

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

WRITTEN QUESTION

Mr Higgins to the Treasurer:

Appropriation Bill – Treasury and Finance

ALL OUTPUTS

Please provide copies of:

- all questions, which you have received from the public in relation to the Estimates process and consideration of the Appropriation Bill for the 2017/18 financial year; and
- your answers to those questions that were presented to the Estimates Committee.

Please provide the information requested below for Agencies and Government authorities for which you have responsibility, as at 31 March 2017.

TREASURY AND FINANCE

Please accept apologies if questions are not under the correct Output. Where this is the case, it would be appreciated if you could indicate the appropriate Output in your response. Thank You.

OUTPUT GROUP: FINANCIAL MANAGEMENT

OUTPUT: FINANCIAL MANAGEMENT

Budget Improvement and Other Measures

1. Budget Paper 2 identifies Budget Improvement Measures and Other Measures totaling \$64.496 million, an additional \$9.496 million in identified savings over that advised in a letter from the Chief Minister to public servants.
2. Subsequent to his letter, was the savings target revised and if so when?
3. How will the reduction in funding impact on operational outcomes?

Corporate and Governance Services – Savings

1. Please explain how there is a saving to the budget of \$40.936 million across agencies in the 2016-17 and 2017-18 Budget Papers.
2. How many Corporate and Governance Services positions will no longer be required as a result of the decision to reduce the number of agencies and where will these staff go?
3. Does the government acknowledge that :
 - a. PEFO 2012 showed a Net Debt of \$2.17 billion
 - b. PEFO 2016 showed a Net Debt of \$2.66 billion
 - c. TAFR 2016 showed the updated Net Debt position is \$1.85 billion
 - d. Net Debt to revenue PEFO 2012 was 47%
 - e. Net Debt to Revenue TAFR 2016 was 27%
 - f. This is a 20% reduction in Net Debt to Revenue percentage
4. Please advise the justification to place an additional \$3 billion of debt on Territorians.
5. Please advise the justification to increase interest payments on that debt of \$1.1 million a day.
6. What actions has the Government taken to review the appropriateness of the fiscal strategy?

Onshore Gas

1. Will the Government expedite the Inquiry into Hydraulic Fracturing in light of the reduction in own source revenue?
2. Does the Government accept the findings of the 2015 Deloitte's Access Economic Report into the benefits of Hydraulic Fracturing of Gas for the Northern Territory including that a minimum 6500 jobs could be created by development of onshore gas reserves at the Beetaloo Basin?

3. Please advise why there are no additional resources in Budget 17/18 to complete this inquiry as quickly as possible.

Financial Management

1. What is the Government's debt reduction strategy?
2. Is it correct the net debt to revenue ratio is the highest in the country?
3. In relation to the debt what is the contribution for each of capital and recurrent expenditure? How does this compare to the last four years?
4. The Budget papers show the budget measures and other savings measures are in the order of \$65 million. Can you please provide the details of the categories of cost savings?
5. Please advise how much has been set aside for Treasurer's Advance in 2017/18 and how does this compare to the last four years.
6. Please explain the reduction in this facility.
7. What assumptions have been made over the forward estimates in relation to the cost of borrowings?
8. What is the predicted rate of interest over the next five years?
9. What modelling has been done?
10. Please provide a copy of this.

Population

1. Please provide an explanation of the approach and methodology used in Budget 17/18 for population estimates and forecasts into the forward years.
2. How often is the methodological framework for estimating and forecasting population numbers reviewed?
3. What advice has been provided on the reliability of the forward estimates contained in the Budget for the resident population and population growth figures?

4. Please provide a copy of this advice.
5. Is there a different approach for population growth forecasts between the Budget publications i.e. the annual Budget, the mid-year economic fiscal outlook and quadrennial publications such as the Pre-Election Fiscal Outlook?

Current Grants

1. Page 77 of Budget Paper 3 indicates that current grants funding falls from \$32.2 million in Budget 16/17 to \$2.6 million in Budget 17/18. Please explain the reduction and what organisations no longer receive grants funding.

Return to Surplus

1. The deficit figure included in the budget papers for Budget 17/18 is \$1.3 billion; when will the Government bring the Budget back into balance? When will the Government return to fiscal surplus?
2. What is the effect of running continued fiscal deficits on the net debt position, and the credit worthiness of the Northern Territory?
3. Does the Government concede that running a \$1.3 billion fiscal deficit in its maiden budget is inconsistent with the first principle of FITA?
4. Based on the current and trend trajectories for net debt to revenue ratios is the Government in breach of FITA requirements? Will the forward estimates, if realised, be in breach of FITA requirements?

