



Review of the National Agreement on Closing the Gap

Priority Reform 2: Strengthening the community-controlled sector

Information paper 3

Draft report



The Productivity Commission acknowledges that Aboriginal and Torres Strait Islander people are the first storytellers of this land and Traditional Owners of Country on which we now live and work. We recognise their continuing connection to lands, waters, communities and cultures. We pay our respects to Aboriginal and Torres Strait Islander cultures, and to Elders past and present.

Aboriginal and Torres Strait Islander people should be aware that this report may contain the names of people who have since passed away.

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Key points

 **Priority Reform 2 is about strengthening the ability of Aboriginal and Torres Strait Islander community-controlled organisations (ACCOs) to use their knowledge, expertise and connection to community to design and deliver high quality, holistic, and culturally safe services.**


- Priority Reform 2 requires more than shifting service delivery from government or the non-Indigenous service sector. Genuine sector strengthening would give ACCOs the decision-making and leadership position to identify problems, design solutions, deliver services and define success in a way that meets the priorities and needs of the people who use their services.
- Transferring 'mainstream' service delivery models and their associated key performance indicators to ACCOs, without empowering ACCOs to redesign these for their communities, would shift the risk of failure (and even harm) onto ACCOs.
- Commissioning processes should recognise that Aboriginal and Torres Strait Islander organisations are expert partners in service delivery. Service delivery and wellbeing outcomes stand to improve where governments value the knowledge and expertise that ACCOs bring. Through shared decision-making, genuine partnerships and government transformation (Priority Reforms 1 and 3), governments will be better able to support ACCOs with reliable funding, as well as invest in workforce and other sector strengthening elements.

 **Key to achieving a strong community-controlled sector is the use of longer-term, collaborative approaches to commissioning ACCOs. This includes governments providing ACCOs with dedicated and reliable funding that covers the full costs of service provision and gives ACCOs the flexibility to design and deliver services.**

- Some jurisdictions are developing and trialling programs to provide more flexibility, introduce longer-term contracts, or reduce reporting burdens. While these approaches show promise, they would need to be rolled out more widely before ACCOs and service users see improvements at the ground level.
- Without reform to contracting, funding, service delivery and evaluation, approaches that are poorly suited to the needs of communities could be 'lifted and shifted' from non-Indigenous organisations to ACCOs.
- Without consistent and adequate funding, ACCOs will continue to face difficulty maintaining their workforce – particularly where they compete for talent with non-Indigenous organisations and the public sector.

 **Some government agencies are beginning to prioritise ACCOs in procurement, grant or program guidelines. However, the scope of change has been piecemeal, subject to long timeframes and delays, leading to a slow and inconsistent pace of change.**

- There has been limited progress in directing more funding to ACCOs. Some governments have made little progress in developing methodologies for understanding the current baseline of ACCO funding.
- Consistent with the Commission's assessment of Priority Reform 3 (information paper 4), funding processes may require examination for indirect discrimination and institutional racism that can put ACCOs at a disadvantage in tendering processes.

 **Four sector strengthening plans (SSPs) have been developed, albeit behind schedule. It is unclear whether the SSPs will be effective in driving reform, given that they lack specificity and accountability.**

- Many of the actions for governments fail to specify funding, timeframes for completion, or responsible agencies for implementation. Reporting on SSP progress in annual reports has been inconsistent and inadequate.

1 What is Priority Reform 2 about?

Under Priority Reform 2 of the National Agreement on Closing the Gap (the Agreement), government parties committed to building formal Aboriginal and Torres Strait Islander community-controlled sectors to deliver services to support closing the gap (clause 42). The overall outcome of Priority Reform 2 is summarised in the Agreement as a state where:

There is a strong and sustainable Aboriginal and Torres Strait Islander community-controlled sector delivering high quality services to meet the needs of Aboriginal and Torres Strait Islander people across the country. (p. 18)

Aboriginal and Torres Strait Islander community control is an act of self-determination

Priority Reform 2 affirms that Aboriginal and Torres Strait Islander community control is an act of self-determination. This has intrinsic value as a human right recognised under the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Self-determination can also have extrinsic benefits through better and more informed decision-making. Community control, as a particular example of self-determination, can lead to decisions and service designs that are made with more information about and engagement with the people who use those services, accounting for the differences in need, preference, and culture between communities.

