



Darwin's Traditional Owners

4 November 2018

LNAC Submission on Regional Inequality in Australia

Introduction

The Larrakia Nation Aboriginal Corporation thanks the Committee for the opportunity to present on this issue.

The Larrakia people are the traditional owners of the Darwin region with a vision of 'Living Stronger, Living Longer' which encompasses all aspects of health and wellbeing across our lands, for all of our people. The Larrakia Nation Aboriginal Corporation is a dynamic, member based corporation, a major Aboriginal service delivery and business development organisation in the areas of community services, homelessness support, rangers and arts and culture.

With a focus on delivery of community services under contract to the Commonwealth and Northern Territory Governments (NTG), we are able to speak first hand on the indicators of, and impacts of, regional inequality in Regional Australia.

Terms of Reference

Those Terms of Reference we believe most relevant to the Larrakia people are:

- Duration of funding agreements.
- Timings in renewing agreements.
- Poor coordination between levels of government , and
- No funding for admin costs.

Position of LNAC, as an NGO, in the Northern Territory Economy

As an indicator of the significance of impacts, on the NT Economy, of impacts on NGOs, NT's charities:

- employ approximately 7,600 full and part time staff or 8% of the NT workforce (This compares to: manufacturing at 3,940 (4%), agriculture, forestry and fishing at 1,871 (2%), and mining at 2,660 (3%) of NT's workforce);
- have an estimated \$914m in net assets, equivalent to 9% of the NT Government's net assets (reported as \$9.8bn);
- recorded total annual revenue of \$952m and expenditure of \$860m. In comparison, total mining income from NT was \$3.0bn and sales from agricultural production was \$580m;
- generated over half (51%) of their income from operations and donations (i.e. sources other than governments) and just under half (49%) from government contracts and grants; and,

- paid employee expenses of approximately \$417m (48% of expenditure), which is fed back into the NT economy.¹

Nationally, the NFP sector has been expanding faster than the Australian economy, growing approximately 3.2% per annum against Gross Domestic Product (GDP) growth of 2.9%. In NT, the Gross State Product (GSP) grew by 2.7% in 2015/16

Duration of Funding Agreements

LNAC receives 71.6% of its annual revenue from Government Grants.² It is not possible, in the NT economic environment, to employ staff on contracts outside of the grant contract period, owing to the lack of mobility between regions, given the distance of the NT from the larger population centres of the south and east.

In the 2017-2018 financial year LNAC was in receipt of 10 Commonwealth Grants totaling \$2.6 million. The revenue from those grants created direct employment opportunities for 37, plus an additional 8. Of those 45, greater than 50% identify as indigenous.

Of the 10 grants identified, most expired in June 2018. While the new contracts were in a version dated December 2017, they were only renewed in May, for the period through to 30 June 2020. That makes manpower planning difficult and time constrained, especially in an environment such as Darwin where the available skilled pool is relatively small and certainty of outcome cannot be given to staff.

From the employee perspective it reduces access to long term financial instruments, such as property mortgages and chattels loans, as lenders perceive borrowers on shorter term contracts to be higher risk.

From the service delivery perspective it drives shorter service delivery time frames. Service providers see little point (and I assume so do funding bodies) in planning horizons for service delivery beyond existing funding horizons.

Take, for example, the provision of community night patrols in the Darwin urban area. This program is funded by the Department of Prime Minister and Cabinet (PM and C) under the Safety and Wellbeing Programme. Funding was renewed for the period 1 July 2018 to 30 June 2021. The funding period dictates that our focus, as service provider, is meeting short term objectives of removing clients from places of vulnerability and delivering them to places of safety. It does nothing to encourage longer term objectives associated particularly with achieving improved health outcomes and Closing the Gap targets associated with long term employment and mortality.

I am able to expand on this issue should the committee wish.

¹ Value of the Not-for-profit Sector an examination of the economic contribution of the not-for-profit human services sector in the Northern Territory

² Larrakia nation Aboriginal Corporation General Purpose Financial report for the year ended 30 June 2018

Timings in Renewing Agreements

This is an issue across all levels of government. The difficulty presented is largely that referred to earlier in this submission, in that late renewal makes employee planning, event management and resource allocation difficult.

I cite three examples.

NAIDOC 2018. The LNAC was heavily involved in organising NAIDOC 2018 events in Darwin. This celebration included 11 events, requiring booking of venues, street closures, advertising, and obtaining additional sponsorships, plus production of clothing and other promotional materials. Our letter of offer from PM and C was received on 15 June 2018, and from the Northern Territory Government on 19 June 2018. NAIDOC Week 2018 ran from Sunday 8 July. Both levels of Government had provided funding in prior years and previous celebrations had been successfully acquitted.

LNAC was placed in the position of having to plan in a partial vacuum and reduce the number of events on offer in order to manage the risk. Earlier funding advice would have allowed more effective event planning.

In Darwin, as across the Northern Territory, the indigenous population exceeds the national average. The resulting difficulties in planning to celebrate the indigenous culture of the region clearly creates a regional inequality.

