Central Land Council
The Land is always alive..

The Central Land Council (CLC) is a Statutory Authority which operates under the Commonwealth Aboriginal Land Rights Act (NT) 1976 and the Native Title Act 1993. The CLC is located in the southern portion of the Northern Territory and covers an area of 775,963 square kilometres – 381,792 square kilometres is Aboriginal land. The CLC is directed by its Council, which consists of 90 Aboriginal people elected from communities. The CLC represents approximately 24,000 Aboriginal people resident in the southern half of the Northern Territory. Indigenous communities located within the CLC area are diverse and include small family outstations, large remote communities and town camps located within the larger regional service centres of Alice Springs and Tennant Creek.

Submission to Inquiry into Government Expenditure on Indigenous Affairs and Social Service in the Northern Territory

October 2008

Summary

Given the difficulty in obtaining detailed financial statements and dissecting them, the effectiveness of this inquiry will be determined by the transparency of governments and the level of critical analysis on the information provided.

The accumulative neglect of governments and the poor social and economic conditions of Indigenous communities is well documented. The NT Government itself estimates a $2 billion backlog in housing and infrastructure needs alone. The thorough 2005 COAG sponsored study in Thamurrurr showed an overall deficit in funding allocation compared to the general population and a more critical shortage in capacity building areas such as education and employment creation. The NT Indigenous Expenditure Review, which seeks to justify current spending levels, is simply not credible.

In future, Australian Government funding calculations that included both infrastructure backlogs and allocation methods that tied more funding to Indigenous communities would better address the needs on the ground. Untied grants do not provide transparency or certainty that an appropriate proportion of funds will reach Indigenous communities.

Government spending still does not occur in an accountability framework of monitoring and evaluation that includes cost benefit analysis. Such a framework is not evident in annual reports and budget processes, and, despite a review, the NT Emergency Response has not improved the culture of a lack of accountability.

Introduction

This inquiry into government expenditure in the NT has two strands:

- the level of service delivery and outcomes achieved in Indigenous communities
- whether Northern Territory Government expenditure reflects Commonwealth Grants Commission funding for meeting disadvantage and regional need.

The inquiry poses large and broad questions which require a great deal of government information and forensic accounting expertise to answer effectively. The CLC has neither. Therefore, the effectiveness of this inquiry will be determined by the detail and transparency in information provided by the NT and Australian Governments and the level of analysis of that information.

This submission will briefly look at overall service delivery before focussing on the method of allocation and the accountability of the money that does hit the ground.

Is the money hitting the ground?

Broadly, the low level of service delivery in Indigenous communities is evidenced by the need for an 'intervention'. The Australian Government clearly believes that the outcomes are so poor a significant intervention and reordering of affairs is required. Historically, the Commonwealth Grant Commission Indigenous Funding Inquiry of 2001 provided a thorough compilation of the poor social and economic conditions of Aboriginal people. The recent Report of the NTER Review Board also spoke of 'decades of accumulated neglect'. Specifically, the NT Government itself has argued that $2 billion is required to overcome housing and infrastructure backlogs and a further $600 million is required to fund unmet service and repairs and maintenance needs.

The CLC would be surprised if a thorough investigation of the evidence led otherwise than to a conclusion that the level of service delivery in Indigenous affairs is poor.

On the issue of allocated money hitting the ground, there is plenty of anecdotal evidence that since self government in 1978 successive Territory governments have mismanaged Commonwealth Grants Commission funding calculated on the basis of need for Indigenous communities. An early report by the Centre for Aboriginal Economic Policy Research in 1992 found that:

> *Identifiable NT expenditure on Aboriginal people across all program types represented 17% of its total budget for 1990-91.*

Commonwealth Grants Commission figures suggest that in the year 2006-07, the NT Government received $1.985 billion in untied GST grants yet underspent allocations across social service areas by $543 million. When balanced against the need identified by the NT Government above, further interrogation of these figures is required.

The best example of a specific detailed study is the 2005 COAG sponsored study in Thamurrurr by Taylor and Stanley which made significant findings:

- When measured against the standard of compensating for low socioeconomic status, Thamurrurr was underfunded at the rate of $4 million per annum or $1,944 per person.
- In relation to education, on a per capita basis, only 47c was spent on children of compulsory school age in Thamurrurr compared to the average Territorian.

It is worth quoting from the final report:

> *What emerges is a structural imbalance in funding at Thamarrurr, with lower than average expenditure on positive aspects of public policy designed to build capacity and increase output, such as education and employment creation, and higher than average spending on negative areas such criminal justice and unemployment benefit. This begs a very important question as to whether this situation serves to perpetuate the very socioeconomic conditions observed at Thamarrurr in the first place.*

The strong conclusion from this detailed study is that Thamurrurr is underfunded and priorities are misaligned. This is strong evidence that CGC funding allocated on the basis of disadvantage is being misspent.