Priority Reform 2 also affirms that Aboriginal and Torres Strait Islander community-controlled services lead to better service outcomes for Aboriginal and Torres Strait Islander people (box 1). Aboriginal and Torres Strait Islander community-controlled organisations (ACCOS) are well-placed to design and deliver culturally safe and effective services. This is in part because ACCOS employ more Aboriginal and Torres Strait Islander people, have greater cultural expertise, skills and knowledge, and have stronger ties to the community. This would suggest that service outcomes for Aboriginal and Torres Strait Islander people and communities can benefit substantially from the expertise of ACCOS.

From an economic perspective, more effectively designed and delivered human services present a more efficient use of private and public resources. This in turn can have broader economic implications, particularly for the types of services that are fundamental to social and economic participation.¹ In communities where publicly funded services and infrastructure play a more central role (for instance, due to geographic remoteness and thin markets), more effective provision can not only improve the wellbeing of individuals but also that of whole communities.

¹ For example, the Commission has previously argued that human services are 'essential for the wellbeing of individuals and their families, and underpin economic and social participation' (PC 2017a, p. 3); health care services are central to wellbeing outcomes and labour market participation, and could be pivotal to overcoming significant health inequality across socioeconomic and rural-urban divides (PC 2017b); and forms of disadvantage and poverty can suppress a person's ability to improve their economic situation, reducing their ability to find work or to invest their time and resources into education and training (PC 2018, p. 10).



Box 1 – The value of the community-controlled sector

What are ACCOs?

Under clause 44 of the Agreement, an ACCO is an organisation delivering services, including land and resource management, that builds the strength and empowerment of Aboriginal and Torres Strait Islander communities and people and is:

- incorporated under relevant legislation and not-for-profit
- controlled and operated by Aboriginal and/or Torres Strait Islander people^a
- connected to the community, or communities, in which they deliver the services
- governed by a majority Aboriginal and/or Torres Strait Islander governing body.

The scope of services and activities that ACCOs deliver is broad, and includes health services, legal services, child and family services, alcohol and drug services, and housing – and many provide multiple services to communities. In some instances, ACCOs are the main provider of human and social services in communities, particularly in regional and remote communities with large Aboriginal and Torres Strait Islander populations.

ACCOs are funded through various sources, including government grants and/or procurement tenders for service, as well as sector specific funding streams such as Medicare (for health services ACCOs) and the childcare subsidy (for childcare ACCOs). Some ACCOs also generate own-source income through business activities (such as membership fees or fees for service) or donations.

Why are ACCOs important for improving service delivery and outcomes?

Priority Reform 2 aims to boost Aboriginal and Torres Strait Islander community control, both as an act of self-determination and because it would improve outcomes. The Commission heard many examples around the country where outcomes for communities were greatly improved when service delivery was both designed and controlled by ACCOs – particularly in the areas of child protection and mental health.

There is growing evidence that ACCOs can improve outcomes for Aboriginal and Torres Strait Islander people. For instance, regarding health services, Pearson et al. (2020) noted:

... [health] ACCOs not only have an essential role in addressing immediate healthcare needs but also invest in driving change in the more entrenched structural determinants of health. These are important actions that likely have an accumulative positive effect in closing the gap towards health equity (p. 2).

Panaretto (2014, p. 649) stated that there is 'a sound evidence base for comparing the health outcomes for Indigenous people in [Aboriginal community-controlled health services] with the outcomes achieved through mainstream services'. These data show that:

- models of comprehensive primary health care consistent with the patient-centred medical home model;
- coverage of the Aboriginal population higher than 60% outside major metropolitan centres;
- consistently improving performance in key performance on best-practice care indicators; and
- superior performance to mainstream general practice.



Box 1 – The value of the community-controlled sector

[Aboriginal community-controlled health services] play a significant role in training the medical workforce and employing Aboriginal people. (Panaretto et al. 2014, p. 649)

In part, improved outcomes arise from superior cultural understanding and local knowledge that shape services to meet the needs of Aboriginal and Torres Strait Islander communities. One clear advantage that ACCOs may have in some sectors relates to their connections within the community. Cultural expertise and local knowledge can be key drivers to increasing access and utilisation rates of health services (Ware 2013, p. 6). Both cultural expertise and connection stems partly from the employment of Aboriginal and Torres Strait Islander people, as the Aboriginal Family Legal Service Western Australia (AFLS WA) noted:

At AFLS, for example, we employ local Aboriginal staff in each of the regional areas we operate, to engage with the community, provide information on the services AFLS provides, and bring clients to the service as required and necessary. The capacity for local Aboriginal staff to enter their local communities where they are known and trusted, speak to local people who may be at-risk of, experiencing or have previous experiences of family violence and sexual assault, and develop trusting relationships that encourage and enable clients to seek the services of the organisation, is unparalleled. (sub. 7, pp. 6–7)

This cultural expertise is embodied in how ACCOs design and deliver services, which is underpinned by an understanding of Indigenous wellbeing, encompassing social, spiritual, cultural and community elements. Osborne, Baum and Brown (2013, p. 2) found that:

Effective approaches are characterised by ... holistic approaches which work with Indigenous people in ways which take into account the full cultural, social, emotional and economic context of their lives, including an awareness of the ongoing legacy of trauma, grief and loss associated with colonisation.

