



**NORTHERN TERRITORY VIEWS ON
CGC POSITION PAPER 2008/30**

THE ADJUSTED BUDGET

MARCH 2009

**COMMONWEALTH GRANTS COMMISSION
GENERAL REVENUE GRANT RELATIVITIES
2010 REVIEW**

Key Points

- The Territory broadly supports the proposed scope and structure of the adjusted budget.
- The Territory supports local government activities in its regional shires through specific programs and grants in recognition of their limited revenue raising capability, remote location, service delivery scale issues and predominantly Indigenous population.
- The Northern Territory has no cross subsidies between its GBEs. A moratorium currently exists on Power Water Corporation dividends.
- The Territory allocated school student transport expenses to education GPCs.

This submission details the Territory's views on issues raised in the Commonwealth Grants Commission's (the Commission's) Position Paper, *The Adjusted Budget 2008/30*.

The Commission's paper outlines the proposed scope of the adjusted budget (including all transactions of the state general government sectors that contribute to the net lending in the GFS framework in the adjusted budget), and the structure of the budget. The Commission has asked for any state concerns arising from the paper's proposals, as well as information regarding general revenue assistance to local governments, cross-subsidising of Government Business Enterprises (GBEs) and the classification of school student transport expenses.

Scope of the adjusted budget

The Territory broadly supports the scope of the adjusted budget proposed by the Commission. It agrees that the currently excluded revenue relating to capital nec (ETF 1159) and assets acquired below fair value (ETF 1152) and expenses relating to assets donated (ETF 1252) should be included in the 2010 Review adjusted budget. It appears reasonable to the Territory that land should be excluded from both physical asset holdings and non-replacement capital expenditure, given data comparability issues. The Territory supports the creation of a "budget balancing" category as a mechanism to better reconcile the Commission's data with GFS, and notes that this will replace the Commission's current budget result term.

The Territory notes the general treatment of Specific Purpose and National Partnership Payments by the Commission is outlined in Schedule D of the 2008 Intergovernmental Agreement on Federal Financial Relations. The Territory will provide further comment on this matter in its response to Commission Staff Discussion Paper 2009/01 *Treatment of Commonwealth Payments to the States*. The Territory believes the inclusion of COPEs paid to states remains valid, and that those paid to non-government organisations for state-type services should remain out of scope as these reflect Commonwealth policy.

Payments to Local Governments

Regional local government in the Northern Territory predominantly services remote Aboriginal communities. Prior to the reform of local government undertaken by the Northern Territory in 2008, there were 61 local government bodies, of which 54 were small Indigenous Community Government Councils. These small Councils had limited capacity to carry out standard local government functions. The reform of local government was predominantly aimed at improving the capacity of regional local government bodies to deliver better core local government services to their communities. This included the establishment of stronger structures of governance, comprehensive strategic and business planning and enhanced service scope and delivery. While there may have been some administrative efficiencies and economies of scale with the establishment of the regional shires, the scattered nature of the Territory's communities and the emphasis on delivery of core services throughout the regions means that there was no reduction in service delivery costs.

The Territory's local government reform costs formed part of its ongoing regional local government expenses. As outlined in its response to the Commission's position paper 2008/22, the Northern Territory continues to support local government activities in the regional shires through specific programs and grants in recognition of the geographical and socio-demographic constraints to raising own source revenue beyond the control of both the new shires and the Northern Territory Government. These constraints include:

- the relatively small population serviced by each regional shire which is spread across a vast area;

- the large tracks of arid, semi-arid or flooded land that are of limited economic value; and
- the large proportion of the population that are Indigenous and dependent on welfare support.

Accordingly, the Northern Territory classifies its local government expenses relating to areas predominantly comprising Indigenous communities as Aboriginal community development expenses (GPC 2712). Table 1 of the Commission's Position paper 2008/22 shows that the Northern Territory and all states, with the exception of South Australia, have Aboriginal community development expenses, indicating average state policy. As outlined in the response to Position paper 2008/22, the Territory believes these expenses should be included in the Services to Communities assessment.

Administrative and accounting arrangements

The Territory agrees the continued inclusion of ACT municipal expenses in the adjusted budget is valid as it has no material effect on the relativities.

The Northern Territory supports the Commission's intention to deal with cross-subsidisation of GBEs on a case by case basis. The Territory does not have cross subsidies within GBEs. However, it has granted a moratorium to its electricity, water and sewerage GBE (Power Water Corporation, PWC) on dividend payments¹ for 2007-08 and 2008-09. The dividend foregone from Power Water Corporation in 2007-08 was \$28.7m.

Structure of the adjusted budget

The Territory is broadly supportive of the preliminary 2010 review adjusted budget structure. The Territory has provided comment in its responses to the relevant position/discussion papers on the specific matters highlighted in the Commission's Position paper 2008/30.

¹ The Northern Territory receives a dividend comprising 50 per cent of profits from its government business divisions and government owned corporations.

Classification of school transport expenses

The Territory classifies funding for transportation of school students to the following education GPCs: 2441 Transportation of non-urban school students and 2449 Transportation of other students. As noted in its response to the Commission's position paper 2008/16 *Schools Education*, student transport expenses in remote areas are also often embedded in school costs due to informal arrangements such as pick-up services.