



Northern Territory

This fact sheet provides an overview of circumstances that have affected expenditure and revenue, as well as a summary of the major causes of change in relative fiscal capacity since the 2019 Update.

Fiscal circumstances

The Northern Territory is the fiscally weakest State. This primarily reflects its well above average expense requirement due to above average shares of high cost population groups, including exceptionally high proportions of Indigenous people and people living in remote areas.

It also faces diseconomies of scale in administration. These effects are reinforced by its above average investment requirement, mainly for rural roads.

The Northern Territory's above average need for assistance is partially met through an above average share of Commonwealth payments.

Illustrative GST, Northern Territory, 2020-21

	\$m	\$pc
Equal per capita share	639	2,598
Effect of assessed:		
Expenses	2,415	9,817
Investment	394	1,603
Net borrowing	15	61
Revenue	1	6
Commonwealth payments	-412	-1,675
Illustrative GST	3,053	12,410

Note: Table may not add due to rounding. For expenses and investment, a negative sign indicates below average costs, which reduces a State's GST requirement. For net borrowing, revenue and Commonwealth payments, a negative sign indicates above average revenue raising capacity, which also reduces a State's GST requirement.

Key reasons why fiscal capacities differ between States

- The uneven distribution of mining activity and production due to underlying differences in distribution of mineral reserves across Australia.
- Differences in the spatial distribution (or dispersion) of their populations.
 - States with a greater than average share of population in less accessible regions face higher than average service delivery and infrastructure costs.
 - States with large, densely populated cities face higher than average urban public transport costs.
- Variation in the value of property sales. States with higher property values and volume of turnover have a greater capacity to raise revenue from taxes imposed on the transfer of property.
- Differences in the number of Indigenous people in their populations. States with a greater than average share of Indigenous people in the population face higher than average service delivery costs.



Change in fiscal capacity

The Northern Territory's fiscal capacity has weakened due to higher assessed investment needs for health and rural roads, an increase in assessed administrative scale costs and a relative increase in the cost of providing services to Indigenous people. These changes were partly offset by a decrease in its assessed utility subsidies and Indigenous community development expenses.

The Northern Territory's weaker fiscal capacity will see its GST share increase from 4.1% to 4.5%. Combined with pool growth, its GST entitlement will rise by \$368 million, or 13.7%.

Change in illustrative GST distribution since the 2019 Update, Northern Territory

	\$m	\$pc
New population	-42	-169
Growth in GST available	89	361
Changes in relative fiscal capacity	320	1,302
Method changes	272	1,108
Data revisions	-18	-73
State circumstances	66	268
Total change	368	1,495

Note: Table may not add due to rounding.

Since the 2019 Update, there have been changes in some of the assessment methods used by the Commission, revisions to some of the data used in the assessments, and changes in economic and demographic circumstances.

Main changes for Northern Territory, 2020 Review

Method changes

\$176m	Investment. An increase in the Northern Territory's assessed investment needs for health and rural roads increased its GST share.
-\$150m	Services to communities. Improved data for electricity and water subsidies and Indigenous community development expenses reduced the Northern Territory's GST share.
\$79m	Health. Changes to the measurement of the effects of remoteness on hospital and community health services increased the Northern Territory's assessed health costs and its GST share.
\$67m	Location adjustment. Discontinuing the assessment of interstate non-wage costs increased the Northern Territory's GST share.
\$56m	Administrative scale. An increase in minimum costs faced by States in preparing to deliver services, known as administrative scale, increased the Northern Territory's GST share.

Changes in State circumstances between 2015-16 and 2018-19

\$35m	Indigenous status. A relative increase in the cost of providing justice, health and welfare services to Indigenous people increased the Northern Territory's GST share.
\$35m	Capital improvements. An increase in the level of investment in rural roads increased the Northern Territory's GST share.

For more information about these changes, see Volume 1 of the 2020 Review final report.