



Northern Territory Submission
to the Senate Community Affairs Committee
Inquiry into Government Expenditure on
Indigenous Affairs and Social Services in the
Northern Territory

October 2008

Executive Summary

The provision of adequate and appropriate services to Indigenous people, in particular social services, is a long standing commitment of the Northern Territory Government. This commitment was reinforced in 2007 by the release of the Northern Territory's Closing the Gap of Indigenous Disadvantage: A Generational Plan of Action. The Northern Territory, through the publishing of its Indigenous Expenditure Review, has provided a greater level of transparency and accountability than other jurisdictions on Indigenous-related expenditure. This reporting has been undertaken in the context of the significant level of Commonwealth funding provided to the Territory in recognition of the higher cost of, and demand for, services in the Territory, much of which is related to the Indigenous population.

Service delivery in the Territory is different to that of other states because of the Territory's relatively high proportion of Indigenous people. While Indigenous people make up 30.4 per cent of the Northern Territory population, they are major users and, in some cases, the dominant users of government services provided by the Territory.

Cultural differences need to be catered for in every aspect of government service delivery. This does not simply mean the cultural differences between Indigenous and non-Indigenous people but between and within Indigenous communities.

Indigenous people often have a long history of generational disadvantage as evidenced by language difficulties, generally poor literacy, lower expectations and experiences of education, low levels of economic security, overcrowded housing, poor health outcomes and the effects of remoteness such as isolation, long distances and small communities.

Indigenous people in the Territory access most mainstream programs at higher than their per capita rate. Thus mainstream programs in the Territory are designed with regard to the needs of Indigenous clients and are supplemented by a wide range of Indigenous-specific programs.

The terms of reference seek information on the level of service delivery and of outcomes achieved in Indigenous communities in the Territory in relation to the expenditure of both Commonwealth and Territory monies.

Part A of this submission details the level of services provided by the Territory in key functional areas and the impact of indigeneity on delivery of these services. This demonstrates the diversity of service responses across and within functional areas, and the importance that the Territory places on services to Indigenous Territorians. For example, more than two-thirds of hospital separations are attributable to Indigenous people, over 40 per cent of Territory students are Indigenous and 35 per cent of urban public housing is used by Indigenous households.

While there have been modest improvements in Indigenous educational attainment, school enrolment and women's health, gaps in outcomes between Indigenous and non-Indigenous remain high across a wide range of outcomes.

Both the Commonwealth and Territory governments have made public commitments to closing the gap in Indigenous outcomes. The Council of Australian Governments has also agreed that in 2009 it will hold a meeting that focuses specifically on Indigenous issues.

The poor outcomes achieved by Indigenous Territorians raise questions as to the level and efficacy of spending by all levels of government. It is critical to understand spending patterns in the Territory in the context of both service use as identified above and federal financial relations.

The Territory has three main sources of revenue: general purpose grants (mainly GST), tied grants (specific purpose payments) and own-source revenue. Commonwealth grants make up 80 per cent of the Northern Territory's budget.

GST is the single largest revenue source for the Northern Territory (63 per cent in 2006-07) and is untied. That is, it can be spent according to a state's own expenditure priorities.

GST is distributed amongst states on the basis of horizontal fiscal equalisation. Horizontal fiscal equalisation as adopted in Australia by the Commonwealth Grants Commission (the Commission) is defined as follows:

State governments should receive funding from the pool of goods and services tax revenue and health care grants such that, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each would have the capacity to provide services at the same standard.

A common misconception is that the additional GST funding the Territory receives as a result of its significant Indigenous population should result in tangible gains in Indigenous outcomes. It is important to note that the Commission's processes are not designed to address the widely acknowledged unmet need faced by the Territory that reflects:

- the extent of disadvantage borne by Indigenous Territorians;
- the Northern Territory's low own-source revenue base;
- reliance on funds from the Commonwealth;
- infrastructure shortfalls; and
- the high cost of providing infrastructure in a large number of remote locations.

In assessing costs of service delivery, the Commission looks only at the average of what states do, not what could or should be done. That is, the Territory's assessed level of funding provides the Territory with the financial capacity to maintain the current national average level of services. The Commission Chairman has underlined this aspect of the Commission's approach in a number of forums. In a speech at the 2003 Charles Darwin University Symposium, the Chairman of the Commission, Mr Alan Morris, stated:

Equalisation is not designed to provide a level of funding that would enable states to overcome these disabilities and does not do so...Giving it (the Territory) the same fiscal capacity as other states to deliver services to its citizens means maintaining any pre-existing differentials. If this capacity has to be applied to communities facing very different circumstances, particularly with respect to access to services – and this is what we see in the Territory – outcomes will not narrow over time. The Territory's financial support does not provide it with catch up capacity.

Thus, at a broad level without consideration of Northern Territory expenditure priorities, the broad structure of federal financial relations within the purview of the Commission limits the capacity of the Territory to make significant inroads into closing the gap of Indigenous disadvantage.

However, it is often alleged that the Territory does not spend money designated for Indigenous purposes on that population. The terms of reference specifically inquire as to whether the Northern Territory Government's expenditure of goods and services tax receipts accurately reflects the Commonwealth Grants Commission's funding formula for the expenditure of such receipts by program, by location, and by intended service meeting disadvantage and regional need.

At the outset, it is important to note that the Commission does not provide expenditure benchmarks against which the Territory's expenditure can be measured. Nor does it publish analysis of Indigenous-related expenditure by individual states. It does, however, provide the impact of the costs of providing services to Indigenous people on the amount of GST revenue redistributed to, or away from, individual states.

Northern Territory Treasury has undertaken a detailed review of the Territory's Indigenous-related expenditure and revenue in 2004-05 and 2006-07. These reviews have sought to inform the debate by providing robust, transparent measures of Indigenous-related expenditure and revenue.

The 2004-05 Review found that the Territory's Indigenous-related expenditure exceeded that of revenue and concluded that:

Despite the high level of expenditure, outcomes for Indigenous Territorians against a wide range of indicators remain poor relative to those of non-Indigenous Territorians. There is clearly a need for additional funding streams to the Territory, so that the social wellbeing of the Indigenous population can be improved, economic participation and productivity be enhanced, and all Australians can benefit from improved economic activity and cohesion.

The key findings of the 2006-07 Indigenous Expenditure Review (IER) are:

- 52.4 per cent of the Territory's expenditure in 2006-07 was Indigenous-related;
- 44.4 per cent of the Territory's revenue in 2006-07 was Indigenous-related;
- Indigenous-related expenditure exceeds that of revenue by 8.0 percentage points or approximately \$248 million; and
- on a per capita basis, spending on Indigenous Territorians is 2.5 times that of non-Indigenous Territorians.

The 2006-07 IER's findings consolidate and strengthen those arising from the 2004-05 IER. The Northern Territory (or any other state) is not provided with the capacity to significantly change outcomes through GST funding.

Although the Territory is spending more than it receives for Indigenous-related purposes, a shortfall in funding clearly remains that would allow for significant closing of the gap of Indigenous disadvantage.

The Northern Territory Emergency Response (NTER) and Closing the Gap initiatives represent increased focus by both Commonwealth and Territory governments since 2007 to address long-term disadvantage and will be reflected in future Indigenous Expenditure Reviews by Northern Territory Treasury.

In June 2007, the Commonwealth announced its NTER and increased levels of short-term funding in relation to child health and protection, community safety, education and housing in remote Indigenous communities. In August 2007, the Northern Territory Government also announced further investment of \$286 million in its Closing the Gap of Indigenous Disadvantage initiative. This initiative seeks to improve the socioeconomic wellbeing of Indigenous Territorians with achievable targets for 5, 10 and 20 years that address the child protection system, housing, unemployment, offender rehabilitation, health, alcohol misuse and education.

A major benefit of the NTER is that it has initiated a sizeable response to the service deficit in remote communities, and has provided initial investment to address the backlog of infrastructure in remote areas. Addressing Indigenous disadvantage will require ongoing NTER-like investment, with resources to be deployed in a sustainable, ongoing way and supplemented where appropriate by targeted initiatives.

Notwithstanding substantial expenditure from the Northern Territory Government, and additional funding since 2007 for implementation of the Closing the Gap initiative, the quantum of funds required remains beyond the financial capacity of the Territory.

Table 1 estimates the additional investment in infrastructure and services necessary to address Indigenous disadvantage in the Northern Territory. This estimate has been tempered by what can realistically be achieved given resourcing constraints in the Territory and Australia both in terms of service delivery and infrastructure capability.

Table 1: Summary of Backlog in Indigenous Infrastructure and Services in the Territory

Ongoing Funding	Permanent NTER (\$M)		New and Expanded (\$M)	
	Recurrent	Capital	Recurrent	Capital
Employment and Economic Participation	106		54	
Community Safety (including law and order)	36	169	34	83
Education	55	135	118	290
Health	60	93	38	30
Housing	55	2 059		
Roads and IT Infrastructure				622
Governance and Coordination	73		18	
Total Estimated Shortfall	385_{/pa}	2 456	262_{/pa}	1 025

Note: these costs do not include requirements for outstations as consultation on the service delivery model is currently under way.

Contents

- Introduction 2
- Part A: Service Provision in the Northern Territory 3
 - Overview of Service Provision by Functional Area 3
 - Schools 3
 - Health and Welfare 6
 - Public Health 7
 - Community Health Centres – Major Regional 7
 - Justice Services 14
 - Housing 23
 - Local Government 24
 - Essential Services 25
- Part B: Funding Arrangements – Indigenous Expenditure Review 28
 - Territory Funding Arrangements 28
 - Determination of GST Relativities 28
 - Indigenous Expenditure Review 29
- Part C: Resources Required to Address Indigenous Disadvantage in the Northern Territory 36
- Part D: Expenditure of GST Revenue and Commonwealth Grants Commission Analysis 39
 - Assessed versus Actual Expenditure 39

Introduction

The submission is divided into four parts to address the terms of reference.

Part A provides a summary of the characteristics of the Indigenous population and a detailed overview of service provision by key functional areas in the Territory and the impact of the Indigenous population on both service use and cost.

Part B outlines the financial arrangements in the Territory and estimates Indigenous-related expenditure and revenue for 2006-07.

Part C outlines recent developments as a result of the Northern Territory Emergency Response and the Northern Territory's Closing the Gap of Indigenous Disadvantage initiative and estimates the dollars required to address the levels of disadvantage faced by the Territory's Indigenous population.

Part D addresses the relationships between the Commonwealth Grants Commission methodology and expenditure patterns of the Territory.

The submission draws heavily on and reproduces selected material from the 2006-07 Indigenous Expenditure Review, the Territory Government submission to the Northern Territory Emergency Response Board's inquiry and the Territory's preparatory documentation for the 2008 Workplace Discussions with the Commonwealth Grants Commission.

Part A: Service Provision in the Northern Territory

Indigenous people make up 30.4 per cent of the Territory's population. Indigenous people have a younger age structure than the non-Indigenous population with a median age of 22 and are more likely to live in remote or very remote areas.

Fertility rates for Indigenous women are higher than those of non-Indigenous women. Mortality and morbidity rates are significantly higher for Indigenous Territorians.

Although the non-Indigenous population primarily lives in the larger centres of Darwin, Alice Springs, Katherine, Tennant Creek and Nhulunbuy, nearly 60 per cent of the Territory's Indigenous population lives in and around 700 remote communities.

The Indigenous population is highly mobile within the Territory for a wide range of reasons relating to culture and access to services, communities and country.

There are over 80 Indigenous languages registered with the Indigenous Interpreter Service in the Territory and 54 per cent of the Indigenous population speaks an Indigenous language at home. For many Indigenous Territorians, English is a third, fourth or fifth language.

The terms of reference seek to understand the level of service delivery achieved in Indigenous communities in the Territory in relation to the expenditure of both Commonwealth and Northern Territory money.

This section describes characteristics of the Territory's Indigenous population and service delivery for the core functional areas of schools, health, police, housing, courts and corrections, and essential services. Part C estimates Indigenous-related expenditure and revenue in relation to these services.

Overview of Service Provision by Functional Area

Schools

There are 151 government schools in the Territory, with almost three-quarters of these located in remote or very remote areas (see Table 2). The classification of schools in the Territory is outlined below.

Table 2: Number of Schools by Location

Government School Type:	Provincial ¹	Remote ¹	Very Remote ¹	Total
Small schools	1	6	61	68
Special purpose schools ²	3	2		5
Open learning schools		3		3
Area schools		2	1	3
Community schools ³			16	16
Primary schools	29	10	3	42
High schools/middle schools	7	3	2	12
Senior colleges	1	1		2
Total	41	27	83	151
Per cent of total	27	18	55	100

1. Categories used by the Ministerial Council on Education, Employment, Training and Youth Affairs and based on ARIA: Provincial – Darwin, Palmerston and parts of Darwin rural; Remote – Alice Springs, Katherine and parts of Darwin rural; and Very Remote – the remainder of the Territory.

