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SENATE

STANDING COMMITTEE ON COMMUNITY AFFAIRS

**Reference: Government expenditure on Indigenous affairs and social services in
the Northern Territory**

TUESDAY, 11 NOVEMBER 2008

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SENATE STANDING COMMITTEE ON

COMMUNITY AFFAIRS

Tuesday, 11 November 2008

Members: Senator Moore (*Chair*), Senator Siewert (*Deputy Chair*), Senators Adams, Bilyk, Boyce, Carol Brown, Furner and Humphries

Substitute members: Senator Crossin for Senator Carol Brown

Participating members: Senators Abetz, Arbib, Barnett, Bernardi, Birmingham, Mark Bishop, Boswell, Brandis, Bob Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Hanson-Young, Hefernan, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Adams, Boyce, Crossin, Furner, Humphries, Moore, Scullion and Siewert

Terms of reference for the inquiry:

To inquire into and report on:

The levels of Federal and Northern Territory Government expenditure on Indigenous affairs and social services in the Northern Territory, including expenditure on services for families, children and people with disabilities in the Northern Territory, with particular reference to:

- (a) the level of service delivery and of outcomes achieved in Indigenous communities in the Northern Territory in relation to the expenditure of both Federal and Northern Territory monies; and
- (b) 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 recipient for meeting disadvantage and regional need.

WITNESSES

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Committee met at 4.50 pm**SPASOJEVIC, Mr John, Secretary, Commonwealth Grants Commission**

ACTING CHAIR (Senator Siewert)—This is the committee's second hearing in its inquiry into government expenditure on services to Indigenous communities in the Northern Territory. I welcome the Secretary of the Commonwealth Grants Commission. Information on parliamentary privilege and the protection of witnesses has been provided to you. The committee has received your submission. I now invite you to make an opening statement. At the conclusion of your remarks, I will invite members of the committee to ask you some questions.

Mr Spasojevic—Thank you very much. I will be very brief in my opening statement. I would like to say that I am here not as a member of the commission but as the senior member of staff of the commission. There is a distinction. We have no comments to make in relation to your term of reference (a) because we have no data or information which could help you in terms of the level of service delivery or outcomes achieved in Indigenous communities in the Northern Territory, or elsewhere, for that matter. In relation to term of reference (b), I think the main thing to say is that there is no funding formula used by the Commonwealth Grants Commission which talks about the level of expenditure of receipts by program, by location and by intended service recipient for meeting disadvantage or regional need in relation to the distribution of the pool in the year in which the states actually get that money. Thank you very much.

Senator HUMPHRIES—You were speaking before about the factors that are used by the Grants Commission to vary the average level of spending across the country for each state. You mentioned in respect of government primary schools that the initial average spending for each child in a government primary school across the whole of Australia in 2006-07 was \$513.41. You then went on to indicate the various adjustments that the commission makes to establish what individual factors might apply in different states that might vary the cost of delivering those services in that particular category—for example, you mentioned that there is a weighting for remote Indigenous students, for the costs associated with a high proportion for whom English is not their primary language, for the cost of transport to isolated communities and so forth. In the case of government primary schools, it meant that for the Northern Territory that figure rose from \$513.41 as a national average to \$1,104.94 as an assessed expense by the Grants Commission for delivery of government primary school education in the Northern Territory. Can I confirm that you list these factors as the ones that you consider should be considered in assessing what the real cost or a more appropriate cost of delivering those services in the Northern Territory should be.

Mr Spasojevic—These are the factors for all states and territories where there is a conceptual case that there is some unavoidable cost, which the state or territory government would need to bear and for which there are data where we can actually make a reliable assessment. There may be other factors where there is no data that is important, which we cannot take into account. In some cases the commission discounts the reliability of the data by making an adjustment.

Senator HUMPHRIES—Each year you receive a submission from every state and territory government, I assume, as to the factors that you use and the weighting that you give to each of those factors to adjust those average amounts, don't you?

Mr Spasojevic—No, not every year. The commission does a major methodology review every five years which would determine the methodology. It then stays in place for the next five years but the raw data are adjusted as we go forward year by year.

Senator HUMPHRIES—The methodology is only set every five years but you do get submissions, don't you, from states and territories about how you use the methodology in respect of the figures from their states?

Mr Spasojevic—Correct. For example, every year we would get revised numbers for a new year on how much the states actually spent in these different categories.

Senator HUMPHRIES—I recall one year, when I was ACT Treasurer, appearing at a meeting of the commission in Braddon to make our case, so I assume that others do something of the same order.

Mr Spasojevic—They do.

Senator HUMPHRIES—Would you say that, arising out of the last review of methodology, there were any major outstanding factors, which states and territories have argued should be included in this methodology, which have not been included by the Grants Commission?

Mr Spasojevic—I am sorry, I take it you mean not just in this particular category—

Senator HUMPHRIES—No.

Mr Spasojevic—but more generally. Yes. There are some things that the states are still putting cases to the commission in its current methodology review about how the methodology should be changed to better reflect what states actually do. The commission is going to put out a draft report mid next year and a final at the beginning of 2010 for the new methodology for the post-2010 period.

Senator HUMPHRIES—Can I put to you what I see as the fundamental issue here? You obviously produce quite a complex and refined set of figures for the purposes of allocating GST money between the states each year?

