



COMMONWEALTH GRANTS COMMISSION 2020 METHODOLOGY REVIEW

Northern Territory Response to
CGC Staff Research Paper CGC 2017-06-S –
Proposed Approach to Estimating
Administrative Scale Costs

August 2017

Administrative Scale

The Territory:

- Supports the Commission's general approach to estimating administrative (admin) scale costs.
- Seeks clarification of the Commission's interpretation of the appropriate quantum of admin scale costs and proposes that Information Communication Technology (ICT) infrastructure costs be included in the quantum, in recognition of the change in delivery of government services over time.
- Proposes additions to the divisions and branches included in the minimum departmental structures for education and health.

- 1.1 This submission provides the Northern Territory's views on the approach proposed by CGC staff to re-estimate administrative (admin) scale costs for the 2020 Review, and provides data requested on admin scale costs for the Territory's departments of Health and Education.
- 1.2 The Territory supports the proposed approach to re-estimating admin scale costs and the continued adoption of the current definition of admin scale, including the adjustment for the Territory in recognition of the need for different service delivery models for its Indigenous and non-Indigenous populations and development of separate administrative cost departmental structures for each category. However the Territory's view is that the Commission's estimate of Education and Health admin scale costs significantly understate the minimum structure required to provide the full range of services to a state.
- 1.3 The Territory's data shows the minimum staffing required to run the Northern Territory Departments of Health and Education, and was compiled based on the range of skills and qualifications required to complete each function of government, scaled back to the minimum possible staffing numbers.
- 1.4 The Territory considers that the scope of admin scale costs should be expanded to include the minimum level of ICT infrastructure required to run a bureaucracy, and staffing costs associated with functions in addition to those outlined in the proposed average departmental structures for education. While the departmental structures outlined in the Staff Paper include an ICT function, it is not clear whether or not ICT infrastructure costs are intended to be included here.
- 1.5 As acknowledged by Commission staff, the current admin scale assessment is based on outdated data from the 1999 and 2004 Reviews. The Territory considers

that government service provision, including the bureaucracy has changed significantly since that time, due to:

- Public expectations for electronic interactions with government departments;
- National electronic reporting requirements for the full range of government services, particularly health and education;
- Expectations for real-time virtual communications for intergovernmental fora;
- Electronic human resources and payroll services including automated payment systems; and
- A move towards paperless record keeping and electronic data storage.

1.6 It is unfathomable that a state government could operate without a minimum ICT infrastructure to allow intra-departmental, inter-departmental and intergovernmental communications as well as those with other institutions, required to fulfil service delivery, regulatory and legislative obligations.

1.7 The Territory considers that ICT costs are unavoidable for the provision of contemporary government services and on a per capita basis are considerably higher for small states due to the scale of minimum infrastructure required. As such, ICT infrastructure and staffing costs should be included in the admin scale quantum.

Education

1.8 The Territory's view is that the Commission's initial estimate of education-related administrative scale costs significantly underestimates the minimum structure and associated costs. The Territory accepts the Commission's decision not to include separate entities in the machinery of government for non-government schools, curriculum and assessment and TAFE and VET services, however the Territory considers that these additional functions should be included in the average education departmental structure.

1.9 Specifically, the Territory proposes that additional divisions should be included in the average structure for early childhood education and tertiary education and training rather than being included under the 'schools' division, and additional branch level functions should be included under the Schools Division for non-government schools, disability and engagement, Indigenous enrolment and attendance and student wellbeing.

- 1.10 The additional division level for early childhood education should include branch level functions for: operations, strategy, Indigenous strategy and reporting compliance. This is the most appropriate way to capture the specific legislative and national reporting requirements specific to early childhood education.
- 1.11 The Territory's strong view is that early childhood education functions of education departments are quite distinct from school functions, with separate executive arms reporting directly to the Chief Executive Officer. Early childhood education includes both school-based, independent and private preschools, as well as the full range of childcare providers, with significant associated operational, compliance and reporting functions associated with these branches under the National Quality Framework and as such, the minimum structure should recognise this.
- 1.12 For example, Quality Education and Care NT is the regulatory authority responsible for administering the National Quality Framework and is part of the Northern Territory Department of Education. Its key roles include monitoring compliance, conducting assessment and quality rating visits, and undertaking incident and complaint investigations.
- 1.13 The additional division level for tertiary education and training includes policy and administration of state-related university education, TAFE and VET. These are not appropriately placed under the 'schools' division, as the user population of these services, and mode of service delivery is distinct from schools education, and are assessed in a distinct expenditure category from schools education. The VET function for post-secondary education in the Territory is provided through Employment and Skilling NT within the Department of Trade, Business and Innovation.
- 1.14 The Territory also considers that additional branches are required under the schools division for disability engagement, Indigenous enrolment and attendance and student wellbeing. These branches require significantly different skills and expertise to develop appropriate policy and to comply with relevant state and national reporting requirements and legislation, and are not appropriately grouped under the average structure outlined in the staff paper.
- 1.15 The Territory has received preliminary estimates of admin scale costs from the Northern Territory Department of Education to support these claims, and will work with Commission staff to determine the appropriate scope of data to be provided.

Health

- 1.16 The Territory's view is that the current estimate of health-related administrative scale costs significantly underestimates the minimum structure and associated costs. The Territory proposes that the average structure of health departments be augmented such that Health Services Development is a division, with branches for mental health, alcohol and other drugs, disability services, primary health services and hospital services. The Territory notes that the specific range of skills and expertise required to develop state-wide policy, reporting and compliance for these individual functions necessitates separate identification within the average departmental structure. Further, the Territory proposes that environmental health be included as an additional branch under the public health output.
- 1.17 The Territory notes that the quantum of health services must include costs in addition to general administrative costs required for a general agency, to capture specific requirements of the Health industry, particularly ICT infrastructure and services and health policy development and compliance with a range of national quality standards and regulations.
- 1.18 Health requires specialised ICT services and infrastructure to meet the high volume of internal and external information and reporting requests and requirements for compliance and public information purposes, and as stated above, this should be included in the admin scale quantum.
- 1.19 The Territory has received preliminary estimates of admin scale costs from the Northern Territory Department of Education to support these claims, and will work with Commission staff to determine the appropriate scope of data to be provided.