2. Special School Annexes attached to general purpose schools are not included in the school count. Includes Don Dale detention centre.

3. Fifty homeland learning centres are not included in the school count.

Source: Department of Education and Training

Small schools include 15 one-teacher schools with students ranging in age from 5 to 15. Small schools are grouped (groups of 5-17) into group schools of 340 to 840 students. Each group school has a principal and support staff. The group school

principal provides professional support to teaching principals and staff in each school. Group schools also have roving support teachers that provide specialist support to school-based teachers.

Area schools deliver services for pre-school through to year 9 while community schools in very remote communities provide for preschool/transition to year 12.

Homeland learning centres (HLC) operate on a 'hub and spoke' system with approximately 50 HLCs attached to 12 community, primary and small schools. HLCs cater for small groups of Indigenous students who, because the homelands are geographically isolated, are not attending the hub school. Local assistant teachers, with a range of experience and qualifications, are employed in HLCs to support service delivery, and teachers from the hub school visit regularly. The number of HLCs and students involved can vary due to the seasonal changes and accessibility, and the mobility of the Indigenous population.

The Territory has the highest proportion of small primary schools nationally with 20.5 per cent having 20 or fewer students compared to 7.3 per cent nationally. Only 1.2 per cent of Territory primary schools have over 600 students compared to 7.2 per cent nationally.

Reflecting both scale and socio-demographic characteristics of the student population and the resultant provision of additional programs, student to staff ratios in the Territory are the lowest of all jurisdictions for both teaching and non-teaching staff. Table 3 shows the student to staff ratios for 2006 for government schools by jurisdiction.

Table 3: Students-to-Staff Ratios – Government Schools, 2006

	NSW	VIC	QLD	WA	SA	Tas	ACT	NT	Aust
Teaching staff									
Primary	16.2	15.9	15.5	16.2	15.7	15.8	13.8	13.3	15.8
Secondary	12.4	11.9	13.0	12.5	12.5	13.2	11.9	11.2	12.4
All schools	14.4	13.9	14.4	14.7	14.3	14.6	12.8	12.5	14.3
Non-teaching school staff									
Primary	49.6	53.7	39.7	31.9	37.9	35.6	45.5	30.9	43.5
Secondary	45.4	45.0	37.7	31.9	33.2	33.5	45.4	27.7	40.5
All schools	47.7	49.7	38.9	31.9	36.1	34.6	45.5	29.8	42.3
All school staff									
Primary	12.2	12.2	11.1	10.7	11.1	11.0	10.6	9.3	11.6
Secondary	9.8	9.4	9.7	9.0	9.1	9.4	9.4	8.0	9.5
All schools	11.1	10.9	10.5	10.1	10.3	10.3	10.0	8.8	10.7

Source: Report on Government Services 2008

Student attendance rates in government schools vary significantly between non-Indigenous and Indigenous and also by geo-location. Table 4 shows that while non-Indigenous student attendance rates do not vary significantly by location (at approximately 90 per cent), attendance rates for Indigenous students range from 80 per cent in provincial schools to 64 per cent in very remote schools.

Table 4: Percentage Student Attendance by Indigenous Status and Location – Government Schools

School type	Provincial		Remote		Very Remote	
	Non Indigenous		Non Indigenous		Non Indigenous	
	Indigenous	Indigenous	Indigenous	Indigenous	Indigenous	Indigenous
Pre school	84	92	77	91	59	86
Primary	82	92	76	92	65	89
Secondary	78	87	76	87	65	91
Total	80	89	76	89	64	90

Source: Department of Education and Training

The reasons underlying Indigenous attendance rates are complex. Many Indigenous students have very high mobility, families often move frequently between remote communities, for a wide range of cultural reasons and to access services and country. Poor attendance rates are also influenced by the fact that many Indigenous children, particularly in remote areas, have poor health outcomes, live in large overcrowded households with poor environmental health and minimal educational resources. Many families have low incomes, place little value on, and have low expectations of education and children may be impacted by substance abuse, particularly alcohol.

Additional resources are required to encourage attendance, assist students with integration into the school community, provide for additional tutoring, provide for mentoring and Indigenous leadership and to assist with numeracy and literacy.

Since the Northern Territory Emergency Response, while overall enrolment numbers have increased, there appears to be little movement on attendance rates.

The low attendance rate of Indigenous students is a major factor in poorer outcomes. While results in provincial geo-locations in the Territory are comparable to national benchmarks for non-Indigenous, Indigenous rates are significantly lower with greater differentials as the level of remoteness increases.

Similar to factors influencing attendance, outcomes for Indigenous students are influenced by a wide range of factors including: low levels of literacy and numeracy amongst their families; low family incomes and limited or no access to educational materials in the home; and families living in overcrowded houses with poor health, some with substance abuse problems; and low expectations of education. In addition students in remote communities are highly mobile, moving from school to school frequently. Evidence shows that an Indigenous student attending 8 days out of 10 is likely to reach literacy and numeracy benchmarks.

A wide range of specific programs has been delivered over recent years in addition to mainstream service provision to assist Indigenous students. These include: the Bilingual Education Program; Aboriginal and Islander education workers; Indigenous Tutorial Assistance Scheme; Count Me in Too; Quicksmart; Accelerated Literacy; Indigenous language and culture programs; and the Indigenous Students' Leadership and Mentorship Program.

In addition remote area programs benefiting Indigenous students include mobile pre-schools, additional teaching resources devoted to remote senior secondary programs and remote learning partnership agreements.

Health and Welfare

Public Hospitals

The Territory Government manages five public hospitals: Royal Darwin Hospital; Alice Springs Hospital; Katherine Hospital; Tennant Creek Hospital; and Gove District Hospital. Royal Darwin Hospital provides the most comprehensive range of services. It also acts as a tertiary referral hospital for the remainder of the Territory, the Kimberley region of Western Australia and South East Asia in the event of a man made or natural disaster in the region. Both Royal Darwin Hospital and Alice Springs Hospital are teaching hospitals. The three hospitals in Katherine, Tennant Creek and Gove are smaller community hospitals. In 2006-07, there were a total of 626 beds, including 32 beds for mental health patients, in the Territory's public hospitals.

Territory public hospitals are busy. According to the Commonwealth Department of Health and Ageing's *State of Our Public Hospitals June 2007 Report*, the Territory had the highest rate of public hospital admissions (529 admissions per 1000 weighted population, including renal treatment). The jurisdiction with the second highest rates, Victoria, had 239 admissions per 1000 weighted population. Nationally there were 210 admissions per 1000 weighted population.

Table 5 shows the growth in weighted (casemix adjusted) separations for each public hospital in the Territory.

Table 5: Growth in Inpatient Weighted Separations, Northern Territory

	2002-03	2003-04	2004-05	2005-06	2006-07	% of Total Separations
Royal Darwin Hospital	32 355	34 592	37 623	41 413	42 231	55.9
Alice Springs Hospital	20 391	18 353	19 181	20 779	22 733	30.1
Katherine Hospital	5 808	4 569	4 480	4 393	5 433	7.2
Tennant Creek Hospital	1 788	1 440	1 517	1 576	2 083	2.8
Gove District Hospital	2 641	2 470	2 336	2 681	3 028	4.0
Total public hospitals	62 983	61 424	65 137	70 842	75 508	100.0

Source: Department of Health and Community Services, Annual Report 2006-07

The Indigenous population comprises the largest proportion of hospital patients in the Territory. Sixty-seven per cent of all public hospital separations in the Territory are Indigenous, despite comprising only 30.4 per cent of the Territory's population. The resultant separation rates for Indigenous people in the Territory are 6.5 times higher than the non-Indigenous population, 1548 per 1000 Indigenous population compared with 240 per 1000 non-Indigenous population in the Territory.¹

Private Hospital

The Territory's private hospital sector is very small, with only one significant private hospital². The small private hospital sector in the Territory is reflected in the split between public and private hospital admission rates. In 2005-06, 39 per cent of all hospital admissions in Australia were in private hospitals.³ In comparison, only 13 per cent of all hospital admissions in the Territory were in the private hospital.⁴ The Darwin Private Hospital provides a limited range of hospital services.

Emergency Department

The Territory's emergency departments are the busiest in Australia with 705 presentations to emergency departments per 1000 weighted population in

1. AIHW 2007, Australian hospital statistics 2005-06.

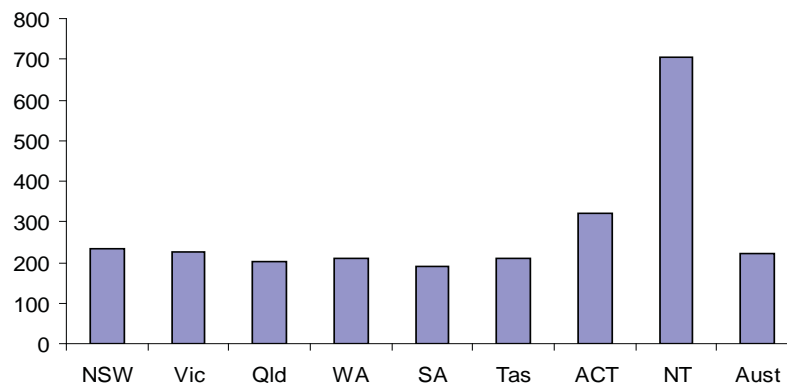
2. A Darwin GP "expanded role" surgery which does minor day surgery is also classified as a private hospital by its need to register and meet regulations under the *Private Hospital and Nursing Homes Act*.

3. Department of Health and Ageing 2007, State of our public hospitals June 2007 Report.

4. Ibid.

2005-06. The higher rate of presentations is due to a number of factors including the lack of general practitioners, and subsequently greater reliance on public health services for all aspects of health care, the largely transient population and the high proportion of the Indigenous population. The rate of presentations in the Territory is over three times higher than the national rate of 223 presentations per 1000 weighted population (see Figure 1).

Figure 1: Emergency Departments – Rate of Presentations, 2005-06



Source: DOHA, State of our public hospitals, June 2007

Public Health

Community Health Centres – Major Regional

Northern Territory Government Managed

The Territory Government manages eight community health clinics in major regional settings, including four in Darwin and one each in Katherine, Tennant Creek, Alice Springs and Nhulunbuy.

Community health centres act as the base for Department of Health and Families (DHF's) urban Community Health Program's two major service streams: *Community and Primary Care Services* and *Child, Youth and Family Health Services*. These two service streams are either provided at the centre or within the community (that is, in homes and schools).

Community and Primary Care Services include wound management, continence services, general nursing, brief interventions, health promotion and education, adult immunisation, palliative care and liaison with government and non-government services to facilitate transition from hospital to home for clients with complex needs. *Child, Youth and Family Health Services* include childhood immunisations, baby checks, growth and development screening, parenting and child development advice, home birth services and high school based health-promoting programs for individuals and the school community.

Services are mainly offered during normal business hours, with limited after-hours services. Staff includes nurses, social workers, Aboriginal health workers and Aboriginal health promotion officers.

Aboriginal Community Controlled Health Services

There are five independent Aboriginal community controlled health services provided in the major regional centres in the Territory: Darwin, Katherine, Tennant Creek and Alice Springs.

Private Providers

There is a small allied health sector in the Territory, which is predominantly based in Darwin. Allied health professionals work alongside doctors and nurses and include physiotherapists, occupational therapists and psychologists. As a result of the small

allied health sector and difficulties in access, many clients are required to access public sector services for care.

Community Health Centre – Remote/Very Remote

Remote community health centres provide the bulk of health care to residents and visitors within their service area. The Territory Government manages 52 remote community health centres. A further 32 community health centres are Aboriginal community controlled health services. These are all outside the major townships of Darwin, Katherine, Tennant Creek, Alice Springs and Nhulunbuy. Table 6 describes a typical remote health centre in the Territory.

