

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

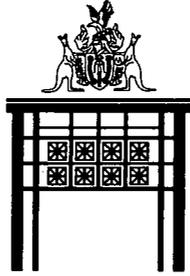
PUBLIC ACCOUNTS COMMITTEE

**REPORT ON SPECIFIC PURPOSE PAYMENTS FROM
THE COMMONWEALTH TO THE NORTHERN TERRITORY**

REPORT NUMBER 44

JUNE 2008

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LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

**MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE
JUNE 2008**

Mr James Burke, MLA (Chair)

Mr Matthew Conlan, MLA

Mr Terry Mills, MLA

Ms Kerry Sacilotto, MLA

Mr Ted Warren, MLA

Mr Gerry Wood, MLA

Pursuant to Standing Order 21A(2)(d), in October 2005 the Public Accounts Committee received a Reference from the Treasurer (Appendix A) to investigate and report on the status of Specific Purpose Payments made by the Commonwealth to the Northern Territory.

At the time, the Treasurer's concern was a policy shift relating to Specific Purpose Payments, and in particular:

- new reporting requirements, including a greater focus on input controls rather than the achievement of outcomes;
- a new requirement that states and territories match Specific Purpose Payments on a dollar-for-dollar basis; and
- changes to the Commonwealth's contribution to service delivery in some areas.

The Public Accounts Committee began to gather information in respect of the Territory's receipt of Specific Purpose Payments, which included background briefings by Treasury officials and individual agency briefings on details of Specific Purpose Payments tied to their core business delivery.

It is not news that the Northern Territory is heavily reliant upon Commonwealth grants for funding. Commonwealth grants make up 80 per cent of the Territory's income compared with a 50 per cent average for the states. Of that income, 80 per cent is comprised of General Purpose Payments, which is effectively distribution of GST revenue and is not tied to any particular expenditure stream.

Specific Purpose Payments, however, make up the remaining 20 per cent of the Territory's revenue from the Commonwealth, and these payments are tied, which means they are intended for and must be spent on a particular expenditure item.

What became clear to the Committee is that a number of agencies negotiated Specific Purpose Payments directly with the Commonwealth and there was no central means for tracking what payments were due, overdue or even expected. It was the evidence of Treasury officials that a systematic whole-of-government approach was required to properly monitor receipt and disbursement of Specific Purpose Payments.

The Committee's work was thrown somewhat off course following the 2007 Federal Election. In December last year, the Council of Australian Governments (COAG) met and agreed on a national reform package, including an outcome-focus on Specific Purpose Payments.

In January of this year, the Ministerial Council of Commonwealth-State Funding Financial Relations – that is, the Treasurers - met and established a Specific Purpose Payments Working Group.

COAG again met in March and was presented with the Treasurers' blueprint for how Specific Purpose Payments reform might be achieved.

Because the issue has not been resolved between the Commonwealth and the states and territories at this stage, it would be futile to attempt to pre-empt the final resolution.

The Committee is aware that the general thrust of reforms includes reducing the number of Specific Purpose Payments from almost one hundred, in the case of the Territory, to six large policy categories. This means that there will be fewer Specific Purpose Payments, but their application will be broader and they will be outcome-focussed. There is no intention for any state or territory to lose quantum; the differences will be in policy and administration.

In addition to this reduction in categories of Specific Purpose Payments, there is a corresponding intention to establish a further group of payments to be called National Partnership Payments which will be used to drive reform in particular areas to produce specific outputs.

Because it has been a contentious issue for the Territory in the past, the Committee reiterates that the policy intention is to remove the input-focus of Specific Purpose Payments and transform it to being outcome-focussed, which will facilitate a tangible means by which to measure the success or otherwise of a Commonwealth payment against its intended purpose.

By way of example, under the former regime, payments were measured by input or dollar amounts. Under the proposed regime, payments will be measured by the tangible results arising from the dollars, which may be a number of new clinics or a number of professionals on the ground.

There is little more the Committee can add because the matter remains subject to consideration by COAG.

Whilst it was not our intention to discharge the Terms of Reference in such an arbitrary fashion, the Public Accounts Committee considered it prudent to report to the Assembly that recent events and cross-jurisdictional ministerial councils have rendered our inquiry impotent.



**DEPUTY CHIEF MINISTER
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Mr Len Kiely MLA
Chair, Public Accounts Committee
Legislative Assembly of the Northern Territory
Parliament House, Darwin N.T.

Dear Mr Kiely,

Re: Public Accounts Committee - Specific Purpose Payments

Specific Purpose Payments (SPPs) from the Commonwealth Government to the Northern Territory have and continue to play a vital role in enabling the Northern Territory to deliver important services.

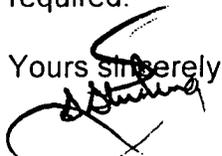
Over the past five years there have been significant changes to the arrangements of the SPPs including:

- New reporting requirements including a greater focus on input controls rather than achievement of outcomes
- New requirements being introduced such as requiring matching expenditure by States and Territories in key program areas
- Changes to the contribution by the Australia Government to delivering services in some areas

It would be of significant interest and benefit to the Legislative Assembly, public policy development and program delivery for further research and analysis to be done on these changes and how they affect the Northern Territory now and how they may affect us into in the future.

I will ask the Under Treasurer to provide a background briefing to the Committee if required.

Yours sincerely



SYD STIRLING

30 SEP 2005



Northern Territory Government