical trends
- maintaining a competitive tax environment, including encouraging investment, creating jobs and attracting businesses to the Territory, while raising sufficient revenue to contribute to funding government's service delivery requirements
- prudent management of debt and liabilities, including achieving an improving fiscal balance for the non-financial public sector over the budget cycle and returning to the long-term average of a 40 per cent net debt to revenue ratio.

Following unprecedented reductions in the Territory's share of GST revenue, the Territory's largest source of untied revenue, operating deficits are unavoidable over the budget cycle in the absence of substantive reductions in frontline services, which would negatively impact the community and the Territory economy more broadly. However, the Territory Government is maintaining downward pressure on general government operating expenditure to help contain operating deficits to a minimum until the economy and revenues recover. This includes savings measures announced as part of the 2017 and 2018 Budgets.

Importantly, the Territory Government is also working to ensure the Territory receives its fair share of GST and, to date, has secured an additional \$260 million financial assistance payment for each of the three years to 2021-22.

2. What is your plan to reduce the deficit from a record \$7.5b in 2021?

The fiscal deficit in the non-financial public sector is around \$1.2 billion in 2018-19 and around \$1.1 billion per annum over the forward estimates period.

The Territory Government is taking a considered approach to budget repair with a continual focus on limiting expenditure growth, with the Territory's total expenses projected to grow on average by 0.4 per cent per annum over the forward estimates from the budget year, lower than the forecast average consumer price index growth of 1.9 per cent over the same period.

In addition to savings in the 2017 Budget, the 2018 Budget contained a number of additional budget repair and savings measures totaling \$234 million across the budget cycle. These measures include:

- a reduction in the Territory public service wages policy from 2.5 per cent to 2 per cent
- a reduction in operational budgets indexation to reflect lower growth in the consumer price index
- implementing a targeted voluntary redundancy program across government
- additional expenditure efficiencies from Territory Generation
- reviewing grant arrangements to ensure value for money
- a reduction in repairs and maintenance expenditure.

The cumulative savings of the 2017 and 2018 Budget measures equate to \$828 million since the 2016 Pre-Election Fiscal Outlook.

The Territory Government has also established a Budget Review Subcommittee of Cabinet to work with ministers and agencies to implement the budget repair measures, identify opportunities to generate further efficiencies and monitor financial performance against Government's fiscal strategy.

Because the Territory receives most of its revenue from the Australian Government, continuing to fight for the Territory's fair share of GST is critical to reducing the deficit.

3. What is the forecast debt of the NT for 2019, 2020, 2021 and 2022?

The table below details the Territory's non financial public sector net debt as published in the 2018 Budget.

	Budget 2018-19	2019-20	Forward estimate	
			2020-21	2021-22
Net Debt (\$M)	4 485	5 547	6 550	7 543

Source: 2018-19 Budget Paper No.2, Table 1.1

4. What will the interest repayments be on our debt in 2019, 2020, 2021 and 2022?

The table below details the Territory's non-financial public sector interest repayments as published in the 2018 Budget.

	Budget 2018-19	2019-20	Forward estimate	
			2020-21	2021-22
Interest Expense (\$M)	323.6	384.7	440.2	506.1

Source: 2018-19 Budget Paper No.2, Table 2.9

5. How will the NT Government sustain the escalating debt?

During the current period of subdued economic conditions, the short-term strategy is to achieve an improving fiscal balance over the budget cycle to minimise increases in net debt. Over the medium to long-term, the strategy is to return the budget to balance to enable reductions in net debt through operating surpluses at the general government sector combined with improvements in the commercial sustainability of government owned corporations.

Once revenue returns to more historical levels, the Territory Government's strategy is to apply any excess revenue to retiring debt accumulated as a result of the current subdued economic conditions and revenue reductions.