Mr Spasojevic—Yes.

Senator HUMPHRIES—Those figures are the subject of some controversy because some people, to be blunt, use those figures to beat certain states around the head for not doing, in the opinion of those using the figures, as much as they should in certain areas of expenditure. You are anxious, as an agency responsible for producing a fair outcome, to avoid your figures being politicised in that way, and that is an understandable kind of approach. I put it to you that the figures you produced for total assessed expenses are not an entirely abstract and artificial set of figures. They do bear some relationship to what states and territories might be spending in any given category in a particular year to achieve a level of effort to deliver services that reflect average policies across Australia. Therefore these figures are—while not by any stretch of the imagination the be-all and end-all of an argument about whether states are working hard enough in some areas to produce good outcomes and spending enough to get the right results—a

legitimate starting point for a debate about why some states' policies vary from other states or from national averages with respect to the delivery of services.

Mr Spasojevic—I think the point that I have tried to emphasise in my submission and which people need to bear in mind are the limitations of these numbers when they try to do exercises of that kind. They are limitations which people just need to be aware of if they embark on that exercise. I think you can look at the difference between the actuals and the assessed and say how much more or less would a state have needed to spend in that historical year. I think the difficulty arises when people look at that difference and then try to ascribe that to the policies of different states and try to draw a correlation on what that means for state policy.

As I have tried to explain in my submission, I think it would be very difficult for a state in framing its budget, for example, to say, 'We will aim to spend the national average with our disability adjustment so that, at the end of the day, our actual will be close to our assessed.' I think that is an almost Herculean task for any state because, as it frames its budget, it does not know what the average of all the other states will be. That is a luxury we have when we come along after the event and say, 'What was the average that all the states started with?' Looking forward, states cannot do that. So, in looking at that difference, you have to bear that difficulty in mind.

Senator HUMPHRIES—That is true but, with respect, that is not quite the question I asked.

Mr Spasojevic—I understand that, but I am trying to—

Senator HUMPHRIES—What you are describing is how you cannot use the figures. And I agree, you should not—

Mr Spasojevic—I am describing what cautions you need to bear in mind if you seek to use those numbers in that way.

Senator HUMPHRIES—Yes. But my point is that it is not appropriate either to completely disregard the figures, to say that they are completely irrelevant in making a comparison between what states do and what other states are doing in the same area of public policy.

Mr Spasojevic—That is beyond the scope of the CGC to comment on. It is not our core business. I am trying to explain what the numbers are that we produce and the health warnings that need to be ascribed to those numbers. If people wish to use them for other purposes, that is fine. We publish the data and people use it as they see fit. The second health warning I think people need to be aware of, and it is somewhat technical, is that when we look at 2006-07 and go through this exercise we say, 'If the states had had this capacity and spent their assesseds, what distribution of the pool would the Northern Territory have needed to have had in 2006-07?' That is the basic question we are asking: if we look at this year in history, how would we have distributed the pool in hindsight? That is a very different distribution of the pool from what actually occurred in that year—or it can be different; some years it is not and some years it is. So it is not at all clear that a state could have actually spent its assessed with the distribution of the pool it actually received. That is another caution that people need to bear in mind when they look at the assessed numbers. Those assessed numbers relate to a different distribution of the pool than what the states actually received.

Senator HUMPHRIES—Okay. In the second paragraph of your submission, you make the point that you are not really in the business of trying to make those comparisons between the actual effort of different governments, but you mention that COAG has initiated a process to collect comparable data on expenditure on services to Indigenous Australians and the outcome of those services. Is the Grants Commission involved in any way in that exercise?

Mr Spasojevic—Yes, we have been involved as technical people because we have an interest in what that data might tell us and how that might improve our ability to do assessments as that data comes forward in future years.

Senator HUMPHRIES—Can you give us any indication at this stage of whether you think that process will produce a substantially different methodology with respect to data on expenditure on services to Indigenous Australians from the methodology that you use to assess assessed expenses in the category of Indigenous services?

Mr Spasojevic—I think it is just far too early to tell. I do not think it will have a significant impact on the methodology to be developed for 2010, but it may have in subsequent methodology reviews. We are hoping that it will improve the cost and use information that we currently have available to us by giving us a broader data set across all of the country on a comparable basis.

Senator HUMPHRIES—The NT Council of Social Service have given a submission to the inquiry about areas where they are concerned about stark variations between the Grants Commission assessed expenses and the actual expenses of the NT government delivering services. You made the point about these comparisons being, at one level, simplistic—and that is a word I put in your mouth but I suppose that is essentially what you are saying.

CHAIR—Mr Spasojevic, are you happy with that comment from Senator Humphries?

Mr Spasojevic—He is relating a comment made by somebody else in a—

CHAIR—Senator Humphries just rephrase it just in case.

Senator HUMPHRIES—Sure. Mr Spasojevic, you were saying you should not make comparisons between what states actually spend and what you assessed as what they should spend in those areas.

Mr Spasojevic—No, I did not say that; I said you can use the data however you see fit as long as you are aware of the health warnings that I think should be attached to that data.