Such services are often based on a holistic model of care in comparison to the mainstream understanding of health and wellbeing. In addition, where Aboriginal and Torres Strait Islander organisations design and deliver services that reflect their cultural expertise, this can further strengthen culture within communities. As SNAICC, the National Voice for Aboriginal and Torres Strait Islander Children, stated (2012):

Local Aboriginal and Torres Strait Islander community-controlled organisations are rooted in their communities, cultures and country. As such, they play a significant role in supporting families and communities to raise children strong in culture. Large national or state-wide non-Indigenous child and family services cannot provide the appropriate support and cultural education to assist Aboriginal and Torres Strait Islander children to reconnect and stay connected with their culture, their mob and their family in ways that uphold the integrity of the child's particular culture or community. (p. 9)

Numerous studies (for example, Ong et al. 2012; Vos et al. 2010) have shown that ACCO health services offer greater health benefits by improving utilisation rates. Equally, the lifetime health impact of ACCO-delivered interventions has been estimated to be 50% greater than if delivered by mainstream health services, primarily due to improved access by Aboriginal and Torres Strait Islander people (NACCHO 2021, p. 2).

a. Under the Office of the Registrar of Indigenous Corporations, an organisation can be considered to be Aboriginal and Torres Strait Islander controlled and operated if it has as at least 51% Aboriginal and Torres Strait Islander governance or ownership.

Achieving the intended outcomes of Priority Reform 2 will require more than a shift in service delivery or funding to the Aboriginal and Torres Strait Islander community-controlled sector. Governments may need to consider complementary reforms to address more general barriers to service availability. Making the most of ACCOs' expertise and connections to community requires government policy-making and commissioning approaches that enable ACCOs to design and deliver services that suit their communities, through place-based approaches, joint decision-making and community control. To support this, governments need to better understand, and learn from the knowledge and expertise that ACCOs bring as partners, working with government, in delivering better outcomes for the community.

How have governments committed to strengthen the Aboriginal and Torres Strait Islander community-controlled sector?

The Agreement commits parties to building the ACCO sector in line with four strong sector elements, where:

- there is sustained capacity building and investment in ACCOs
- there is a dedicated and identified Aboriginal and Torres Strait Islander workforce and people working in community-controlled sectors have wage parity
- ACCOs that deliver common services are supported by a peak body, governed by a majority Aboriginal and Torres Strait Islander board, that has strong governance and capacity
- ACCOs have a dedicated, reliable and consistent funding model designed to suit the types of services required by communities and responsive to the needs of recipients (clause 45).

Two key policy mechanisms in the Agreement are aimed at strengthening the community-controlled sector.

- **Sector strengthening plans**, which identify a set of measures to build the capability of community-controlled sectors. By July 2021, parties committed to develop sector strengthening plans in line with the strong community-controlled sector elements and including the following four streams: workforce, capital infrastructure, service provision and governance, with additional sectors for strengthening plans to be identified in 2023 (clauses 51-53).
- **Increasing the proportion of services** delivered by Aboriginal and Torres Strait Islander organisations, including by implementing funding prioritisation policies and allocating a meaningful proportion of new funding to those organisations, particularly ACCOs. To inform this, government parties agreed that by July 2022, they would review and identify current spending on Aboriginal and Torres Strait Islander programs and services to identify reprioritisation opportunities to Aboriginal and Torres Strait Islander organisations, particularly to community-controlled organisations, with actions included in jurisdictional implementation plans and annual reports (clause 113).

As noted in information paper 1, Priority Reform 2 works in the context of the other Priority Reform areas. As governments transform themselves (Priority Reform 3) and enable shared decision-making (Priority Reform 1) and collect and share better data (Priority Reform 4), they will be better able to work with and recognise the value and expertise of ACCOs. This will in turn support governments to relinquish some control over service design and delivery, which further strengthens partnerships and government transformation. A strengthened ACCO sector will support making more and better decisions that meet the needs and priorities of Aboriginal and Torres Strait Islander people, as rather than primarily meeting governments' needs.

