

# **COMMONWEALTH GRANTS COMMISSION**

## **REPORT ON INDIGENOUS FUNDING 2001**

**CANBERRA**

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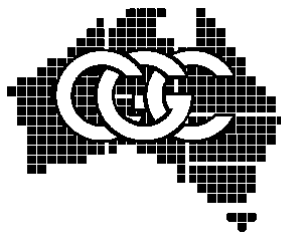
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## Commonwealth Grants Commission

Senator the Hon Rod Kemp  
Acting Minister for Finance and Administration  
Parliament House  
CANBERRA ACT 2600

Dear Minister

As members of the Commonwealth Grants Commission appointed under the *Commonwealth Grants Commission Act 1973*, we respond in this report to the terms of reference, received from the Minister for Finance and Administration on 21 November 1999, for any inquiry into the distribution of funding for programs providing services for Aboriginal and Torres Strait Islander people.

Yours sincerely

A G Morris, Chairman

T G Baban, Member

S G Harben, Member

G E Rees, Member

N B Reid, Member

R J Searle, Secretary

28 March 2001

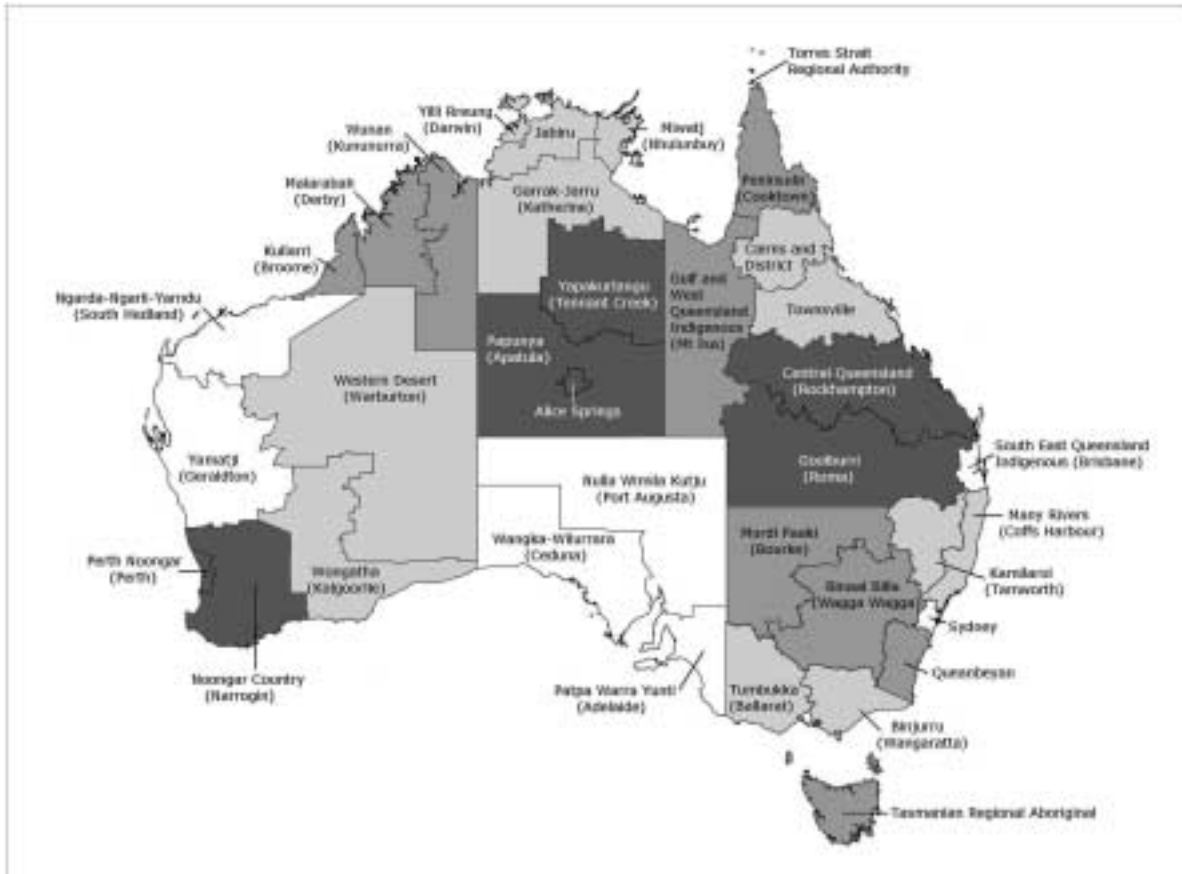
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## ATSIC REGIONS

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## TERMS OF REFERENCE

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Mr Alan Morris  
Chairman  
Commonwealth Grants Commission  
Cypress Court  
5 Torrens Street  
CANBERRA ACT 2601

21 November 1999

Dear Mr Morris

I am writing to provide the Commonwealth Grants Commission with terms of reference for an inquiry into the distribution of funding for programs that affect Aboriginal and Torres Strait Islander peoples. The Inquiry is expected to develop measures of relative disadvantage that can be used to target resources more effectively to areas of greatest need.