Senator HUMPHRIES—Fair enough. In these figures—and I am sort of springing these figures on you; perhaps you are not familiar with them—the NT Council of Social Service points out that the Grants Commission assessed expenditure on roads by the Northern Territory government, and I assume this is a per capita figure which is grossed up or multiplied by the number of people in the Northern Territory, is \$249.76 million and the actual expenditure is only \$122 million, about half of the first figure. Your figures for assessed expenses on roads in the Northern Territory would take into account, as you have indicated, the cost of delivering services in remote places, and therefore it would factor in the fact that it would be much more expensive

to put a gang somewhere on the Stuart Highway 500 kilometres from Darwin than to put one on Barry Drive here. Given that those factors are taken into account, can you give some idea to the committee as to why there is such an enormous gap between the amount you assessed as standardised expenditure and the amount that the Northern Territory actually spent?

Mr Spasojevic—No, it is not something the Commonwealth Grants Commission gets into so I cannot enlighten you on what that gap might be, the same way as I cannot enlighten you as to why any gap might exist for any state or territory. We do not look at that. In fact, it is not of particular interest to the commission what that gap is other than in an eyeball test of the kind you did in that earlier exercise where you thought the pattern was broadly the same. It is not a function of the commission to look at what states actually do with the funds that they have available to them, particularly given that the money is untied.

Senator CROSSIN—Can I just follow on from this. In the table you have given us today, the total actual expenditure for government primary schools is \$118,973. How is that arrived at?

Mr Spasojevic—That is the number that the Northern Territory has supplied to us.

Senator CROSSIN—How do they supply that to you?

Mr Spasojevic—We put out a data request every year asking them to break down their expenditure in certain categories which align with the ABS government financial statistics classification, and they provide us with data consistent with that that we can use in our work.

Senator CROSSIN—Does that include money that comes from Northern Territory generated revenue, or is that—

Mr Spasojevic—Yes, that is their expenditure.

Senator CROSSIN—Their total expenditure in that area, for example.

Mr Spasojevic—Yes, just their total expenditure.

Senator CROSSIN—This shows us, then, that in 2006-07 the Northern Territory government actually spent more than you assessed they ought to spend. Is that correct?

Mr Spasojevic—That is what the numbers show.

Senator CROSSIN—Can I ask you about the terms of reference for this inquiry. The Commonwealth Grants Commission funding formula for expenditure is not based on program, location or intended services. Is that correct?

Mr Spasojevic—That is correct.

Senator CROSSIN—So it would be accurate to say that the premise of (b) in of our terms of reference is incorrect?

Mr Spasojevic—I do not know whether the premise in the terms of reference is incorrect, but what I can say is that there is no funding formula for the expenditure of the distribution of the pool by program, location or intended service recipient. The money is a lump sum that goes to the states to spend as they see fit.

Senator CROSSIN—It makes it very hard for us then to inquire into Commonwealth Grants Commission expenditure by location and service if that is in fact not your role. Is that right?

Mr Spasojevic—I believe that that makes it very difficult for you.

Senator CROSSIN—Can I also ask you about the use of the terminology that is used across your areas. Let me go back a bit. These government primary schools would not be the total amount of money the Northern Territory government is spending on primary schools because it does not take into account, for example, the non-government system.

Mr Spasojevic—That is true. This is the expenditure by state government on government primary schools.

Senator CROSSIN—And you would have a separate column, say, for non-government primary schools?

Mr Spasojevic—Correct.

Senator CROSSIN—I see. But when it comes to, say, family and community services, the nomenclature that is used by you and by the states and territories would vary, would it not? For example, community services might mean in Victoria anything other than disability services, which might be in the health department. But community services in the Northern Territory might include disability services. Do your figures reflect the different nomenclature and program names across the states and territories—

Mr Spasojevic—No.

Senator CROSSIN—or is there a problem there?

Mr Spasojevic—There is no problem. The ABS has a classification which is common across all the states to which the states report data for government financial statistics. We use the same break-up and the states go to the task of allocating those things on a consistent basis in a comparable way across the states. So they break up—

Senator CROSSIN—Comparable being the same?

Mr Spasojevic—The same. So if we are talking about government primary schools we are talking about government primary schools.

Senator CROSSIN—But if you are talking about child protection—

Mr Spasojevic—The states break that up into the definitions used by the ABS.

Senator CROSSIN—And they would break that up into justice and family services for example?

Mr Spasojevic—And even finer levels of aggregation.

Senator CROSSIN—I see. And that is what they then give back to you.

Mr Spasojevic—They give that back to us for one year—the most recent year. For the preceding four years those numbers go to the ABS and they then in turn give it to us. So we rely for four years—

Senator HUMPHRIES—So you are comparing apples with apples.

Mr Spasojevic—We are trying to compare apples with apples wherever possible, and the ‘apples’ that we are using in the assessed line up with the ‘apples’ that we are using in the actuals.

Senator CROSSIN—But is it not always possible to do that?

Mr Spasojevic—Sometimes it is more difficult than others.

Senator CROSSIN—So give us an example of where that would be difficult.

Mr Spasojevic—You have got me; I do not know where there is an example of where that would be more difficult. But we sit down with the states to make sure that they understand the classifications and they then go through that task of breaking up their expenditure into the ABS classifications.

Senator CROSSIN—The general purpose classifications—

Mr Spasojevic—The government financial statistics classifications?

Senator CROSSIN—Yes. They are applied consistently across jurisdictions, are they?

