CHAPTER 4

FUNDING AND SERVICE DELIVERY IN PRACTICE

1. This Chapter examines how Indigenous need is recognised and met within existing funding mechanisms. The Chapter outlines:

(i) the ways the Commonwealth provides and funds services;

(ii) the roles of the States and local government;

(iii) Commonwealth outlays in the functions relevant to the Inquiry;

(iv) factors that affect Indigenous access to services;

(v) the influence the Commonwealth has on the regional allocation of funds, and how well the allocation processes reflect needs;

(vi) the growing use of joint decision making and Indigenous participation; and

(vii) illustrative comparisons of existing expenditure distributions with needs indicators.

THE FEDERAL CONTEXT

The Roles of the Commonwealth

2. Each of the three spheres of government in the Australian federation has several roles. The Commonwealth develops national policies, delivers some services and supplements the fiscal capacity of the States and local government.

3. The Commonwealth collects most of the tax revenue in Australia. It uses this revenue to meet its own responsibilities under the Constitution and to supplement the capacity of the States and local government to meet their service obligations.

4. *Funding the States.* Prior to the introduction of the goods and services tax (GST), over 40 per cent of the money States spent was provided by the Commonwealth (it

ranged from 36 per cent in New South Wales to 74 per cent in the Northern Territory). About half of those funds were paid in the form of untied general revenue assistance which the States could use as they saw fit. The other half was paid as SPPs, to be spent in accordance with specified conditions.

5. The nature of the financial arrangements between the Commonwealth and the States has changed with the commencement of *A New Tax System* on 1 July 2000. The States' reliance on Commonwealth grants has increased and the additional funding is being provided as untied revenue. Under the new arrangements, the States receive the revenue from the GST instead of many of the previous general revenue grants[1], and they agreed to abolish some State taxes.

6. The Commonwealth expects that 'State budgets will be substantially better off over the medium term'[2] as a result of these changed arrangements. Estimates by the Commonwealth indicate that over the period 2001-02 to 2009-10, State revenue from general revenue grants and the taxes abolished under the new tax system would have grown by an average of about 4 per cent a year. The GST revenue is expected to grow by about 6 per cent a year.

7. Under the Intergovernmental Agreement, the Commonwealth has said that it will continue to provide SPPs to the States and that it 'has no intention of cutting aggregate SPPs as part of the reform process'[3].

8. On present indications, the impact of the new arrangements in the medium term is that a smaller proportion of States' total revenue will be received as SPPs from the Commonwealth. This will increase the flexibility of the States in setting their budget priorities. However, SPPs will continue to be important in State budgets, providing governments with an ongoing opportunity to collectively pursue national objectives.

9. ***Service provision.*** The Commonwealth is responsible for providing a wide range of citizenship services to all Australian people. The amendment to the Constitution following the 1967 referendum also gave it responsibility for dealing with the special needs of Aboriginal people and Torres Strait Islanders.

10. The Commonwealth meets its responsibilities towards Indigenous people in different ways.

(i) It directly funds services through own-purpose outlays, such as:

- expenditure on mainstream programs (such as income support payments, the Job Network, Medicare, the Pharmaceutical Benefits Scheme (PBS) and rent assistance), which provide citizenship

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1 Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA), the Commonwealth agreed to provide additional untied assistance to the States for a transitional period to cover any shortfall in State revenues resulting from the implementation of tax reform. The States also receive general revenue payments under the agreements for National Competition Reform.

2 *Federal Financial Relations 2000-01, Commonwealth Budget Paper No.3*, p5.

3 See the IGA, Clause 5 (v).

services to all Australians, including Indigenous Australians, who meet any eligibility criteria;

- funding ATSIC and other Commonwealth agencies to provide supplementary services to Indigenous people — examples include housing and infrastructure provision, CDEP and the Indigenous Employment Program; and

- funding non-government bodies, such as community controlled health services, to provide services for Indigenous people.

(ii) It provides SPPs to the States to fund services where the States are the main providers but where the Commonwealth sees a national interest, with these SPPs taking the form of:

- mainstream payments (such as those under the Australian Health Care Agreements, the Commonwealth-State Housing Agreement and grants for schools), which help fund mainstream services the States provide to all eligible people, including Indigenous people; or

- supplementary Indigenous-specific SPPs (such as those under the Indigenous Education Strategic Initiatives Program) which fund services specifically for Indigenous people.

(iii) It provides general revenue assistance to the States and, to a lesser extent, local governments to help them meet their responsibilities — the States and local governments can spend these funds according to their own budget priorities.

(iv) It provides leadership in all areas by developing, negotiating and promoting national policies and promoting understanding of new or different ways of providing services.

11. Table 4-1 shows total Commonwealth own-purpose outlays and SPPs, with each divided into mainstream funds and Indigenous-specific funds. It shows that Indigenous-specific expenditure represents about 3 per cent of total Commonwealth expenditure on the functions covered by this Inquiry.

The Role of the States

12. The States have a role in policy formation and they are the primary providers of a wide range of government services. Apart from employment services, they provide most of the services in the functional areas we have examined. They incur about 70 per cent of the expenditure in the health, housing and education functions, but this is partly funded by SPPs.

13. Indigenous-specific programs must compete for funding with the many mainstream services provided to the general population. The challenge for the States with respect to Indigenous people is to provide effective services, within their mainstream

provision, to a relatively small sub-population (in all States except the Northern Territory) that has distinctive characteristics and which requires special approaches to service delivery.

Table 4-1 COMMONWEALTH EXPENDITURE, 1999-2000

	Health	Housing and Infrastructure	Education	Training	Employment	Total
	$m	$m	$m	$m	$m	$m
Own-purpose outlays						
Mainstream programs	15 756	1 500	n.a.	491	761	18 508
Indigenous-specific programs	185	255	51	n.a.	459	950
Specific purpose payments						
Mainstream programs	6 732	936	4 601	866	n.a.	13 135
Indigenous-specific programs	n.a.	91	121	37	n.a.	249
TOTAL	22 673	2 782	4 773	1 394	1 220	32 842

Note: Figures for mainstream programs are total expenditure on the program – they are not the Indigenous component.
Source: See Tables 4-2 and 4-3.

The Role of Local Government

14. Australia's local governing authorities have primary responsibility for the provision of local roads, civic planning and provision, garbage collection and maintenance of community amenities (public landscaping, halls and recreational facilities). They fund their services from property-based rate revenue, user charges and government grants.

15. The Commonwealth's general revenue contribution to local government (which averages about $68 per person) represents about 12 per cent of total revenues available to that sphere of government. Many Indigenous people are under a misapprehension that some (or even a large amount) of this funding must be spent on services for Indigenous people. This is not the case and the funding is completely untied in the hands of local government.

16. The infrastructure services that local government provide are relevant to this Inquiry. Many Indigenous communities said that local authorities do not provide a normal range of services to Indigenous residents. Particular reference was made to town camps and communities that are adjacent to non-Indigenous communities but which do not receive services such as garbage collection or water supply. The reliance on CDEP schemes to provide local government services was another particular concern. On the other hand, local government representatives noted that legal issues, generally associated with the land tenure in Indigenous communities, sometimes impact on the requirement or the ability of local councils to provide services on community land.

17. We were also told of cases where local councils are proactive in their delivery of services to Indigenous people and in providing opportunities for CDEPs to participate in service delivery on a commercial basis. Some local councils have joined in co-operative arrangements with ATSIC Regional Councils or Indigenous communities

within their boundaries to enable better planning of services and better understanding of Indigenous needs and of local government's capacity to meet them.

Cost Shifting

18. Australia's federal system of government blurs service delivery responsibility between governments and has complex funding arrangements. It results in citizens generally having a limited understanding of the responsibilities of the different spheres of government. It also results in some responsibility and cost shifting between governments. The overall result, for Indigenous people, is that they generally distrust government agencies and do not believe all the funding reaches the intended goals.

19. Lack of clarity on the allocation of responsibility among the spheres of government in Australia can create opportunities for cost shifting between levels of governments and between agencies at the same level of government. From an Indigenous perspective, the detrimental aspects of cost shifting arise when:

(i) services are not provided because one party has 'vacated the field', assuming another will provide the service — for example, we were told of cases where States were said to ignore the requirements of some, predominantly small, Indigenous communities in the knowledge that ATSIC would provide the services;

(ii) funds provided from one tier of government to another for an Indigenous-specific service are diverted to other purposes; or

(iii) Indigenous-specific services are used as a 'catch all' for deficiencies in mainstream services — for example, we were told of cases where officers in mainstream health, housing or training services routinely refer Indigenous people to the Indigenous-specific service units.

COMMONWEALTH OUTLAYS

20. This section examines the extent to which Commonwealth mainstream and Indigenous-specific services meet the needs of Indigenous people.

Mainstream Services

21. The major Commonwealth mainstream or citizenship services relevant to this Inquiry are listed in Table 4-2. The table shows that the Commonwealth spends almost twice as much through its own-purpose outlays as it does through SPPs. Own-purpose outlays are dominated by the health function, which accounts for over 80 per cent of total own-purpose outlays and about half the total expenditure on SPPs.

