



NORTHERN TERRITORY COUNCIL  
OF  
SOCIAL SERVICE

SUBMISSION

to the

INQUIRY INTO GOVERNMENT EXPENDITURE ON INDIGENOUS AFFAIRS  
AND SOCIAL SERVICES IN THE NORTHERN TERRITORY

OCTOBER 2008

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## EXECUTIVE SUMMARY

This submission demonstrates that:

1. In 2006/07, the NT Government underspent its Commonwealth Grants Commission (CGC) funding allocations by \$542m (41.9%) across a range of key social welfare areas.
2. The life-expectancy, health, safety, and general well-being of low-income earners and other disadvantaged people (including Indigenous citizens) can only be sustainably improved by reducing income differentials, and other equality differentials between the “haves” and the “have nots”.
3. The spending priorities of the NT Government exacerbate the differences in measures and senses of equality for low-income and disadvantaged people, thereby contributing to the reduced life expectancy, poor health, violence and other differences that they are intended to address.
4. The claim in the NT Government’s Indigenous Expenditure Review that the Government spends more on Indigenous citizens than the corresponding CGC allocation, does not appear accurate. The issue reduces to two simple questions:
  - *Is this the money you got (for the respective categories of expenditure)?*
  - and*
  - *Is this the money you spent (in those categories)?*

We believe the answer to both questions is clearly “yes”.

5. If the Indigenous Expenditure Review finding is correct (which we do not accept – see appendix 2), then the NT Treasury has been remiss in failing to seek extra funding for the areas in which it claims to have overspent.

## RECOMMENDATIONS

1. That the Inquiry investigate the CGC figures which show that the NT Government underspent its CGC allocation by \$542m in key social categories of expenditure in 2006/07
2. That the Inquiry investigate the NT Government's spending priorities in relation to their impact on fairness, equity, and the wellbeing of its disadvantaged citizens; and that it recommends incrementally tied grants over the next five years, to achieve a minimum of 90% expenditure of CGC allocations, in the following categories:
  - Family and Child services
  - Aged and Disabled services
  - Homeless and General Welfare
  - Housing
  - Police
  - Public Safety
  - Non-Urban Transport
  - Roadsand that the Inquiry recommend immediate 100% expenditure of tied CGC allocations in:
  - Services to Indigenous Communities
  - Corrective Services
3. That the inquiry recommend that the NT Auditor-General report publicly through the CGC on the NT Treasury's compliance with the Uniform Presentation Framework in the Treasury's reporting to the Commission.

## ACTUAL NT SPENDING 2006/07

NT Governments of both political persuasions have for many years varied their actual expenditure of Commonwealth source monies from the levels assessed by the CGC in the determination of the value of these grants.

The most recent figures available are for the 2006/07 financial year. We have emphasized in bold characters the categories most relevant to the Inquiry, but included all categories to show the relative disparity and also the clear transfer to capital works.

Category of Expenditure	CGC Assessment \$m	Actual Expenditure \$m	Over (under) spending \$m	%
Pre-School Education	11.076	20.056		
Government Primary Schools	235.133	253.177		
Non-Government Primary Schools	13.381	22.117		
Government Secondary Schools	165.326	140.255		
Non-Government Secondary Schools	16.144	10.129		
Vocational Education & Training	89.504	78.813		
Higher Education	3.576	26.417		
<b><i>Transport of Rural School Children</i></b>	14.490	2.297	(12.193)	(84.1%)
<b>TOTAL EDUCATION</b>	<b>548.630</b>	<b>553.261</b>	<b>4.631</b>	<b>0.8%</b>
Inpatient Services	332.180	304.585		
Non-Inpatient and Community Health Services	222.474	200.055		
Population and Preventive Health Services	50.883	37.985		
<b>TOTAL HEALTH</b>	<b>605.537</b>	<b>542.625</b>	<b>(62.912)</b>	<b>(10.4%)</b>
<b><i>Family &amp; Child Services</i></b>	178.693	42.982	(135.711)	(75.9%)
<b><i>Aged &amp; Disabled Services</i></b>	65.617	61.627	(3.990)	(6.1%)
<b><i>Services to Indigenous Communities</i></b>	217.890	110.330	(107.560)	(49.4%)
<b><i>Homeless &amp; General Welfare</i></b>	61.886	48.448	(13.438)	(21.7%)
<b><i>Housing</i></b>	136.201	120.536	(15.665)	(11.5%)
<b><i>First Home-Owners scheme</i></b>	8.820	8.820		
<b>TOTAL COMMUNITY SERVICES</b>	<b>669.107</b>	<b>392.743</b>	<b>(276.364)</b>	<b>(41.3%)</b>