Table 6: A Typical Northern Territory Remote Community Health Centre, 2003-04

	Average	Unit
Distance to nearest hospital	275	kilometres
Service population	523	persons
Doctor visits	35	trips per year
Nurse	3.4	full-time equivalent
Aboriginal health worker	1.3	full-time equivalent
Aide (physical)	0.2	full-time equivalent
Secretary	1.0	full-time equivalent
Expenditure	580 000	\$ (excl. doctor's costs)
Attendances	8 502	attendances per year

Source: Zhao, Y, Hanssens, P, Byron, P and Guthridge, S 2006, Cost estimates of primary health care activities for remote Aboriginal communities in the Northern Territory, Department of Health and Community Services

In addition to providing the normal level of community health services in an urban setting, remote health centres provide a greater range of health services, including primary and acute care, in recognition of the large distances to the nearest hospital and support services. The core primary healthcare services delivered by remote community health centres are:

- clinical services:
 - primary clinical care such as treatment of illness using standard treatment protocols, 24-hour emergency care, provision of essential drugs and management of chronic illness;
 - population health/preventative care such as immunisation, antenatal care, appropriate screening and early intervention (including adult and child health checks and secondary prevention of complications of chronic disease), and communicable disease control; and
 - clinical support systems such as pharmaceutical supply system and comprehensive health information system (population registers, patient information recall systems, and systems for quality assurance).
- support services – internal to the health service:
 - staff training and support such as Aboriginal health worker training, cross-cultural orientation and continuing education;
 - management systems that are adequately resourced, financially accountable and include effective recruitment and termination practices; and
 - adequate infrastructure at the community level such as staff housing and clinical facilities, and functional transport facilities.
- support services – external to the health service:
 - systems for supporting visiting specialists and allied health professionals (including dental, mental health etc), medical evacuation or ambulance services, access to hospital facilities; and

- training role for tertiary and other students.
- special programs:
 - based on locally relevant priorities these include programs directed at rheumatic fever, substance misuse, nutrition, environmental health, particular target groups such as youth, aged and disabled, young mothers, school children, etc.
- advocacy and policy development:
 - support for the community on local, state and federal issues.

Public health programs are delivered across the Territory through the community health centres and the public hospitals. These programs are often delivered by generalist health centre workers including district medical officers, community health nurses and Aboriginal health workers. The five main public health activities, by proportion of total public health expenditure, are:

- communicable disease control (26.6 per cent);
- organised immunisation (22.3 per cent);
- prevention of hazardous and harmful drug use (16.1 per cent);
- selected health promotion (13.6 per cent); and
- environmental health (10.0 per cent).

Public health services are aimed at increasing people's capacity for healthy living and promote lasting improvements in physical, mental and social health outcomes and therefore reduce the demand for health services. The prevalence of chronic disease and the generally poor health outcomes in the Indigenous population has focused public health policy on addressing these issues.

Public health programs in the Territory categorise Indigenous people as a high priority group. As such, public health programs have been developed to address the underlying causes of poor health outcomes in Indigenous people at all stages of life. The Territory's Indigenous health policies are outlined in the *Aboriginal Health and Families: A Five Year Framework for Action*. This policy document provides for a balanced set of core and targeted primary health care services that will include health assessment, illness prevention and health promotion, education for self support and care, support for in-home care and advocacy for family patients and communities.

Family and Children's Services

The Territory Government provides assistance to families, individuals and communities for the care and protection of children and young people, and promotion of the wellbeing of communities, families and individuals.

Family and Children's Services offices are located in all urban Territory centres with staff providing a visiting service to remote areas and communities in all regions.

Within the new Department of Health and Families, NT Families and Children (NTFC) will integrate programs and functions that support Territory families and children. With a budget in 2008-09 of \$83 million, services include:

- child protection;
- family and parent support services;
- substitute care;
- residential care;
- adoption services;
- domestic violence services;

- sexual assault services;
- youth development services;
- youth justice activities; and
- crisis support and accommodation for people who are homeless or at risk of homelessness.

The Northern Territory has also established an Office of the Children's Commissioner to represent the interest of children at all levels of government.

Impact of Indigeneity

The primary driver of Family and Children's Services demand is the number of children and young people in the population. However, there are a number of special needs groups within this population, including Indigenous children and children from low socioeconomic status families, who tend to access services more frequently.

The Productivity Commission's 2008 Report on Government Services (RoGS) indicates that in 2006-07 Indigenous children were around 5.5 times more likely than non-Indigenous children to be the subject of a substantiated abuse notification, 7.1 times more likely to be the subject of a care and protection order and 7.9 times more likely to have had a least one placement in out-of-home care through the year.

The number of substantiated child abuse notifications is a key measure of service need. Substantiated notifications in the Territory have risen from 1013 in 2002-03 to 1631 in 2006-07. RoGS shows that the Territory has the highest rate of substantiated notifications of any jurisdiction in Australia.

The higher use of out-of-home care by Indigenous children results in higher care costs per child. RoGS shows that, on average across Australia, out-of-home care is 1.65 times more expensive than other child protection services.

The Territory has significantly more homeless persons per capita than other jurisdictions. This is reflected in Supported Accommodation Assistance Program (SAAP) client data which shows that during 2005-06, around 18 out of every 1 000 Territorians received a SAAP service, around 3 times the national average.

Indigenous persons are overrepresented in SAAP. RoGS indicates that around 65 per cent of accommodated SAAP clients in the Territory during 2005-06 were Indigenous. The higher use of SAAP by Indigenous people is largely attributable to their higher rate of homelessness and the prevalence of domestic violence among the Indigenous population⁵.

Aged and Disability Services

Aged and disability services are provided to people with disabilities, children with developmental concerns, people who are ageing, and their families and carers. Three main programs with a budget of around \$60 million are administered:

- Home and Community Care (HACC);
- aged care; and
- disability services.

Support services for aged and disabled people are provided in homes and in the community and include assessment and therapy, case management, allied health and specialist services, respite, supported accommodation and care, community access, information and training, licensing and standards, equipment and subsidies, monitoring and evaluation, and guardianship.

5. [http://www.facs.gov.au/internet/facsinternet.nsf/VIA/keys/\\$File/KeysYoung.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/VIA/keys/$File/KeysYoung.pdf)

The program provides grants to a range of non-government service providers from large community organisations to small teams based in remote areas. Departmental services are provided Territory-wide, from offices located in Alice Springs, Tennant Creek, Katherine, Nhulunbuy and Darwin but with services that outreach to all parts of the Territory. There are four major non-government organisations providing disability services in Darwin, Katherine and Alice Springs and a large number of small providers that primarily deliver HACC services outside the major centres.

Services to remote communities are delivered using a trans-disciplinary approach with a key allied health worker assigned to individual communities. Specialist disability services for remote communities are primarily delivered by the Department of Health and Families (DHF).

Impact of Indigeneity

The need for aged care services is driven by the frailty and/or functional disability of the aged population⁶. The need for disability services is predominantly driven by the number of disabled people. Indigenous people are overrepresented in both these areas.

Use of HACC services provides an indication of the frailty and functional disability of the aged population. In 2006-07, Territorians received around 1.6 times more HACC service hours than the national average. This is mainly because of the high and complex need of the Territory's Indigenous population and the fact that Indigenous people in general tend to require aged care services at a younger age than non-Indigenous people⁷. In 2006-07, 45 per cent of HACC clients in the Northern Territory were Indigenous.

Table 7 illustrates the number of disabled people in the Territory. The table shows that Indigenous persons are more likely to have a disability than non-Indigenous persons, particularly a severe or profound disability.

Table 7: Number of Disabled People in the Northern Territory

Age	All Disability			Severe/Profound Disability		
	Indigenous	Non Indigenous	Total	Indigenous	Non Indigenous	Total
0-14	4 100	2 400	6 500	2 100	1 300	3 400
15-44	6 500	8 200	14 700	1 500	1 900	3 400
45-64	3 800	9 300	13 100	900	2 100	3 000
Under 65	14 400	19 900	34 300	4 500	5 300	9 800
65+	1 300	3 800	5 100	500	1 400	1 900
Total	15 700	23 700	39 400	5 000	6 700	11 700
Proportion	40%	60%		43%	57%	

Source: KPMG estimates derived from ABS (2003): Survey of Disability, Ageing and Carers (SDAC); Burden of Disease data provided by the Northern Territory Department of Health and Community Services (DHCS) and 2006 estimated population, Charles Darwin University and Northern Territory Government.

For the Territory, RoGS data shows that:

- Indigenous Territorians were 1.7 times more likely to receive four or more HACC service types than the national Indigenous average;
- Indigenous Territorians received 1.8 times more monthly HACC hours per client than the national Indigenous average; and

6. The aged population in terms of aged care is defined by RoGS as the non-Indigenous population aged over 70 and the Indigenous population aged over 50 in recognition of the earlier onset of chronic disease in the Indigenous population.

7. http://www.pc.gov.au/_data/assets/pdf_file/0004/74875/chapter13.pdf

- among the Indigenous population, national use rates of aged care services are significantly higher in remote and very remote areas compared to urban areas (71.5 per 1000 Indigenous persons in very remote areas compared to 28.0 per 1000 Indigenous persons in major cities). This 'remoteness' effect is isolated to the Indigenous population as overall aged care use rates are highest in major cities and decrease as remoteness increases. This disproportionately affects the Territory because of the relative remoteness of its Indigenous population.

Alcohol and Other Drugs

The Alcohol and Other Drugs Program (AODP) develops policies, strategies and programs to respond to the misuse of alcohol, tobacco and other drugs. The AODP incorporates community development, education, training and intervention, treatment and care options.

AODP employs a range of staff across the Territory including doctors, nurses, counsellors, psychologists, researchers, educators, trainers and administrative staff. Core AODP services include:

- treatment and care services (including non-government organisations, internal treatment services, sobering-up shelters and community patrols);
- community support staff;
- training and workforce development;
- policy and program development; and
- research and evaluation.

The bulk of AODP services in the Territory are provided by non-government organisations funded by DHF. Data from these organisations indicates that in 2006-07 around 65 per cent of clients treated were male and around 57 per cent of treatment episodes were principally related to alcohol.

Impact of Indigeneity

The vulnerability of the Indigenous population in terms of health and broader social and economic factors is well documented. The need for, and cost of, services such as the AODP is much higher for Indigenous people because of case complexity, dispersion and the need for culturally appropriate interventions.

The Territory has Australia's highest per capita rate of alcohol consumption. This is reflected in the AODP data which shows that Territorians are around 1.6 times more likely to receive treatment where alcohol is the principal drug of concern⁸. It should be noted that Indigenous people are actually less likely to drink alcohol than non-Indigenous persons. However, when they do drink, they are more likely to drink at high or very high risk levels and undertake harmful binge drinking, especially between the ages of 21 to 24⁹.

Service Delivery Challenges – Community Health and Welfare

Community services face a number of challenges when providing services to Indigenous families, particularly in remote areas, including:

- the small and scattered nature of the Indigenous population, which poses problems for the viability of locally based programs, both in terms of economies of scale and providing support to a large number of small organisations that the DHF funds to provide services in these communities;

8. AIHW, Alcohol and Other Drug Treatment Services National Minimum Data Set, 2005-06

9. <http://nursing.flinders.edu.au/research/index.php?id=282>

- the relatively poor level of housing and other infrastructure in many Indigenous communities, which contributes to social problems and also means that accommodation and office space are unavailable to base services and personnel;
- the general level of educational achievement in Indigenous communities, which means that extra support is required in developing literacy and providing an orientation to the service system before locally recruited staff are able to engage effectively, work with, and help transform, the existing service system;
- the high level of comorbidities in the Territory's Indigenous population. The provision of community services, particularly disability services, is heavily influenced by comorbidities. Disabled clients from remote areas are often brought to Darwin or Alice Springs because they require not only disability services but also health services more generally. This requires a trans-disciplinary approach to ensure the client's health and welfare needs are met;
- ensuring the cultural competence of workers. DHF endeavours to employ Indigenous staff and provides extensive cross-cultural staff training. The constant turnover of staff increases training costs and reduces the efficiency of the workforce; and
- the difficulties attracting and retaining suitably qualified people to fill vacant positions. For example, at any given time there are up to 30 child protection workforce vacancies across the Territory. This problem is acute in Darwin, worse in smaller regional centres, and critical in remote areas.

Given the Territory's widely dispersed population and the small scale of many communities serviced, DHF utilises a hub and spoke model of service delivery augmented by a reliance on Territory Government funded non-government organisations, especially local government shires, in remote areas.

The lack of private providers such as specialists in remote areas, results in a higher reliance on government services in the Territory than would be the norm in other jurisdictions. This is particularly prevalent for disability services because of the high number of disabled Indigenous people in remote communities.

In the Territory, 24-hour care is the primary form of supported accommodation for disability clients. This is the most expensive type of supported accommodation. The cost and rate of 24-hour care in the Territory is higher than most other jurisdictions and is primarily the result of the high and complex need of Indigenous clients. The high level of comorbidities in the Indigenous population and cultural issues mean that Indigenous disability services clients are often brought to Darwin and Alice Springs for treatment and require a trans-disciplinary approach to meeting clients' needs.