Table 4-2 COMMONWEALTH MAINSTREAM PROGRAMS, 1999-2000

Program	Expenditure
	$m
HEALTH[1]	
Own-purpose outlays	
Medical benefits scheme [a]	7 039.0
Pharmaceutical benefits scheme [a]	3 540.7
Private health insurance subsidy scheme	1 292.3
Residential aged care and community care programs[a]	3 545.8
Other health initiatives[a]	338.4
Total own purpose health and aged care programs	15 756.2
Mainstream SPPs	
Australian health care agreements	5 900.0
Home and community care and aged care assessment programs	562.1
Public health and other health program grants	270.0
Total mainstream SPPs	6 732.1
HOUSING AND INFRASTRUCTURE[2]	
Own-purpose outlays	
Rent assistance	1 500.0
Mainstream SPPs	
Commonwealth/State Housing Agreement	936.0
EDUCATION[3] [b]	
Mainstream SPPs	
Grants to Government and non-government education providers	4 601.1
TRAINING[4]	
Own-purpose outlays	
Traineeships and Apprenticeship programs[a]	491.2
Mainstream SPPs	
Contribution to Australian National Training Authority[a]	865.7
EMPLOYMENT[5]	
Own-purpose outlays	
Job Network	754.1
Other programs	7.3
	761.4
TOTAL	31 643.7

(a) These programs contain some initiatives to improve Indigenous access.

(b) The table excludes information on Youth Allowance and ABSTUDY paid to school students.

Source: (1) Department of Health and Aged Care submission, June 2000, p25 and Annual Report 1999-2000, p134.

(2) Productivity Commission Report on Government Services 2001, p253.

(3) *Federal Financial Relations 2000-2001, Commonwealth Budget Paper No. 3*, p57, p69 and p70.

(4) Department of Education, Training and Youth Affairs submission, May 2000, p20 and information provided to the Commission.

(5) Department of Employment, Workplace Relations and Small Business.

Access to Mainstream Services

22. **Mainstream services are intended to support access by all Australians to a wide range of services. Given the entrenched levels of disadvantage experienced by Indigenous people in all functional areas addressed by our Inquiry, it should be expected that their use of mainstream services would be at levels greater than those of non-Indigenous Australians. This is not the case. Indigenous Australians in all regions access mainstream services at very much lower rates than non-Indigenous people.**

23. ***Levels of access.*** Indigenous people have much poorer health status than non-Indigenous people, but their use of primary health services is much lower:

(i) average use of Medicare benefits by Indigenous people in 1998-99 was 41 per cent of average use by non-Indigenous people, and for PBS the comparable figure was 33 per cent;

(ii) physical access to mainstream health services has an influence on the rate of use:

- in metropolitan areas and other large centres[4], Medicare benefits were used by Indigenous people at about 45 per cent of the national average for non-Indigenous people in 1998-99; and

- in remote and very remote areas the level of use was about 24 per cent of the non-Indigenous national average.

Clearly, Indigenous people in urban areas and those in the more remote locations face barriers to access.

24. In the area of housing, data deficiencies prevent an accurate assessment of the level of access of Indigenous people to mainstream housing (private rental and mainstream public rental housing), but access appears to be greater in metropolitan areas than other areas. During our Inquiry, Indigenous people frequently said that they face large barriers in accessing the private rental market.

(i) In metropolitan areas, 1996 Census data indicate that 52 per cent of Indigenous households who rent their home, do so from private owners or through real estate agents. The corresponding figure for non-Indigenous people is 72 per cent. This differential applies at all income levels and is most pronounced for low income households.

(ii) Between 1991 and 1996, the demand for low cost rental housing doubled while the supply reduced by 28 per cent[5].

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[4] That is, the highly accessible areas in the ARIA classification.

(iii) Indigenous households find it more difficult than non-Indigenous households to get access to private rental housing, and when they do they have relatively little choice about location and the properties appear to be in poorer condition than those occupied by non-Indigenous households[6].

The low level of supply of mainstream rental housing from both public and private sources in rural and remote areas means access to mainstream services in those areas is very low.

25. In education, Commonwealth mainstream assistance for schools takes the form of general and targeted SPPs to the States for government and non-government providers. Most of these payments are based on enrolment numbers, and do not distinguish between Indigenous and non-Indigenous students. However:

(i) Indigenous participation in education is below average; and

(ii) the Commonwealth's contribution per student is higher for non-government schools than it is for government schools, and Indigenous students are under-represented in non-government schools.

26. In the area of employment, the form of Commonwealth mainstream assistance has undergone substantial changes in the last few years with the introduction of Job Network. Indigenous people face a number of access issues.

(i) The evaluation of the first stage of Job Network found that there was a reduction in Indigenous registrations for employment assistance following its introduction, possibly due to inadequate knowledge of the role of Centrelink and of the services available, and to shortcomings in the type and quality of Intensive Assistance services provided.

(ii) While improvements in the services and the availability of Job Network outlets were made in the second stage, our Inquiry suggests that some access difficulties remain and that there is still a lack of awareness among Indigenous job seekers about the programs available from Job Network providers.

(iii) Although the government's target of Indigenous people representing 6.2 per cent of commencements in Intensive Assistance is now being met, the outcomes Indigenous people achieve from that program are lower than those of non-Indigenous people.

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5 Yates, J and Wulff, M, *Housing Markets and Household Income Polarisation: A Metropolitan and Regional Analysis*, Paper presented at the National Housing Conference, Sydney, November 1999.

6 Focus Pty Ltd, *Rental Market Failure: Investigating the Failure of the Private Rental Housing Market in Meeting the Needs of Indigenous Households, Proposed Methodology and Preliminary Observations.* April 2000, unpublished.

(iv) Access to Job Network providers, especially the Intensive Assistance providers, is concentrated in areas where there is a labour market.

(v) Our analysis in Chapter 11 shows that the ready availability of service providers in urbanised regions, such as in Victoria, is not always matched by higher use of the services.

27. ***Barriers to access — urban areas.*** Despite the physical accessibility of services in urban areas, a range of factors clearly constrains access of Indigenous people to them. The result is that mainstream services are not meeting the needs of Indigenous people equitably. Some of these barriers are listed below.

(i) Some mainstream services are planned and delivered so as to meet the requirements of the most common users, and do not allow sufficiently for the extreme disadvantage and special needs of Indigenous people. For example, mainstream primary health services are structured so as to provide for a patient case load that has high volume and low complexity: Indigenous people often have multiple, chronic problems and require more intensive management[7]. Employment services delivered under the Job Network arrangements and the delivery of training programs appear similarly focussed on the prevailing circumstances of non-Indigenous people.

(ii) Some requirements for accessing services do not take sufficient account of the lifestyle of Indigenous people.

(iii) In general, Indigenous people have very low incomes and little accumulated wealth. Consequently, financial barriers constrain access to some services. For example, not all private medical practices bulk bill, thus deterring some Indigenous people from consulting a doctor until their health problems become severe.

(iv) People living in the outer suburban fringes of large urban centres, where public transport infrastructure is more limited, can experience difficulties in gaining physical access to services.

(v) Workforce issues experienced by service providers can restrict Indigenous people's access to services. Staff are not always trained to work in a cross-cultural context or where they experience the complex multiple problems Indigenous people often face. The relatively low number of Indigenous staff in some services, especially in large urban areas, adds to Indigenous insecurities in using mainstream services.

(vi) Legacies of history and unpleasant previous experiences with mainstream services can reduce Indigenous use of facilities.

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[7] Department of Health and Aged Care Submission, June 2000, p28.

(vii) Some mainstream services are delivered in ways that make Indigenous people feel uncomfortable, that is, services are not culturally appropriate or culturally secure.

(viii) There may be poor links between complementary services, for example between training institutions and employment facilities, or between primary health providers and hospitals or ancillary health services.

28. ***Barriers to access — rural and remote areas.*** In rural and remote areas, Indigenous people face similar barriers to urban people. In addition, there are major physical access difficulties that are generally not overcome by the use of technology in service delivery.

(i) Mainstream services are often not provided in rural and remote areas or physical access to them is restricted by distance.

- The National Key Centre for Social Applications of Geographical Information Systems (GISCA) has shown that 58 per cent of the Indigenous population in the Northern Territory, 30 per cent in Western Australia and 20 per cent in Queensland are located more than 80 kilometres from a general practitioner[8].

- 64 per cent of Indigenous people living in rural areas live more than 50 kilometres from a technical and further education college[9].

- Effective labour markets do not exist in many remote communities where substantial proportions of Indigenous people live.

- There is little mainstream public or private rental housing available in rural and remote communities where substantial proportions of Indigenous people live.

(ii) There are problems in attracting and retaining experienced and trained staff to work in rural and remote areas or specifically with Indigenous people, regardless of location. The more frequent turnover of staff means that a larger proportion of the time is spent adapting to the new work conditions, resulting in staff being less effective.

29. ***Measures to improve access.*** **The Commonwealth and the States have initiated policies that seek to reduce barriers and improve the access of Indigenous people to mainstream programs.** The aim is to encourage Indigenous people to use services by making mainstream services more appropriate and less intimidating to Indigenous people by:

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8 http://www.gisca.adelaide.edu.au/mapservers/hac/pdf/index.htm, October 2000.

9 Department of Education, Training and Youth Affairs Submission, May 2000, p21.

(i) increasing Indigenous employment, especially in areas involving client contact;

(ii) providing cross-cultural training to service delivery staff to increase their awareness of Indigenous cultural issues and specific needs; and

(iii) employing Aboriginal liaison officers to make Indigenous people more aware of services that are available, and to make service providers more aware of concerns of Indigenous clients.