Community Night Patrols. 2018 saw a rollover of three year funding for community night patrols. As previously stated, this program is funded by PM and C under the Safety and Wellbeing Programme. Funding was renewed for the period 1 July 2018 to 30 June 2021, but we were not formally advised, and the agreement variation executed, until 21 August 2018. That led to the requirement of making assumptions regarding service delivery, resource planning and cash flow. In an instance where once expended, resources cannot be recovered, that poses a risk to our business, and creates uncertainty for the 17 program employees.

Again, in a region where alternative funding and employment opportunities are geographically constrained, that creates an inequality.

The Indigenous Land Corporation (ILC) funds the LNAC under the Real Jobs Program to train and employ 13 young indigenous men and women for working on country occupations. The program was renewed this financial year, but the contract was not signed and the first instalment of funding paid out until 31 July, essentially the day before we ran out of funds to continue paying employees within that program. For our 13 young indigenous employees (staff with low levels of discretionary income) that would have created immense financial pressures.

Poor Co-ordination between levels of Government

There are numerous examples of lack of co-ordination between the three tiers of Government in the Northern Territory. Of particular concern to the LNAC is the coordination around provision of tenancy support.

Our understanding is that funding for tenancy support is provided by the Commonwealth but auspiced through the NTG. To their credit, the NTG have, this year, moved to a 5 year funding model for service delivery agreements, but this is not on the back of a similar agreement with the commonwealth, so all of the service providers in this space are unclear as to the program's future.

With the provision of tenancy support in particular, LNAC operates in the space of working with at risk tenants in order to ensure that their tenancies are not put at risk by social, cultural or financial pressures. In all cases our success is built on the development of relationships between our staff and the client, and in all cases, has the potential for growth over time to the point where we can move on from the short term objective of maintaining the tenancy to the longer term goals of improving lifestyle and assisting in achieving Closing the Gap Targets across the spectrum.

Better co-ordination between the tiers of government, and commitment to the Closing the Gap strategy by the Commonwealth, would deliver efficiencies in the short term and Closing the Gap successes in the long term.

I am able to expand on this issue should the committee wish.

No Funding for Admin Costs

The LNAC provides for adequate levels of governance, grant administration, human resource management and facilities management. Indeed, we are expected to manage grant funding within the constraints of the seven key principles for Grants Administration.³

For an organisation the size of LNAC (75 staff, \$7 million revenue) it is to be expected that those administration costs will be within the range of 10% to 20%.⁴

Allowing for variations to the complexity of individual service delivery contracts, every funding opportunity requires a grant funding application, and every successful bid requires grant administration. Each one of the above requires expenditure.

Presently the LNAC administers over 25 grants, and has unsuccessfully applied for a number more in the previous 12 months. Administration percentages allowable under various funding agreements range from 0% (Indigenous Land Corporation) to 15% (Northern Territory Government). Our actual average level of administration costs currently runs at almost exactly 15%.

That would be acceptable in an environment where all grants were subject to the same administration cost allocations.

There are, however, specific contracts that are unrealistic on a standalone basis. I give you the example of the \$936,000 per annum funding from the Indigenous Land Corporation under the Real Jobs Program. This consists of \$851,000 for employment and training expenses for 14 employees, plus \$85,000 for all other costs, including both operating and overhead. This program creates training and employment opportunities for 13 young

³ Australian Government Department of Finance "Commonwealth Grants Rules and Guidelines"

⁴ ACNC Charity Register

indigenous people, and leads to external opportunities for employment in both the public and private sectors. Its value, therefore, in a region with high rates of indigenous unemployment, is significant in terms of potential for positive contribution to the regional economy.

With provision for additional expenditure of less than 10% of the payroll budget, with no ability to cost shift and an ongoing requirement for quarterly and annual reporting the program is unsustainable in its present form.

We are required to cross-subsidise the program from other sources to provide resources, such as vehicles plant and equipment, and to allow for administration costs. To require such reporting but not provide reasonable funding, in a region where training young indigenous people for real jobs is recognition of the regional inequality facing young indigenous people seeking permanent employment, and those seeking to give them the skills to take on such employment.

That, in turn, places the onus on other funding as we need to recover the same administrative overhead from a relatively smaller revenue base.

Conclusion

The LNAC shares the Commonwealth Government's commitment to Closing the Gap. As the peak body for the traditional custodians of the Darwin Region we acknowledge that indigenous disadvantage and, therefore, regional inequality owing to the high proportion of indigenous people resident in the NT, has existed for decades. If ever the Closing the Gap Targets are to be met the issue of Regional Inequality must be addressed also. We submit:

- Indigenous child mortality remains unacceptably high,
- Indigenous early childhood education and school attendance rates remains unacceptably low,
- Indigenous literacy and numeracy and year 12 attainment rates remain unacceptably low, and
- Indigenous life expectancy remains unacceptably low.

We can make a difference. To do that our funding needs to be:

- provided on a basis that allows for achievement of both short and long term outcomes,
- renewed on terms that allow for continuity of focus by those who have the capacity to effect change,
- encourage collaboration between tiers of government and between service providers to facilitate systemic efficiencies, and
- be sufficient to allow for appropriate program administration and effective governance for your partners in the NGO sector, to enable them to focus on the important task of addressing inequality.

Thank you again for the opportunity to present to you today.

Richard Fejo



Chairman
Larrakia Nation Aboriginal Corporation