Category of Expenditure	CGC Assessment \$m	Actual Expenditure \$m	Over (under) spending	
			\$m	%
<b><i>Police</i></b>	165.729	136.223	(29.506)	(17.8%)
Administration of Justice	83.994	84.598		
<b><i>Corrective Services</i></b>	132.989	67.782	(65.207)	(49.0%)
<b><i>Public Safety</i></b>	46.523	27.248	(19.275)	(41.4%)
<b>TOTAL JUSTICE, CORRECTIVE &amp; SAFETY</b>	429.235	315.851	(113.384)	(26.4%)
Culture and Recreation	43.155	95.177		
National Parks & Wildlife Service	45.328	26.536		
<b>TOTAL RECREATION</b>	88.483	121.713	33.230	37.6%
Electricity & Gas	16.596	54.794		
Water Sanitation & Protection of the Environment	69.334	38.867		
<b><i>Non-Urban Transport</i></b>	16.740	3.926	(12.814)	(76.5%)
<b><i>Roads</i></b>	249.766	122.416	(127.350)	(51.0%)
Urban Transport	22.968	43.709		
<b>TOTAL ESSENTIAL SERVICES</b>	375.404	263.712	(111.692)	(29.8%)
Primary Industry	37.251	32.434		
Mining Fuel & Energy	26.542	19.898		
Tourism	11.817	53.758		
Manufacturing & Other Industry	7.194	6.657		
Subsides – Petroleum Products	6.590	3.059		
Subsides – Alcohol Products	0.017	0.000		
<b>TOTAL BUSINESS &amp; INDUSTRY</b>	89.411	115.806	26.395	29.5%
Superannuation	258.400	339.383		
GST Administration Costs	6.300	6.300		
General Public Services	151.009	171.005		
Debt Charges	(33.090)	90.974		
Depreciation	68.448	103.810		
<b>TOTAL ADMINISTRATION &amp; OTHER EXPENSES</b>	451.067	711.474	260.407	57.7%
<b>TOTAL</b>	<b>3,256.874</b>	<b>3,017.185</b>	<b>(239.689)</b>	<b>(7.4%)</b>

Source: [www.cgc.gov.au](http://www.cgc.gov.au)

Note: the total assessed expenditure is funded by the corresponding assessed income with the shortfall made up by Commonwealth revenue sharing.

## CONSEQUENCES OF NT SPENDING PRIORITIES

In our view, the categories highlighted in bold type on the previous page are critical to maintaining functional communities, including Indigenous communities.

Spending in these categories totals \$752.635m, against assessments (funding) totalling \$1,295.344m; resulting in an underspend of \$542.709m (41.9%) for the 12 month period ending 30 June 2007.

The Commonwealth Grants Commission (CGC) funding formulae explicitly recognise the needs of remote, Indigenous, and other disadvantaged citizens, so that the NT receives significantly more per capita than other States and Territories. However, successive NT Governments have not reflected CGC allocations in their spending priorities.

There are two further issues which may exacerbate the impact these spending priorities have on disadvantaged Territorians:

- (i) each category of expenditure includes the administrative overheads of its operations. There is ample anecdotal evidence of excessive resources being dedicated to administration and publicity, rather than coal-face service delivery.

In respect of administrative overheads, we suggest that a ratio of one administration or management employee to five client services employees would be appropriate (ie 1 in 6 = 16.7%). Clearly the NT Government exceeds this as the proportions of total expenditure reported in the 2006 Indigenous Expenditure Review show 22.7% of expenditure is consumed by central and support agencies (P.5). Administrative and management expenses in the service agencies would be additional to this.

- (ii) the view that remote & rural communities do not get their fair share of funding/services from within each category, is widespread, even within NT Government Departments.