30. **There have also been initiatives aimed at changing service delivery methods to reduce the barriers for Indigenous people.** In the health area, initiatives aimed at improving Indigenous access to mainstream primary health services, include:

(i) streamlining procedures for enrolling in Medicare and for making claims;

(ii) introducing new Medicare items that assist in covering the cost of the longer consultations Indigenous patients often require;

(iii) introducing arrangements such as section 19 (2) of the *Health Insurance Act 1973* (which allows Aboriginal Community Controlled Health Services (ACCHSs) and some State Health Services where a salaried doctor works in a remote area to claim Medicare benefits) and section 100 of the *National Health Act 1953* (which allows ACCHSs and some State Health Services in remote areas to provide pharmaceuticals to patients under the PBS);

(iv) trialing alternative arrangements for funding and delivering services, such as the Aboriginal co-ordinated care trials in which 'cashing out' a notional per capita level of Medicare funding was used to fund more flexible services; and

(v) developing services that are more appropriately targeted at the needs of Indigenous people, such as the Aboriginal and Torres Strait Islander Emotional and Social Well Being Action Plan under the National Mental Health Strategy.

31. These initiatives have met with some success. For example, between 1995-96 and 1998-99, access to Medicare benefits and to PBS has increased. However, there are limits on the extent to which improved Indigenous access to services can be obtained by adapting mainstream services. For example, the provisions allowing ACCHSs in remote areas to provide medicines to patients cannot be easily extended to urban areas where there is a widespread network of pharmacies.

32. In housing, a number of bilateral agreements involving ATSIC, DFaCs and the States include strategies that aim to ensure equitable access to community and public housing by Indigenous people.

33. In education and training, the Commonwealth has introduced and encouraged initiatives intended to increase Indigenous access, such as:

(i) taking the Ambassadors Program to schools where role models (for instance, famous Australian sportspeople) are profiled;

(ii) supporting an Indigenous education professional development strategy of the Australian Principals Association, which aims to develop stronger school leadership and more effectively engage principals in raising Indigenous schooling performance levels; and

(iii) supporting the Australian Student Trainee Foundation in its efforts to develop effective school/industry/community partnerships at the local level to improve opportunities for Indigenous students to access and complete VET courses.

34. For employment services, initiatives introduced in the latest Job Network arrangements aimed at improving Indigenous access included:

(i) a requirement that Job Network providers have special strategies in areas where Indigenous people represent five per cent or more of the Centrelink unemployment register;

(ii) an increase in the areas in rural and regional Australia that are covered by Job Network service providers;

(iii) the establishment of 41 specialist Job Network member sites to service Indigenous people exclusively; and

(iv) expecting the Job Network system to achieve a target proportion of Indigenous commencements in Intensive Assistance.

35. **The low use of Commonwealth mainstream programs by Indigenous people indicates that these programs are not meeting needs in an equitable way. This outcome is compounded by the high level of disadvantage Indigenous Australians experience.**

36. **If mainstream programs are to be accessed more equitably by Indigenous people, the existing barriers to access must be overcome. These barriers confront Indigenous people in all regions. In urban and more accessible locations, the barriers include the way programs are designed, how they are funded, how they are presented and their cost to users. In the more remote regions, these barriers are exacerbated by the lack of services and difficulties caused by physical access. All these issues contribute to lower use of mainstream services by Indigenous people.**

37. **Some initiatives have been taken to address specific access problems in some mainstream programs. These include changes in the range of benefits available under Medicare and PBS, changes in procedures associated with those programs, better targeting of other health programs, and changes in the operation of Job Network. While recent evidence suggests these changes are having an impact, they fall**

short of the across-the-board improvements in access that are needed to address existing disadvantage.

Commonwealth Indigenous-specific Programs

38. **Commonwealth Indigenous-specific programs are intended to provide targeted assistance to Indigenous people to supplement the delivery of services through mainstream programs. These programs are a recognition of the special needs of Indigenous people associated with, and in response to, their current levels of disadvantage.**

39. **The failure of mainstream programs to effectively address the needs of Indigenous people means that, in practice, Indigenous-specific programs are being expected to do more than they are designed, and funded, to achieve. This has implications for the extent to which they can be targeted to particular groups or regions to address issues of relative disadvantage among Indigenous people. To the extent that Indigenous-specific programs are being relied upon to provide mainstream services (that is, they are substituting for mainstream programs), they are required to respond to the needs of all Indigenous people, rather than the greater needs of those relatively more disadvantaged.**

40. Table 4-3 lists the larger Commonwealth Indigenous-specific programs that are within the scope of this Inquiry and divides them into:

(i) programs provided through own-purpose outlays, such as:

- CDEP and the community housing and infrastructure program of ATSIC;
- direct funding of ACCHSs and some State health services;
- the Indigenous Education Direct Assistance (IEDA) program; and
- the Indigenous Employment Program.

(ii) programs provided through SPPs to the States to fund Indigenous-specific programs provided by State agencies such as:

- the Aboriginal Rental Housing Program (ARHP) within the Commonwealth-State Housing Agreement; and
- the Indigenous Education Strategic Initiatives Program (IESIP).

41. In health and employment, all Commonwealth Indigenous-specific expenditure is through own-purpose outlays. In housing, infrastructure and education, about two-thirds of total expenditure is in the form of SPPs.

42. ***Programs provided through own-purpose outlays.*** ATSIC is wholly Commonwealth funded. The ATSIC Act provides for it to develop and implement programs, monitor programs (including those conducted by bodies other than itself) and, more broadly, to develop policy proposals to meet national, State and regional needs and the priorities of Indigenous peoples.

43. ATSIC programs play a large role in meeting the needs of Indigenous people for housing, infrastructure and employment. These services represent about 70 per cent of ATSIC's budget. Many of ATSIC's programs, including its community housing program, are provided on a regional basis, reflecting a need to overcome Indigenous disadvantage in all regions. Some others, such as the National Aboriginal Health Strategy (NAHS), are administered nationally to allow the regions with the greatest needs to be targeted — only about 10 per cent of NAHS funds are spent in ATSIC regions that cover large urban areas.

44. The Commonwealth direct funding of ACCHSs grew out of the necessity to provide primary health services in a culturally appropriate manner and where Indigenous people live. These services have been established in many settings, with 32 of the 137 located in capital cities and other large urban areas. Particularly in remote areas these services are substituting for mainstream services — this has been recognised in the arrangements for cashing out Medicare and PBS in the Aboriginal Co-ordinated Care Trials and the Primary Health Care Access Program (PHCAP).

45. The Indigenous Employment Program (IEP) also arose from a recognition of the disadvantage suffered by Indigenous people in the labour market and the difficulties Job Network faced in its early days in achieving outcomes for them. As such, the IEP was intended to supplement Job Network by providing additional assistance required by Indigenous unemployed.

46. The Aboriginal Student Support and Parent Awareness Program (ASSPA) committees, funded under IEDA, are intended to increase the involvement of Indigenous parents in schools education, and contribute to increased participation of Indigenous students.

47. ***Programs provided through SPPs to the States.*** Tables 4-2 and 4-3 listed the SPPs the Commonwealth provides to the States to help meet the costs of delivering services covered by this Inquiry. SPPs have conditions attached to them that outline what the funds are to be spent on and the reporting requirements.

48. Most SPPs are directed to the mainstream activities of the States, but some are Indigenous-specific. Table 4-1 indicates that 1.9 per cent of SPP funds in 1999-2000 were for Indigenous-specific purposes. Some of the agreements supporting the 'mainstream' SPPs also have reporting and monitoring conditions referring to the provision of services to Indigenous people.

49. Many questions have been raised with us about whether funds provided through SPPs reach Indigenous people. Some submissions called for conditions to be strengthened to ensure that funds are better directed towards the needs of Indigenous people. Indigenous organisations noted a trend towards broad-banded, outcomes-focussed SPPs and expressed concerns that this would limit their ability to monitor the flow of funds intended for Indigenous purposes. They also often argued that the purposes for which SPPs are paid are often too restrictive and, because of the different circumstances faced by Indigenous communities, not always equally relevant in all regions.

Table 4-3 COMMONWEALTH INDIGENOUS-SPECIFIC PROGRAMS, 1999-2000

Program	Expenditure
	$m
HEALTH	
Own-purpose outlays	
Services in Aboriginal and Torres Strait Islander communities[a]	169.8
Aged care strategy for Aboriginals and Torres Strait Islanders[b]	15.1
Total health and aged care programs	184.9
HOUSING AND INFRASTRUCTURE[c]	
Own-purpose outlays	
ATSIC Community Housing and Infrastructure Program[d]	254.8
SPPs	
Aboriginal Rental Housing Program	91.1
Total housing and infrastructure programs	345.9
EDUCATION	
Own-purpose outlays	
Indigenous Education Direct Assistance program[e]	51.3
SPPs	
Indigenous Education Strategic Initiatives Program[e]	120.7
Total education programs	172.0
TRAINING	
SPPs	
Indigenous Education Strategic Initiatives Program[e]	37.3
EMPLOYMENT	
Own-purpose outlays	
Indigenous Employment Program[f]	35.3
CDEP[c]	423.8
Total employment programs	459.1
TOTAL	1199.2

Source: (a) Department of Health and Aged Care, Portfolio Budget Statement, p197.
(b) Department of Health and Aged Care Submission June 2000.
(c) ATSIC Annual Report 1999-2000, p203 (Community housing $127.8 million and Community Infrastructure and Municipal Services $127.0 million).
(d) Includes the housing component of the National Aboriginal Health Strategy.
(e) Department of Education Training and Youth Affairs information, March 2001.
(f) Department of Employment, Workplace Relations and Small Business Annual Report, p64.