The NT Government's 2006-07 Indigenous Expenditure Review provides an alternative view that 52 per cent of Territory expenditure was Indigenous related. However, the report is riddled with systematic errors including assumptions and judgments on methodology, total lack of independence and summary tables of funding which offer no breakdown whatsoever of departmental budgets. For example, two key areas of developmental need for Indigenous communities are education and infrastructure. The report notes the responsible departments as allocating 46 per cent and 49 per cent respectively to these areas. No further breakdown of programs or spending is offered to justify these figures. Moreover, given these areas are critical to Indigenous development, you would expect these allocations to be higher than others, however, they are below the overall 52 per cent claimed figure. How does the NT Government balance its infrastructure allocation against its claim of $2 billion in housing and infrastructure backlogs? The overall claim that 44 per cent of NT budget is Indigenous related is breathtaking when you consider that the CGC assesses its GST equalisation funds as 66 per cent Indigenous related and the NT assesses its own generated revenue as only 20 per cent Indigenous related.

The NT report is not credible and needs to be critically evaluated against the thorough Thamurrurr report which identified all government real spending on the ground. The CLC is astounded that the NT would produce such a report as a cynical deflection from its misspending and, when balanced against the picture of neglect and documented underspending, is precisely why CLC Director David Ross called for a Royal Commission into the NT Government's expenditure in Aboriginal affairs in August 2008.

Accountability of funds

The availability of information suggests a need to reform:

- funds calculation
- method of funds allocation, and
- accountability on spending.

At present, the CGC calculation rate of for the NT of 4.33 times the rest of Australia, primarily because of its dispersed Indigenous populations, does not include infrastructure needs which are high and longstanding in Indigenous townships. Without ever being able to catch up on infrastructure backlog means these communities will continue to be at a disadvantage and the CLC believes they need to be included.

The calculated funds are allocated according to GST revenue and special purpose payments. Untied GST revenue makes up about 62 per cent of the NT budget. Specific purpose payments are tied to particular services and make up 15 per cent of the NT budget. Given there is little prospect of untied grants being tied, to ensure spending on appropriate needs which reflects the 66 per cent Indigenous related assessment by CGC, there needs to be an alternative system. The Report of the NTER Review Board suggested agreements which covered off all funding to a particular place (an extension of the Shared Responsibility concept) and a new designation of 'remote Australia', meaning each state or territory would get two grants – one for remote areas and one for the balance.

In the past, the NT Government mainstreamed funding to remote communities to avoid notions of separateness, but that approach has contributed to the current situation where many communities do not receive their share of 'mainstream' funding. Both the Productivity Commission (2003) and the Commonwealth Grants Commission (2001) itself have cautioned against this approach because it failed to protect and promote the health and wellbeing of Indigenous people.

Whatever way, improvements will not be achieved unless an appropriate proportion of funds are allocated to Indigenous communities. CLC supports investigation of methods to ensure funding hits the ground where it is intended. Systems exist which are designed to do this, and accountability of government suffers when these systems are not in place, or not transparent.

At present, there is little genuine accountability on funding spent. Simply, policy and project planning does not take place in the context of a monitoring and evaluation framework including cost benefit analysis. We would like to be able to answer the following questions:

- Is it possible to track where money has been allocated?
- Is the spending being properly evaluated?
- Are the allocations value for money?

Each NT Government department does provide an annual report, but these do not contain analysis of spending and outcomes. For example, the Department of Planning and Infrastructure annual report 2006-07 provides highlights of key achievements and basic performance tables, but there are no critical evaluations of individual projects and outcomes. Few details are given of minor Indigenous related projects. This contrasts with the detailed acquittal and reporting processes of most non-governmental organisations and local councils to justify funding.

The NT Emergency Response is also instructive. The NTER has (so far) introduced $1.4 billion into the NT system but there was little to no up front planning, it has been difficult to track spending (although FaHCSIA now has itemised the allocations of funding as part of the NTER review), and there was no meaningful evaluation. The Australian Government did conduct an independent review, but this review shied away from critical cost benefit analyses of the various measures and the Australian Government has shown no inclination to do this itself. For example, the FaHCSIA summary showed that $83 million was allocated for health checks and $54 million was spent – but what outcomes were achieved and was this value for money? $220 million was allocated for employment and welfare reform and $164 million spent – how much went to the bureaucracy and how much built effective programs on the ground?

Looking ahead for 2008-09, the FaHCSIA Budget Statement does include performance indicators and targets for some measures. However, these indicators and targets are limited. For example, the target for income management is that it is 'operating effectively in all communities with licensed stores'. On 5 year leases, the target is 'increased number of communities with registered leases in place'. These are soft, measurable targets that do not in any way properly evaluate the spending of money and provide cost-benefit analysis. They need to go further. In our view, the NTER has enabled more money to hit the ground, but has reinforced a culture of a lack of accountability.

A proper monitoring and evaluation framework for all government spending in the NT would help to ensure money that allocated and spent effectively.

References

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