Contingency Reserve

1. In the 2016 MYEFO it is stated that one of the policy changes occurring since the election is the decision to spend down the contingency reserve. Please provide the rationale and evidence for the departure from international accounting best practice?
2. What is the current value of the contingency reserve i.e. allocation for Budget 17/18? How does this compare with the amount ring fenced under the previous Government?

3. On reading Budget Paper 2 page 21 it would appear that the Government is spending down all of the contingency reserve. Is this correct?

Fuelwatch

1. Why is the Government trying to do what private enterprise already does through four price comparison sites – comparethemarket.com.au, Motormouth, Petrol spy, fillmytank.com.au as well as the service price watch in the NT News, the daily price watch on commercial radio, Facebook and Apps on phones?
2. How did the Government come up with the \$250,000 per year ongoing costs figure?
3. Why is the Government not taking action to achieve lower prices by supporting greater competition in the market as the ACCC report recommended?

Indigenous Carbon Unit

1. Budget Paper 2 page 50 sees an allocation of \$500,000 being ring fenced for an Indigenous Carbon Unit. Please outline how this scheme will operate? What modelling is there to underpin this spend?
2. What consultation has the Government engaged in with Aboriginal people prior to the announcement of funding in Budget 17/18?

Modelling to support jobs claim

1. The statement that the Government is sustaining 14 000 jobs by spending \$1.75 billion in infrastructure works in 2017-18 is included in the budget papers. Will the Government please provide a copy of the economic modelling to show how this number is calculated.

Stimulating the Whole Economy

1. What plan has the Government to diversify the economy and reduce the likelihood of a prolonged downturn?

Reducing CPI Indexation to 0%

1. Budget Paper No.2 page 43 shows that the Government is reducing CPI indexation in Budget 17/18. Please provide the detail on which frontline services or areas of the Public Service will be impacted by these cuts?

Consultation

1. How much has been spent in FY 16/17 on the new Government community consultation website www.haveyoursay.nt.gov.au?
2. What is the ongoing cost of www.haveyoursay.nt.gov.au ?

OUTPUT GROUP: ECONOMIC

OUTPUT: ECONOMIC SERVICES

Red Tape Abolition Squad

1. Please confirm the Red Tape Abolition function is now in this Output.
2. How many people staff the Red Tape Abolition function?
3. What is the cost? Funding in the 16-17 Budget Paper was \$862,000.
4. What outcomes have been produced by this function to date?
5. If the function is not resourced, why not?
6. There are specific Federal Government programs available from which to obtain funding to abolish red tape, have these been sourced and if so please provide a copy of the submission.

Independent Research and Economic Data Unit

1. The Labor Party before the election committed to establish an Independent Research and Economic Data Unit. When will this Unit be set up, and how much will it cost?

OUTPUT: PAYMENTS ON BEHALF OF GOVERNMENT

1. Please advise what measures and/or additional resources are being appropriated in this Budget to increase tax compliance. What are the current estimates for taxation compliance in the Northern Territory.
2. Net Cash Flows from Operating Activities in FY 20/21 is negative \$31,459,000. Please explain what expenditures are occurring on behalf of Government to achieve this result.

OUTPUT GROUP: TERRITORY REVENUE

OUTPUT: TERRITORY REVENUE

Collapsing own source revenue

1. On page 80 of Budget Paper 2 there is a decrease in revenue from the wagering tax. Revenue falls from the PEFO estimate of \$2,241 million to the Budget 17/18 figure of \$763 million. Why has revenue attributable to the wagering tax decreased to this extent?
2. Why was the PEFO estimate of the revenue from wagering tax wrong? What actions have been taken to ensure that such disparities do not occur again?
3. Page 89 of Budget Paper 2 shows a reduction in Stamp Duty revenue from \$61.5 million in 2016/17, to \$28.8 million in 2017/18. Given revenues are forecast to remain subdued over the forward estimates period please advise what is the cause of this.
4. Please advise what impact the policy of exempting first home buyers purchasing properties below \$500,000 has had on stamp duty revenues?
5. What actions will the Government take to restore some stability to Stamp Duty revenue and when will this occur?