50. The States argued that SPPs should be based on agreed objectives and require outcome-based reporting. They have a strong wish to move away from what they see as the narrow and inefficient conditions on how they should spend the funds.

51. ***Funding restrictions.*** Our analyses indicate that present Indigenous-specific funding arrangements exhibit features that cause concern that the funds are too often not being used most effectively to reduce Indigenous disadvantage.

(i) *For short periods.* People often spoke of the limited timeframe (frequently only one year) for which grants were made available. They argued that recruiting staff is always more difficult for short term projects. If staff could be attracted, the increasing uncertainty about the continuity of the service that inevitably comes towards the end of grant periods increases anxiety and reduces their incentive to invest energy in achieving outcomes. It is hard to overcome entrenched disadvantage in these circumstances.

(ii) *In small components*. Some services reported that they receive such small grants that, on their own, they are not enough to provide services.

(iii) *Subject to changing priorities.* The health function was often said to be characterised by frequently changing emphasis on different 'body parts' funding. Health providers argued that this prevented them following the holistic approach to health management favoured by Indigenous people and from focussing on issues most relevant to their local circumstances.

(iv) *Inflexible conditions.* Defining how the funds are to be used reduces the opportunity for local decision making and priority setting. For example, many health service providers noted that decisions about how funds were to be spent were made at a higher level without regard to local priorities and consequently did not always match local priorities.

(v) *Reporting and administration requirements that are not funded*. One organisation said it had about 55 agreements and another said that up to 70 per cent of a person's time was involved in fulfilling reporting requirements. Another body representing less than 200 people said that the conditions attached to its funding required it to keep 26 separate bank accounts. The organisations noted that the effects of these heavy administrative burdens were magnified because funding agencies tended to overlook the necessity to provide funds for administration, overheads and community capacity building. Several agencies said that a direct result of these constraints was that 'creative' approaches are adopted to circumvent them and ensure that worthwhile programs were established.

General Revenue Assistance

52. The Commonwealth provided the States with $17 752 million in untied general revenue assistance in 1999-2000. These grants were allocated among the States on the basis of funding shares calculated by the Commonwealth Grants Commission[10].

53. Many submissions and discussions noted that in calculating the State shares of general revenue assistance, the Commission allows for the effect of Indigenous people on State expenditure requirements. They also noted that the size of the effect was not known. Some parties concluded that this lack of transparency allowed the States to escape their citizenship obligations to Indigenous people, with the consequence that ATSIC and other Commonwealth agencies were left to fill the gaps.

54. The distribution of general revenue funding between the States allows for differences in funding required as a result of many influences, including population location, population age and sex structure, and the size of the Indigenous population[11]. The allowances associated with the Indigenous population are thus just one inter-woven element of the detailed process involved in allocating general revenue assistance. General revenue assistance is paid into the consolidated funds of the States and is available for use in whatever way State governments consider appropriate. Once received, it is no different to revenue the States raise themselves.

55. The documents associated with *A New Tax System* contain a clear recognition by the Commonwealth that GST revenue grants 'will be freely available for use by the States and Territories for any purpose'[12]. While the Commonwealth makes a substantial contribution to States' financial capacity through these grants, it cannot achieve any influence on what the States do with them.

COMMONWEALTH INFLUENCE ON THE REGIONAL ALLOCATION OF FUNDS

56. This section considers what influence the Commonwealth has on the regional allocation of funds in each of the four types of funding (mainstream own-purpose outlays, Indigenous-specific own-purpose outlays, mainstream SPPs and Indigenous-specific SPPs) and how well the allocation processes reflect relative needs.

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10 The calculations are based on the principle of fiscal equalisation which is that:

> State governments should receive funding from the Commonwealth such that, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each would have the capacity to provide services at the same standard.

11 The Commission's assessments allow for the differing impacts of Indigenous people on the expenditure the States would incur if they provided average levels of services. In general, Indigenous people use some State services more than other people and the average cost of providing a service to an Indigenous person is greater than that for a non-Indigenous person because of where they live, their poor health status and so on.

12 IGA, clause 7.

57. ***Mainstream own-purpose outlays.*** Many of the mainstream programs that the Commonwealth funds directly are demand driven. That is, the Commonwealth makes payments to all eligible people who apply for them. This applies, for example, to Medicare, Pharmaceutical Benefits and rent assistance.

58. Under Job Network, service providers are contracted through a national tender process. They are paid on the basis of achieving outcomes for unemployed people. Most funds are provided for Intensive Assistance work where the regional allocation largely reflects numbers of eligible people. Other funds are allocated on the basis of both the number of eligible job seekers and the demand for employees in the regions. Thus, in general, the allocation reflects the eligible population tempered by labour market circumstances.

59. Residential aged care assistance is allocated on the basis of the number of elderly people in regions — generally taken to be the Indigenous population aged 50 and over plus the non-Indigenous population aged 70 and over.

60. For demand driven programs, the extent to which the regional distribution of funds aligns with the relative needs of Indigenous people depends on the access Indigenous people have to service providers. As indicated previously, Indigenous access to mainstream programs is almost universally not equitable. The Commonwealth can exert some influence on the regional availability of services by providing incentives for providers to locate in certain areas. It has done this in health through such programs as the private practice incentive and doctors for the bush programs.

61. However, the Commonwealth's ability to influence the regional distribution of most of these programs is ultimately constrained by the economic considerations of the non-government providers who deliver them. For example, it is well documented that there are fewer doctors in the remote areas of all States[13]. It is also significant that about 62 per cent of medical practitioners employed by ACCHSs work in metropolitan areas[14].

62. **Overall, the Commonwealth has limited influence on the extent to which the distribution of mainstream programs reflects the relative needs of Indigenous people in different regions.**

63. ***Mainstream SPPs.*** In the case of mainstream SPPs, the Commonwealth can decide the basis on which the funds are allocated among the States. In practice, however, the interstate distributions are seldom decided without some form of consultation or negotiation with the States.

64. The bases on which the major mainstream SPPs are allocated among the States vary. Some examples are:

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[13] Across Australia, there is an average of about 260 medical practitioners per 100 000 people. In remote areas there are about 105 doctors per 100 000 and in metropolitan areas there are 314. (Australian Institute of Health and Welfare, 1998, *Medical Labour Force, 1998*, p36, Table 28.)

[14] Australian Institute of Health and Welfare, 1998, *Medical Labour Force, 1998*, p36, Table 29.

(i) Australian Health Care Agreements — allocated on the basis of State populations adjusted to allow for the effects of the age and sex composition on hospital use, hospital costs and private insurance levels — thus the allocation allows for some interstate differences in the costs of providing hospital services;

(ii) Home and Community Care Agreements — largely allocated on the basis of submissions and historical patterns but it is moving towards the relative size of the eligible populations;

(iii) Commonwealth-State Housing Agreement — distributed on a per person basis, except that no State can receive less than $7.3 million;

(iv) General Recurrent Schools Grants — based on enrolments (for non-government schools, this is adjusted by an allowance for the other resources available to the school, the basis of which is currently changing to one that reflects the socio-economic status of the school community);

(v) Targeted Education Grants — based on the numbers of disadvantaged students; and

(vi) Contribution to the Australian National Training Authority - reflecting the population in the 15 to 64 years age group.

65. These allocations broadly reflect interstate differences in the potential demand for the services. None of them explicitly allow for the specific needs of Indigenous people or for regional differences in the costs of providing services.

66. Once in the hands of the States, **the Commonwealth has limited influence over the regional allocation of mainstream SPP funds, apart from the effects of any conditions it has attached to the payments under the agreements negotiated with the States.** In some cases, such as the Australian Health Care Agreements, the conditions recognise that Indigenous people have special needs and impose reporting conditions designed to improve Indigenous access to the services.

67. ***Commonwealth own-purpose Indigenous-specific programs.*** Many approaches are used to allocate own-purpose Indigenous-specific funds, including:

(i) base grants for ACCHSs — mainly a historical distribution reflecting where services have been established, although needs play a greater role in decisions about funding for new organisations;

(ii) Primary Health Care Access Program (PHCAP) — the intention is to fund areas on the basis of need as identified in regional health plans, but at present funds are being used to fund former Indigenous Co-ordinated Care Trial sites, with other funds going to places that have completed their regional plans;

(iii) ATSIC community housing and infrastructure programs — the ATSIC Board distributes funds to its Regional Councils on the basis of indicators of need from the late 1980s and more recent indicators of overcrowding and affordability;

(iv) ATSIC NAHS program — allocated to States on the basis of needs for housing and infrastructure and costs of providing facilities; then the communities with the greatest needs as indicated by detailed environmental health impact assessments;

(v) Indigenous Education Direct Assistance program — a mix of student numbers and remoteness factors;

(vi) ABSTUDY — based on demand with income testing for some elements;

(vii) CDEP — largely reflects the historical pattern with which projects were approved; and

(viii) Indigenous Employment Program — largely market driven, in that it is based on a mix of demand, submissions and opportunities for employment negotiated with the private sector.

68. **Since the Commonwealth administers these programs, it has the potential to control their regional allocation. Except for NAHS the current allocations do not reflect current indicators of the relative needs of the Indigenous populations in the regions.**

69. ***Indigenous-specific SPPs.*** The allocation processes are:

(i) ARHP — allocated among States on the basis of housing requirements identified by a 1987 survey, with a condition that the funds must be spent in rural and remote areas; and

(ii) IESIP — allocated among the States on the basis of Indigenous enrolments, with cost loadings for students in remote areas and different per student rates for government and non-government providers.