The terms of reference are as follows:

- “1. Pursuant to section 18 of the Commonwealth Grants Commission Act 1973, the Commission should, by 28 March 2001 at the latest, inquire into and develop a method that can be used to determine the needs of groups of indigenous Australians relative to one another across government and government-type works and services provided or funded by the Commonwealth, or by the States, Territories or local government with Commonwealth financial assistance through specific purpose payments.
2. The Commission should develop a method that:
  - (i) is based, where possible, on existing or readily available data sources;
  - (ii) distinguishes, where possible, between the needs of Aboriginal people and Torres Strait Islanders (including those living outside the Torres Strait region); and
  - (iii) enables comparison of the relative needs of indigenous Australians for works and services in key functional areas by geographic region (ATSIC regions if possible) and by State and Territory.
3. In doing so, the Commission should take account of:
  - (i) the full range of sources from which funding could be obtained, including indigenous specific and mainstream programs, and the inter-relationships between these funding sources;

- (ii) the methods by which distributions of funding are presently determined, and any other research relevant to the assessment of needs, both generally and for indigenous peoples;
- (iii) the likelihood that meeting needs in some regions would require a higher initial investment of resources;
- (iv) the nature and timing of existing strategies to provide works or develop services to meet those needs; and
- (v) any interaction between the recommendations of this inquiry, the level of expenditure by the States and Territories and indigenous Australians and the Commission's assessments for the distribution of Commonwealth funding to the States and Territories generally. If necessary, the report should advise on the implications that any such interactions may have on the level of services for indigenous Australians or Commonwealth-State financial relations.

4. The Commission should then apply its method to:

- (i) report on the relative needs of groups of indigenous Australians in key functional areas of works and services for each geographic region, State and Territory;
- (ii) derive indexes of relative need that could be used to determine distributions of resources across these functional areas, geographic regions, States and Territories based on its assessments of relative need; and
- (iii) compare such distributions with the current distributional patterns.

5. The key functional areas that the Commission should cover in its inquiry are:

- housing and infrastructure;
- employment and training;
- health; and
- education.

The Commission may include such other areas as it deems appropriate.

6. The Commission should provide the indigenous people and their organisations, and all relevant Commonwealth, State, Territory and local government agencies, with adequate opportunities to provide input into the inquiry.”

These terms of reference have been developed with the support of relevant Commonwealth agencies who will be able to assist during the inquiry by the timely provision of relevant information.

Yours sincerely

JOHN FAHEY



## MAIN FINDINGS

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1. The terms of reference for this Inquiry asked us to develop methods of calculating the relative needs of Indigenous<sup>1</sup> Australians in different regions for health, housing, infrastructure, education, training and employment services. We were asked to take account of the level of expenditure by the States and Territories<sup>2</sup> and, to the extent possible from existing data sources, to calculate indexes of need and compare the results with the actual distribution of expenditure on those functions.

2. The report contains our detailed responses to these and other matters we think relevant to these tasks. The main findings of our Inquiry are as follows.

### *The Circumstances of Indigenous Australians (Chapter 2)*

3. The social, economic and cultural circumstances of Indigenous Australians differ greatly between urban, rural and remote locations, and between and within ATSIC regions<sup>3</sup>.

4. These differences have an impact on need and service provision.

5. The services provided to Indigenous people, how they are provided and the costs of providing them, differ with location because of the way services are provided, differences in need and differences in costs.

6. In all regions, and across all functional areas examined in our Inquiry, Indigenous people experience entrenched levels of disadvantage compared to non-Indigenous people.

### *Identifying and Measuring Need (Chapter 2)*

7. The terms of reference asked us to develop a method by which regional allocations of funds for Indigenous purposes could be based on indexes that measured the relative needs of Indigenous people. We have concluded as follows.

- (i) Needs should be defined in terms of outcomes, or indicators of the relative status of Indigenous people. A focus on outcomes allows us to

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<sup>1</sup> The term 'Indigenous' has been used in this Report to refer to Aboriginal peoples and Torres Strait Islanders.