Assessing progress against Priority Reform 2

To some extent, progress against Priority Reform 2 can be assessed in terms of **the extent to which stated commitments have been met**. This can include whether actions have been undertaken within a slated timeframe, or whether targets have been met. But ultimately, progress against Priority Reform 2 should be

assessed relative to its **underlying objectives**. In other words, to what extent has there been progress toward a strong and sustainable Aboriginal and Torres Strait Islander community-controlled sector delivering high quality services that reflect the priorities of Aboriginal and Torres Strait Islander people across the country?

Improvements in both service delivery and wellbeing outcomes for Aboriginal and Torres Strait Islander people may only be properly assessed over time, as more reforms are implemented and as more information and data becomes available. In some cases, policy actions can have an immediate effect on outcomes – such as a boost in funding for service delivery – although this may not always be sufficient to create sustained, longer-term improvements. Other policy actions can have a longer lead-time before they affect outcomes – such as changes to strategic planning or shared decision-making processes – but are likely necessary for sustained, genuine improvements to outcomes.

To the extent possible, our assessment focuses on **what governments are doing** to ensure ACCOs are able to design and deliver services that best meet the priorities and needs of Aboriginal and Torres Strait Islander people. This includes assessing the extent to which ACCOs are provided with the necessary resourcing, support, time, and shared decision-making; and to what extent ACCOs are more sustainable through funding, workforce and infrastructure policies.

Implicit in this approach is assessing whether **qualitative change and improvement** have occurred. It is important to reform *the way* that services are contracted, funded, designed, delivered, reported against and evaluated. Otherwise just 'lifting and shifting' service delivery will likely result at best, in the same unsuccessful outcome and at worst, harm to the community – a principle underscored by what the Commission heard repeatedly around the country. For this reason, Priority Reform 2 cannot be measured solely by examining the quantum of funding that ACCOs receive.

Any assessment of progress is subject to the availability of information. A key indicator of improved outcomes resulting from Priority Reform 2 is the proportion of Aboriginal and Torres Strait Islander people reporting fewer barriers to accessing services. While this is perhaps the most important test of Priority Reform 2, it is the most difficult to assess in this first review, given that some reforms have only recently been completed or are still in progress.

For this first review of progress against Priority Reform 2, the Commission has not only considered the extent to which agreed actions have been implemented, but has also undertaken a preliminary examination of the challenges to achieving the objectives of Priority Reform 2. (The latter includes challenges that can arise where progress is made against commitments without necessary qualitative changes – such as where service delivery contracts are awarded to ACCOs without giving ACCOs the freedom to design services that meet the priorities and needs of their communities.) In doing so, we have focused on three areas:

- The commissioning relationship between governments and ACCOs, including the approaches to, and allocation of, funding for Aboriginal and Torres Strait Islander organisations (sections 2 and 3). Key to achieving a strong community-controlled sector is ensuring ACCOs have dedicated, reliable and consistent funding that covers the full range of service provision costs. At the same time, the way in which funding is allocated, and the decision-making process around commissioning, is also central to this relationship if it is to support ACCOs to provide high quality, holistic and culturally safe services for Aboriginal and Torres Strait Islander people.
- The state of SSPs and the extent to which they are likely to lead to change (section 4). (The broader set of planning and reporting processes that are used to support all Priority Reforms, including use of implementation plans and annual reports, are discussed more fully in information papers 6 and 7). A key question relates to whether the development of SSPs are leading to the kind of change that will strengthen the community-controlled sector in the context of the Agreement as well as the broader policy landscape (which includes other reforms or strategic plans related to such policy areas as employment or health services).

- Growing and investing in the ACCO workforce is one of several other areas of sector strengthening that are also important (alongside improving capital infrastructure and investing in capacity strengthening more generally). Several Aboriginal and Torres Strait Islander organisations raised concerns about strengthening the workforce and retaining staff, including difficulties competing for talent with non-Indigenous, non-governmental organisations (NGOs) and the public service. Some Aboriginal and Torres Strait Islander organisations spoke of a ‘workforce crisis’, with medical procedures being cancelled because of the lack of doctors and nurses. Yet this can arise for reasons not limited to ACCO funding, wage differentials between sectors, the education system, career support, and broader geographical issues. Workforce issues are discussed in section 5.