The nature and isolation of many Indigenous communities also necessitates different methods of service delivery. For example, the Territory established the Child Abuse Taskforce (CAT) in 2006, in recognition that delivering child protection services, particularly in remote Indigenous communities, requires a culturally sensitive, multi-agency approach because of the complexity of the matters investigated and the endemic nature of the behaviours.

CAT includes Northern Territory and Australian Federal Police and Northern Territory DHF staff. It is designed to overcome the language, cultural and other barriers that inhibit the successful criminal prosecution of perpetrators of child abuse and the removal of such offenders from the family and community. CAT is a specialist unit which has expertise in the child forensic interview techniques necessary in the investigation of child abuse.

CAT is jointly coordinated by Northern Territory Police and Family and Community Services (FACS) and includes 17 full-time equivalents (FTE) from Northern Territory

Police, 29 FTE from the Territory's DHF and eight Australian Federal Police. This includes a team of four Aboriginal Community Resource Workers (ACRWs) who work with families and communities where CAT investigations have or are being conducted. The primary role of ACRWs is to involve and assist families and communities in keeping children safe. This can be particularly challenging in remote Indigenous communities where dysfunctional lifestyles are often reflected through children engaging in sexualised behaviour at a very young age and occasionally the perpetrators are children themselves.

The bulk of CAT investigations involve children from Indigenous communities.

Workforce Retention and Recruitment

The Territory's health workforce is comparatively small and concentrated in the major urban centres. There are a number of professions within the Territory's health workforce that are considered hard to recruit, including nursing and some allied health professions. This is symptomatic of broader national shortages, but is exacerbated in the Territory due to lack of availability of training and education opportunities, perceived professional isolation and the increasing mobility of the health workforce.

Staff recruitment and retention costs are a significant part of state expenditure particularly in the area of health. These costs are exacerbated for the Territory due to the high staff turnover across virtually the entire range of health professionals including nurses, doctors, allied health professionals and Aboriginal health workers. In 2007, there was a 35 per cent turnover in nursing staff and 56 per cent turnover in medical staff employed by the Territory Government. High staffing turnover and the need to provide competitive salary packages and incentives to work in the Territory are a significant cost on the health budget.

Justice Services

Police

Prior to the Northern Territory Emergency Response (NTER) there were 40 police stations in the Territory with a total of 906 FTE police, 56 recruits¹⁰, and 78 Aboriginal Community Police Officers (ACPOs). In 2006-07 the Territory had the highest number of sworn officers per capita.

The NTER has resulted in a further increase in sworn police in the Territory. As at February 2008 a total of 18 additional temporary police stations (manned by 51 Territory, interstate, and Federal police) were operating across the Territory. A further 66 Federal Police were deployed from July 2008.

There are two cross-border police stations in: Kintore (which houses Northern Territory and Western Australian police) and Warakurna in Western Australia (which was opened in March 2007 as a joint venture between the Northern Territory and Western Australian governments).

Police services in the Territory are divided into three command regions: Greater Darwin; Katherine and Northern; and Alice Springs and Southern. These commands are further divided into operational service divisions which contain between 1 and 10 police stations. Whole of state police functions such as special operations, juvenile diversion, intelligence, forensics and counter-terrorism are provided centrally from Darwin.

The Territory police have three main operational areas:

- community safety and crime prevention;
- general policing, crime detection, investigation and prosecution; and
- road safety services.

10. Recruits are staff currently in training to become sworn officers.

Community Safety and Crime Prevention

Community safety and crime prevention consists of a range of proactive services, including community education and awareness programs and the provision of a visual police presence in the community.

General Policing, Crime Detection, Investigation and Prosecution

General policing, crime detection, investigation and prosecution comprises:

- response and recovery services, which include response services to calls for assistance, call centre operations, response tasking, incident attendance, search and rescue operations and incident recovery services;
- investigations following the initial response to incidents or information where a breach of the law is suspected. Activities include crime investigation, surveillance and forensic analysis; and
- services to the judicial process including a prosecution service, court case and evidence presentation, bail processing and reporting, support to the Northern Territory Coroner, court security, custody and transport of persons, care and protection of victims and witnesses and diversion of juveniles from the criminal justice system.

Road Safety Services

Road safety services include:

- education and enforcement to foster good driving behaviour and compliance with road laws;
- response to motor vehicle crashes including investigation; and
- reporting to the Coroner.

Crime in the Territory

The Territory has the highest per capita rates of crimes against the household, crimes against the person and road fatalities of any jurisdiction in Australia¹¹. These relatively high rates are mainly the result of the Territory's above average proportions of Indigenous people, young people and males, all of whom are known to be above average users of police service.

Australian Institute of Criminology (AIC) data^{12,13} shows that:

- Indigenous persons are about 17 times more likely to be taken into police custody;
- males are about three to four times more likely than females to be offenders; and
- young persons are about three times more likely to be processed by police for the commission of a crime than the rest of the population.

Consistent with AIC data, during 2006-07 about 94 per cent of persons taken into police protective custody in the Territory were Indigenous and of these, about 70 per cent were male. The main driver of Indigenous protective custody is alcohol abuse. However, the figures do not include the significant number of people taken to sobering-up shelters by police.

Domestic Violence

In 2006-07, domestic violence related assaults in the Territory comprised about 54 per cent of total assaults. This issue is particularly pertinent to the Territory, where the rate of hospital admissions for assault is the highest in the country. In 2002, a survey conducted by the then Department of Health and Community Services found

11. ABS Catalogue No. 4509.0, Crime and Safety, Australia, April 2005.

12. http://www.aic.gov.au/publications/facts/2005/04_selectedOffenderProfiles.pdf

13. http://www.aic.gov.au/publications/facts/2007/facts_and_figures_2007.pdf

that violence, particularly domestic and family violence, is the single greatest cause of hospital admissions for injury among Indigenous women in the Territory, with one in four patients screened at the Emergency Department of Royal Darwin Hospital disclosing domestic violence¹⁴.

The International Violence Against Women Survey¹⁵ shows that the rate of family violence victimisation for Indigenous women is about 40 times higher than the rate for non-Indigenous women. Australian Institute of Health and Welfare data shows that domestic violence among the Indigenous population is more severe than in the non-Indigenous population, with Indigenous females 35 times more likely to be hospitalised than non-Indigenous females¹⁶.

Aboriginal Community Police Officers

Territory police provide a law and order service that is sensitive to the social and cultural needs of the community and recognise that policing the Indigenous population is best achieved by, and with the assistance of, Indigenous people. The ACPO program is a specific scheme aimed at providing a culturally appropriate police service. ACPOs are not placed into communities as an alternative to mainstream policing, but to provide an important link between the Indigenous community and the police service, while maintaining their obligations as police officers.

Impact of Indigeneity

Providing police services to Indigenous persons is more costly, even allowing for their higher use rates. The additional cost is associated with differences in crime type and severity, and the complexities involved in the provision of services to Indigenous people more generally, particularly in remote areas.

While it is difficult to determine the average cost of each type of crime, generally cases involving violent crime are more resource intensive. Indigenous Australians are over-represented as both victims and perpetrators of all forms of violent crime in Australia¹⁷.

The severity of many domestic violence cases, particularly in Indigenous communities, results in police often treating these investigations as murder prevention cases, which generally requires more resources than 'average' domestic violence cases.

Territory police are also involved in Indigenous-specific activities such as the development and implementation of Alcohol Management Plans on the Tiwi Islands, Alyangula, Nhulunbuy, Tennant Creek and Alice Springs. Territory police have also established the Indigenous Policing Development Division in an effort to increase the number of Indigenous police, to enable a more culturally appropriate service.

The types of crime in remote areas differ from those in urban environments. In many remote Indigenous communities, property crime is virtually non-existent, however rates of assault, particularly domestic violence, can be significantly higher. While alcohol is prohibited in many communities, a significant amount of remote police resources are still related to incidents caused by alcohol and substance abuse.

Specialist services such as forensics provide a visiting service to remote stations as needed. For example, the Territory's Child Abuse Taskforce that has the required child forensic interview skills, visits communities when serious child abuse is uncovered.

The principal difference between policing in the Territory and that in other states is the need to tailor policing to meet the needs of the Indigenous population. The Royal Commission into Aboriginal Deaths in Custody found that "the overwhelming number of offences for which Aboriginal people find themselves in police custody are not serious

14. http://www.nt.gov.au/health/comm_health/womens_health/hidden_wounds/DV_Evaluation_Report_Final.pdf

15. <http://www.aic.gov.au/publications/rpp/56/RPP56.pdf>

16. <http://www.aihw.gov.au/publications/ihw/fvaatsip/fvaatsip.pdf>

17. http://www.aph.gov.au/library/intguide/SP/Dom_violence.htm

crimes but alcohol-related street offences". A great deal of police intervention in the lives of Aboriginal people, therefore, is not in response to potentially harmful conduct, in relation to either persons or property, but is routine. This results in Territory police needing to spend a disproportionate amount of community policing time dealing with minor matters, such as moving people on and tipping out alcohol.

A high proportion of the Territory's Indigenous population speaks English as a second or third language and often has low literacy skills. Territory police, particularly in remote communities, face language and cultural barriers daily. Providing effective policing in these situations requires considerable additional resource input. Investigations generally take longer as cultural matters such as avoidance relationships are observed and interview procedures are modified so they are more readily understood. Police estimate that it takes at least twice as long to actually interview Indigenous people in addition to the other difficulties encountered.

Every attempt is made by police to secure culturally appropriate assistance and representation. An example of a culturally appropriate service that has been legislated in the Territory is the prisoner's friend initiative where police are not able to interview or take any other investigative action (e.g. an identification parade) unless a 'prisoner's friend' is present. This can involve significant resources, particularly where the nominated party comes from a remote community, as police are obliged to transport and accommodate the prisoner's friend.

Conventional policing strategies are rarely suited to remote Indigenous communities. This is evidenced by the fact that interstate police need additional training when posted to the remote stations. This issue has been highlighted through the NTER.

The level of dysfunction in many communities requires education strategies to increase understanding of what constitutes acceptable behaviour. Indigenous members of the police force may be particularly challenged by cultural clashes between mainstream society and their cultural traditions.

Other Justice Services

Justice services in the Territory (excluding police) are managed by the Department of Justice (DOJ). In addition to policy coordination and corporate and strategic services within DOJ, there are four output groups:

- *Solicitor for the Northern Territory* – provides civil litigation, commercial, and native title legal services to the Territory Government and manages the outsourcing of selected legal services.
- *Court Support and Independent Officers* – provides administrative and other support services to enable courts and tribunals to administer justice for the community, including a community mediation service, protects the community's legal rights and property interests through consumer affairs registration services in relation to births, deaths, marriages and interests in land, provides an independent public prosecution service, dispute resolution and awareness in relation to anti-discrimination and promotion of knowledge about freedom of information and privacy.
- *Northern Territory Correctional Services (NTCS)* – aims to provide a safe, secure and humane custodial environment for adult prisoners and juvenile detainees and an effective community corrections environment in which offenders are managed commensurate with their needs and the risks they pose to the community. In addition, NTCS aims to reduce the risk of reoffending by providing services and program intervention that address the causes of offending, maximise the chances of successful reintegration into the community and encourage offenders to adopt a law-abiding way of life.

- *Licensing and Regulation* – provides for the administration of legislation that minimises harm related to gaming, racing, liquor, kava, private security, prostitution, tobacco and associated activities as well as the regulation of business affairs.

Court Administration

The Territory's court structure comprises the Supreme Court and the Magistrates Court.

Supreme Court

The Supreme Court hears only the most serious matters including civil actions where the debt or amount claimed exceeds \$100 000 and criminal matters where magistrates have no jurisdiction to hear the matter. The Courts of Appeal, which are generally comprised of three Supreme Court or visiting Judges, hear appeals from the Supreme Court or references from the Attorney-General. All six Supreme Court Judges and the Master are located in Darwin. In addition, there are four Acting Judges who visit the court from time to time.

Although the higher courts receive less than 5 per cent of all total Territory lodgements¹⁸ they account for over 40 per cent of the total budget allocation for courts. The Supreme Court's principal seat is Darwin but it sits regularly in Alice Springs. The court also visits Katherine at least twice per year.

The number of Supreme Court lodgements in the Territory has increased by 12 per cent from 2004-05 to 31 January 2008. The growth in Supreme Court lodgements is mainly due to the significant increase in the criminal workload at Alice Springs, particularly regarding violent crimes such as homicide and serious assaults. The number of lodgements within the civil jurisdiction has remained steady.