Mr Spasojevic—That is my understanding. That is how they report the numbers when the ABS publishes them in government financial statistics. That is a different classification from what they might report separately in their budget documents, but they also go to the effort of reporting them through the ABS and we use those definitions going forward.

Senator CROSSIN—All right. Have you seen the Northern Territory government’s NTCOSS submission to this inquiry that Senator Humphries was referring to before?

Mr Spasojevic—Yes.

Senator CROSSIN—Those actual expenditure figures in their submission would have come to you in what year? Do you know; have you looked at that?

Mr Spasojevic—No, I have not, sorry.

Senator CROSSIN—Can you take that on notice for us and provide us—

Mr Spasojevic—I am sorry, what is the question you want answered? I am just confused.

Senator CROSSIN—It probably would have helped if you had that submission. I am talking about the submission to us by NTCOSS, not what they tabled. Perhaps you could have a look at that submission. In that, they have an assessed and an actual column, and I am unsure of the years they are talking about and of the delay. Where you have an assessed column and an actual column, what is the delay in the years there?

Mr Spasojevic—There is no delay. They are always for the same year. The most recent assessed we have done is for 2006-07. We have no assessments for 2007-08, because that year is still underway, and we have no assessments for 2008-09. We cannot do an assessment without the actuals.

Senator CROSSIN—What comes first?

Mr Spasojevic—The actuals. We add up the state and territory actuals, and that defines the national average. So we always start with the actual data.

Senator CROSSIN—That leads me to another question. NTCOSS have taken an assessed column and an actual column and have come to the conclusion that there has been either a \$524 million or a \$542 million—I do not have the figure in front of me—underspend by the Northern Territory. Is that a reasonable assessment for NTCOSS to have arrived at?

Mr Spasojevic—I have got no idea whether that is a reasonable assessment or not. The Commonwealth Grants Commission does not get into trying to form judgements about the difference between actuals and assesseds. I would just repeat the two health warnings on the assessed date. While you can do arithmetical differences you need to be very careful about how you to come to a policy interpretation of what they mean. We do not say this is a correct interpretation or an incorrect interpretation.

Senator CROSSIN—On page 2 of your submission you say caution needs to be exercised in comparing actual expenditure data and the commission's assessments for some technical reasons.

Mr Spasojevic—Yes.

Senator CROSSIN—So would you issue a caution about those submissions that have actually tried to make that comparison and have come to the conclusion that there is an underexpenditure?

Mr Spasojevic—I would reiterate that there are technical reasons where you have to be careful in how you interpret any of those differences if you are trying to make a judgement about what states have done or not done.

Senator CROSSIN—If people are looking at moneys that states and territories are given and moneys that states and territories have actually spent, how simple is it for the average person on the street to do that? Can you do it? And what facilities are there to do that?

Mr Spasojevic—I think you can, with a lag, ascertain how states have spent their budgets. After the end of the budget year, states put out their own budget results, so you have that guide. You have the guide from the ABS in government financial statistics, which comes out with a two-year lag, I think, so you have a picture there of how states have spent their moneys and at the same time you have a picture of how they have raised their moneys.

Senator CROSSIN—You would be aware of the COAG process that is currently underway. My understanding is that COAG have given a commitment to try and get states and territories to look at their Indigenous expenditure.

Mr Spasojevic—Indeed.

Senator CROSSIN—Does the Grants Commission have any role to play in that process?

Mr Spasojevic—We are assisting in a technical capacity so that the data that is produced might be of some use when we do our own internal assessments. We have a technical capacity and we sit on a steering committee.

Senator CROSSIN—Have you looked at the Northern Territory's Indigenous expenditure review documents?

Mr Spasojevic—Not in any great detail.

Senator CROSSIN—That would not be your role to look at how they spend their money, essentially?

Mr Spasojevic—Correct. We have quite a limited remit from the terms of reference that we are given.

Senator FURNER—I think you provided us at today's hearings the primary schools components and there are three states that have underspent—New South Wales, Victoria and Tasmania. Over the five-year averaging period, what happens to those states in terms of their actual expenses provided by CGC in the future? Is it adjusted or is it worked on the matters concerning the relevant state or territory issues?

Mr Spasojevic—The numbers which are important in that spreadsheet in terms of future receipts of the GST pool are the assists. The difference between the assists and actuals plays no role in the allocation of the pool.

Senator FURNER—I see. Do you have any process in place in terms of an audit of each state or territory in the manner in which they expend their resources at all?

Mr Spasojevic—Given that the money is untied, I do not see how they could be audited. They can spend it as they see fit. I do not think there is an audit process in place. There is certainly

nothing from the CGC's perspective. All we are asked to do is provide eight numbers once a year.

Senator FURNER—Therefore, it is reliant on the state or territory to make that decision where they see fit?

Mr Spasojevic—I believe that is the intent of the distribution under the intergovernmental agreement.

Senator FURNER—Thank you.

CHAIR—Thank you very much for your cooperation. We deeply appreciate it.