70. The Commonwealth has exerted some influence by attaching locational conditions to ARHP. In the case of IESIP, it has no influence on the regional allocation of the funds, but the performance reporting requirements provide it with an ability to monitor the effectiveness with which the States use the funds to reduce Indigenous educational disadvantage.

71. ***Wider capacity to influence service provision.*** Apart from the influence exerted through funding conditions, the Commonwealth can play an important role in indirectly influencing how the States provide services.

72. The Commonwealth can exert influence by negotiating agreed national policies, spending on its own projects and taking a leadership role to sponsor understanding of new ways to provide services. For example, in the health area, the Co-ordinated Care Trials were intended to demonstrate and test different ways of providing primary health care. It has also sponsored the development of an improved national health database through the Australian Institute of Health and Welfare.

73. In the housing and infrastructure areas, Commonwealth initiatives have achieved important objectives in addressing Indigenous needs, promoting the development of community organisations and establishing innovative partnerships between the States, ATSIC and other Indigenous bodies.

74. **Some of the Commonwealth's own-purpose Indigenous-specific programs are directed towards reflecting relative needs, and others, particularly in the area of primary health care, are moving in that direction. Overall, it cannot be said that relative needs are the focus of funding distribution. The Commonwealth has limited scope to directly control the regional allocation of resources. The Commonwealth has, however, considerable indirect influence over the actions of State and non-government providers and is beginning to use this to achieve better targeted and more effective programs.**

JOINT DECISION MAKING AND INDIGENOUS PARTICIPATION

75. Governments have realised the necessity of working together and with Indigenous people to reduce disadvantage. This is illustrated by the statement by the Department of Health and Aged Care that:

> A major impediment to reform in Aboriginal health has been a lack of co-ordination between Federal and State governments, with consequent 'buck-passing' and difficulties in the relationship between governments and Aboriginal organisations. In order to overcome these obstacles, Framework Agreements were signed in each State and Territory.[15]

76. A further clear indication of the importance of involving Indigenous people is in the agreement reached at the *Indigenous Families and Communities Roundtable* convened by the Commonwealth Ministers for Family and Community Services, and Aboriginal and Torres Strait Islander Affairs in October 2000. It states that:

> **Relevant Government programmes should be delivered on a strategic, coordinated and a whole of government basis. Programmes should be based on the views and aspirations of whole**

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[15] *General Practice in Australia: 2000*, Commonwealth Department of Health and Aged Care, p83, quoted in Submission by the Aboriginal Health & Medical Research Council of New South Wales.

> **communities and Indigenous people themselves should have a central role in the design, planning and delivery of services.**[16]

77. Co-operative decision making processes are being adopted to share information, make decisions and set priorities for Indigenous-specific programs. They often involve agreements between the Commonwealth and State Governments, ATSIC and other Indigenous organisations. The co-operative bodies sometimes also have responsibility for explicit planning processes.

78. However, **in some cases, people at the local level feel they still have no input into overall planning, and consider the existing partnership arrangements to have had little effect on their communities. That is, many partnerships are still essentially top down processes. There are also concerns about the unequal status of members of some existing partnership arrangements, and perceptions that they are driven by the mainstream and are not always backed by funding.**

79. This may be partly because partnerships represent a comparatively new process within service delivery systems. Effort is required by governments and participating Indigenous organisations to ensure that the effects of partnerships reach the grassroots level. Members of partnerships must also agree on operating procedures. If partnerships are to provide full benefits, participation and decision making at the State and local levels is important, as is building the capacity of Indigenous people and their communities to contribute to the processes.

80. Local and regional arrangements have the potential to move decision making closer to the grassroots Indigenous communities and to further promote community control of service provision. They have the potential to provide a dynamic link between joint decision making at higher levels and local community control over service delivery matters.

81. ***Health.*** The Health Framework Agreements established in all States in the mid-1990s involve the Commonwealth, the State governments, ATSIC and the community controlled health sector. Under the New South Wales agreement, the partners meet as the NSW Aboriginal Health Forum. They undertake joint regional planning and the development of regional health plans, taking account of local Aboriginal health plans developed under another partnership arrangement between the New South Wales Minister for Health and the Aboriginal Health and Medical Research Council.

82. Under similar arrangements, the Northern Territory Health Forum has developed agreed policies that address: joint funding arrangements; a process of calculating the current primary health care resources from both the Commonwealth and Northern Territory governments; funds pooling arrangements; and processes to engage Indigenous communities. Similar activities are undertaken in other States.

83. Other examples of collaborative decision making in the health area include:

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[16] Press release of the Commonwealth Minister for Aboriginal and Torres Strait Islander Affairs, 24 October 2000.

(i) the operation of the Aboriginal and Torres Strait Islander Health Council, which is a national body that advises the Commonwealth and State Ministers for Health;

(ii) consultation between the Commonwealth, the States, the Aboriginal Community Controlled Health sector and the medical profession resulted in the initiatives aimed at improving Indigenous access to Medicare and PBS;

(iii) consultation with the Indigenous communities, ATSIC and State governments is a key aspect of the implementation of PHCAP, with decisions on priorities within regions being made at the local level;

(iv) community involvement and joint planning was an integral part of the Aboriginal Co-ordinated Care Trials;

(v) the Home and Community Care program (HACC) has a national Indigenous reference group that includes community service providers and consults with communities;

(vi) the Commonwealth Office of Aboriginal and Torres Strait Islander Health plays a role in ensuring mainstream health programs take account of Indigenous health issues; and

(vii) ATSIC has a formal role in monitoring the development of initiatives in the health area.

84. ***Housing and Infrastructure.*** Housing agreements between the Commonwealth, ATSIC and the State governments have been established in New South Wales, Queensland, Western Australia, South Australia and the Northern Territory. Agreements are under negotiation in the other three States. Generally, these agreements include actual or notional pooling of ATSIC, State and Commonwealth funds for the purchase or construction of housing, and provide for Indigenous decision making about priorities for the program.

85. In the infrastructure area, ATSIC has concluded agreements with the Western Australian and South Australian governments for the provision of essential services in some remote Indigenous communities. In both cases, the agreements involve joint planning and have clarified the roles of the parties in the provision and maintenance of infrastructure.

86. ***Education and Training.*** There are no formal consultation processes involving Indigenous organisations at the Commonwealth level, apart from the ongoing consultation of the Indigenous Education Branch of the Department of Education, Training and Youth Affairs. A Taskforce on Indigenous Education formed by the Ministerial Council for Education, Employment, Training and Youth Affairs did, however, report in 2000 on approaches to achieving educational equality for Indigenous people. The preparation of that report involved consultations with Indigenous communities.

87. Most States have Indigenous education consultative boards to advise the education Minister on a range of issues. In some States, these bodies have extensive regional or local consultative boards.

88. The Commonwealth funds ASSPA committees to increase participation of Indigenous parents in decision making at the school level.

89. ***Employment.*** The evaluation of the Job Network involved some consultations with Indigenous organisations. There are, however, no formal ongoing processes to provide Indigenous organisations with a role in decision making relating to Job Network and the IEP — apart from the role of the Indigenous Employment Branch of the Department of Employment, Workplace Relations and Small Business (DEWRSB). Each State office of DEWRSB is expected to reach a Memorandum of Understanding with ATSIC Regional Councils to establish a commitment to collaborate in the ATSIC regional planning processes.

90. Under the CEOs for Indigenous Employment Project — an element of IEP — a partnership arrangement between the Commonwealth and the CEOs from 46 Australian companies has been set up, whereby the CEOs have committed to provide more employment opportunities for Indigenous job seekers within their organisations.

91. In CDEP organisations, all decision making is by Indigenous people. At the national level, ATSIC sets the policies and allocates participant places. At the local level, community representatives administer and set policies for individual projects.

92. *ATSIC.* ATSIC and its Regional Councils have been very active in establishing partnership arrangements with Commonwealth and State agencies and with local government, covering a wide range of decision making and service delivery matters.

93. ATSIC's *Report on Greater Regional Autonomy,* published in June 2000, examined ways by which regions might be given a greater say in local decision making. It made a number of recommendations directed at increasing the capacity of Regional Councils (for example, through entering into agreements with other agencies for the co-ordination of services, or structures such as the Torres Strait Regional Authority). It concluded that arrangements need to be negotiated regionally because no one approach is likely to be appropriate across Australia.

94. ***State Governments.*** As well as the growing number of agreements with the Commonwealth, ATSIC and local communities, State governments are recognising the importance of whole of government approaches to resource allocation and service delivery. Examples of these initiatives include:

(i) Victoria's establishment of a Ministerial Committee on Aboriginal Affairs, chaired by the Premier, to consider cross-portfolio matters. Each Minister is to report annually to Parliament on progress in achieving social justice for Indigenous people.

(ii) Queensland's Whole of Government Planning Framework to establish partnership arrangements between government and Indigenous people, to improve co-ordination and accountability.

(iii) Western Australia's co-ordinating committee of Chief Executive Officers of government agencies to improve planning and co-ordinate the provision of services to Indigenous people.

95. These initiatives are designed to ensure better planning and resource allocation decisions, and a reduction in duplication and gaps in service provision. It is too early to assess the extent to which they will impact on the priorities and practices of mainstream agencies or will succeed in involving, or winning the confidence of, Indigenous people. Many of those we consulted, particularly away from the capital cities, expressed doubts about what would be achieved.