Magistrates Court

The Magistrates Court in the Territory comprises the Court of Summary Jurisdiction, Local Court, Work Health Court, Coroners Court, Youth Justice Court, Community Courts, Alcohol Court, and CREDIT (NT) as well as a large number of various tribunals. There are nine magistrates based in Darwin, three in Alice Springs and one in Katherine. The Magistrates Court has five main staffed registries at Darwin, Alice Springs, Katherine, Nhulunbuy and Tennant Creek. In addition, circuit courts are held in 25 communities across the Territory, all of which are remote Indigenous communities.

As with the Supreme Court, the Magistrates Court hears both civil and criminal matters. The bulk of the civil workload is undertaken by Judicial Registrars while the criminal jurisdiction remains almost exclusively the domain of the Magistrates Court.

The number of Magistrates Court matters has increased since 2004-05 with a 13 per cent increase in criminal lodgements and 47 per cent increase in domestic violence lodgements. Therapeutic initiatives such as the Alcohol Court and CREDIT (a pre-Court diversionary illicit drug program) coupled with restorative justice initiatives such as the Community Court have increased the amount of court time taken to resolve matters. Around 84 per cent of Alcohol Court matters, 39 per cent of CREDIT matters and all Community Court matters have involved Indigenous offenders.

Indigeneity

Indigenous people have a high propensity to appear before the courts. In 2006-07, 75 per cent of people appearing before the Magistrates court in its criminal jurisdiction were Indigenous. Within the Indigenous population, 37 per cent were Indigenous males aged between 25-39 years. In absolute terms the number of criminal hearings for Indigenous males aged between 25-39 years (13 899) is higher than the total number

18. Steering Committee for the Review of Commonwealth/State Service Provision, Report on Government Services 2008

of hearings for non-Indigenous people (12 327) in the Territory. Indigenous males aged between 25-39 years represent 3.6 per cent of the Territory's population. Table 8 shows the number of court appearances in the Territory for criminal matters.

Table 8: Criminal Court Appearances by Age, Sex and Indigeneity, 2006-07

	10-12	13-15	16-19	20-24	25-39	40-59	60+	Total
Indigenous								
Male	84	1 889	5 564	6 507	13 899	4 302	166	32 411
Female	4	150	398	939	2 294	965	12	4 762
Total	88	2 039	5 962	7 446	16 193	5 267	178	37 173
Non-Indigenous								
Male	4	241	1 423	1 804	4 671	2 417	266	10 826
Female	5	80	115	239	719	328	15	1 501
Total	9	321	1 538	2 043	5 390	2 745	281	12 327
Total	97	2 360	7 500	9 489	21 583	8 012	459	49 500

Source: Department of Justice

The higher rates of non-appearance, language barriers and difficulties in locating and transferring defendants and witnesses lengthens the court appearance time spent on each Indigenous offender, thus increasing court costs. In 2006-07, 3117 warrants were issued to people for non-appearances at court, of whom 86 per cent were Indigenous. Reasons for high rates of non-appearance in the Indigenous population are:

- remote Indigenous people appearing in court for the first time have minimal knowledge of court processes or conduct;
- they do not appreciate, or fear, the consequences of non-appearance;
- they do not have the means to reach court; and
- individuals forget their attendance date. Reminder notices would be ineffective; many remote recipients lack a permanent residence and as English is often a fourth language, people would have difficulty reading them.

There are also difficulties with sourcing Indigenous interpreters, which is compounded by the fact that there are over 80 registered Indigenous languages in the Territory alone. Most interpreters are sourced from the community and have low educational background compared with interpreters from other language groups. This can significantly lengthen the time taken on each individual case.

There are a number of Indigenous-specific programs in the courts. The Community Court relies on the views of the Indigenous community through elders to rehabilitate and punish the defendant. It has been found in a number of jurisdictions that this is a more culturally appropriate method for dispensing justice in Indigenous communities. The program is currently operating in Tiwi Islands (at three locations), Darwin and Nhulunbuy, however the program is being expanded to include seven additional remote Indigenous communities. This model, while more effective, utilises more resources and takes more time than a Magistrate sitting alone system.

Remote Indigenous people adhere to traditional beliefs and customs. Isolation and the diversity of culture affect the nature of the interaction with the justice system and the way the service is provided. For example, simple matters such as obtaining the name of a defendant or witness takes considerably longer because of language and other barriers. Similarly, inquiries involving a death may experience difficulties with witnesses due to cultural prohibitions regarding the dead. More generally, the formalities and rituals of typical court appearances are not conducive to gaining the confidence and trust of many Indigenous people. These difficulties tend to increase the time it takes to hear matters in court.

Circuit courts and the community court model in circuit locations are used to overcome issues of providing court services to the remote Indigenous population. Circuit courts bring the official justice system into Indigenous communities and present an opportunity to align the Indigenous and western systems of law. Being in the community allows the magistrate to spend time interacting with members of Indigenous communities outside court hours, thereby building trust and gaining their support. Elders in the community are encouraged to participate in the process.

Circuit courts are successful in the following respects:

- the rate of attendance at court is greater when court sittings are conducted at the community. Defendants and witnesses may not have the means or desire to travel to urban courts to appear;
- circuit courts avoid the costs associated with transporting and accommodating defendants and witnesses to urban areas, associated police costs and social costs such as dislocation from family;
- under the circuit court system, defendants are bailed to appear before the visiting magistrate and until the time that the court visits, the person remains in the community. Taking offenders into custody on the day before the matter is listed reduces apprehension costs. Further it reduces the social cost of alienating a defendant from his or her community; this problem has been linked to an increased risk of death in custody;
- matters dealt with in the community tend to be dealt with more quickly than if they were taken to an urban court. It is important to minimise delays in the criminal justice system, as such delays contribute to adverse outcomes such as suicide;
- by listing more matters than might normally be heard in the course of a day's sitting, magistrates are able to maintain a high rate of productivity despite adjournments due to non-attendance and other issues; and
- the community has a sense of involvement in the justice system and becomes more educated about the processes of justice when the court is held locally.

Bringing the court to communities is less disruptive than conveying large numbers of remote Indigenous people to urban courts. Magistrates can see first-hand the environment in which events occur and communities can see justice being done. This closer contact with the court is important for addressing cultural differences and facilitating understanding and commitment to the judicial system by Indigenous people.

However in some particularly sensitive cases, where there may be strong community feeling or pressure on the victim of an offence, or facilities are not available to provide appropriate protection and a sense of security for a victim, justice is better served by conducting any hearings in a regional centre outside the community. This also incurs major expense to the Department, in ensuring the appearance of both victim and witnesses, and in some cases, multiple defendants.

Alcohol Management

Alcohol Management Plans are intended to deliver local responses to local alcohol issues. They provide a strategic framework for action. They require communities to look at issues in a strategic and integrated way so that actions can be planned and coordinated to deliver optimum outcomes. The planning process recognises that alcohol problems are not the same in every part of the Territory and that the capacity of different communities to address those problems varies widely. It is accepted that each location will have different priorities and that different strategies might need to be implemented that are sensitive to local conditions and circumstances.

Alcohol Management Plans are intended to complement and supplement broader strategies applied to the Territory as a whole and to support Supply Plans authorised by the Northern Territory Licensing Commission. The Northern Territory Licensing Commission contributes to reduction of supply by controlling the liquor licence conditions within a prescribed area. The decisions of the Licensing Commission can complement and enhance broader-based strategies. In some localities, however, communities might only require reductions of supply – at least initially and often as a means of ensuring some immediate changes.

Local Alcohol Reference Groups are set up to oversee the development and implementation of the Plans, and to adapt the Plans to changing behaviours and local needs. Each Plan is tailored to local circumstances and might differ from those in other areas. The Department of Justice is the primary agency for developing, managing and assessing all Plans. Its task is to ensure that Plans are realistic and workable, while meeting both community and Government expectations.

To date, finalised Alcohol Management Plans are in place in Alice Springs, Katherine, Palmerston and the East Arnhem region. Plans are currently being finalised in Tennant Creek and Timber Creek.

Public Safety Model and Antisocial Behaviour Initiatives

In 2007, the Northern Territory Government introduced a range of initiatives aimed at tackling antisocial and low level offending behaviour, such as illegal camping, loitering and drinking in public areas.

In particular, comprehensive community or public safety models have been funded and implemented in Darwin, Katherine and Alice Springs. The Northern Territory public safety model draws on the so-called “Cairns Model” introduced in north Queensland, and involves:

- funding of non-government service providers to deliver integrated intervention and case management services, including:
 - a return to home/return to country program;
 - transport services (e.g. to and from medical appointments; from the watch house/ sobering-up shelter to other services etc);
 - proof of identity;
 - prisoner release/repatriation assistance; and
 - information and/or referral services (e.g. assistance in obtaining accommodation or welfare payments);
- interagency tasking and coordination groups in each area, chaired by the Northern Territory Police, to support the implementation of the public safety model in each of these regions. Meetings occur on a fortnightly basis;
- an Inter-Departmental Community Safety Working Group at the Deputy Chief Executive level to drive implementation and ensure ongoing monitoring and reporting on the antisocial behaviour strategies adopted by Government;
- funding of a regional transport service in Alice Springs to assist remote visitors return to their communities;
- creation of additional temporary accommodation options; and
- introduction of closed circuit television in Darwin and Alice Springs, starting in the central business districts and rolling out to identified “hot spots”.

In addition to addressing antisocial behaviour, it is a key aim of the Public Safety Model to keep people out of the criminal justice system.

The service population for the Public Safety Model varies from region to region. However, almost 100 per cent of the clients of the ICMS services are both Indigenous and from remote areas.

Correctional Services

Correctional services in the Territory include:

Custodial services – provides a safe, secure and humane custodial service including rehabilitation, reintegration and care of adult prisoners. There are two custodial facilities in the Territory, one in Darwin and one in Alice Springs.

Community Corrections – provides assessment, monitoring and supervision services to community-based adult and juvenile clients. There are five primary offices within the Territory: Palmerston, Casuarina, Alice Springs, Katherine and Tennant Creek. Probation and parole officers are posted at four Top End communities: Nguiu, Groote Eylandt, Wadeye and Nhulunbuy.

Juvenile Detention – provides a safe and secure detention service including rehabilitation, reintegration and care of juvenile detainees. The Don Dale Juvenile Detention Centre is the Territory's principal juvenile detention facility. A temporary juvenile holding facility is located in Alice Springs.

Indigenous people are over-represented across all the Territory's correctional services. In 2006-07, Indigenous people comprised:

- 82 per cent of the average prison population;
- over 74 per cent of the average adult offender population and 87 per cent of the juvenile offender population in community corrections; and
- 90 per cent of the juvenile detainee population.

The high proportion of the Indigenous population that are detained in correctional facilities in the Territory is reflective of the situation across Australia. Nationally, Indigenous people were 17.5 times more likely to be imprisoned (see Table 9).

Table 9: Imprisonment Rates, by Indigenous Status (per 100 000 Adults)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Indigenous	2 329.7	1 204.0	1 840.1	3 521.6	2 064.6	630.8	799.3	1 839.6	2 142.2
Non-Indigenous	138.1	94.1	133.4	138.3	110.7	127.4	58.0	131.6	122.4
All prisoners	178.6	101.6	177.8	229.4	137.6	142.7	65.4	551.6	162.0

Source: Steering Committee for the Review of Government Service Provision 2008, *Report on Government Services 2008*, Productivity Commission, Canberra.

Indigenous prisoners in the Territory tend to have shorter lengths of stay in prison than non-Indigenous prisoners, this is due to the high proportion of Indigenous people in prison for minor offences such as driving offences. The short length of stay and high turnover in Indigenous prisoners impacts on costs associated with induction, release and repatriation.

There are a number of corrections services and programs specifically for Indigenous offenders including the Community Probation and Parole Officers, the Elders Program, Indigenous Family Violence Offender Program and Indigenous Sex Offender Treatment Program.

Housing

Territory Housing aims to provide safe, secure and affordable housing for those most in need and eligible government employees. Housing services are delivered through seven administrative regions across the Territory: Alice Springs, Casuarina, Darwin, Katherine, Nhulunbuy, Palmerston and Tennant Creek.

Territory Housing's core services include:

- *Public Housing* – affordable housing and support services, including bond assistance, to Territorians on low incomes and housing to facilitate non-government service delivery (industry housing);
- *Government Employee Housing* – housing and tenancy management services for eligible government employees;
- *Remote and Community Housing* – housing for Indigenous clients living in remote areas and grants for community housing for people with high and complex needs; and
- *Home Ownership* – HomeNorth scheme loans, grants and subsidies to increase home ownership opportunities for low to moderate income earners.

The number of clients assisted for each program by region in 2006-07 are outlined in Table 10.