<sup>2</sup> In the rest of this Report, the word State(s) should be read as including the ACT and the Northern Territory, unless the context indicates otherwise.

<sup>3</sup> In this Report, the term ATSIC regions covers the 35 regions of the Aboriginal and Torres Strait Islander Commission (ATSIC), plus the area of the Torres Strait Regional Authority.

consider whether the needs of Indigenous people are being effectively addressed.

- (ii) There are several aspects to the identification of need, and measuring outcomes for any function requires judgement about which aspects are most relevant to the circumstances of Indigenous people. Judgements are also necessary about the priorities to be given to each aspect of need, how the different measures of need should be combined, and how to allow for the impact of local circumstances.
- (iii) It is difficult to construct suitable regional indexes of relative needs because of the absence of comprehensive, comparable and up-to-date data. However, we did construct some illustrative indicators, mainly on the basis of 1996 Census data.
- (iv) Indicators can be useful as a guide to assisting judgements on how resources might be distributed to better target the relative needs of Indigenous people.
- (v) The indicators we measured consistently point to the highest needs per person (or per household) being in the remote ATSI regions.

### ***Linking Needs and Resource Allocation (Chapter 3)***

8. A number of issues would need to be addressed before linking needs and resource allocation, even if data were available to prepare suitable indexes of relative need. We have concluded as follows.

- (i) Since mainstream programs are intended to meet the needs of all Australians, and were included in our terms of reference, we considered it essential to establish whether Indigenous Australians access these services on an equitable basis.
- (ii) It is clear from all available evidence that mainstream services do not meet the needs of Indigenous people to the same extent as they meet the needs of non-Indigenous people.
- (iii) There are many sources of funds available to meet the needs of Indigenous people and allocation methods used for any one program should take account of what is happening in other programs.
- (iv) There is no obvious and simple proportional relationship between measures of needs and the funds required to achieve outcomes.
- (v) While measures of relative need can be useful as a guide to assisting judgements on how resources might be better distributed, a formula based approach cannot be used in isolation. Judgement is an essential feature of allocation.

- (vi) Indigenous people in all regions have high needs relative to the non-Indigenous population. An important question is whether new methods of distribution should be applied to existing programs and funds. Any change in methods of distributing existing resources means that some regions would lose funding and others would gain. Large redistributions risk losing the benefits of investments made over long periods of time, including those in developing organisational capacity and people. The real costs of redistribution may be high.

#### ***Funding and Service Delivery in Practice (Chapter 4)***

9. 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.

10. 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. The inequities resulting from the low level of access to mainstream programs are compounded by the high levels of disadvantage experienced by Indigenous people.

11. Some initiatives have been taken to address access problems in mainstream programs. These include changes in the range of benefits available under Medicare and the Pharmaceutical Benefits Scheme (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 needed to address the existing disadvantage of Indigenous people.

12. 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.

13. 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.



14. Similarly, the Commonwealth has limited influence over the regional allocation of mainstream specific purpose payments (SPP) funds, apart from the effects of any conditions specified in the agreements negotiated with the States.

15. Some of the Commonwealth's own-purpose Indigenous-specific programs, especially those in the infrastructure and housing areas, do reflect relative needs, and some in the health area are beginning to move in that direction. Overall, however, it cannot be said that need is the focus of funding distribution.

16. 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.

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

18. In some cases, people at the local level feel they still have no input into overall planning, and consider the existing collaborative arrangements 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.

19. 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.

### ***Improving the Allocation of Funds to Meet Indigenous Need (Chapter 5)***

20. The complex issues surrounding the link between changes in the needs of Indigenous people and the level and type of services designed to achieve those changes cannot be encompassed in national funding formulas. The Commonwealth, acting alone, is not able to ensure that funds are directed to areas of greatest need.

21. There are important principles and key areas for action that should guide efforts to promote a better alignment of funding with needs. These include:

- (i) the full and effective participation of Indigenous people in decisions affecting funding distribution and service delivery;
- (ii) a focus on outcomes;

- (iii) ensuring a long term perspective to the design and implementation of programs and services, thus providing a secure context for setting goals;
- (iv) ensuring genuine collaborative processes with the involvement of government and non-government funders and service deliverers, to maximise opportunities for pooling of funds, as well as multi-jurisdictional and cross-functional approaches to service delivery;
- (v) recognition of the critical importance of effective access to mainstream programs and services, and clear actions to identify and address barriers to access;
- (vi) improving the collection and availability of data to support informed decision making, monitoring of achievements and program evaluation; and
- (vii) recognising the importance of capacity building within Indigenous communities.

