

GARMA 2019

I would like to introduce this presentation by quickly reviewing that which I have spoken about over the past four years here at Garma.

The Commonwealth Grants Commission is the body responsible for apportioning the GST revenue between the states and territories. It does this by making assessments of the expenditure necessary in the various areas of government services so as to enable equal service delivery across Australia assuming equal starting points.

The assessments are based on past expenditure across Australia and incorporate adjustments for the different costs of providing services in different parts of Australia – factors such as remoteness, English as a second language, small population, and so on. Corresponding assessments are made for expected self generated income, and the differences apply proportionately to the GST funds available to become the GST revenue distribution.

There is no legal obligation on the state and territory governments to spend the general GST funds distributed to them in accordance with the CGC assessments.

After the end of each year each state and territory reports actual spending in each category under what is called the uniform presentation framework, and the CGC publishes their assessments and the actual income and expenditure reported by the states and territories.

In 2015 I reported to you the underspending of \$522 million on areas of social justice in the 2006/07 year. I also told you that as a result of a Senate Inquiry in 2008 that the reporting framework reduced the categories of expenditure

reported. However the pattern of underspending remained evident in 2009/10 through to 2013/14 which at that time was the most recent year for which we then had available data. Review of NT budget papers for 2015 and 2016 clearly showed that the spending patterns had not changed in any material way.

In 2016 I dissected the allocation of GST funds to the NT by a three-stage reverse engineering process using published CGC ratios and data. My conclusion was that 68% of the NT budget expenditure should relate to indigenous people. The NT government's own review stated that 53% of its expenditure was in relation to indigenous people. The difference is around \$500 million a year.

In 2017 I looked more closely at some of the items that would have been classified as indigenous expenditure in the NT government review. In particular I considered the number of full-time equivalent positions in the NT public service. Between 2003 and 2016 the population increased by 21.4%. In the same time the public service FTE positions increased by 41.7% the increase in the public service over and above the population increase is almost 3000 positions or about \$400 million a year over and above keeping pace with population growth.

The NT public service Commissioner's 2015/16 report tells us that 39.4% of the NT PS is in the administrative stream i.e. managerial and clerical. That's over 8000 people and around 6500 people more than figures from some other states and territories would suggest are necessary.

Presumably the excess numbers in particular areas would still be regarded as "Indigenous expenditure".

In 2017 the Commonwealth government announced an enquiry by the productivity commission into horizontal fiscal equalisation and the GST distribution. The Yothu Yindi Foundation made a submission to the enquiry which we are pleased to say appears to have directed attention to the issues raised..

Some of the issues highlighted were the geographic injustice in where NT government spent its money. For example we compared spending on Darwin roads that we considered to be unnecessary with the state of the central Arnhem Highway. Around \$400 million spent in Darwin as compared to comparatively negligible amounts on the Arnhem Highway.

We also pointed out that the NT government inherited a massive deficit in its infrastructure at the time of self-government in 1978 and that the CGC methodology prevents any catch up.

What I have not said previously, but have thought about, is that the NT government treats indigenous disadvantage as a commodity to be used in arguing for more money from the Commonwealth. If there is underspending then a closed-loop can develop: dollars; underspending; relative disadvantage; leading to more dollars.

At the time of preparing the Productivity Commission submission we did not have the full insights into the NT government that the Langoulant report has provided, although we did have our suspicions. When you interpret the bureaucratic language it is chillingly compulsive reading.

When it says “the NT government requires comprehensive change to improve the integrity of the budget process” you should read “spending has been completely uncontrolled”.

When it says “the level and duration of expenditure growth restraint proposed is unprecedented across the states and territories” read “this is the worst government financial disaster in Australian history”. And it has been achieved in only 40 years of self-government despite years of underspending on indigenous people. Perhaps the following points made in the Langoulant report have also contributed to the disaster:

- up to 99% of expenditure in each budget is unscrutinised outside of any internal agency review;
- successive territory governments have adopted a culture of continuous budgeting with significant additional expenditure approved outside the budget process; (p 10)
- the current budget process prevents contemporaneous analysis of actual performance in the current financial year compared to the original budget; (p 13).

In other words effectively uncontrolled and unmonitored spending has occurred. When the report says “given the magnitude of the fiscal challenges, returning the budget to balance should be identified as the primary objective” it means “it’s sink or swim time”.

You might recall NT government has said it will dispense with 53 ECO positions out of approximately 650. The report tells us that approximately half of the ECO positions should be converted to SAO2 or SP2 positions, with remuneration reductions of around \$60,000 per annum for each position i.e. \$18 million per annum in total.

In 2018 I reviewed what would be reasonable processes for policy formulation. I concluded that indigenous people had never properly participated in any policy formulation process of which I was aware. That is, participated as a full equal partner from inception of the process with equal say and equal access to information. In my view the Commonwealth government had and has no valid claim to legitimacy in its policy formulation processes in relation to indigenous people.

Now let us look at what life in the bush is like.

It is not easy.

The fundamental reality of remote area life is that everything, repeat everything, is far more expensive than in cities such as Darwin. Stores have the diseconomies of scale that comes with comparatively minuscule turnover as compared to Coles, Woolworths, Bunnings and others. On top of that you have to add in freight. Travel is typically by air or by vehicle on substandard roads; either way the costs are prohibitive to those on low incomes.