[5.22 pm]

CURRAN, Ms Lynne, Group Manager, Office of Indigenous Policy Coordination, Department of Families, Housing, Community Services and Indigenous Affairs

JAMES, Mr Matthew, Branch Manager, Performance and Evaluation, Department of Families, Housing, Community Services and Indigenous Affairs

YATES, Mr Bernie, Deputy Secretary, Department of Families, Housing, Community Services and Indigenous Affairs

CHAIR—Good afternoon and welcome. We are in the situation where the senator who wished to have you called this afternoon is in the chamber talking on another bill. I have just checked with the other senators and they do not have questions for you, which must be a first for any time that FaHCSIA has ever appeared in a committee. I will go through the preliminaries and get that fixed up and then people may find something. It is just one of those things we have when the chamber is sitting during a hearing. I know that you are all experienced and have information on parliamentary privilege and the protection of witnesses in evidence and also, as you are officers of the public sector, understand the kinds of questions that you are able to answer, but I cannot always stop people asking those questions. Do you have opening statements?

Mr Yates—Yes, I do, Chair.

CHAIR—Go ahead, Mr Yates.

Mr Yates—I thank the committee for the opportunity to appear. I understand that the Commonwealth Grants Commission has just appeared before the committee and will have addressed in the broad the current Commonwealth-state financial arrangements in relation to general revenue assistance, predominantly the GST revenue. I am sure you are aware also that the Commonwealth government is proposing to reform the other main type of Commonwealth payments to the states and territories, namely specific purpose payments or SPPs. I would like to take the opportunity just to briefly outline those changes for the committee.

These SPPs cover most functional areas of state and local government activity, including health, education, community services, housing, infrastructure and the environment. In 2007-08, the Commonwealth government is expected to provide over 90 different payments for specific purposes totalling about \$38 billion nationally. The majority of these payments are in the areas of health, education and transport, which account for over 75 per cent by value.

In 2008-09 the Northern Territory expected to receive about \$713 million in payments for specific purposes, or 2.2 per cent of the total. This is significantly above the Northern Territory's one per cent population share, in part because of the Indigenous focus in many existing Commonwealth payments.

Underpinning a new COAG reform agenda is reform of the architecture of Commonwealth-state financial relations. The centrepiece of the new financial arrangements will be a clear statement of the roles and responsibilities of the Commonwealth government and the states and territories. It will focus on objectives and outcomes rather than prescriptive conditions about how states deliver services. As a result, states and territories will have greater flexibility to tailor and integrate services to meet individual community needs. The reforms are expected to reduce the administrative and reporting burdens on the states and territories and to improve the efficiency of these payments in delivering agreed outcomes.

The majority of the current payments for specific purposes will be aggregated to form five or six national SPPs. National SPPs will cover the core government areas of health, affordable housing, early childhood and schools, vocational education and training and disability services. Central to each national SPP agreement will be a mutually agreed statement of objectives and outcomes. These will be developed by the respective COAG working groups. The agreements will clearly set out what the Commonwealth and the states expect to achieve from their joint involvement—the objectives and expected outcomes—including a new focus on enhancing social inclusion and addressing Indigenous disadvantage, the role of each jurisdiction, their responsibilities and accountabilities and performance indicators to assess progress in achieving stated objectives.

The remaining payments will become national partnership payments. These will be agreements between the Commonwealth and the states and territories to fund specific projects in areas of joint responsibility such as transport, environment and water and also in the area of Indigenous affairs. National partnerships will also be the mechanism by which the Commonwealth government provides incentive payments to the states and territories to drive nationally significant reforms or to fulfil its election commitments. The new arrangements are expected to commence from January next year and be fully operational for the 2009-10 financial year.

Another important development is the new national framework for reporting expenditure on services to Indigenous Australians. Following the December 2007 COAG meeting, at which all governments agreed to report transparently on expenditure on services for Indigenous people, Commonwealth, state and territory treasurers met on 14 January and agreed to the development of a national framework for reporting expenditure on services to Indigenous Australians. The purpose of developing a national framework is so that Commonwealth, state and territory governments have a better understanding of the level and patterns of expenditure on Indigenous people. This information can then be used in combination with other performance information, such as that contained in the Report on Government Services and the Overcoming Indigenous Disadvantage report, to determine how appropriately targeted and effective their programs are in reducing Indigenous disadvantage and, in particular, the gaps in life expectancy, child mortality, educational attainment and employment outcomes.

The treasurers agreement on 14 January emphasised the importance of including in the reporting framework expenditure from all funding sources on both Indigenous-specific and mainstream services, with an emphasis on ‘on the ground’ service provision. It also contained a reference to reporting expenditure in areas such as education, justice, health, housing, community services, employment and other significant expenditure.

Finally, I would like to turn briefly to Australian government funding to the Northern Territory, which, over the last financial year, has been given a substantial boost through the Northern Territory emergency response. We have a copy of the submission prepared by the department, in conjunction with other agencies, which was made to the Northern Territory Emergency Response Review Board, and that provides extensive information on measures and expenses.

In the legislation establishing the Northern Territory emergency response, two appropriation bills passed in August 2007 provided significant additional funding. The actual expenditure in 2007-08 across the seven participating agencies was \$467 million. Since coming to office in November 2007 the current Australian government has committed around \$666 million to the Northern Territory. This includes election commitments and the Northern Territory emergency response initiatives. Overall, almost \$1.4 billion has been made available in specific Northern Territory emergency response funding by the Commonwealth. Some \$460 million has been appropriated over 27 measures for the Northern Territory emergency response in 2008-09.