The 1999 inquiry into education which was funded by the NT Government identified this lack of funding for rural & remote communities as an issue. Additionally, the longer-term poor outcomes for remote Indigenous people are related to earlier funding neglect. This point is best illustrated by reference to the criminal justice system, which must absorb the consequences of the failure of health, education and welfare systems to provide adequate support to remote Indigenous communities.

The issues of hearing loss and sentencing were recently considered by the Northern Territory Supreme Court in *The Queen v A.T. 1*. A 16 year old aboriginal defendant pleaded guilty to seven offences including arson, which carries a maximum sentence of life imprisonment. Thomas J acknowledged the significance of the defendant's hearing impairment and consequential difficulties:

*Although a hearing problem was identified early in (the defendant's) life and identified again during his childhood, it appears he has not had access to a range of services, including the possibility of surgical intervention, amplification, speech therapy and special education, that could have minimised the communicative social and psychological impact of these problems and I quote one section of the report prepared by Mr. Howard [Dr. Damien Howard, consulting psychologist] in which he states: "these communication difficulties have been a major contributor to the development of serious social and psychological problems".*

More than 50 research studies around the world have demonstrated the correlation between inequality in society, and factors such as reduced life expectancy, higher levels of illness, violence, hostility, and anti-social behaviour. Appendix 1 contains graphs from some of the studies which demonstrate the dramatic differences which stem from seemingly small changes in the measures of equality. For example deVogli (2004) identified an extraordinarily significant relationship in developed countries between reduced life expectancy and income inequality

Reduced life expectancy, high rates of illness, and a greater incidence of violence and anti-social behaviour are facts of life for Indigenous Territorians. We contend that the historical spending priorities of the NT Government have contributed substantially to the horrifying social statistics for NT Indigenous communities. While the impact of under-funded social services is not limited to remote communities, residents of these communities suffer disproportionately.



## NT INDIGENOUS EXPENDITURE REVIEW

The NT Government has sought to justify its underspending in these key social areas by claiming it spends more than the Indigenous component of its CGC allocations on Indigenous people (Indigenous Expenditure Review 2006). It also often quotes *per capita* figures when the CGC allocations are clearly much greater *per capita* for Territorians than for residents of other jurisdictions, which means comparisons with other States Territories are not relevant.

In our opinion the Indigenous expenditure review is not particularly relevant – as the spending issue reduces to two very simple questions in relation to the Commonwealth Grants Commission figures highlighted in the body of this report (and based on information that is provided to the CGC by the NT Government itself).

- **Is this the money you got for these categories of expenditure?;** and
- **Is this the money you reported as spending in these categories?**

We believe the answer to both is clearly “yes”. If the total expenditure on Indigenous citizens does exceed the corresponding income, then there must have been over-expenditure against revenue in certain areas. If this is so, then NT Treasury appears to have been remiss in its duty by not pursuing funding top-ups in those particular areas, where they continue to spend far more than they are allocated.

Further, we do not accept the conclusion of the Indigenous Expenditure Review that NT spending on Indigenous people has exceeded the corresponding revenue for the reasons set out in Appendix 2.

## **MOVING THE GOAL POSTS**

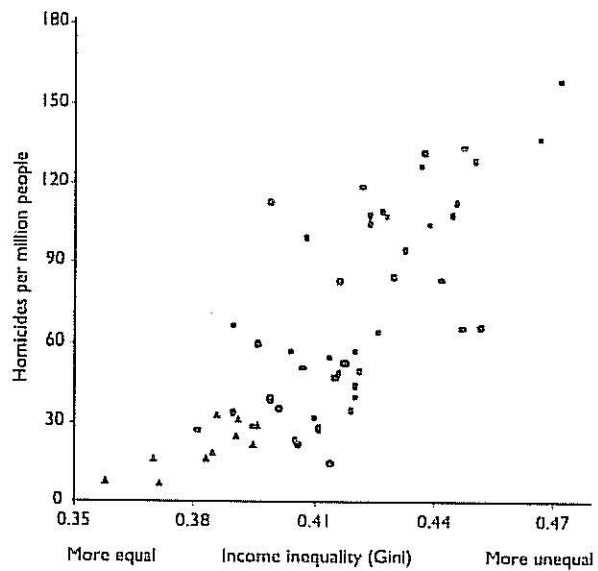
In our discussions with NT Treasury officials, they have indicated that the CGC is contemplating a reduction in the number of categories of assessment against which it reports. We are unsure from where this proposed conflation of categories into approximately six broad groupings originated, however we believe that further reducing the number of categories will greatly impair the transparency of Northern Territory Government financial affairs.

