

COMMONWEALTH GRANTS COMMISSION

INDIGENOUS FUNDING INQUIRY

FINAL SUBMISSION

**From: The Cabinet Office, New South Wales
Government**

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THE CABINET OFFICE



NEW SOUTH WALES

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Dear Mr Morris

COMMONWEALTH GRANTS COMMISSION (CGC): INDIGENOUS FUNDING INQUIRY

Thank you for the opportunity to provide further comments on the above inquiry. This submission addresses the CGC's Draft Report and Main Findings. It should be read in conjunction with NSW's earlier submission which included contributions from the following NSW agencies: the Department of Aboriginal Affairs, the Aboriginal Housing Office, NSW Health, the Department of Education and Training and the Ageing and Disability Department.

Overall, the Draft Report provides a useful discussion of the complex challenges policy-makers face in estimating and effectively addressing Indigenous needs in health, housing, infrastructure, education, training and employment. We note that, ideally, a comprehensive analysis would have examined also land management, law and order and a range of social and cultural issues. While we understand why they have been excluded, it is important that the Commission keep this 'limitation' in mind in developing its findings and conclusions.

Set out below are our specific comments on the Draft Report's key themes and findings.

Measuring Relative Need

The Draft Report rightly argues against simplistic quantitative/formulaic approaches to measuring need. As the Report points out, funding decisions should take a range of factors into account, including the varying capacities and track-records of Indigenous communities (to plan, deliver and manage programs), the inter-relations between various dimensions of need (e.g. health and education) and the extensive network of existing Commonwealth, State and Local programs affecting Indigenous people (both ‘mainstream’ and Indigenous specific). Gaps and limitations in available data add further layers of uncertainty and complexity.

Against the background of this analysis, it would appear that the Inquiry’s Terms of Reference (which call on the Commission to *inter alia* “develop a method... .to determine the [relative] needs of Indigenous Australians” (paragraph 1 of the TORs) and “derive indexes of relative need... .to determine distributions of resources across functional areas, geographic regions, States and Territories” (paragraph 4(ii)) were unduly restrictive. The Commission acknowledges this in the Draft Report when it concludes: “It is necessary to interpret [the terms of reference] broadly and to look at mechanisms that better accommodate the circumstances and main issues concerning Indigenous disadvantage” (paragraph 59).

The Draft Report turns its attention to these “mechanisms” (in Chapter 4) without drawing out the implications of its key finding: that Indigenous needs cannot currently be captured by “indexes of relative need” and that simple formulaic approaches to funding are not realistic.

The obvious conclusion to draw is that there is no firm basis (without other supporting evidence) for claims/assertions that resources for Indigenous needs are inappropriately targeted – whether between policy areas or between regions. In preparing the final version of its Report, the Commission needs to be careful to avoid making presumptions to this effect (for example, the reference to “better targeting” in the conclusion to Chapter 4).

In light of this, the Commission should also acknowledge the limited practicality of one of the key principles it has decided to focus upon: that “more resources should be devoted to people with greater need so that the gap between them and the next most needy group can be reduced” (paragraph 9(ii)). In the absence of a reliable indicator of relative need, it is not clear how this principle could be put into effect, even if it was accepted as a guide for policy.

Practical Issues in Targeting Resources to Indigenous Needs

In this part of its Draft Report (Chapter 4), the Commission highlights the gaps and deficiencies in data on Indigenous need. Notwithstanding this, the Commission notes that it has “begun work on preparing [estimates of expenditure by the Commonwealth and State governments on providing services to Indigenous people] using information supplied by agencies and our own estimates,” foreshadowing that these will be drawn on in the Final Report (paragraph 37 of the Draft Report). We would urge the Commission to proceed cautiously in this direction, taking care to consult State agencies before finalising its analysis. Care should also be taken in drawing conclusions from this data, given the Commission’s own doubts about the (concept and practicality of) indexes of relative need.

The balance of Chapter 4 provides a useful survey of the funding and management of existing Indigenous programs and suggestions on how these could be improved. It is clear from this discussion that these “design” issues – rather than simplistic notions of targeting - are key to improving outcomes in Indigenous Australia.