The Northern Territory emergency response monitoring report, which is available on the FaHCSIA website, reports against a range of intermediate output indicators for the various measures. In addition, individual portfolios report on performance indicators for their programs in their respective annual reports. FaHCSIA has also led the compilation of cross-portfolio Indigenous-specific Commonwealth expenditures, termed the Australian government Indigenous expenditure, and this was last reported on in the *Secretaries Group Annual Report on Indigenous Affairs 2006-07*. That publication identifies total Australian government funding of an Indigenous-specific nature by program and portfolio. The information includes national figures but is not provided by jurisdiction. The department does not undertake any process that would identify all Indigenous spending by jurisdiction. I am also aware that the chair has written to the secretary of the department, Dr Harmer, seeking a copy of the report prepared for the Northern Territory Emergency Response Review Board entitled *Current and prospective financial arrangements between the Commonwealth and Northern Territory governments*, and I am happy to be able to provide that to the committee today.

CHAIR—How big is it?

Mr Yates—It is 87 pages.

CHAIR—That is not too bad! Thank you very much.

Mr Yates—If there are any questions, we would be more than happy to deal with those now.

CHAIR—That was very useful, Mr Yates, thank you. You have suddenly caused questions—maybe you should not have made the opening statement!

Senator HUMPHRIES—I am glad you made an opening statement because I was anxious to see whether you could provide any information relevant to the terms of reference of the committee. I want to clarify whether you actually can do that. You have described some of the information that is available about the issues that we are looking at and some of the processes that are underway to improve the amount or the quality of the data available in this area, but are you able to address specifically our term of reference (b) in the committee's inquiry?

Mr Yates—Not specifically, Senator. The only organisation that has that information comprehensively at the moment would be the Northern Territory government itself. As a result of that national framework I referred to, we will be seeing a comprehensive statistical picture built of Indigenous expenditure across each of the jurisdictions and nationally, but that is still under construction. As I understand it, the Northern Territory government has been a leading jurisdiction in endeavouring to unpack its expenditure and provide at least some information of that nature, and I understand their submission to the committee has shared some of their recent work.

Senator HUMPHRIES—Okay. You mentioned that national framework. That is the COAG work you are referring to, I assume.

Mr Yates—That is correct.

Senator HUMPHRIES—Given the Prime Minister's apology earlier this year to the stolen generations and the focus we are seeing on closing the gap and so forth, there is, I think it is fair to say, a heightened level of community interest in what governments around Australia are doing to achieve better outcomes for Indigenous people. Do you expect that the COAG national framework that you spoke about will enable citizens of any state or territory in Australia to actually make accurate comparisons of the effort of their respective governments against, say, a national average for the purpose of determining whether they are meeting that national average in the area of Indigenous expenditure?

Mr Yates—Our expectation is that it will provide a more transparent picture than we currently have available of actual expenditure and that there will be capacity to do a range of analyses on the data per head of Indigenous population and, in turn, to do comparisons across jurisdictions, at least of those statistics. Our focus in the developmental work around the Close the Gap targets has been to build a more robust evidence base and a set of indicators and measures that will enable us to look at the progress that is being made in each jurisdiction and nationally, as it were, regardless of the amount of funding that might be sitting behind that. It is the outcomes that are being achieved rather than the inputs alone that are the fundamental thing to focus on.

Senator HUMPHRIES—This framework actually appears to me not to look so much at outcomes as at inputs, though. You are looking at the expenditure—a national framework for reporting expenditure on Indigenous services.

Mr Yates—That is correct.

Senator HUMPHRIES—Do you think that it will be possible to determine, at the end of this process, whether individual state and territory governments are in fact pulling their weight with respect to spending on Indigenous services? Isn't that the point of this exercise?

Mr Yates—It is to provide a much more transparent picture of what is being directed to Indigenous citizens and to use that information, in combination with the programs and services that are being applied for Indigenous people, to make judgements and evaluations of the effectiveness of what is being done in different jurisdictions. So you will have for the first time a combination of the inputs, if you like, in terms of expenditure and the information around programs and outcomes from programs. That should allow a much more effective assessment of

the impact of what is being achieved. That said, this particular framework, as you say, focuses on inputs in terms of spending. The strong focus of the work we have been doing in the COAG context more generally is on tracking progress against the targets. Obviously, behind that is, 'What might be contributing to a greater performance in closing those gaps in some jurisdictions than in others?' That requires you to examine the things that are being done within each jurisdiction in terms of programs and their performance and the level and nature of spending. So the framework will provide some fairly critical information that has not been historically available, to our knowledge. As I say, we track Australian government Indigenous expenditure. It is a lot harder to track mainstream spending, even by the Australian government, on Indigenous Australians because not all programs have Indigenous identifiers. There has been slow but concerted progress in plugging those gaps so that we have a better appreciation. That would probably be true of the states and territories as well, to varying degrees. So it will take some time before we get a sense of the total and authoritative picture of all the spending affecting Indigenous people from both mainstream and targeted, Indigenous specific programs.

Senator HUMPHRIES—We will wait and see.

Senator ADAMS—Thank you for your presentation. Coming back to the Commonwealth Grants Commission—no talking about their assessed expenses and the actual expenditure—in our line of questioning they were asked who audited the figures to ensure that the actual expenditure is being spent. I want to know how this process works because, if they are making an assessment over the last five years and, say, something has gone a little bit astray in one area in one year for some reason, how are they going to know that a correct figure has been put forward, and where do you fit into this picture?