22. Achieving equitable access for Indigenous people to mainstream services is the highest priority. This requires actions to:

- (i) ensure all spheres of government recognise their responsibilities through mainstream programs, and the appropriate relationship between mainstream and Indigenous-specific programs;
- (ii) review all aspects of mainstream service delivery to ensure they are sensitive to the special needs and requirements of Indigenous people; and
- (iii) involve Indigenous people in the design and delivery of mainstream services.

23. Effective partnerships between service funders, service providers and Indigenous people will better direct services towards Indigenous disadvantage. Some essential features of such partnerships are that there is:

- (i) the involvement of all relevant spheres of government, with a cross-functional perspective;
- (ii) a financial stake for all parties, so that Indigenous representatives do not feel dominated by the fund-holding agencies;
- (iii) full and equal access to policy and service delivery information for all parties; and
- (iv) Indigenous control of, or strong influence over, service delivery expenditure and regional and local service delivery arrangements that

emphasise community development, inter-agency co-operation and general effectiveness.

24. For those communities where capacity building is lacking, a higher initial investment of resources will need to be made to provide a framework for the effective delivery of services and sustainable outcomes.

25. Given the major role States play in service delivery, the Commonwealth should give priority to promoting the extension of collaborative decision making arrangements by:

- introducing and enforcing additional conditions for both mainstream and Indigenous-specific SPPs, such as data collection, mandating performance reporting, Indigenous-specific performance criteria and greater Indigenous involvement in decision making; and
- seeking extra conditions that target some of the expenditure of mainstream SPPs to aspects of the services that are important to Indigenous people.

26. The Commonwealth can also influence the way funding is made available and services are delivered to Indigenous people through its key role in the development of national policies and its leadership in key Ministerial Councils.

#### ***Data Issues (Chapter 4 and Chapter 5)***

27. Regional data are largely limited to the Census. While there are doubts about the accuracy of Census data, particularly for small areas, it is often all that are available.

28. Census data should not be overlooked because of concerns about its accuracy. It does show differences between regions, even if the extent of those differences may not be precise.

29. Data availability is better for housing, infrastructure and employment.

30. Administrative data (such as the services provided by particular deliverers) is very difficult to obtain. Where it does exist, lack of comparability between States and regional service providers makes it difficult to use. In addition, there are often commercial-in-confidence or privacy considerations that limit its availability to decision makers.

31. Financial data on the provision of services to Indigenous people on a regional basis is very poor. There are practically no data on what mainstream funds are spent in each region of each State, or on any specific group of people in any State.

32. If data collections are to contribute in a more comprehensive way to decisions about regional funds allocations, much greater effort will need to be made by the Commonwealth, the States and other service providers to improve their comparability, reliability and availability.

## ***Health (Chapter 6)***

33. The health outcomes for Indigenous Australians are much poorer than for other Australians. The health status of Indigenous people in remote areas is poorer than that of Indigenous people in urban and rural areas. It is critical for the Commonwealth to increase Indigenous people's access to Medicare and the PBS.

34. Over the past decade the Commonwealth has increased expenditure on primary health care and is continuing to expand programs in this area through both additional funds and increasing access to Medicare and PBS. However, a further significant increase in these funds would be necessary to bring direct Commonwealth expenditure on Indigenous people to the Australian average.

35. There is no evidence that any State, region or location has resources excessive to those required to address the health need of Indigenous people.

36. Overall funding for Indigenous health, while slightly above the average spent on all Australians, is significantly below what would be expected for a group with such a poor health status.

37. Total resources for Indigenous health are greater in urban areas than in rural and remote regions. This is similar to health financing for all Australians but does not match the pattern of needs for Indigenous health funding.

38. A range of conceptual and practical difficulties must be addressed if reliable measures of relative health need are to be developed. These include identifying funds and obtaining reliable data.

39. It is also necessary to overcome physical and cultural barriers to access to services. To achieve better access to primary health care services and to enhance the effectiveness of these services requires genuine partnerships with Indigenous people, improved delivery of mainstream services, expansion of community controlled health services and a stronger focus on environmental health issues.

## ***Housing (Chapter 7)***

40. Indigenous Australians rely much more heavily than others on renting, especially public housing and community housing. Initiatives to promote home ownership are needed if this situation is to be changed.

41. Overcrowding and poor quality housing is more prominent in rural and remote regions; housing affordability is a greater problem in urban regions.

42. Initiatives are being implemented to better meet the needs of Indigenous people for housing. These include a greater effort to co-ordinate, plan and target Indigenous-specific funding through formal agreements with the States, the creation of Indigenous housing authorities, the development of new management models for community housing, and targeting of specific funding to rural and remote regions.

