

Northern Territory 2021-22 Budget May 2021

On 4 May 2021, the Chief Minister and Treasurer Michael Gunner delivered the 2021-22 Northern Territory (NT) Budget. This is the second budget handed down by Mr Gunner and follows the late budget delivered in November 2020.

The 2021-22 budget is characterised by the COVID-19 recovery, including major investment in public health, infrastructure and tourism.

The 2021-22 Budget speech can be found [here](#).

The full Gunner Government 2021-22 Budget paper is available [here](#).

Budget Outlook:

Key Economic Indicators

The budget reveals that the NT is in a stronger economic position than expected and shows improvement to all key fiscal measures. The fiscal balance deficit for 2021-22 is estimated to be under \$1.4 billion. In comparison to last year's budget, delivered in November 2020, the balance sheet has improved by \$934 million over two years. Last year's budget predicted that this financial year would see backward growth however it is now estimated that gross state product will grow by 4.7%. This is forecast to average 2.4% per annum through to 2024-25. The moderation in growth is likely a consequence of the removal of federal government stimulus measures.

State's final demand, the measurement of local consumption and investment, is expected to reverse its negative growth and increase by 4.2% this year. This represents the first increase in two years. Housing investment is estimated to increase by 17.6% in 2020-21, the first increase in six years and in addition, public and private investment for 2021-21 will increase over the next two years by 17.9% and 9.6% respectively. The growth in private sector investment is the first increase in three years. The Chief Minister cited the Territory's handling of the pandemic as a reason for business confidence.

For 2021-22, the government's net operating balance is expected to be at a deficit of \$497 million. This represents an improvement of \$277 million from the 2021-22 budget. Net debt for the non-financial public sector is expected to be \$9 billion for 2021-22 which is over \$1 billion lower than estimated in the last budget, putting the net debt to revenue ratio at 122%. On an assessment of the 10-year projections, the net debt to revenue ratio is set to improve by 35 percentage points as a result of the Territory's major projects pipeline.

The forecasts also expect population and jobs growth. Population is forecast to increase by 0.5% in 2021-22 and gradually increase over the forward estimates. Employment is forecast to grow by 1.8% in 2021-22 and the unemployment rate is expected to fall to 5.4%.

The budget outlook also notes the significant potential upsides of many major projects in the pipeline that are yet to reach final investment decision and are therefore not included in the economic forecasts.

Revenue

The Chief Minister cited the nation's recovery as improving Goods and Services Tax (GST) revenue for the NT. GST continues to be the Territory's largest single revenue resource and is expected to improve by \$2.9 billion in 2020-21 and \$3.16 billion in 2021-22. This increase represents a year-on-year improvement of 9.1%.

Taxation and mining royalties are projected to be \$889 million in 2021-22. Mining royalties have increased by \$186 million over the forward estimates and will average \$330 million per annum. These reflect strong commodity prices and an active local mining sector, including \$11 billion of expected major projects such as the Santos Barossa gas field project. These estimates do not contain revenue from the new onshore gas developments such as the Darwin LNG plant.

Future Fiscal Management

The budget affirmed a number of accountability measures including the legislation of a debt ceiling. The debt ceiling will be enacted on 1 July 2021 and will be enforced at the end of the next financial year. A ceiling will reduce long-term debt and limit the Territory's total borrowings to \$15 billion. These may only be suspended in circumstances such as natural disaster or pandemic.

In a further aim to reduce debt, there will be new directions for Chief Executives in the Public Service to better control their budgets. These directions will give the Chief Minister powers to act if any public service Chief Executive breaches their budget by more than 1%.

Budget Commitments:

Health

This budget will invest \$137.4 million in upgrades to health infrastructure. In addition, it will allocate a further \$40 million to support the COVID-19 health response.

- \$49.9 million for the Royal Darwin Hospital.
- \$17.3 million for improved sterilisation services across Territory hospitals.
- \$20 million in this financial year towards COVID-19 wards, testing clinics and quarantine facilities.
- \$5 million to facilitate the delivery of the vaccine.
- \$3.5 million in 2021-22 to maintain the Howard Springs Quarantine Facility.
- \$900 000 for regional health centres.