NTCOSS recommends that transparency should be increased by having the NT Auditor-General report publicly on compliance with the Uniform Presentation Framework when NT Treasury report government expenditure to the CGC each year. (The Uniform Presentation Framework is the specification of what expenditure should be included in each category of assessment and expenditure).

NTCOSS believes it is crucial that governments genuinely address the needs of the most disadvantaged people in our community. We remain very concerned about the gross disparity between Commonwealth Grants Commission indicative figures and actual government expenditure in critical areas such as Family and Child Services, and services to Indigenous communities

NTCOSS would encourage the NT Government to substantiate its worthy goals around 'closing the gap of disadvantage' by providing funding at the level recommended by the CGC in these key areas of expenditure to bring about real improvements in the lives of marginalised Territorians

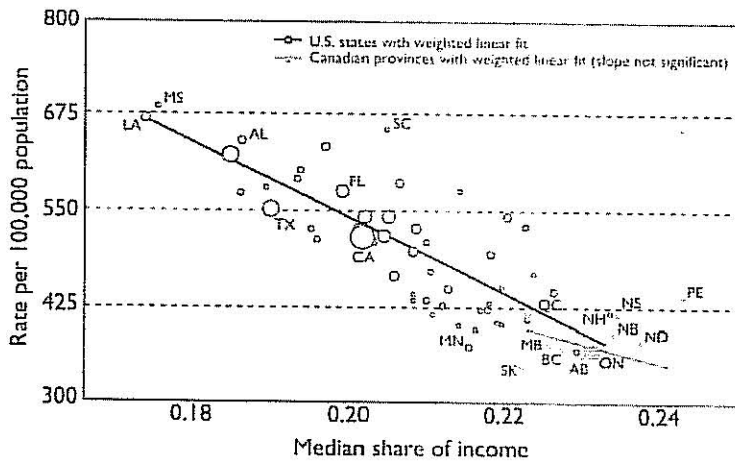
Figure 2.4: Homicide rates in relation to income inequality among U.S. states and Canadian provinces



Homicide is more common in more unequal U.S. states (circles) and Canadian provinces (triangles). Bigger income differences are to the right here

Source: M. Daly, M. Wilson, and S. Vasdev, "Income Inequality and Homicide Rates in Canada and the United States," *Canadian Journal of Criminology* 43 (2001): 219-36. Redrawn with permission of the *Canadian Journal of Criminology and Criminal Justice*. Copyright by the Canadian Criminal Justice Association.

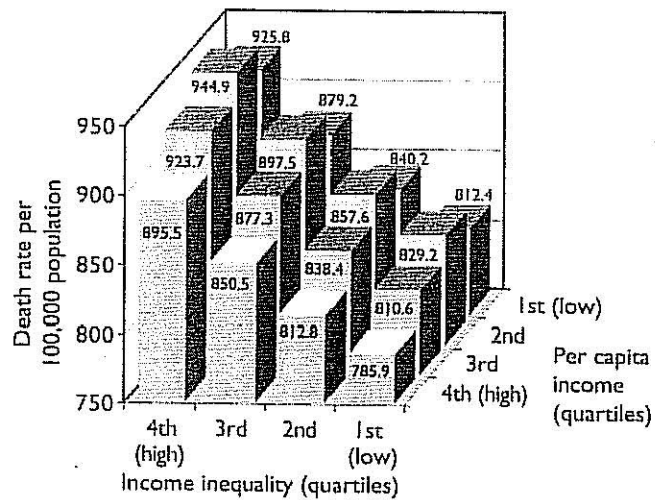
Figure 4.1: Death rates among men 25 to 64 years old in relation to income inequality in U.S. states and Canadian provinces



Death rates are lower in U.S. states and Canadian provinces in which income differences are smaller. The measure of income distribution used here is the proportion of societies' total income received by the poorest half of the population. The Canadian provinces are more egalitarian than most U.S. states, so clustering at the lower right end of the distribution.