96. ***Local government.*** Submissions and consultations drew attention to ways that local governments are entering into partnerships and other collaborative arrangements with ATSIC Regional Councils and local Indigenous communities. For example, we were referred to the *Local Councils belong to Aboriginal People 2* strategy prepared for the Local Government Association of South Australia and ATSIC. It addresses issues of co-ordination and participation of Indigenous people in local government.

97. Another example is the Shire of Broome, which has joined with a number of Indigenous communities within its boundaries to sign a Framework Service Agreement. The agreement sets out the roles and responsibilities of the Shire and the Indigenous communities, and includes a joint commitment to 'raising awareness of the rights and acceptance of responsibilities of Indigenous communities in relation to local government'. It also defines expected outcomes, sets out operating procedures and allows for a reporting and review process[17].

98. **The Commonwealth and ATSIC have been active in sponsoring the development of partnerships, agreements and other collaborative arrangements to improve co-ordination between governments and their agencies and to provide Indigenous people with a greater role in making decisions that affect them. These initiatives have proceeded furthest in the health, housing and infrastructure functions.**

99. **While it is too early to determine whether these processes are reducing Indigenous disadvantage, they are increasing participation in the processes. This should help policies become more effective in targeting Indigenous need, and in providing services that are more culturally appropriate and recognise the diversity of Indigenous people.**

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[17] Framework Service Agreement between the Shire of Broome and the Aboriginal Communities of the Dampier Peninsula and Bidyadanga, July 1999.

GETTING BETTER DATA

100. Access to comparable and reliable data is critical if objective measures of Indigenous need are to be better incorporated in decisions on the allocation of funds. In this section, we look at the initiatives underway to improve data collections.

101. ***Whole of government commitments.*** In 1997, the Prime Minister asked the *Steering Committee on the Review of Commonwealth-State Service Provision* to oversee the preparation and publication of data on services provided to Indigenous people. The November 2000 COAG meeting reaffirmed that requirement, and noted the continuing contribution to that work by the Ministerial Council on Aboriginal and Torres Strait Islander Affairs (MCATSIA).

102. In line with the COAG commitment, the Queensland Government has compiled an inventory of Indigenous-specific programs across all its agencies, and the South Australian government has begun work on a similar inventory. The Western Australian government has developed a *Commonwealth/State/Local Government Framework for Achieving Better Outcomes for Indigenous Australians* for consideration by MCATSIA.

103. ***Initiatives by the Australian Bureau of Statistics.*** The ABS has work underway to increase the range and quality of nationwide statistics on Indigenous people. It includes improvements in collection processes for the 2001 Census, including refinements in the use of its special processes for collecting data from remote Indigenous communities. It also intends to conduct another community and housing infrastructure survey in 2001, an Indigenous Social Survey in 2002, and Indigenous supplements to the National Health Surveys in 2001 and 2004 and the annual Labour Force surveys.

104. However, apart from the Census and CHINS, none of these initiatives will produce data on a regional basis suitable for the type of analysis we were asked to do. The 2002 Indigenous Social Survey and the 2004 Indigenous supplement to the Health Survey will produce State data and some broad metropolitan and remote area data[18]. The other surveys are intended to produce data at the national level only.

105. The timing delays built into these ABS initiatives highlight the long lead times involved in developing questions and processes aimed at obtaining consistent responses from people in diverse circumstances.

106. ***Specific Purpose Payments arrangements.*** Some of the recent agreements covering the Commonwealth's SPPs to the States should increase the availability of information because they require reporting against agreed indicators of outcomes or outputs. Such conditions are included in the Australian Health Care Agreements and the agreements under the *Indigenous Education (Targeted Assistance) Act, 2000*. There is a similar requirement covering the provision of service activity data in the Commonwealth's agreements for funding ACCHSs.

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[18] The ABS recently announced a proposal to include a standard classification of remoteness based on the Australian Remoteness Index for Areas (ARIA) in the Australian Standard Geographical Classification.

107. To date, much of the data on performance indicators, such as that provided under the previous IESIP agreements, have not been comparable across the States. The newer agreements attempt to obtain the greater comparability that is essential if the data are to be used for resource allocation purposes.

108. ***Initiatives in functional areas.*** There has been activity to improve data quality and availability in areas such as health and housing. In 1996, Commonwealth and State Housing Ministers agreed to the establishment of a Commonwealth State Working Group on Indigenous Housing (CSWGIH), which has since developed an *Agreement on National Indigenous Housing Information.* It was signed by the Commonwealth Department of Family and Community Services, ATSIC, the Torres Strait Regional Authority, the Australian Institute of Health and Welfare (the data collection agency) and all State housing agencies.

109. The long term aim of CSWGIH is to develop means of obtaining housing administrative data that are consistent and compatible with related data collections. A data dictionary has been compiled and work has begun on collecting a minimum data set and developing performance indicators. The work has emphasised the need for national standards, co-ordination and commitment to the collection of data, and for additional training and resources to help community housing organisations collect more reliable data.

110. In 1997, a National Aboriginal and Torres Strait Islander Health Information Plan was endorsed by the relevant Ministerial councils and a national set of performance indicators was developed by the Heads of Aboriginal Health Units. Work plans covering the implementation of recommendations of the information plan were endorsed in early 1999. It is noted that **'commitment of relevant agencies appears to be the key to significant progress, and this is what has often been lacking in previous attempts to improve Indigenous health information'[19]. Such commitment is essential if resource allocation decisions are to be based on objective measures of relative need and if effective monitoring of program performance is to be achieved.**

111. In May 2000, the House of Representatives Standing Committee on Family and Community Affairs recommended that 'the Commonwealth pursue initiatives to improve the collection of data on Indigenous health as a matter of urgency'[20]. We confirm the need for this action.

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[19] ABS and AIHW, *The Health and Welfare of Australia's Aboriginal and Torres Strait Islander Peoples, 1999*, ABS Catalogue no. 4704.0, Canberra, 1999.

[20] House of Representatives Standing Committee on Family and Community Affairs, *Health is Life, Report on the Inquiry into Indigenous Health*, May 2000.

COMPARISONS OF NEEDS BASED DISTRIBUTION AND CURRENT DISTRIBUTIONS OF RESOURCES

112. The terms of reference asked us for a comparison of the existing regional distribution of resources available to provide health, housing, infrastructure, education, training and employment services with a needs based distribution of those resources.

113. This request was based on two assumptions — neither of which can be sustained:

(i) that data on the regional allocation of expenditure were available — we concluded in Chapter 2 that this is not so; and

(ii) that there was a simple proportional relationship between the relative needs of the regions and their relative requirements for funds — while the comparisons described in this section assume that this is the case, as we discussed in Chapter 3, the relationships between relative needs and the requirement for funds are complex and unlikely to be proportional.

114. In this section we provide illustrative comparisons of the type requested by the terms of reference for the housing and employment functions. But the comparisons are incomplete and the results are affected by data deficiencies.

Housing

115. Table 4-4 summarises the housing needs indicators and the distribution of expenditure by ATSIC region. However, the comparisons are incomplete because:

(i) the indicators of need reflect the needs for additional housing capacity, including those serviced by mainstream public housing and the private sector; but

(ii) the expenditure data relate only to the ARHP, and the housing elements of ATSIC's CHIP and NAHS programs — details of expenditure from rent collections and of mainstream housing services provided under the Commonwealth-State Housing Agreement are not available.

116. Table 4-4 shows separate rankings of each region on the basis of relative needs for additional housing to overcome homelessness and overcrowding, and on the basis of the relative need for major upgrades of houses in the community housing sector. It also shows the estimated expenditure per household in each region from Indigenous-specific programs.

117. It shows that the pattern of relative needs varies depending on which indicator is considered. It would be desirable to combine the two indicators before making a comparison with the expenditure. However, it is not clear how that might be done,

especially when there is no information on the allocation of expenditure between construction, renovation and maintenance.

118. To compare the expenditure with the needs indicators, we divided the ATSIC regions into three groups of 12 regions (most in need, in need and less in need) on the basis of the index for additional housing. Average expenditure in those three groups was $10 399, $2972 and $1049 respectively. This shows that the expenditure is directed towards regions that are more in need.

119. Figure 4-1 compares the rankings of the housing indicators with those from the distribution of funds by ATSIC regions. It suggests a broad concordance of the distribution of funds with the housing indicators.

120. The existing distribution of Indigenous-specific housing expenditures is broadly consistent with the needs indicator we have chosen.