The relative costs are illustrated by the ratios used by the CGC for very remote areas. Darwin is considered by the CGC to be a regional centre to which it applies a cost loading factor of 21% as compared to major cities, for schools. The cost loading factor for areas in the NT outside Darwin, Alice Springs, Katherine, and Tennant Creek is 91%. If we take the age pension as being the amount the government considers necessary for Australians generally to not live in poverty, then the \$18.20 a fortnight remote area allowance is not going to be anywhere near sufficient to cover the additional cost of living in remote area. Tax measures such as Zone rebates are meaningless in this context because at these rates of income no tax is payable typically. Remote area fringe benefits tax concessions which strongly favour higher income individuals are merely rubbing salt into the wounds.

So there you have it – historically underfunded by about \$500m a year, and that is after huge administrative overstaffing in the NT is included in “Indigenous expenditure”, the massive infrastructure deficit inherited by the NT from the Commonwealth at the time of self-government which can never be caught up because of the CGC methodology, all compounded by geographic injustices in where NT dollars are spent, the inability to plead the case for the bush because of the total exclusion from policy processes, and all in an environment of living costs double (or more) those of major cities supposedly covered by the pension and Newstart remote area allowance of \$18.20/fortnight.

And it is not as if the NT Government has saved the underspent money I talked about earlier – it is in the worst financial situation of any State or Territory in Australian history.

This is the context in which government assistance programs are delivered, programs that are intended to relieve the suffering and distress of a myriad of social issues. More often than not governments expect local communities to operate these programs or at least that their leaders be available for seemingly endless “consultations” about the programs. FOR NO PAY! Everybody at the table getting salaries and travel allowance except the only essential person – the community leader.

The more you think about this, the easier it is to be convinced that there really must be a poor understanding within governments about the workloads they heap on poorly resourced community leaders. New programs are proposed, developed, approved, and dropped on harried community leaders without preparation or consultation. At the end of each financial year there is a flurry of activity in funding bodies to get money out the door, with the regular consequence of communities having to apply to carryover the unspent funds into the next financial year and the requirement to account for it separately from that next year’s funds. This is complicated because each funding agency has its own set of rules. This might not sound particularly onerous but for example a single audited grant acquittal can usually only be provided if the full audit is completed. The whole cycle is captive to the most onerous set of conditions. A small grant can cause major problems by applying conditions that would perhaps be reasonable for that grant in isolation, but not when it has a significant knock-on effect.

On top of this there are the pettifogging program rules which can lead to demands for explanations up to 18 months after the event. Just so a box can be ticked on some spreadsheet somewhere for some purpose obscure to us. What is the point of collecting information 18 months out of date?

The reliance of both the NT and Commonwealth governments on seriously under-resourced communities to deliver a multiplicity of programs is (to express it most politely) fundamentally flawed. This is not to say that our organisations lack the capacity to undertake the work; they lack the **resources and time**.

It must be said that each department or agency lives primarily in its own world. Attending meetings to defend one's own position is not collaboration, it is a silo, and leads to failures of communication, duplication, loss of focus, and blurring of objectives.

Community leaders are highly motivated and focussed on local priorities, and have little time for such bureaucratic nonsense.

Rather than having programs operate haphazardly, there needs to be a coherent and unified suite of policies which lead to community needs being fulfilled. This requires full indigenous participation and comprehension of the programs, with locally determined priorities. Governments are overly focused on delivering goods and services within Departmental silos, and not enough on effectively supporting the development of our human capital.

What is required is a regional structure with culturally appropriate boundaries which oversees all programs and consultations in the region. The directors would be elected to salaried positions and there would be staff to support and advise the elected members. Local Government bodies could not fill this role because they are ultimately controlled by the Minister, and they have roles that conflict with a body such as I propose.

This would eliminate the random and uncoordinated "consultation" burden and replace it with something much more effective and productive. Elected members would be able to devote time and effort to policies and programs from the commencement, with advice from unconflicted staff. The constant worry of balancing commitment to community with personal income and family matters is overcome.

Funding currently provided by the Commonwealth and the NT should be provided directly to the regional body. The end result would be a vast improvement on the current passing parade of public servants and others who seek to draw legitimacy from “consultation” for their particular program or project.

Remote communities need staff who will work with the community, for community objectives. We are not interested in being a career move, a box ticked on a planned career path. Staff working for a government department or a Local Government Council cannot be expected to represent both their employers and the community – the conflicts of interest are obvious.

Let’s consider how this could work:

- Regional local authorities e.g. for north-east Arnhem land
- total funds assessed by the CGC applicable to that area is to be allocated in bulk to the Regional Authority
- the apportionment and expenditure of the funds is determined locally but is subject to the Commonwealth (through the Productivity Commission) approving the types of expenditure as being legitimate, and the proposed distribution of funds is fair. Priorities established are not otherwise subject to review but it must be said that the internal processes and discussions are likely to be robust indeed
- funds provided are as “money in trust” and any misuse is a serious offence
- staffing of the regional authority would not be by public servants, but staff would have similar roles, duties, and control mechanisms
- it may be that wider area activities are contemplated and pro rata funds are pooled e.g. a common use road
- priorities may change from year to year. For example a region might focus on housing for five years, and then focus on economic development.
- There will be scope for establishing long-term relationships with preferred suppliers in accordance with private enterprise best practice, but with periodic review.

- Economic development is by definition a legitimate use of funds but protection against speculative or high risk ventures would need to be put in place.
- Local communities can set the parameters for how development can occur e.g. a mining development could be FIFO or by establishment of a local town such as Nhulunbuy
- funds provided to the Northern Territory government for remote areas e.g. a major road will be trust monies, with administration fees not to exceed the average of indigenous regional areas.

Our plea to Government is this: deal with the causes of our problems rather than the consequences.