Source: N. A. Ross, M. C. Wolfson, J. R. Dunn, J. M. Berthelot, G. A. Kaplan, and J. W. Lynch, "Relation Between Income Inequality and Mortality in Canada and in the United States: Cross Sectional Assessment Using Census Data and Vital Statistics," *British Medical Journal* 320 (2000): 898-902. Reprinted with permission of the British Medical Journal Publishing Group.

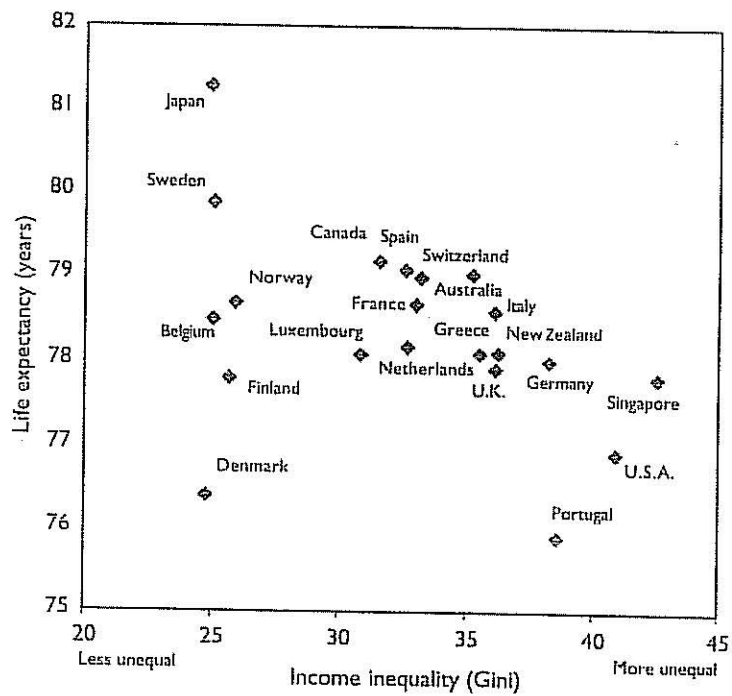
Figure 4.2: Income inequality and mortality in 282 metropolitan areas of the United States



This shows death rates in 282 U.S. cities arranged (along the front) by the amount of income inequality in each, and (from front to back) by the average income in each. The regular steps down from left to right in each row show how much lower death rates are as you move from the less equal to the more equal cities.

Source: J. Lynch, G.A. Kaplan, et al. "Income Inequality and Mortality in Metropolitan Areas of the United States." *American Journal of Public Health* 88 (1998): 1,074-80. Reproduced with permission from the American Public Health Association.

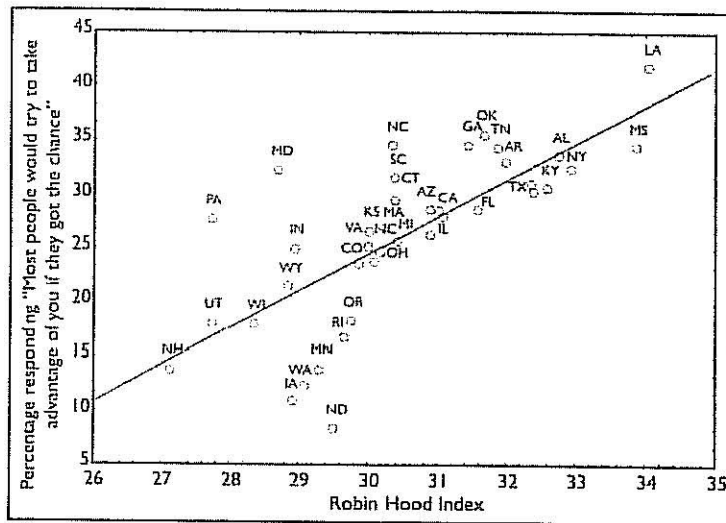
Figure 4.6: Life expectancy and income distribution in the twenty-one richest countries



After being disrupted by rapid changes in inequality in the rich countries, the relation between income distribution and life expectancy, apparent earlier, has reemerged. More unequal countries (on the right) tend to have lower life expectancy. When controlled for GNP per capita and weighted by population size, the correlation coefficient  $r = -0.86$ .

Source: R. de Vogli, R. Mistry, R. Gnesotto, and G. A. Cornia, "Income Inequality and Life Expectancy: Evidence from Italy," *Journal of Epidemiology and Community Health* (2004); in press. Drawn with data kindly provided by Roberto de Vogli.