OUTPUT: TAX-RELATED SUBSIDIES

Senior Concessions

1. The Government promised to reinstate the senior concession and carer concession scheme from 1 July 2017, not January 1, 2018 as the Minister for Territory Families has indicated. Please clarify when the scheme will commence?
2. How much will it cost to bring back senior cost of living concessions?
3. What impact will this measure have on the budget over the forward estimates?
4. Please detail the effects on the budget in the short and long run of a pensioner and carer concession scheme.

OUTPUT GROUP: SUPERANNUATION

OUTPUT: SUPERANNUATION

1. How does the Government's policy of spending down the Contingency Reserve impact on the superannuation liability owing to the Northern Territory Government?

OUTPUT GROUP: ECONOMIC REGULATION

OUTPUT: UTILITIES COMMISSION

Power and Water Corporation (PWC)

1. In the latest compliance report issued by the Utilities Commissioner, April 2017, it was noted that PWC reported breaches of the Electricity Retail Supply Code involving customer notification timeframes. Please advise what resources are being provided to PWC to rectify this breach.
2. In the latest Compliance Report issued by the Utilities Commissioner, the Government has stated that PWC power and sewerage price increases will be capped at CPI. Please advise when Territorians will start to see reductions in their electricity tariffs?
3. Will the Government rule out power and sewerage price increases beyond CPI?

4. Please provide the Weighted Average Cost of Capital (WACC) for PWC. In addition, please detail if the WACC has increased or decreased in the period since September 2016 and/or PEFO? Please advise on the long run average WACC for PWC. Please provide a copy of the advice.

OUTPUT GROUP: CORPORATE AND GOVERNANCE

OUTPUT: CORPORATE AND GOVERNANCE

Staffing

1. How many Full Time Equivalents are currently employed within the Department of Treasury and Finance, broken down by Output and Business Unit?
2. How many Full Time Equivalents have resigned, retired, taken a redundancy package or have been made redundant, or terminated? Please break down these numbers by Output and Business Unit?
3. What has happened to these positions? Has the work been reallocated to existing staff?
4. Are there any plans to fill these positions in the near future?

Procurement

1. Why is it that all of the reviews undertaken by the Department of Treasury and Finance since 1 September 2016, six (6) in number, have gone Interstate?
2. What does the Government intend to do about this situation given its Buy Local policy?

CENTRAL HOLDING AUTHORITY

Pre-Election Fiscal Outlook (PEFO) 2016

1. Please explain why Budget 2016/17 in its forecasts for GST revenue receivable in 2017/18 estimated a decrease in GST revenues to the Northern Territory, but the PEFO issued three months later estimates a significant increase in GST revenue for financial year 17/18. Why is

there such a major difference between these two important publications?

2. The Government's media release of 10 May 2017 states that the reduction in GST payments for 17/18 is "unprecedented" however in financial year 16/17 there had been reductions of a similar magnitude. Please confirm that this is correct.
3. The 2017/18 budget includes a \$1.3 billion dollar deficit. The difference between GST revenue forecast in Budget 16/17 (a decline of \$237 million in GST revenue) and the actual for 17/18 (a decline of \$269 million) was \$32 million. Please confirm that this is correct.
4. The PEFO forward estimate for GST revenue in 17/18 at \$3.306 billion is \$43 million more than GST received in 16/17. Please provide evidence to support this position.
5. PEFO 2016 states on page 30 that the cumulative impact of a plus/minus 1 percentage point variation in the estimate of the Territory's population growth rate over the Budget and forward estimates period is about plus/minus \$332 million. Please advise why there was not a more conservative assumption in PEFO regarding population figures and GST revenue.

\$2 billion GST cut

1. Please advise if the Government agrees that a valid approach is to subtract the actual GST allocation from the CGC Update Report 16/17 of \$3,190 million with the CGC figure for 17/18 of \$2,921 million producing a reduction of \$269 million.
2. Please advise why the Mid-Year Economic and Fiscal Outlook (MYEFO) was not the basis for the GST calculations.
3. Please advise what advice was given by the Department of Treasury and Finance about the accuracy and reliability of the 'meat cleaver graph' used to illustrate the forecast reductions in GST revenue?
4. Please provide a copy of this advice.
5. Please advise when this advice was provided by the Department of Treasury and Finance.

6. Please advise why the Government waited two weeks to make the advice detailing a reduction in GST revenue public.
7. Is the Government committed to the principles and methodological framework around Horizontal Fiscal Equalisation or does the Government align more with a position of alternative models including per capita funding?
8. Please advise what actions the Government has taken and will take to ensure that Budget 18/19 benefits from increased GST revenue streams.