43. The measurement of housing need has improved greatly over the past decade. The current distribution of Indigenous-specific funds broadly accords with relative need — a larger share of these funds are allocated to remote regions that have the greatest need.

44. Data are not available to ascertain whether mainstream housing funds are accessed equitably by Indigenous people in urban and rural regions where this form of housing is more common. The small amount of mainstream funding allocated to remote regions in the past suggests these funds do not generally target areas where the depth of Indigenous need is greatest.

### ***Infrastructure (Chapter 8)***

45. Access to adequate infrastructure services is only an issue for Indigenous people living in remote locations, or in communities on Aboriginal land, including those adjacent to urban centres where responsibility for the provision of local government type services may be unresolved. While there have been improvements over recent years in the provision of infrastructure for Indigenous communities in remote locations, needs are still high in many small remote communities.

46. The desirability of collaborative and co-ordinated approaches to service delivery, with a clear allocation of responsibilities, is recognised through the negotiation of essential service agreements between ATSIC and the States, and agreements with local government. Extending these partnership arrangements is important to improving outcomes and service co-ordination.

47. The distribution of infrastructure funds on a needs basis should be achievable in practice. The approach adopted by ATSIC for the National Aboriginal Health Strategy is based on needs and has a high level of Indigenous involvement in the decision making process.

### ***Education (Chapter 9)***

48. Although there is evidence that outcomes are improving, the limited available data confirm that Indigenous students continue to experience widespread disadvantage and have achievements that are below those of non-Indigenous students.

49. Educational disadvantage is greatest in the more remote regions.

50. Schools education is almost exclusively delivered as a mainstream service. If mainstream schooling fails to meet the needs of Indigenous students, Indigenous outcomes will fail to match those of non-Indigenous students. Although high level strategies articulate appropriate objectives, it is by no means clear that current mainstream approaches are delivering sufficiently rapid improvements.

51. While Commonwealth funding to address Indigenous disadvantage has increased since the mid 1990s, it remains small in relation to overall spending on education and the continuing level of disadvantage.

52. Commonwealth general recurrent funding for government schools reflects primary and secondary student numbers but does not allow for differential costs of service delivery. Commonwealth funding for Indigenous-specific programs is allocated on the basis of student numbers, but Indigenous-specific funding is not targeted to regions on the basis of relative need. It is not clear that the allocation of Indigenous-specific funds between the government and non-government sectors is consistent with need.

53. The allocation processes adopted by the States are also largely driven by basic demand and cost factors. They do not reflect relative need.

### ***Training (Chapter 10)***

54. While Indigenous participation in training is high, the level of attainment is below that of non-Indigenous participants. Training outcomes, such as employment, are poor.

55. Access to training is particularly limited in the very remote regions. The special needs of Indigenous people in remote regions, and the greater costs of delivering effective training in those regions are not adequately recognised. There is also a need to better integrate the planning of mainstream and Indigenous-specific funding if Indigenous people are not to be marginalised in the VET system.

### ***Employment (Chapter 11)***

56. The unemployment rate of Indigenous Australians is far higher than any other group in society. Given the demographic profile of Indigenous people, this situation will deteriorate further unless special efforts are made.

- (i) Job Network is delivering mixed results for Indigenous people. There is a high degree of variability in the access of Indigenous people to services, with fewer in more remote regions (often reflecting the very limited employment market). While Indigenous people now seem to be accessing an equitable share of commencements in Intensive Assistance, employment outcomes remain poor. An outcome based benchmark would be more appropriate.
- (ii) Job Network does not yet have broad acceptance within the Indigenous community. The recent changes to the Job Network arrangements should be of benefit to Indigenous people.
- (iii) The employment outcomes being achieved under the Indigenous Employment Program are encouraging. The strategic focus on partnerships with the private sector, and collaboration with Job Network providers and CDEPs is consistent with our findings on effective program design.
- (iv) The cashing out principle adopted by funding the IEP from unspent Job Network funds recognises that the measure of Indigenous people's

inability to access a mainstream program can be redirected to an Indigenous-specific program. This cashing out approach is also used in health and could have wider application.

- (v) The impact of CDEP is very apparent. Unemployment rates move to about 40 per cent when CDEP participation is excluded from employment statistics. CDEP has been critically important in remote regions where the labour market is very limited. CDEP growth should be focussed on such regions.
- (vi) The lack of a training component in CDEP funding is restricting the effectiveness of the program and the opportunities for capacity building in some remote areas.