Figure 4-1 COMPARISON OF HOUSING NEEDS AND DISTRIBUTION OF FUNDS

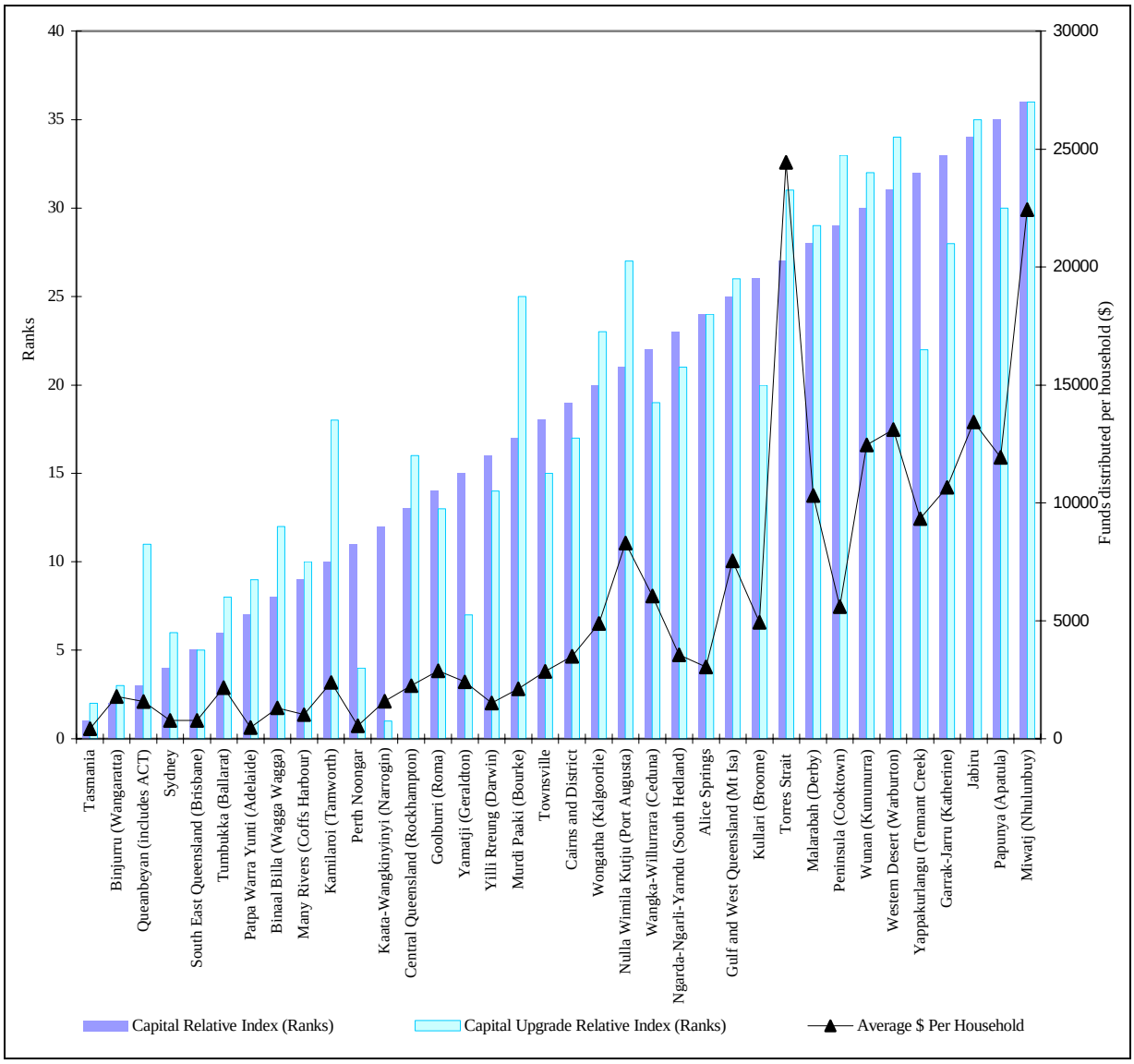


Table 4-4 ILLUSTRATIVE INDEXES OF RELATIVE HOUSING NEEDS[(a)] AND DISTRIBUTION OF FUNDS[(b)]

ATSIC Region	Expenditure		Need for additional housing		Need for upgrade	
	$ per household[(c)]	Rank	Index[(d)]	Rank	Index[(e)]	Rank
	$					
Tasmania	422.7	1	0.17	1	0.03	2
Patpa Warra Yunti (Adelaide)	470.6	2	0.35	7	0.23	9
Perth Noongar	545.3	3	0.48	11	0.12	4
South East Queensland (Brisbane)	769.1	4	0.33	5	0.12	5
Sydney	773.4	5	0.32	4	0.15	6
Many Rivers (Coffs Harbour)	1 017.5	6	0.39	9	0.30	10
Binaal Billa (Wagga Wagga)	1 310.5	7	0.35	8	0.37	12
Yilli Rreung (Darwin)	1 512.1	8	0.99	16	0.54	14
Queanbeyan (includes ACT)	1 572.5	9	0.30	3	0.34	11
Kaata-Wangkinyinyi (Narrogin)	1 585.2	10	0.64	12	0.03	1
Binjurru (Wangaratta)	1 789.5	11	0.27	2	0.11	3
Murdi Paaki (Bourke)	2 114.2	12	1.07	17	2.44	25
Tumbukka (Ballarat)	2 157.1	13	0.34	6	0.21	8
Central Queensland (Rockhampton)	2 248.2	14	0.68	13	0.93	16
Kamilaroi (Tamworth)	2 390.6	15	0.46	10	1.16	18
Yamatji (Geraldton)	2 409.6	16	0.97	15	0.18	7
Townsville	2 851.8	17	1.13	18	0.76	15
Goolburri (Roma)	2 879.4	18	0.68	14	0.53	13
Alice Springs	3 046.5	19	1.60	24	2.24	24
Cairns and District	3 488.9	20	1.23	19	0.97	17
Ngarda-Ngarli-Yarndu (South Hedland)	3 555.6	21	1.58	23	1.75	21
Wongatha (Kalgoorlie)	4 880.7	22	1.41	20	1.90	23
Kullari (Broome)	4 931.9	23	2.10	26	1.71	20
Peninsula (Cooktown)	5 598.2	24	3.96	29	8.09	33
Wangka-Willurrara (Ceduna)	6 050.3	25	1.58	22	1.48	19
Gulf and West Queensland (Mt Isa)	7 535.6	26	1.86	25	2.67	26
Nulla Wimila Kutju (Port Augusta)	8 294.3	27	1.42	21	3.81	27
Yappakurlangu (Tennant Creek)	9 328.3	28	6.00	32	1.87	22
Malarabah (Derby)	10 305.0	29	3.53	28	6.00	29
Garrak-Jarru (Katherine)	10 655.1	30	6.50	33	4.03	28
Papunya (Apatula)	11 931.0	31	9.46	35	6.11	30
Wunan (Kununurra)	12 460.4	32	4.09	30	6.89	32
Western Desert (Warburton)	13 103.6	33	5.42	31	8.87	34
Jabiru	13 431.1	34	8.17	34	9.56	35
Miwatj (Nhulunbuy)	22 430.5	35	13.31	36	10.51	36
Torres Strait	24 437.5	36	3.43	27	6.34	31

(a) The relative needs indicators for maintenance have not been tabulated.
(b) The needs indicators relate to 1996 but funding data are an average of data for the years 1996-97 to 1998-99.
(c) Estimated as the average annual expenditure in the years 1996-97 to 1998-99 in each ATSIC region, divided by the number of Indigenous households in the region. The expenditures have not been adjusted to exclude the effects of location on costs.
(d) Calculated as the average number of additional bedrooms required per Indigenous household, divided by the Australian average requirement for extra bedrooms per Indigenous household.
(e) Calculated as the proportion of all households in each region occupying a community housing property that requires major renovation, divided by the Australian Indigenous average proportion. This index is different from the one used for estimating relative need for upgrading in Chapter 7 to ensure all parts of the comparison use a common denominator. There are some doubts about comparability of the data used in constructing this index.

Employment

121. The expenditure included in this comparison covered CDEP, the Indigenous Employment Program, Disability Employment Services, Job Network and Work for the Dole. Details of actual expenditure in each ATSIC region were available for CDEP and the part of Work for the Dole expenditure attributable to Indigenous people. However, the regional data for the other programs were estimated from administrative data, largely on the basis of the Indigenous population in each region.

122. Table 4-5 summarises the employment needs indicator, excluding CDEP, and the distribution of funds by ATSIC region. Figure 4-2 presents the information graphically.

123. Dividing the ATSIC regions into three groups of twelve (most in need, in need and less in need) on the basis of the needs indicator, and examining the average expenditure per person in each group ($5796, $2205 and $922 respectively), indicates that expenditure increases with need.

124. The distribution shows a gradual increasing level of expenditure with need. It suggests some concordance between the ranking of regions on the basis of the needs indicator and the ranking based on expenditure. However, there appear to be some State to State, and region to region, anomalies.

125. The general agreement between the patterns of needs and expenditure largely reflects the methods used to estimate the regional expenditure attributable to Indigenous people under Job Network and the Indigenous Employment Program.

