



**NORTHERN TERRITORY VIEWS ON
COMMISSION POSITION PAPER CGC 2009/03**

TREATMENT OF COMMONWEALTH PAYMENTS

November 2009

Key Points

- The Territory broadly supports the Commission's revised guidelines regarding the treatment of Commonwealth payments.
- The Commission's intent to treat payments on a case by case basis continues to be strongly supported.
- Payments associated with the Closing the Gap of Indigenous Health National Partnership should not have an impact on the relativities.

Introduction

This submission responds to the Commonwealth Grants Commission's (the Commission's) Position Paper 2009/03 which provides an update of the Commission's position on the treatment of Commonwealth payments. The Commission has indicated that its position has been informed by the Supplementary Terms of Reference (ToR) for the 2010 Review and states' response to the Commission's proposals in the 2010 Review Draft Report.

Guidelines

The Commission has refined its guidelines for the treatment of Commonwealth paper to increase their clarity. The Territory supports the use of the revised guidelines to aid (but not predetermine) the Commission's consideration of payment treatment. It agrees that a case by case assessment process is the soundest approach, enabling the Commission to use its discretion to determine the treatment most consistent with horizontal fiscal equalisation.

However, as articulated in its response to the Draft Report, the Territory also believes that the nature of the initiative being funded and that of the relevant assessment methodology should be taken into account in the Commission's deliberations. The Territory notes that the revised Commission guidelines may address these issues. The Territory is pleased to note that the treatment of payments associated with the Remote Service Delivery National Partnership (NP) has been revised to now not affect the relativities, and agrees that it is a good example of the Commission's "unique policy" guideline, given that it

reflects a new approach to service delivery in remote Indigenous communities and is designed to redress Indigenous disadvantage.

The Territory notes that the Commission has indicated in Position Paper 2009/03 that reward payments which reflect above average effort should not impact relativities, and that this is also encompassed by the “unique policy” guideline. While the Territory supports this position for untied reward payments, it continues to believe that reward payments that are tied to a given sector should affect the relativities, such as those associated with the Elective Surgery Waiting List Reduction Program. The Territory notes that the work to reclassify NP payments recently undertaken by Treasuries may clarify this specific payment issue as Treasuries have indicated that payments associated with this NP are better considered as project payments¹.

The Territory strongly supports payments for third parties not having an impact on relativities as included in the guidelines. However, the Commission has not addressed the Territory’s concern raised in its response to the Draft Report as to the treatment of payments made to the states, but which are required to support initiatives in both the government and non-government sector, such as those in the Improving Teacher Quality NP.

The Territory notes that the Commission now proposes to apply any treatment prescribed by the ToR, including any on-going payments quarantined in previous ToR. In its response to the Draft Report, the Territory raised its concerns regarding the treatment of payments made for elements that continue over time through a number of funding agreements, and provided the example of initiatives initially funded under the Northern Territory Emergency Response (NTER) which have carried over into the Closing the Gap in the Northern Territory NP. The Territory supports the Commission’s proposal to consult with the states and Commonwealth regarding their views on identified ongoing payments. In the instance of the Closing the Gap in the Northern Territory NP, the Territory supports the Commission’s position in Table C-2 of

¹ This information was emailed to the Commission’s Secretary by Commonwealth Treasury on 9 November 2009. It was accompanied by a draft Federal Finances Circular on developing National Partnerships which also addressed payment classification.

its Position Paper 2009/03 that funding for this NP will be treated the same as that for the NTER i.e. it will have no impact on the relativities. Given that the NP states that all Commonwealth funding under this NP should not affect the relativities, the Territory was surprised that the supplementary ToR did not provide this guidance to the Commission, and has raised this matter with Commonwealth Treasury.

The Territory agrees with the Commission's clarification regarding the treatment of payments where needs have not been able to be assessed (in that these should be excluded), and with their proposal to treat Commonwealth payments to public trading enterprises (PTEs), be it through states or directly to a PTE, on a case by case basis.

Treatment of Each Commonwealth Payment

The Territory supports the Commission's position on the majority of payments outlined in Attachments B and C of Position Paper 2009/03. Its comments on the Elective Surgery Waiting List Reduction Program are as above.

The Territory notes that there are a number of emerging NPs and believes that these should be treated in accordance with the Commission's revised guidelines and like payments, on a case by case basis. It is concerned that no mention is made of the treatment of payments associated with the Closing the Gap of Indigenous Health NP in Position Paper 2009/03. While the NP indicates Commonwealth payments will be made from 2009-10, the Territory notes that no information is yet available as to the distribution of funding between jurisdictions. However, the amounts of state funding are agreed, with the Territory being required to commit \$175.9 million over four years, the second highest amount of all states (NSW is required to commit only \$4.5 million more than the Territory).

The Territory believes that should the Community and Other Health Services assessment methodology outlined in the 2010 Review Draft Report be carried into the final report, Commonwealth payments associated with the Closing the Gap of Indigenous Health NP should be treated such that they do not have an impact on the relativities. The Territory considers the proposed community and other health services assessment methodology is not sufficiently dynamic

to ensure that the assessed needs reflect state circumstances over the four years of the NP (i.e. the considerable increase in health expenditure on the Indigenous population and in particular the remote Indigenous population, as well as state differences in the matching requirements). If these payments were to be treated such that they have an impact on the relativities, the Territory will be assessed as needing to spend less on community and other health services than if the payments did not have an impact on the relativities. This would appear to override the intent of the NP to substantially improve health services for Indigenous people.