Table 10: Territory Housing Services by Region, 2006-07

Region	Public Housing ¹	Government Employee Housing	Remote and Community Housing ²	Home Ownership
	No. of Dwellings	No. of Dwellings	No. of Dwellings	No. of Clients
Alice Springs	983	363	2 027	43
Darwin ²	3 912	307	1 751	94
Katherine	513	280	1 320	9
Nhulunbuy	60	395	1 195	0
Tennant Creek	196	210	571	0
Total	5 664	1 555	6 864	146

1. Includes a total of 303 industry housing dwellings.

2. Includes Casuarina and Palmerston.

Source: Territory Housing

Territory Housing provides services directly and through contract arrangements as follows:

- tenancy management services for public housing and government employee housing in remote and urban areas are delivered directly by Territory Housing;
- remote community housing tenancy management services are delivered through local government shires; and
- asset management services are delivered through contractual arrangements with external providers for repairs, maintenance and construction activities.

There are currently 12 267 people living in public housing dwellings¹⁹ throughout the Territory²⁰. Of the 5664 public housing dwellings, around 35 per cent were occupied by an Indigenous household²¹ in 2007. Table 11 shows that over the last five years there has been a steady increase in the proportion of Indigenous households in public housing. The proportion varies by region.

19. This figure only includes persons listed on the tenancy agreement and as such is likely to underestimate the actual number of people living in public housing.

20. As at 8 February 2008.

21. Defined as a household in which at least one person identifies as Indigenous.

Table 11: Proportion of Indigenous Public Housing Households

Region	2003	2004	2005	2006	2007
	%	%	%	%	%
Alice Springs	40	42	45	48	51
Darwin ¹	19	21	23	25	28
Katherine	56	55	54	51	53
Nhulunbuy	7	6	9	8	6
Tennant Creek	62	68	67	66	70
Total ^{2, 3}	25	28	30	32	35

1. Includes Casuarina and Palmerston.

2. Tenants are not required to advise Territory Housing of their Indigenous status.

3. The number of Indigenous tenants is likely to be understated because there are a significant number of 'not stated'.

Source: Territory Housing

Indigenous persons are more likely to use public housing services than non-Indigenous persons. In addition, Indigenous clients are more costly to service than non-Indigenous clients. In 2006-07, Territory Housing estimates that around 47 per cent of expenditure was directed towards Indigenous clients and services²².

There are a myriad of reasons underlying the higher cost of Indigenous tenants. For example, Indigenous tenants are more likely to experience social stressors such as overcrowding, alcohol and substance abuse and violence, than non-Indigenous tenants. As a result, repairs and maintenance costs for dwellings occupied by Indigenous households are significantly higher than those of non-Indigenous households. Territory Housing estimates that, on average, the cost of maintaining an urban public housing dwelling in the Territory is about 25 per cent more expensive where the household is Indigenous compared to a non-Indigenous household.

It is estimated that, of the social stressors, overcrowding is the largest contributor to the higher costs of repairs and maintenance of Indigenous tenants. One of the principal causes of overcrowding is the mobility of the Indigenous population. An example of the impact of mobility on overcrowding was highlighted by Taylor (1998) which found that in the Bagot Community in Darwin there were around 300 individuals occupying 40 dwellings. However, because of the steady flow of visitors to the community the service population was estimated to be 41 per cent higher than the base population. These inflows had a considerable effect on overcrowding, almost doubling the occupancy rates from 7.5 persons per dwelling to about 13 persons²³.

Similarly, in 2005, the Tangentyere Population and Mobility Study estimated a potential service population for the 19 town camps in Alice Springs of between 2560 and 3300 (using core residents plus visitor flows over a one-year period). This compared to a town camp census count in 2001 of just 973²⁴.

In addition, Territory Housing operates a number of specific programs and initiatives targeted towards improving housing outcomes for Indigenous clients. These include the Indigenous Housing Assistance Service, Life Skills Program, Indigenous Client Liaison Officers and private security patrols.

Local Government

The Territory's local government arrangements are managed by the Department of Local Government and Housing (DLGH). DLGH is responsible for, among other things, achieving effective, legitimate and sustainable local governments in the Territory. This includes:

22. This excludes government employee housing expenditure.

23. Desert Knowledge CRC, Population Dynamics and Demographic Accounting in Arid and Savanna Australia: Methods, Issues and Outcomes, August 2006.

24. Ibid

- building local government capacity to provide legitimate representation, effective governance, improved service delivery and sustainable development; and
- assisting local government bodies and the communities they represent to become stronger and self-sustaining.

DLGH has regional offices in Katherine, Nhulunbuy, Tennant Creek and Alice Springs. These offices provide councils with a direct interface with the Territory Government services, ensuring closer links to the community. DLGH field staff regularly visit Indigenous councils in the community to assist council staff and elected members build capacity within the council and the broader community, and ensure adequate services are being delivered. Providing support to shires is complicated by:

- language and cultural barriers;
- the need to consult widely with key people in the community. This often leads to extended visits to the community;
- the lack of telecommunication infrastructure and the limited capacity of many Indigenous council employees to effectively use these technologies; and
- the high turnover of staff.

Nationally, the main source of revenue for all local governments is own-source revenue (68.3 per cent of total revenue), predominantly rate revenue.²⁵ The second major source of revenue is from 'other sources' including interest income, dividends, and interest on grants (accounting for 20 per cent of local government's total revenue). Grants from the Commonwealth and state governments comprise 12 per cent of total revenue.

In the Territory, the lack of capacity to raise rate revenue in remote Indigenous communities means there is a greater reliance on grants from the Territory Government. Indigenous communities are located on Indigenous land, with freehold title to the land vested in Indigenous trusts and not individual landholders. The distribution of Commonwealth funding between states on a per capita basis, combined with the 30 per cent minimum base criteria, places limitations on the revenue received by shires.

The Territory Government recognises the need to provide significant support, both financially and capacity building, to remote Indigenous communities. The majority of the support and assistance role undertaken by DLGH for local government is directed at shires.

The Territory's operational subsidy provides the main financial support to shires. Although this subsidy is provided to shires, it is recognition of the significant needs of remote Indigenous communities.

Essential Services

Specific objectives for the provision of essential services in Territory-funded Indigenous townships and communities are similar to those of other states. Objectives include:

- drinking water that is safe, consistent with the Australian Drinking Water Guidelines (2004);
- sustainable management of water resources;
- reliable and equitable water supply, sanitation and electricity services;
- effective management of assets;
- efficient financial management;

25. Australian Local Government Association, Local government revenue sources.

- support for regional development; and
- support for Indigenous employment and training.

Indigenous Essential Services (IES) provides electricity, water and sewerage services to 72 nominated Indigenous communities and 32 nominated outstations. IES is delivered through the Territory-owned Power and Water Corporation and is predominantly funded by the Territory Government.

The responsibility for essential services to the balance of outstation communities resided with the Commonwealth until 30 June 2008. Under an agreement between the Commonwealth and Northern Territory governments, the Commonwealth is providing funding of \$20 million per year for three years for essential and municipal services as part of transfer of responsibility for delivering services to these communities.

Electricity

IES provides 56 individual power generating stations in Indigenous communities. Twelve of these receive fuel by barge due to limited or non-existent road access, hence require coastal barge fuel delivery and transfer facilities. Electricity generation in remote communities is predominantly from distillate-fired (diesel) island power stations. Power is supplemented by solar power at Hermannsburg, Yuendumu, Lajamanu, Bulman and Jilkminggan. Some communities are connected to the Power and Water urban network grids or the Nhulunbuy and Groote Eylandt power network grids.

Water

Groundwater is the major source of drinking water in remote communities. There are approximately 200 production bores, 150 water storage tanks and 600 kilometres of reticulation across remote Indigenous communities. During peak consumption periods the target volume of water sourced for consumption and sewerage is 1200 litres per person per day with an annual average target of 800 litres per person per day. The equipped bore fields are developed, where possible, to meet this demand without the largest bore operating (n-1 methodology).

The Community Water Planning initiative, underpinned by a Water Source Sustainability Strategy, prioritises and engages with 'water stressed' Indigenous communities and relevant stakeholders to develop local Community Water Plans. The plans are designed to manage water resources sustainably and reduce excess demand.

Sewerage

Of the 72 remote communities, 57 have conventional water-borne sewerage or hybrid effluent collection and sewerage facilities. The remainder have individual onsite systems such as septic tanks that are maintained by the community. Sewage treatment is predominantly undertaken via waste stabilisation ponds. Much of the treatment in these isolated locations is organic, allowing the waste to settle and decompose naturally.

Service Delivery Challenges

There are six relatively unique characteristics applicable to the provision of essential services in the Territory, which necessarily affect approaches to service delivery and asset management.

- Disadvantage – relative social, economic and educational disadvantage of Indigenous client groups limits the ability to apply user pays principles for water supply and sanitation services.
- Cross-cultural approaches – there is a need for cross-cultural approaches to engage Indigenous communities and involve Indigenous people in decision making in order to better understand community perceptions and use of utility water

services. Remote Indigenous communities have different characteristics from other communities such as household size and service demand.

- Remoteness – the remoteness and small size of service locations affects the unit cost of service provision, distribution logistics, and the employment, training and retention of technical staff.
- Distillate reliance – the significant exposure to distillate prices and associated transportation costs arising from 87 per cent of electricity sourced from generation using distillate fuel.
- Groundwater reliance – there are unique water quality and quantity challenges arising from a reliance on groundwater by 95 per cent of remote communities. Vast distances present challenges for microbiological water quality sampling. This sampling is required to ensure water safety and groundwater sources are safe as these often have chemical, physical and/or radiological parameters that exceed the Australian Drinking Water Guidelines and are potentially detrimental to health. In over 25 per cent of Indigenous communities long-term water source sustainability is also a pressing current issue. The sustainability of water sources in these locations is a delicate balance between production capability and consumption. Production is restrained by the high unit costs of delivering the services, and in some communities there are significant difficulties with locating and developing new water sources.
- Infrastructure – the legacy of ageing infrastructure (or variable standards, often with a shorter life than current design standards). Aboriginal land issues and changes in government responsibilities have resulted in a history of ill-defined ownership of essential services assets and housing services in the client locations, impacting on effective asset management.

Part B: Funding Arrangements – Indigenous Expenditure Review

Territory Funding Arrangements

A feature of the Australian federation is that the Commonwealth raises more revenue than it needs for its own service delivery responsibilities while for states and territories the reverse is true, with outlays on service delivery exceeding own-source revenue.

This imbalance between the Commonwealth and states and territories in revenue capacities and service delivery responsibilities is known as vertical fiscal imbalance. In accordance with the Australian Constitution, the Commonwealth's excess of revenue results in the flow of revenue grants from the Commonwealth to the states and territories.

The Territory is more reliant on Commonwealth grants than other jurisdictions, with around 80 per cent of its revenue sourced from the Commonwealth. In other states, Commonwealth grants account for less than 50 per cent of revenue. This greater reliance on Commonwealth grants reflects the higher cost of, and demand for, government services and the low revenue-raising capacity of the Territory relative to other states.

There are two broad types of Commonwealth grants to states and territories:

- General purpose grants (predominantly GST revenue). GST revenue represents the largest component of Commonwealth transfers to the states and is untied, so can be spent by states according to each state's priorities. The level of GST revenue received by each state is dependent on national GST collections, states' population share and GST relativities. In 2008-09, the Territory is expected to receive \$2405.9 million in GST revenue.
- Tied payments (predominantly specific purpose payments) – these grants from the Commonwealth are usually tied to a specific program or function against which they must be acquitted. These payments cover most functional areas of state activity including health, education, community services, housing, infrastructure and the environment. In 2008-09, the Territory is expected to receive \$713 million in payments for specific purposes, or 2.2 per cent of the national pool of specific purpose payments. This is significantly above the Territory's 1.0 per cent population share, in part reflecting the needs of the Indigenous population.

Determination of GST Relativities

The Commonwealth Grants Commission (the Commission) is tasked with making recommendations to the Commonwealth on the distribution of GST revenue between states. The Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations requires these definitions to be based on the principle of horizontal fiscal equalisation defined as:

State governments should receive funding from the pool of goods and services tax revenue and health care grants such that, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each would have the capacity to provide services at the same standard.

The Commission's recommendations are expressed in GST relativities for each state. In calculating the GST relativities for each state, the Commission takes into account unavoidable differences in the provision of an average level of services, in its relative revenue raising capacity, costs of providing general government services and its share of Commonwealth funding. These differences reflect the divergence in states' economic, demographic and geographic circumstances.

