

Indigenous Expenditure Report Project Update February 2010

This Information Bulletin is the third in a series to inform you about the Report's development and explains the methodology used to determine Indigenous expenditure.

The Indigenous Expenditure Report will provide estimates of government expenditure on services to both Indigenous and non-Indigenous Australians. The Indigenous Expenditure Report will use an estimation method that is similar to the approach of similar reports, such as Australian Institute of Health and Welfare's *Expenditures on Health for Aboriginal and Torres Strait Islander Peoples* (which began to report estimates of health services expenditure in the late 1990s), and the Northern Territory government *Indigenous Expenditure Reviews*. More information about the history of Indigenous expenditure reporting is provided in *National Framework for Reporting Expenditure on Services to Indigenous Australians: Stocktake Report* (www.pc.gov.au/ier).

The Indigenous Expenditure Report will present both Australian, State and Territory government expenditure on services for Indigenous people.¹ Figure 1 illustrates how Indigenous expenditure is identified, and involves two stages:

1. identifying total expenditure by service area, and where applicable, total expenditure for Indigenous-specific services and programs, and
2. prorating mainstream (that is, non-Indigenous specific) expenditure between Indigenous and non-Indigenous service use.

Before expenditure can be allocated to Indigenous and non-Indigenous people, it needs to be allocated to service areas. The Indigenous Expenditure Report method uses the Australian Bureau of Statistics' Government Purpose Classification (GPC) categories to allocate expenditure by service area.²

The next task is to identify (by service area) any expenditure that specifically targets services for Indigenous people. Services to Indigenous people are provided through a combination of targeted and mainstream services. Expenditure on Indigenous-specific services (for example, the Australian Government Indigenous Employment Program) have been assumed to be exclusively for Indigenous people.³

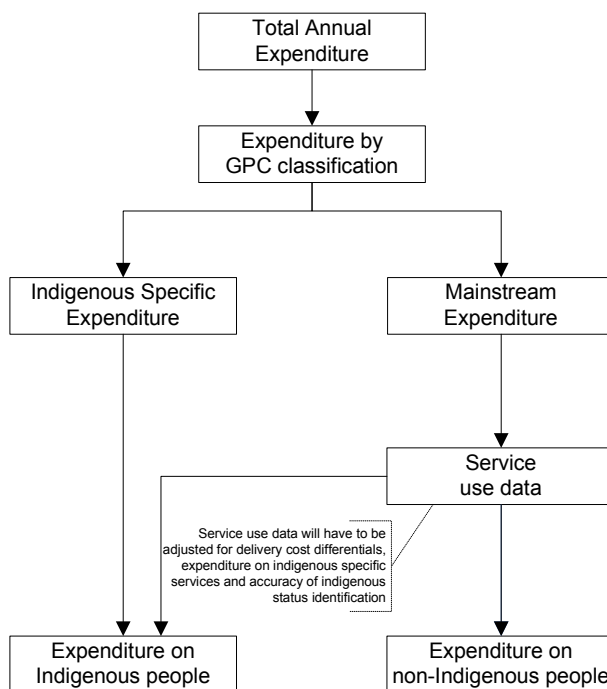
Indigenous Australians also receive support through 'mainstream services'. Expenditure on mainstream services for each GPC subgroup is calculated as the residual of total expenditure less any expenditure on Indigenous-specific services that can be identified.

¹ Details on the scope and definitions of expenditure for the first report are provided in the *2010 Report Expenditure Data Manual* (www.pc.gov.au/ier)

² In some cases, the GPC subgroups does not provide sufficient disaggregation to map to the Working Group on Indigenous Reform outcome categories (see Information Bulletin #2), so some additional categories have been created.

³ There can, however, be some use of these services and programs by non-Indigenous people in particular locations (for example, health services in remote communities).

Figure 1 Expenditure estimation process



The Indigenous share of expenditure on mainstream services is estimated on the basis of Indigenous people’s usage of services. Measures of service use provide a proxy of the distribution of costs among service users. Where possible, expenditure will also be adjusted for ‘Indigenous under-identification (that is, the extent to which Indigenous people are not identified), and differences in the average cost of providing services to Indigenous compared with non-Indigenous people (the ‘cost differential’).

The estimation of the Indigenous share of expenditure on mainstream services is a complex task that is new to most jurisdictions. As a consequence, the data reported will be subject to a process of continual improvement. Priority areas for improvement will be highlighted in the report. .

Forthcoming information bulletins in this series will explain issues such as Indigenous identification and cost differentials,. If you have any questions, would like to contribute views to the Indigenous Expenditure Report project, or want to receive Indigenous Expenditure Report updates, please contact the Secretariat (gsp.ier@pc.gov.au).