Mr Yates—I am not able to talk about the Grants Commission's processes whereby it seeks to validate and test the authority and reliability of the data that it receives from the various sources that come into its activities. But, as regards this national framework on Indigenous expenditure, it is being led by the Australian Treasury within the Commonwealth, who are most versed in these matters in terms of tracking expenditure both by the Commonwealth and also by the states and territories. So they will have a role across the ministerial council of treasurers to receive, examine and critique, if you like. No doubt this will be done across the jurisdictions as well—it will not be just the Commonwealth interest in ensuring very robust information from the states and territories but also that of each of the states, particularly those that, as a result of the fiscal equalisation process, are seeing quite a bit of their GST revenue redistributed to other jurisdictions. There is some quite healthy interest, I believe, across the jurisdictions to ensure that there is robust information. So obviously some governments will have certain methodologies for this and others may have some variation. There will be an opportunity for some mutual learning about what the most effective methodologies are, but at the end of the day the data will be provided by the respective governments based on some published data and, no doubt, unpublished data. It will be up to them to provide information that is as reliable as possible. As I said, any of the jurisdictions will be able to ask questions on or test the way to getting as comprehensive a picture as we can.

Mr James—In terms of the allocation that each state gets through the GST revenue, it is of course up to the states themselves exactly how they spend that. It is purely up to them how they do that.

Senator ADAMS—I should have perhaps asked the Grants Commission a little bit more but I just could not work out how to. If these figures were wrong at some stage and they were working on their five-year rotation it could be completely out of sync with it.

Mr Yates—I am sure that, to varying degrees—and I cannot speak for them—they will have some feedback loops and cross-checks and will use a wide range of information, again learning from what some jurisdictions do, and if they find that something similar is not being applied by another jurisdiction they will investigate those issues in the interests of getting as consistent a set of data coming through from each of the jurisdictions. On that basis their calculations can be as robust as they can make them. But ultimately you would need to follow that through with the Grants Commission.

Ms Curran—But increased scrutiny has to help all round. So with the issue that you raised about the fact that it might have occurred—I do not know the details—but increased scrutiny and transparency can only help in this area.

Senator ADAMS—I wholeheartedly agree. I just could not work out how you could actually assess five years when there might be a hole somewhere that had been caused by a state not quite doing what it should have been doing and, if their accounting and their assessment was not correct, that would throw the whole thing out. That was really the reason for my question.

Senator BOYCE—Mr Yates, you spent a bit of time talking about the Northern Territory emergency response. None of that funding was directed through the Northern Territory government, was it?

Mr Yates—Yes, a number of the measures that were applied were channelled through the NT government as a deliverer. So where it was most effective for the application or implementation of those measures to utilise NT government agencies and providers, we did do so. I do not have a breakdown of that.

Senator BOYCE—Were you in a sense buying the service provision from the NT government, or was it the normal way that the Commonwealth government would give funding to the Northern Territory government?

Mr Yates—They are not mutually exclusive necessarily, but in the main they would have been in the nature of resourcing the NT government for the provision of a certain set of services which they traditionally have been involved with; therefore it was logical for us to supplement their resources to roll out more.

Senator BOYCE—You would be aware that a number of our submitters have told us that the Northern Territory government in their view is underspending or misspending funds for Indigenous purposes. Have you discussed that view?

Mr Yates—I am certainly aware that there have been allegations in the media to that effect over a number of years.

Senator BOYCE—And there have been submissions to this inquiry as well.

Mr Yates—That is correct. In the past they have sought to assist the Commonwealth in understanding their actual expenditure.

Senator BOYCE—‘They’ being the Northern Territory government.

Mr Yates—‘They’ being the Northern Territory government. I think that 2004-05 report that was part of their submission was developed in part at the time when there were some such concerns about where their expenditure was being applied.

Senator BOYCE—When you say the Northern Territory government assisted by providing figures, are you suggesting they justified their expenditure or was this more in the nature of an audit? What was it?

Mr Yates—I think, in the face of public questioning about it, they invested in that work to enable, from their point of view, a more transparent picture of exactly where their expenditures were being applied.

Senator CROSSIN—Are you referring to the Northern Territory’s Indigenous expenditure review?

Mr Yates—That is correct.

Senator CROSSIN—Of 2005-06.

Mr Yates—There was an earlier one as well, I think.

Senator CROSSIN—No, that was the first one.

Mr Yates—That was the first?

Senator CROSSIN—They have just produced their second one. I am not sure if you have seen or are aware of the second one.

Mr Yates—I am aware of it. I thought they were two years apart, but maybe I am wrong.

Senator CROSSIN—Just to clarify: that document was actually a 2004 NT election commitment from the Labor Party to start producing separate and discrete Indigenous expenditure figures.

Mr Yates—I was not aware that that was the origin of that. Thank you.

Senator BOYCE—So it was not done by the government to assist FaHCSIA?

Mr Yates—No.

Senator BOYCE—It was a response to concerns raised within the Northern Territory about how they were spending the money.

Mr Yates—I think it was their initiative to provide that information, and it obviously has a longer history in the context of an election commitment.