The cost of providing services in the Territory is high because of:

- the very large proportion of the Indigenous population residing in the Territory, which increases the use and costs of many government services;
- the small but widely dispersed population over a large and remote land mass;
- large diseconomies of scale in central administration and the need to provide a high proportion of services in small and dispersed communities; and
- the Territory's isolation from major supply centres.

Table 12: GST Relativities and Payments Compared with an Equal Per Capita (EPC) Distribution

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2008 Update GST Relativity	0.91060	0.92540	0.96508	0.88288	1.20856	1.52994	1.17205	4.51835
2008-09 GST Revenue (\$M)	16 171.3	12 498.0	10 555.6	4 879.5	4 930.2	1 938.7	1 033.0	2 533.1
EPC distribution (\$M)	17 766.2	13 511.0	10 941.9	5 529.0	4 081.0	1 267.7	881.7	560.9
Difference (\$M)	-1 594.8	-1 013.0	-386.4	-649.5	849.1	671.0	151.3	1 972.3

Source: *Australia's Federal Relations*, Budget Paper No. 3, 2008-09, Commonwealth of Australia, 13 May 2008.

Indigeneity is the single largest driver of the Territory's GST relativity. In the Commission's 2008 Update, Indigenous influences accounted for about 46 per cent of the Territory's total expenditure needs (\$0.86 billion of the Territory's total expenditure needs of \$1.87 billion). This does not include the additional costs associated with the highly dispersed Indigenous population.

A common misconception is that the additional GST funding the Territory receives as a result of its significant Indigenous population should result in tangible gains in Indigenous outcomes. It is important to note that the Commission's processes are not designed to address unmet need. In assessing costs of service delivery, the Commission looks only at the average of what states do, not what could or should be done. That is, the Territory's assessed level of funding provides the Territory with the financial capacity to maintain the current standard level of services. The Commission Chairman has underlined this aspect of the Commission's approach in a number of forums. In a speech at the 2003 Charles Darwin University Symposium, the Chairman of the Commission, Mr Alan Morris, stated:

Equalisation is not designed to provide a level of funding that would enable states to overcome these disabilities and does not do so... Giving it (the Territory) the same fiscal capacity as other states to deliver services to its citizens means maintaining any pre-existing differentials. If this capacity has to be applied to communities facing very different circumstances, particularly with respect to access to services – and this is what we see in the Territory – outcomes will not narrow over time. The Territory's financial support does not provide it with catch up capacity.

Indigenous Expenditure Review

The terms of reference of this inquiry seek to examine the levels of Commonwealth and Territory Government expenditure on Indigenous affairs and social services in the Territory.

In 2006, Northern Territory Treasury, under direction from the Northern Territory's Chief Executives Taskforce on Indigenous Affairs, undertook a comprehensive review of the Territory's expenditure on Indigenous services. The 2004-05 Indigenous Expenditure Review (IER) was undertaken in response to criticism levelled at the

Territory Government which alleged that funds designated for Indigenous purposes were redirected for primarily non-Indigenous purposes.

The 2004-05 IER, the first of its kind in Australia, sought to inform the debate about expenditure by providing a robust, transparent measure of Indigenous-related expenditure and revenue. In 2008, the second IER was completed building on and refining the methodology adopted in the first review. This provides estimates of Indigenous-related expenditure for each general government agency and of Indigenous-related revenue for each main revenue source for the 2006-07 financial year. The review is included as an Attachment to this submission. The 2006-07 IER refers to agencies in place at 30 June 2007.

The 2004-05 IER found that around half the Territory's budget was spent on Indigenous-related services and that this exceeded the level of Indigenous-related revenue. It highlighted the considerable levels of disadvantage faced by Indigenous Territorians in a range of areas, including income level, health status, educational attainment, and arrest and imprisonment rates. It concluded that:

Despite the high level of expenditure, outcomes for Indigenous Territorians against a wide range of indicators remain poor relative to those of non-Indigenous Territorians. There is clearly a need for additional funding streams to the Territory, so that the social wellbeing of the Indigenous population can be improved, economic participation and productivity be enhanced, and all Australians can benefit from improved economic activity and cohesion.

Since publication of the 2004-05 IER, there have been a number of initiatives that have increased Indigenous spending in the Territory. In 2005, the Commonwealth and Territory Governments signed an overarching agreement that was intended to support ongoing improvements in services to Indigenous Territorians by pooling housing funding, boosting employment and economic growth, strengthening and supporting the Indigenous arts sector, and supporting effective arrangements for Indigenous representation at regional and local levels.

In June 2007, the Commonwealth announced its Northern Territory Emergency Response (NTER) and increased levels of short-term funding in relation to child health and protection, community safety, education and housing in remote Indigenous communities. In August 2007, the Territory Government also announced further investment of \$286 million in its Closing the Gap of Indigenous Disadvantage initiative. This initiative seeks to improve the socioeconomic wellbeing of Indigenous Territorians with achievable targets for 5, 10 and 20 years that address the child protection system, housing, unemployment, offender rehabilitation, health, alcohol misuse and education.

The analysis in the 2006-07 IER predates the NTER and Closing the Gap initiatives and represents a baseline against which these initiatives can be compared. The NTER and Closing the Gap initiatives are discussed in Part D.

The analysis seeks to attribute each dollar of expenditure and revenue to Indigenous or non-Indigenous population subgroups. An accounting approach has been adopted due to the fungibility of revenue sources given the untied nature of GST and own-source revenue. The 2006-07 results were audited by the Northern Territory Auditor-General.

Expenditure Estimation

General government agencies were split into four categories:

- service agencies – human services (health, education, housing, law and order)
- service agencies – economic-type services;
- support agencies; and
- central agencies.

Service Agencies – Human Services

These agencies account for over 60 per cent of general government expenditure. Attribution of expenses is based on use and cost of services. These agencies generally have well developed data systems to determine use of services by Indigenous people. Indigenous reporting in the Territory is considered by national statistical agencies as amongst the best of any jurisdiction in Australia. This data forms the basis of collections by the Australian Institute of Health and Welfare, Productivity Commission, Australian Bureau of Statistics and the Australian Institute of Criminology.

Cost factors are determined by looking at the additional cost of Indigenous-specific programs and the costs in delivering services to remote areas.

For example, Indigenous-related expenditure for hospitals is based on analysis of individual separations, adjusted for case mix and length of stay. Throughput is higher than the cost attribution because of the high number of low cost separations for Indigenous Territorians. For schools, attribution is based on the proportion of students that are Indigenous with loadings for specific programs targeted at Indigenous people. For police, attribution is based on offender profile through the system.

Table 13 shows that for these agencies, the Indigenous-related proportion of expenditure was 56.4 per cent.

Table 13: Estimate of Indigenous-related Expenditure for Service Agencies that Primarily Provide Services to Individuals, 2006-07

	Agency Share of NT Total		Indigenous-related	
	Agency Expenditure \$M	Expenditure %	Expenditure %	Expenditure \$M
Service agencies – services primarily to individuals	1 950.2	62.8	56.4	1 099.2
Department of Health and Community Services	743.7	23.9	59.9	445.5
Department of Employment, Education and Training	598.7	19.3	46.2	276.7
Department of Local Government, Housing and Sport (including Territory Housing)	247.4	8.0	65.7	162.4
Northern Territory Police, Fire and Emergency Services	192.4	6.2	58.7	112.9
Department of Justice	144.6	4.7	64.0	92.5
Department of the Legislative Assembly	17.7	0.6	30.4	5.4
Aboriginal Areas Protection Authority	2.6	0.1	100.0	2.6
Ombudsman's Office	1.6	0.1	35.0	0.6
Northern Territory Electoral Commission	1.4	0.1	44.4	0.6

Source: Northern Territory Treasury

Note: Agencies cited are those as at 30 June 2007.

Service Agencies – Economic-type Services

These agencies account for 17.4 per cent of Territory expenditure.

For these agencies, a starting premise of equal per capita has been used, except for specific programs targeting Indigenous people. This approach has been adopted because of the difficulties in attributing use and cost factors to services that have little contact with individuals but which seek to benefit the whole population or a specific population subgroup (e.g. that of a region).

For roads expenditure, the location of users has also been used to attribute expenditure and is required for consistency with the attribution of revenue to the

Indigenous population on the basis of the Commission's assessment of the Territory's dispersion expense disability.

Table 14 shows that for these agencies, the Indigenous-related proportion of expenditure was 43.2 per cent.

Table 14: Estimate of Indigenous-related Expenditure for Service Agencies that Primarily Provide Economic-type Services, 2006-07

	Agency Expenditure	Agency Share of NT Total Expenditure	Indigenous-related Expenditure	
	\$M	%	%	\$M
Service agencies – economic-type services	541.5	17.4	43.2	234.1
Department of Planning and Infrastructure (including Construction Division)	301.8	9.7	49.3	148.6
Department of Natural Resources, Environment and the Arts	110.8	3.2	35.3	39.2
Department of Primary Industry, Fisheries and Mines	61.0	2.0	35.5	21.7
Tourism NT	32.3	1.0	32.4	10.5
Department of Business, Economic and Regional Development	21.0	0.7	46.0	9.7
Territory Discoveries	6.7	0.2	30.4	2.0
NT Build	6.3	0.2	30.4	1.9
Land Development Corporation	1.6	0.1	30.4	0.5

Source: Northern Territory Treasury

Note: Agencies cited are those as at 30 June 2007.

The 2006-07 IER tests the sensitivity of overall results to alternative approaches with selected economic-type service agencies. An alternative approach could be to exclude attribution of this expenditure. Excluding Indigenous attribution of expenditure related to Tourism NT, the Department of Business, Economic and Regional Development, Territory Discoveries, NT Build and the Land Development Corporation would reduce the estimate of Indigenous-related expenditure across Government by 0.8 percentage points to 51.6 per cent.

If these agencies were removed from both expenditure and revenue calculations, the net impact is negligible with the Indigenous-related proportion of expenditure and revenue for all other agencies increasing marginally.

Support Agencies

These agencies comprise 4.6 per cent of the Territory budget. Attribution to these agencies is based on the premise that these agencies provide services to service agencies. If these agencies did not exist this expenditure would be required within the core service agencies.

Indigenous attribution of expenditure has been based on the average attribution percentage of those agencies. For example, the Department of Corporate and Information Services (DCIS) provides human resource, payroll and communications services to other agencies. DCIS's expenditure has been allocated to each agency with the Indigenous-related proportion of DCIS expenses weighted according to each agency's contribution to DCIS's total expenditure.

Table 15 shows the Indigenous-related share of support agency expenditure is 50.9 per cent.

Table 15: Estimate of Indigenous-related Expenditure for Support Agencies, 2006-07

	Agency Share		Indigenous-related	
	Agency Expenditure	of NT Total Expenditure	Expenditure	Expenditure
	\$M	%	%	\$M
Support agencies	142.3	4.6	50.9	72.5
Department of Corporate and Information Services	90.6	2.9	53.2	48.3
NT Fleet	22.9	0.7	50.6	11.6
Data Centre Services	14.5	0.5	50.6	7.3
Office of the Commissioner of Public Employment	5.8	0.2	30.6	1.8
Government Printing Office	5.3	0.2	48.0	2.6
Auditor-General's Office	3.1	0.1	30.4	1.0

Source: Northern Territory Treasury

Note: Agencies cited are those as at 30 June 2007.

Central Agencies

Central Agencies contribute 15.2 per cent to the Territory's expenditure. These agencies have three key functions and are attributed to the Indigenous population as follows:

- provide services to government – attribution on a per capita basis;
- provide services to agencies – based on relevant agency proportions; and
- provide direct services – based on use and cost of services.

The Central Holding Authority is the largest agency in this category and bears the cost of debt servicing, superannuation and long service leave benefits on behalf of all general government services.

Table 16 shows that the Indigenous-related expenditure for central agencies is 46.9 per cent.

Table 16: Estimate of Indigenous-related Expenditure for Central Agencies 2006-07

	Agency Share		Indigenous-related	
	Agency Expenditure	of NT Total Expenditure	Expenditure	Expenditure
	\$M	%	%	\$M
Central agencies	473.2	15.2	46.9	221.7
Central Holding Authority	323.0	10.4	53.5	172.9
Northern Territory Treasury	93.2	3.0	30.3	28.2
Department of the Chief Minister	56.9	1.8	36.3	20.6

Source: Northern Territory Treasury

Expenditure Summary

Table 17 summarises the proportion of expenditure related to the Indigenous population by agency classification. The Indigenous-related proportion of total expenditure is estimated at 52.4 per cent.