Northern Territory Credit Rating

1. Does the Government review credit ratings from international ratings agencies such as Moody's?
2. Please advise what action the Government is taking or committed to take to guarantee that the Northern Territory maintains its current credit rating?
3. Given the Government borrowing requirement evidenced in Budget 17/18 please advise what is the expected financial cost of a ratings downgrade of one place, two places, three places.
4. With respect to the Northern Territory Budget please advise what modelling has been done around:
 - a. Ratings downgrades, and the impact of increased borrowing costs
 - b. Changes/tightening of international monetary policy and credit conditions
 - c. Stress testing- what assessment has been done of the Government's ability to service all loans in light of one or more credit event(s)
 - d. Solvency - based on current spending and revenue trajectories - the ability of the Government to maintain all current programs and services and remain solvent

- e. Red lines- percentages for key metrics such as net debt to revenue which would/could trigger a ratings downgrade and/or significant concern for investors/partners

Savings and Contingency Measures

1. Please explain the savings and contingency measures in Budget 17/18 of \$217 million in Budget Paper 2, page 12 described as more efficient use of program resources.
2. Please advise how many positions will not be filled in financial year 17/18 that would ordinarily be filled and how many over the forward estimates period?
3. Please advise how many frontline service jobs will be lost to cuts to the frontline efficiency dividend discount from 75 per cent to 67 per cent as stated on page 15 of Budget Paper 2.

Debt

1. On page 110 of Budget Paper 2 the interest bill is stated as \$393.2 million. Please advise how the Government intends to repay this.
 2. Please advise what is the Government's plan to get the Territory back into surplus and how long this will take?
-

NORTHERN TERRITORY TREASURY CORPORATION
--

The Northern Territory Infrastructure Development Fund (NTIDF)

1. Please provide an update on the amount of additional capital that has been added to the Northern Territory Infrastructure Development Fund (NTIDF).
2. Please advise what was the source of that additional capital.
3. Please explain this addition.
4. Please advise what factors have inhibited or supported the objective of attracting additional capital for the NTIDF.
5. Please advise what policy changes the Government has to attract further investment.

6. Please advise if the NTIDF has an appropriate risk/return asset allocation mix at this present time.
7. From the Annual Report 2016, it would appear that the NTIDF has quite a defensive position, with over 90% in case. Does the Government propose to change this allocation mix to better align with the investment and return on investment objectives of the fund?
8. Please advise how much was paid to fund managers to manage the NTIDF in financial year 2016/17.

Long run assumptions

1. Please advise what evidence there is to support the assumption that revenue and economic activity will return to 'historical levels of growth' as stated on page 25 of Budget Paper 2.
2. Please provide a copy of this evidence.
3. Please identify any specific economic forward indicators that could support the above.

Additional Borrowing

1. Please explain the additional (net) borrowing requirement of approximately \$1 billion on page 112 of Budget Paper 2.
2. Please advise how does Budget 17/18 impact or contribute to this requirement.
3. Please advise what actions the Government is taking to reduce the external borrowing requirement.

Performance

1. Please advise if the Government will be reviewing the investment criteria with respect to risk/ return ratios or portfolio allocation percentages in light of the outcomes as reported in the Northern Territory Treasury Corporation (NTTC) latest annual report.
2. Please advise what factors are behind the fall in the Weighted Average Cost of Borrowing for the NTTC from 4.86% in Fiscal 11 to 2.22% in Fiscal 15.

3. Please advise the reasons for this.
 4. Please advise if the current asset allocations across all funds held by the Government are appropriate, optimal or desirable.
 5. Please advise how the Government will make up the gap between the market value of the Condition of Service Reserve fund of \$653.7 million as at 30 June 2016 and the 2017/18 superannuation liability of the NT Government.
 6. Please advise what actions the Government will take to fund and/or make provision for currently unfunded superannuation liabilities.
 7. The Annual Report of the NTTC indicates that the CSOR had a return of 1.11 % over the financial year to June 30, 2016. Please advise if the Government is satisfied with this return and if not what action will be taken to better support the fund and/or target higher rates of return.
 8. Please advise how much was paid to managers for the administration of the CSOR fund.
 9. Please advise if there are any performance bonuses or incentives attached to the CSOR fund's management and what these are.
 10. Please advise how the Government's policy to use the contingency reserve to finance general government operations impact the value of the CSOR.
 11. Please advise whether spending down the contingency reserve has depleted the CSOR fund in any way.
-