NSW broadly endorses the Commission’s arguments in favor of greater Indigenous involvement in the design, management and evaluation of their own programs and – where possible – in mainstream services. We agree that this must be backed by investment in Indigenous management and leadership capacities. The NSW Department of Aboriginal Affairs (DAA) and Aboriginal Housing Office (AHO) have introduced programs that encourage community-based decision making (such as the Aboriginal Communities Development Program).

NSW agrees with the Commission that partnership arrangements - between different levels of government, line agencies and Indigenous communities - are a promising development. In NSW, agreements are in place between the Murdi Paaki Regional Council and NSW agencies covering housing and infrastructure and health. These agreements have had a positive impact on the ground and helped improve relations between the community and government agencies. We would also point to the NSW Government’s *Families First* Initiative (a co-ordinated strategy to increase the effectiveness of early intervention and prevention services for young families). This Initiative has been successful in getting government and non-government agencies planning together with communities to deliver a suite of services at the population level.

Inter-Governmental Funding Issues

NSW has some misgivings with the Draft Report's discussion of this issue. After surveying existing inter-governmental funding arrangements, the Commission concludes that these do not "adequately address long-term disadvantage... , help build long-term [capacities]... , encourage Indigenous participation... , or deal effectively with non-funding issues" (paragraph 40). While these may be legitimate criticisms of Indigenous programs in general, we do not accept that they are an inevitable result of existing federal arrangements. Indeed, the Commission's conclusion does not reflect the progress that has been achieved in this area. States have been working with Federal Treasury and the Department of Finance and Administration to move Specific Purpose Payments (SPPs) away from top-down/input-focused agreements toward output-oriented, partnership approaches. Promising partnership agreements have been put in place in the areas of health, housing and infrastructure.

Against this background, NSW finds it puzzling that the Commission sets about discussing "some initial ideas" on ways to "increase the Commonwealth's capacity to align funding with the needs of Indigenous Australians" (paragraph 42). This statement wrongly implies that there is some kind of misalignment (which has not been established) and, in conflict with the spirit of the Report, seems to advocate a shift in power from the States (the major provider of services to Indigenous people) to the Commonwealth. This is clear in paragraph 53, where the Commission flags the possibility of the Commonwealth negotiating "stronger conditions and different interstate allocation processes in new SPP arrangements"; and paragraph 63, where it suggests that the Commonwealth seek a range of specific changes in the structure and operation of SPPs.

As the Commission itself points out in paragraph 64, these changes "represent top-down approaches" and go against the "current trend" in SPPs away from detailed conditions. The Commission is also right (in the same paragraph) to suggest that a more centralised approach (to developing indicators of need, outcome-based conditions and monitoring performance against them) could prove "difficult and expensive", and that "bottom-up initiatives which the Commonwealth is not well equipped to undertake" are likely to be a better way forward. While we accept that the Commission's discussion is exploratory in nature, its specific proposals in relation to SPPs do not sit easily with the Draft Report's key themes and philosophy and should be recast accordingly in the final version.

While on the funding issue, NSW reiterates its concern that the Inquiry not have spillover effects on the assessment of general revenue grant relativities. The basis of this concern was explained in NSW's previous submission.

The Commission's idea that "State level Indigenous-controlled bodies" might instead allocate Commonwealth Indigenous-specific funds (paragraph 69) is a potentially significant one meriting further consideration. As the Commission notes, the NSW Aboriginal Housing Authority is an example of such an arrangement in action. While there might be scope to apply this model in other areas, care should be taken against 'one size fits all' approaches. We note also that the structure the Commission advocates could not be adopted for the delivery of mainstream services to Indigenous Australians. Nor would it necessarily address the problems identified with existing Indigenous specific approaches (such as limited community level involvement and capacities).

Sector-specific Analysis

While there is much of value in the Commission's sector-specific analysis, we note that it focuses on detailed program design and delivery issues and therefore goes beyond the narrower approach foreshadowed in the Terms of Reference. This is a welcome reminder that there are more important issues than allocation and targeting. It also, however, takes the Commission into somewhat unfamiliar ground. We would urge the Commission to exercise care in drawing general conclusions/findings from this analysis and, ideally, conduct a further round of consultations with the States (and other major service providers) on this part of the Report before it is finalised.

The NSW Government supports the ambitious task that Commission has taken on and is prepared to provide further comment and assistance should the Commission require it.

Yours sincerely

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