Table 17: Estimate of Northern Territory Expenditure Related to the Indigenous Population, 2006-07

	Agency Expenditure	Agency Share of NT Total Expenditure	Indigenous-related Expenditure	
	\$M	%	%	\$M
Service agency – human services	1 950.2	62.8	56.4	1 099.2
Service agency – economic services	541.5	17.4	43.2	234.1
Support agency	142.3	4.6	50.9	72.5
Central agency	473.2	15.2	46.9	221.7
Total	3 107.2	100.0	52.4	1 627.5

Source: Northern Territory Treasury

Revenue Estimation

The Territory has three main types of revenue:

- GST revenue;
- tied grants (including specific purpose payments); and
- own-source revenue, comprising Territory taxes, interest and other income.

GST Revenue

GST revenue accounted for 63 per cent of Territory revenue in 2006-07. Indigenous-related attribution has been based on the Commission's published influences on GST revenue redistribution. Indigenous influences, land rights and native title have been wholly attributed to the Indigenous population. Other factors have been attributed following an assessment of the relevant Indigenous population to which the disability applies.

All remaining GST revenue has been assumed to be provided on an equal per capita basis to the population.

Tied Grants

Tied grants made up 15 per cent of the Territory's budget in 2006-07. Indigenous-specific grants have been wholly attributed to the Indigenous population. Grants focused on remote or very remote areas have been attributed on the basis of the Indigenous population in those geolocations. All other tied grants have been assumed to have been provided on an equal per capita basis.

Own-source Revenue

Own-source revenue made up 22 per cent of the Territory's budget in 2006-07. For Territory taxes, the proportion of revenue contributed by the Indigenous population was determined using a range of proxies (Australian Bureau of Statistics) that seek to reflect Indigenous population in the activities that support collection of that revenue. Other own-source revenue was attributed on an equal per capita basis.

Revenue Summary

Table 18 combines the revenue components to estimate total Indigenous-related revenue for 2006-07. Indigenous-related revenue is estimated at 44.4 per cent of total revenue.

Table 18: Estimation of Northern Territory Revenue Related to the Indigenous Population, 2006-07

	Total Revenue		Indigenous-related Share	
	%	\$M	\$M	%
GST revenue	62.2	2 015.3	1 106.5	54.9
Tied grants	15.3	494.9	186.4	37.7
Own-source revenue	22.6	732.0	146.5	20.0
Total	100.0	3 242.2	1 439.5	44.4

Source: Northern Territory Treasury

Summary of Results and Comparison between 2004-05 and 2006-07

The key findings of the 2006-07 IER are:

- 52.4 per cent of the Territory's expenditure in 2006-07 was Indigenous-related;
- 44.4 per cent of the Territory's revenue in 2006-07 was Indigenous-related;
- Indigenous-related expenditure exceeds that of revenue by 8.0 percentage points or approximately \$248 million; and
- on a per capita basis, spending on Indigenous Territorians is 2.5 times that of non-Indigenous Territorians.

In order to provide like-for-like comparisons with the 2004-05 IER, data from that report was revised to incorporate revisions to the Territory's Indigenous population arising from the 2006 Census of Population and Housing and for changes to methods for determining the proportion of GST revenue attributable to the Indigenous population.

Table 19: Comparison of Results Between 2004-05 and 2006-07 Reviews

	Revised		Change
	2004-05	2006-07	
Indigenous-related revenue (per cent)	45.9	44.4	-1.5
Indigenous-related expenditure (per cent)	50.1	52.4	2.3
Difference (percentage points)	4.2	8.0	3.8
Per capita ratio – Indigenous expenditure: non-Indigenous expenditure	2.3	2.5	0.2

Source: Northern Territory Treasury

Comparing the 2006-07 IER with the 2004-05 IER on a like-for-like basis shows a 2.3 per cent increase in Indigenous-related expenditure. However, due to the increased rigour applied by agencies in the latest review, part of this difference is likely to reflect improved reporting rather than increased levels of expenditure.

IER Conclusions

The 2006-07 IER's findings consolidate and strengthen those arising from the 2004-05 IER. The Territory (and all states) is not provided with the capacity to significantly change outcomes through GST funding. While the Territory is spending more than it receives for Indigenous-related purposes, there clearly remains a shortfall in funding that would allow for significant closing of the gap of Indigenous disadvantage.

The Northern Territory Emergency Response and Closing the Gap initiatives represent increased focus by both governments to address long-term disadvantage and will be reflected in future Indigenous Expenditure Reviews by Northern Territory Treasury.

Part C: Resources Required to Address Indigenous Disadvantage in the Northern Territory

In June 2007, the previous Commonwealth announced the Northern Territory Emergency Response. In total over \$1.3 billion has been committed by the previous and present Commonwealth Governments to the NTER, including:

- 2007-08 (Commonwealth Appropriation (Northern Territory National Emergency Response) Acts numbers 1 and 2) – \$587 million for seven key action areas:
 - employment and welfare reform – \$205.8 million;
 - promoting law and order – \$64.7 million;
 - enhancing education – \$24.4 million;
 - supporting families – \$32.8 million;
 - improving child and family health – \$83.1 million;
 - housing and land reform – \$85.1 million; and
 - coordination – \$91.3 million;
- February 2008 – the new Commonwealth Government committed \$313 million over five years for:
 - employment and welfare reform – \$92.6 million;
 - improving child and family health and expand health service delivery – \$99.7 million;
 - education – \$98.8 million; and
 - law and order – \$22.4 million;
- May 2008 – a further \$323 million was provided in the Budget, mostly for the one-year continuation of NTER measures:
 - law and order – \$56 million;
 - education – \$26 million;
 - employment – \$75 million;
 - income management – \$75 million;
 - health – \$17 million; and
 - leadership and coordination – \$74 million.

The Commonwealth has also committed \$547 million for housing in remote areas of the Northern Territory and \$30 million for the construction of new boarding facilities.

In August 2007, the Territory released *Closing the Gap of Indigenous Disadvantage: A Generational Plan of Action*. The Plan had been updated to consider and incorporate the Territory's response to the *Little Children are Sacred* report. Closing the Gap is a 20-year generational plan aimed at closing the gap in outcomes between Indigenous and non-Indigenous Territorians. It contains a vision and objectives for the future socioeconomic wellbeing of Indigenous Territorians and sets ambitious but achievable targets for the next 5, 10 and 20 years. It also identifies priority areas for action in the next five years, based on the best available evidence of which actions will have the greatest impact.

The Territory Government has committed \$286.43 million towards five-year actions to implement Closing the Gap. This commitment includes:

- \$79.36 million for child protection;
- \$38.61 million to implement the Remote Area Policing Strategy, community justice and other safety measures;

- \$10.11 million for alcohol and drug management;
- \$23.4 million to achieve better health outcomes;
- \$42.32 million for government employment housing in Indigenous communities;
- \$70.68 million towards education;
- \$13 million to improve Indigenous employment and economic development; and
- \$8.95 million towards better cross-cultural understanding and engagement in service delivery.

Closing the Gap expenditure is additional funding above current spending levels such as those outlined in the *Indigenous Expenditure Review*.

While Closing the Gap and the NTER together have started to make inroads into addressing Indigenous disadvantage, really tackling the complex and interrelated issues will require significant additional funding for services and addressing the infrastructure backlog.

A major benefit of the NTER is that it has initiated a sizable response to the service deficit in remote communities and has also provided initial investment to address the backlog of infrastructure in remote areas. With increasing Indigenous population growth, and as recognised by the NTER Review Board, overcoming Indigenous disadvantage will require substantial effort above and beyond current activity.

Although the Territory continues to direct funding towards Indigenous disadvantage, as demonstrated by the size of the NTER response, the quantum of funds required is well beyond the financial capacity of the Territory.

Addressing Indigenous disadvantage will require ongoing NTER-like investment, with resources to be deployed in a sustainable, ongoing way and supplemented where appropriate by targeted initiatives that will make a significant contribution.

The Territory submits the Territory and the Commonwealth together need to address Indigenous disadvantage if real change in outcomes is to be realised. The Territory stresses it is for both governments (and indeed all Australian governments) to take responsibility to affect change.

The Territory has established a number of principles to guide its view of the future resource requirements. In particular, it is the Territory's strong view that both governments need to maintain their existing commitment to current levels of Indigenous services:

- For the Northern Territory Government, this requires maintenance of current levels of mainstream services provided to Indigenous Territorians and announced commitments to Closing the Gap initiatives.
- For the Commonwealth, continuation of NTER funding is at least at current levels.
- For both governments, commitment is required for additional infrastructure necessary to establish permanent infrastructure to support NTER initiatives including facilities, government employee housing and associated essential services with the Commonwealth providing the capital funding and the Territory responsible for infrastructure delivery and implementation.

In addition, both governments should commit support to targeted, new or expanded initiatives in justice, education and health services with strategic investment in transport and communications infrastructure necessary to support additional investment in services.

Enabling infrastructure such as roads and telecommunications is critical to remote service delivery.

Any additional investment needs to be treated by exclusion from the horizontal equalisation processes administered by the Commonwealth Grants Commission so that the additional NTER funding is not offset by a reduction in existing funding sources.

Table 20 provides an estimate of the additional investment in infrastructure and services necessary to address Indigenous disadvantage in the Territory. This estimate has been tempered by what can be realistically achieved given resourcing constraints in the Territory and Australia both in terms of service delivery and infrastructure capacity. The full detail of initiatives that comprises these estimates is contained in the Northern Territory Government’s submission to the Northern Territory Emergency Response Review Board which is provided as an attachment to this submission.

Table 20: Summary of Backlog in Indigenous Infrastructure and Services in the Territory

Ongoing Funding	Permanent NTER (\$M)		New and Expanded (\$M)	
	Recurrent	Capital	Recurrent	Capital
Employment and Economic Participation	106		54	
Community Safety (including law and order)	36	169	34	83
Education	55	135	118	290
Health	60	93	38	30
Housing	55	2 059		
Roads and IT Infrastructure				622
Governance and Coordination	73		18	
Total Estimated Shortfall	385_{/pa}	2 456	262_{/pa}	1 025

Note: These costs do not include requirements for outstations as consultation on the service delivery model is currently under way.

Part D: Expenditure of GST Revenue and Commonwealth Grants Commission Analysis

Part b) of the terms of reference for this inquiry asks:

Whether the Northern Territory Government's expenditure of goods and services tax receipts accurately reflects the Commonwealth Grant Commission's funding formula for the expenditure of such receipts by program, and by location, and by intended service recipient for meeting disadvantage and regional need.

The purpose of the Commission's assessment is to recommend to the Commonwealth Treasurer distribution of GST revenue between states such that each can provide an 'average' level of service to its citizens after assessment of states' relative fiscal capacities.

GST revenue is provided to states as untied revenue. This means that each state is able to determine how this revenue is expended. The Commission does not provide expenditure by program, location or intended service recipient. The Commission's assessment is not intended to compare state policies and expenditure or to evaluate the efficacy of state policies.

Assessed versus Actual Expenditure

The Commission publishes information on assessed and actual expenditure by functional area and this is often misinterpreted as an expenditure benchmark.

The 'actual' expenditure reported by the Commission is an estimate of the amount that each state spends on particular functions. The Commission's assessments are based on ABS Government Finance Statistics (GFS) data over the preceding five years (i.e. the Commission's 2008 Update uses data from 2002-03 to 2006-07). Thus the data does not necessarily represent current government expenditure patterns.

There are significant difficulties in obtaining GFS data at the detailed level required by the Commission, particularly where programs have significant overlap with other functions. For example, police expenditure on child protection in the Territory is captured in the police category rather than in the family and children's services category. Expenses related to depreciation, debt and superannuation are allocated to general public services and not to the functional area to which the expenses apply. Costs for a health clinic in a remote community would be captured in a health assessment rather than categorised in services to Indigenous communities.

Due to the difficulties in categorising expenditure, GFS data is divergent between states as states do not classify expenditure in the same way. This means that similar expenditure may be reported in different categories between states. Analysis of individual categories is therefore misleading. All governments and the Commission have recognised that using data at this level of disaggregation and in this way is not as robust as required and hence the Commission's next Review of Relativities in 2010 will rely on far less disaggregated data and will be based on greater simplicity and transparency.

Importantly, the Commission does not estimate or report on Indigenous-related expenditure by states.

'Assessed' expenditure is the Commission's estimate of what states would need to spend on each function in order to provide an 'average' level of service based on the 'average' policies of all states, after taking into account the particular characteristics of each state including its demography, geography and needs such as health and education.

'Average' policies or costs are unlikely to apply to any particular state and this is especially so for the Territory, which has circumstances markedly different to other states. To use the Commission's assessed expenditures as benchmarks would imply that all state policies and priorities are the same.

The detailed calculations used by the Commission are specific to the equalisation model to which they contribute and it is inappropriate to use the Commission's 'actual' or 'assessed' expenditure as benchmarks.