Table 4-5 ILLUSTRATIVE SUMMARY OF RELATIVE EMPLOYMENT NEEDS AND DISTRIBUTION OF FUNDS [(a)]

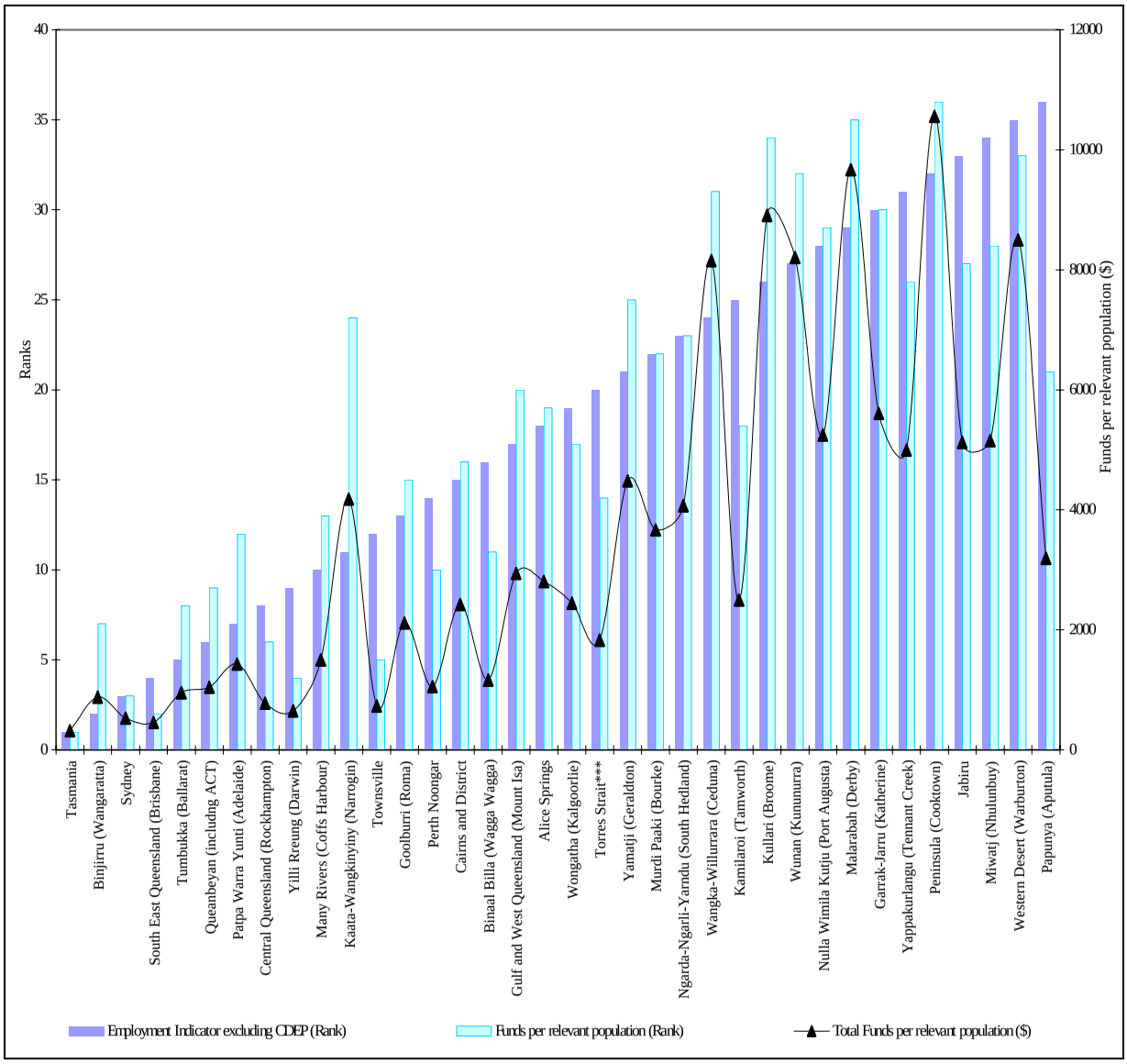
ATSIC Region	Expenditure		Indicator of effective employment, excluding CDEP	
	$pc[(b)]	Rank	Index[(c)]	Rank
Tasmania	319	1	0.76	1
South East Queensland (Brisbane)	457	2	0.68	4
Sydney	533	3	0.72	3
Yilli Rreung (Darwin)	652	4	0.55	9
Townsville	734	5	0.54	12
Central Queensland (Rockhampton)	780	6	0.55	8
Binjirru (Wangaratta)	880	7	0.74	2
Tumbukka (Ballarat)	956	8	0.67	5
Queanbeyan (includng ACT)	1 045	9	0.66	6
Perth Noongar	1 055	10	0.52	14
Binaal Billa (Wagga Wagga)	1 166	11	0.52	16
Patpa Warra Yunti (Adelaide)	1 433	12	0.59	7
Many Rivers (Coffs Harbour)	1 500	13	0.54	10
Torres Strait	1 832	14	0.50	20
Goolburri (Roma)	2 114	15	0.53	13
Cairns and District	2 422	16	0.52	15
Wongatha (Kalgoorlie)	2 444	17	0.51	19
Kamilaroi (Tamworth)	2 498	18	0.46	25
Alice Springs	2 807	19	0.51	18
Gulf and West Queensland (Mount Isa)	2 941	20	0.51	17
Papunya (Aputula)	3 192	21	0.16	36
Murdi Paaki (Bourke)	3 669	22	0.48	22
Ngarda-Ngarli-Yarndu (South Hedland)	4 071	23	0.48	23
Kaata-Wangkinyiny (Narrogin)	4 181	24	0.54	11
Yamatji (Geraldton)	4 484	25	0.48	21
Yappakurlangu (Tennant Creek)	4 999	26	0.27	31
Jabiru	5 127	27	0.20	33
Miwatj (Nhulunbuy)	5 154	28	0.18	34
Nulla Wimila Kutju (Port Augusta)	5 252	29	0.29	28
Garrak-Jarru (Katherine)	5 609	30	0.28	30
Wangka-Willurrara (Ceduna)	8 153	31	0.48	24
Wunan (Kununurra)	8 205	32	0.38	27
Western Desert (Warburton)	8 500	33	0.18	35
Kullari (Broome)	8 909	34	0.41	26
Malarabah (Derby)	9 667	35	0.29	29
Peninsula (Cooktown)	10 560	36	0.25	32

(a) The needs indicators relate to 1996 but funding data relate to 1998-99.

(b) Estimated as the number of employed people per head of population aged 15 to 64 in each region, divided by the comparable Australian average figure. Census data were used in these calculations.

(c) Estimated by dividing total expenditure attributable to Indigenous people on Job Network, the Indigenous Employment Program, Disability Employment Program, Work for the Dole and CDEP during 1998-99 by the Indigenous population in the 15-64 years age group. The expenditures have not been adjusted to exclude the effects of geographic location on costs.

Figure 4-2 EFFECTIVE EMPLOYMENT NEEDS (EXCLUDING CDEP) AND DISTRIBUTION OF FUNDS



CONCLUSIONS

126. This chapter examined how Indigenous people's need is recognised and met within existing funding mechanisms. Our conclusions are as follows.

(i) Mainstream services are intended to support access by all Australians to a wide range of services. Given the entrenched levels of disadvantage experienced by Indigenous people in all functional areas addressed by our Inquiry, it should be expected that their use of

mainstream services would be at levels greater than those of non-Indigenous Australians. This is not the case. Indigenous Australians in all regions access mainstream services at very much lower rates than non-Indigenous people.

(ii) The mainstream programs provided by the Commonwealth do not adequately meet the needs of Indigenous people because of barriers to access. These barriers include the way programs are designed, how they are funded, how they are presented and their cost to users. In remote areas, there are additional barriers to access arising from the lack of services and long distances necessary to access those that do exist — barriers which are generally not overcome by the use of technology in service delivery. The inequities resulting from the low level of access to mainstream programs are compounded by the high levels of disadvantage experienced by Indigenous people.

(iii) Some initiatives have been taken to address access problems in mainstream programs. These include changes in the range of benefits available under Medicare and PBS, changes in procedures associated with those programs, better targeting of other health programs, changes in the operation of Job Network and action to improve the cultural sensitivity of service delivery. While recent evidence suggests these changes are having an impact, they fall short of the across-the-board improvements in access that are needed to address the existing disadvantage of Indigenous people.

(iv) Commonwealth Indigenous specific programs are intended to provide targeted assistance to Indigenous people to supplement the delivery of services through mainstream programs. These programs are a recognition of the special needs of Indigenous people associated with, and in response to, their levels of disadvantage. The failure of mainstream programs to effectively address needs of Indigenous people means that Indigenous-specific programs are expected to do more than they were designed for and, as a consequence, focus less on the disadvantaged.

(v) The Commonwealth has limited influence on the extent to which the distribution of mainstream programs reflects the relative needs of Indigenous people in different regions. Most service provision is under State control.

(vi) Similarly, it has limited influence over the regional allocation of mainstream SPP funds, apart from the effects of any conditions it has attached to the payments under the agreements negotiated with the States.

(vii) Some of the Commonwealth's own purpose Indigenous-specific programs, especially those in the infrastructure and housing areas, do

reflect relative needs. Some in the health area are also beginning to move in that direction, but do not currently reflect relative needs.

(viii) Overall, the nature of many Commonwealth mainstream programs and the reliance on States or non-government agencies to deliver them, means the Commonwealth has limited scope to directly control the regional allocation of resources.

(ix) The Commonwealth can achieve considerable indirect influence over the actions of State and non-government providers and is beginning to use this to achieve better targeted and more effective programs. One of the main ways this is being achieved is through the development of partnerships, agreements and other collaborative arrangements to improve co-ordination between governments and their agencies and to provide Indigenous people with a greater role in making decisions that affect them. These initiatives have proceeded furthest in the health, housing and infrastructure functions.

(x) While it is too early to determine whether these processes are reducing Indigenous disadvantage, they are increasing participation in the processes. This should help policies become more effective in targeting Indigenous need, and in providing services that are more culturally appropriate and recognise the diversity of Indigenous people.

(xi) In some cases, people at the local level feel they still have no input into overall planning, and consider the existing partnership arrangements to have had little effect on their communities. That is, many partnerships are still essentially top down processes. There are also concerns about the unequal status of members of some existing partnership arrangements, and perceptions that they are driven by the mainstream and are not always backed by funding.

(xii) There is potential for cost shifting in Australia's federal system which could dilute the intended outcomes of Commonwealth programs directed towards Indigenous disadvantage.

(xiii) Meaningful quantitative comparisons of the regional pattern of relative needs indicators and the existing regional distribution of expenditure are limited by the lack of expenditure data.