Senator BOYCE—So has FaHCSIA considered undertaking a formal audit of Commonwealth funds that are given to the Northern Territory government for expenditure in this area?

Mr Yates—Any agency involved in providing funds to other parties, whether they are state or territory governments or private or NGO organisations, has various processes for tracking and acquitting those resources.

Senator BOYCE—So you are comfortable that the Northern Territory government is spending those funds as requested and required by FaHCSIA—in areas where this is relevant?

Mr Yates—With regard to Indigenous-specific expenditure which we may channel through the Northern Territory government, we would have a range of programs of that nature, for which we would have processes to assure ourselves as to whether that money was spent or underspent or what happened to it.

Senator BOYCE—Could you explain those processes.

Mr Yates—Essentially you would expect the Territory government to provide regular reports on what has actually occurred with the funding. Typically it will be determined by the funding agreement itself. If it is a specific-purpose payment or if it is a program-funding agreement that is applied through the Northern Territory government, those agreements would specify what the reporting obligations are on the NT government.

Senator BOYCE—So the NT government would tell you how it had spent the funds?

Mr Yates—Yes.

Senator BOYCE—You would never do any triangulation by talking to other funding recipients or others?

Ms Curran—One of the big disciplines we have got on the NTER expenditure is the NTER monitoring report, which is on the FaHCSIA website.

Senator BOYCE—I am not speaking specifically about the NTER. I am talking about other funding.

CHAIR—Does it translate, Ms Curran—is the process used for the NTER translating to the other funding?

Ms Curran—What we are focusing on here is a range of intermediate indicators. There were specific things that were agreed to be done. So this report is a public document which reports against the seven measures in the NTER, and then identifies against some intermediate progress indicators what is happening.

Senator BOYCE—It is the same process used with other Commonwealth funding?

Ms Curran—There will be a range of different processes. For example, the Commonwealth is responsible for primary health care but the Commonwealth gives money to the states for education, so the arrangements that underpin education funding are not the responsibility of FaHCSIA, they are the responsibility of the Department of Education, Employment and Workplace Relations.

Senator BOYCE—But where Commonwealth FaHCSIA funding is involved, you have processes in place the same as the NTER for all funding or not?

Ms Curran—We do not have a report that is public of this type, but in terms of the various funding agreements there are performance indicators, milestones, things of that type.

Senator BOYCE—Do you ever check with funding recipients as to whether the funding that is purported to have been given to them has been given to them?

Mr Yates—It is usually construction of houses or the provision of services and those sorts of things, so our evaluation of our programs would include a broader assessment of the impact of how the program is being implemented, say, in the Northern Territory or in another jurisdiction. So there are a number of techniques, as you alluded to, Senator, alongside of the reporting provided by the NT government or its agencies, which is usually how it would occur.

Senator BOYCE—So you would have someone going out and checking the houses or where the houses were supposed to be?

Mr Yates—We would be cross-checking performance.

Mr James—But as you know, the allegation—regardless of the merits of it—is more about the untied money. It is not so much the money that is given to the NT for specific purposes; it is more the general GST revenue that people are taking issue with, and the spending of that.

Senator BOYCE—Okay. Thank you.

Senator CROSSIN—Can we go back to the Indigenous expenditure review. Can I just clarify that there have been two, two years apart, and the most current one was released only two weeks ago, of which you have a copy or you receive a copy—it is sent to you by the Northern Territory government. Is that correct?

Ms Curran—We got it from the website, I think.

Mr James—Yes, we saw it on the internet.

Senator CROSSIN—My understanding is that they are currently the only state or territory that produces a discrete and separate document about Indigenous expenditure. Is that correct?

Mr James—I think that is the case. It is certainly the most comprehensive information of any state or territory.

CHAIR—And that is over and above the NTER process?

Ms Curran—That is right.

Mr Yates—Yes, it is more comprehensive.

CHAIR—If Senator Siewert has particular questions because she was with the team in the Northern Territory we will either arrange a special briefing for her or we will put those to you on notice. Mr Yates, in terms of the process you spelt out for us in your opening statement, is that documented anywhere so we can look at that? Your minister did provide us with a letter looking at the way things were going to operate in the future, but I think the details of that would be very useful, in terms of how the capturing of specific Indigenous programs across all levels of expenditure is proposed to happen in the future. Do you have a document on that?

Mr Yates—I can take that on notice. Our colleagues from the Australian Treasury, who would have been here today but for other commitments, I am sure would be able to address that in some detail. We are anticipating that the next COAG meeting will see a culmination of a lot of that work over the last year, and that will provide quite extensive information on the implications of all of the changes that have been developed over the course of the last year.

CHAIR—Am I correct to say that the kinds of things we are hearing about the general purpose processes will be captured by this data collection?

Mr Yates—Yes, the national framework will pick up spending regardless of the source of the revenue that is received by a state or territory.

CHAIR—So any concerns and processes will be immediately obvious in terms of what is coming out in those forms of collection?

Mr Yates—Yes. The initial consideration was to track Indigenous-specific spending, but then I think the treasurers, in thinking through the usefulness of that, realised that governments can obviously shuffle funds between mainstream and Indigenous specific and that you needed to see the total picture, so that is what they have committed to.

CHAIR—Thank you very much for you time today.

Committee adjourned at 5.55 pm