Infrastructure

The budget will invest \$15 million over the next five years to account for population and industry growth. This includes development of major regional centres and the facilitation of land release for government and private development. To preside over these major works, the Territory will establish its first strategic infrastructure body.

- 5000 new residential lots will be made available to create two new suburbs near the Territory's fastest growing region, Palmerston.
- In a joint effort with the Commonwealth, \$600 million is committed over the next year towards building and updating remote Aboriginal housing.
- \$16.1 million will be allocated to develop land for industrial use in the 'Red Centre' in Alice Springs.
- \$8.3 million will be used to continue the establishment of the Kilgariff Estate in Alice Springs.
- \$1.5 million over the next three years towards the establishment of Investment and Major Projects Commissioners. These commissioners will act as key links between industry and government and oversee a new \$5 million fund to partner with industry in finding new investment opportunities.
- \$800 000 to establish 'Infrastructure NT' which will coordinate and align infrastructure needs with population growth and industry.

Jobs and Schools

The Budget will allocate over \$1.6 billion for job-creating infrastructure with 60% allocated to rural and remote locations. In addition, the 2021 Budget invests \$37 million in improved learning environments.

- \$120 million in additional funds will be allocated over two years to the Territory's 'Local Jobs Fund'. The fund encourages the growth of local businesses and businesses looking to invest through concessional loans, co-investment equity and grants. The fund is looking particularly to emerging opportunities in advanced manufacturing, technology and innovation.
- \$43.4 million over the forward estimates for training of apprentices and trainees.
- \$8.5 million for Aboriginal jobs development for regional councils.
- \$8.8 million for the Building Better Schools Program.
- \$6.5 million for new transportable classrooms.

Agriculture and Resources

The budget continues to support the government's goal to diversify the economy, including investments in the renewable energy sector.

- \$45 million over the next five years towards investment in minerals exploration, including \$9.5 million ongoing from 1 July 2022 to develop exploration stimulus programs to increase successful exploration activity.
- \$8.6 million over four years to transition remote communities to renewable power, including improvements to solar energy storage.
- \$2.8 million to continue the 'Home and Business Battery Scheme' to assist homeowners, businesses and non-for-profits in buying and installing batteries and inverters.
- \$2.5 million to support sustainable horticulture production.
- \$1.5 million over three years to establish sustainable development precincts.
- \$1.2 million to develop agribusiness and facilitate major agribusiness projects.

Tourism

The budget outlines a number of commitments to support the tourism and hospitality sectors including the 'Territory Tourism Comeback Plan' and expansion of the 'Visitor Experience Enhancement Program' to assist operators in upgrading their offerings.

- \$46 million in the next financial year towards parks, reserves and conservation areas.
- \$17 million over the next years towards major events and festivals, including BASSINTHEGRASS, the Darwin Festival, Supercars and RedcentreNATS.
- \$12 million over the next four years to further extend the Aboriginal Ranger Grants Program.
- \$12 million to extend the Visitor Experience Enhancement Program over the next four years.
- \$10 million for new tourism incentives at the next low season.
- \$5 million for Territory tourism vouchers.
- \$5 million for campaigns to attract interstate visitors.
- \$4 million to continue the 'Roadhouse to Recovery Fund' which oversees renovations to roadhouses, wayside inns and caravan parks.

Emergency and Legal Services

The budget continues the Territory's commitment to managing COVID-19 through boarder checkpoints and other emergency operations and outlines \$147.8 million to enhance community safety.

- \$64.4 million for new and continuing youth justice facilities in Darwin and Alice springs
- \$23 million over the forward estimates towards maintain high levels of sworn officers, including frontline officers, auxiliary liquor inspectors and Aboriginal liaison officers.
- \$15 million in 2020-21 and \$10 million ongoing to support improvements to correctional services.
- \$4.9 million in 2021-21 and \$1.9 million ongoing towards the Northern Territory Legal Aid Commission, the Judicial Commission and victims of crime services.
- \$1.3 million to increase CCTV monitoring capabilities, including staff.

Further information

For more information, please contact your Hawker Britton consultant [Simon Banks](#) on +61 419 638 587.