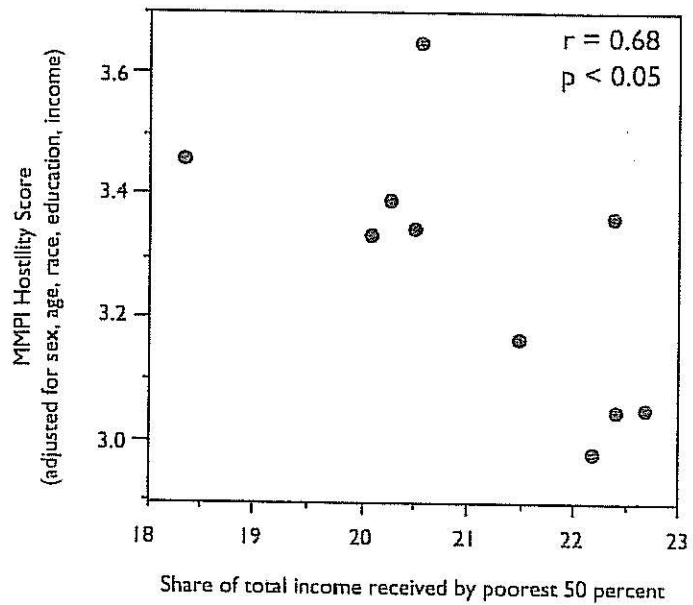
Figure 2.1: People do not trust each other where income differences are greater



The Robin Hood Index of Income Inequality is the percentage of a society's income that would have to be taken from the rich and given to the poor to get equality. Trust is measured here (on the vertical axis) by the proportion of the population who agree "most people would try to take advantage of you if they got the chance." The graph shows that the proportion of people who do not trust others rises from 10 or 15 percent in the more egalitarian states (on the left) to 35 or 40 percent in the most unequal states (on the right).

Source: I. Kawachi et al., "Social Capital, Income Inequality, and Morality," *American Journal of Public Health* 87 (1997): 1, 491-98. Reproduced with permission from the American Public Health Association.

Figure 2.6: Hostility levels are lower in more equal cities



Average hostility levels in ten U.S. cities (assessed in a random sample of people in each) are lower in the cities (lower right in figure) where a higher proportion of income goes to the poorest half of the population.

Source: R.B. Williams, J. Feaganes, and J.C. Barefoot, "Hostility and Death Rates in 10 U.S. Cities." *Psychosomatic Medicine* 1995; 57 (1): 94, and personal communication.



Figure 6.2: How greater inequality leads to poorer social relations

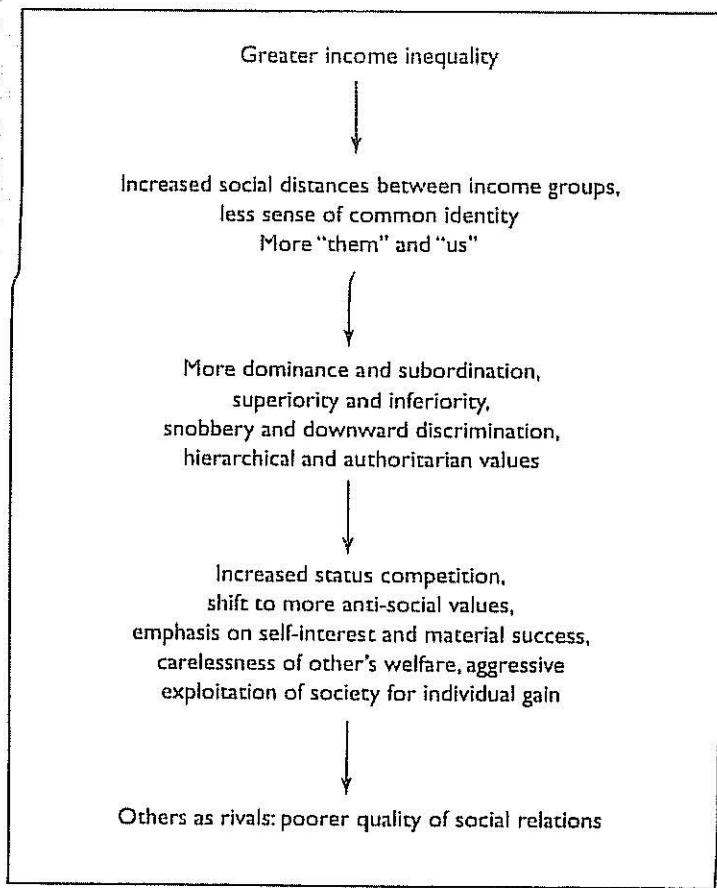
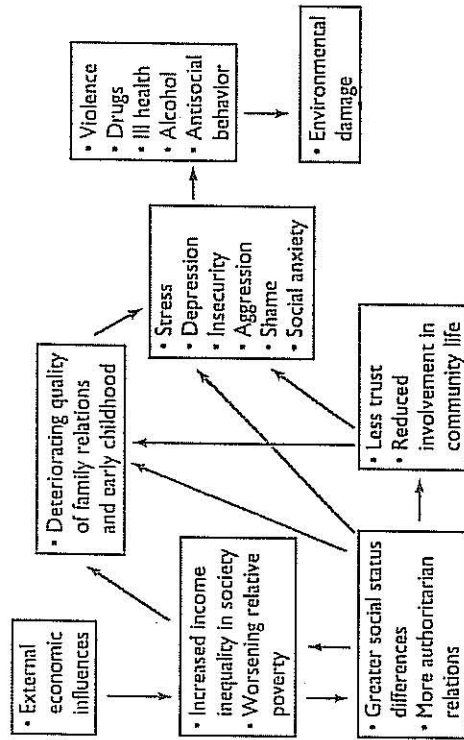


Figure 1.1: The effects of income inequality (left-hand side) on social and psychological well-being (right-hand side)



## APPENDIX 2 – COMMENTS ON THE NT INDIGENOUS EXPENDITURE REVIEW 2006

The points we make about the review are:

1. It purports to measure expenditure on Indigenous citizens using “estimates” and “judgements” by Departments and agencies of the proportion of their expenditure in respect of Indigenous citizens. Therefore it is not independent;
2. Various distinguished people have “signed off” on the methodology, but have not affirmed the application of the principles in actual practice;
3. Where actual usage, specific programs, or internal estimates or judgements exists, those figures have been used, but otherwise the Indigenous proportion of the population has been used. Consequently, for example, the higher proportion of Indigenous Children would have included in Education spending, but the overall proportion of population has been used in other contexts. A higher proportion of the Indigenous population is under 16, and the figures have not been adjusted for this skewing away from adults. (Graph A 1.2 p.28 Indigenous Expenditure Review 2006).
4. Similarly 28.8% indigenous component is attributed to Trade and Major Projects and Railway(p.14).Really?
5. It has been assumed that the benefits of spending on mining, tourism, primary industry and the like accrue equally to the general population. We do not accept this as a valid assumption as Indigenous participation in these industries is low;
6. Expenditure by central and service agencies of government have been applied specifically where applicable, and with the ratio of expenditure by service agencies for the remainder. This strikes us as double-dipping – if an indigenous specific unit exists in an agency, then it is unlikely that the remainder of the agency would carry a full share (or perhaps any share) of Indigenous related expenses. An illustration is the Indigenous Policy Unit of the Chief Ministers Department; we do not accept that any other part of the Department would have significant indigenous policy related expenses, but the indigenous expenditure review 2006 apportions 50.9% of other Policy advice expenses as being Indigenous related. (p.14)
7. The office of the commissioner for public employment estimated its indigenous related expenditure at 7%; the review altered this to 28.8% (p48-49).
8. The same enthusiasm has not been applied to allocating an indigenous component of NT source revenue as received with expenditure eg. The (lower) proportion of Indigenous persons living in main urban centres has been used to calculate the indigenous share of gambling and insurance taxation (which is not realistic);
9. There is an unexplained “other factors” item which reduces the Indigenous share of CGC redistributions for expenditure disabilities by \$131.4mj (p.22)
10. After the indigenous share of CGC redistributions is determined a further \$70.5m is deducted, purportedly as “indirect effects of Indigenous specific SPP’s”(p.23). the CGC allows for SPP’s in assessing its allocations so there is no basis for this deduction.