2 Commissioning relationships that value ACCO knowledge and expertise

ACCOs deliver a broad range of human and social services, and other services, including land and resource management, that strengthen and empower Aboriginal and Torres Strait Islander communities and people. The scope of services and activities that ACCOs deliver is broad, and includes health services, legal services, child and family services, alcohol and drug services, and housing – and many provide multiple services to communities. In some instances, ACCOs are the main provider of human and social services in communities, particularly in regional and remote communities with large Aboriginal and Torres Strait Islander populations.

Governments have acknowledged through the Agreement that ACCOs generally achieve better results, employ more Aboriginal and Torres Strait Islander people and are often preferred over mainstream services by some communities. They rely on ACCOs to provide a broad range of services to Aboriginal and Torres Strait Islander people. This reliance was perhaps most prominently demonstrated during the COVID-19 pandemic, in which governments partnered with ACCOs who – through expertise, relationships and credibility with communities – helped to provide a specialised response (information paper 2). Despite governments’ reliance on ACCOs, the Commission’s engagement has shown that many ACCOs continue to be contracted by governments through transactional contracting approaches that do not recognise the value, knowledge and expertise of ACCOs. We heard that contracting approaches are regularly constraining ACCOs ability to design and deliver services in ways that best meet the priorities and needs of the communities they serve.

Governments need to move away from transactional forms of contracting of community services that focus on narrow problem solving, towards fostering a broader understanding of wellbeing. This requires government funding agencies to work collaboratively with ACCOs and communities to define service and program outcomes and to ensure that ACCOs have a secure base through appropriate funding (box 2). This will enable ACCOs to:

- develop strategic plans and plan service delivery over the long term, building trust with the community
- invest in infrastructure such as buildings, equipment and information technology, ensuring ACCOs can operate effectively and efficiently
- attract and retain staff, including professionals, who are critical to delivering high-quality services
- provide holistic and culturally safe services, tailored to the needs of the community (for example, reliable funding enables an ACCO to provide wrap-around services and address the social and emotional wellbeing of clients and their families).

The way in which commissioning occurs is intrinsically linked to sector strengthening. For example, the Commission regularly heard that commissioning approaches can be reconfigured to:

- support smaller and emerging ACCOs to compete for service contracts - for instance, by changing the criteria or approach of tendering, or by supporting ACCOs to grow and strengthen their capability
- create incentives for ACCOs to collaborate, rather than compete, by changing approaches to procurement and engagement.

Improving the commissioning and funding relationship between governments and ACCOs encompasses aspects of Priority Reform 1 (which will help to support partnerships and shared decision-making with ACCOs), Priority Reform 3 (which will enable government agencies to better understand the value, knowledge and expertise that ACCOs bring) and Priority Reform 4 (which will enable a shared understanding of community-level data to help inform program design and outcomes monitoring).



Box 2 – Some features of an effective commissioning relationship

In its review into Expenditure on Children in the Northern Territory, the Commission stated that a fundamental shift is required in how governments contract and fund providers of children and family services. The Commission noted that there needs to be a transition away from short-term, transactional and output-based funding, to longer-term relational and outcomes-focused funding, where governments and service providers work collaboratively to improve service delivery outcomes (2019, p. 223). This would involve several key changes such as:

- Adopting a relational approach to contracting, where government departments and services providers, in consultation with communities, work collaboratively towards shared outcomes. This would require government contract managers to engage with ACCOs in regular, collaborative reviews of service outcomes and continuous improvement. Governments will need to ensure that contracts are sufficiently flexible to adapt to changing priorities and needs of services users. It would also require their systems and regional networks to have the skills, capacity and authority to undertake relational contracting.
- Ensuring selection processes take into account the characteristics and capabilities of providers that contribute to achieving outcomes for Aboriginal and Torres Strait Islander people (such as cultural safety and connection to communities). Governments are obliged through the Agreement to support capacity strengthening of an ACCO, either through direct funding for capacity strengthening activities or through supported partnerships with non-Indigenous service providers. Where a community has expressed the desire to transfer control of the service delivery to an ACCO, the funding agreement with the non-Indigenous service provider should be designed to support the transition process. In these instances, the funding contract should outline the responsibilities of the partners, and a succession plan and clear milestones over a defined timeframe.
- Setting default contract lengths of a minimum of seven years, and improved transparency and forward planning by governments of funding opportunities, which would afford service providers the stability of funding required to plan and invest for the future.
- Funding the full cost of providing services (taking into account the higher costs of service delivery in remote areas, capital investments needed to support effective service delivery, and the costs of monitoring and evaluating service delivery outcomes).

Source: PC (2019).

ACCOs have knowledge and expertise to lead service design and delivery, yet these are not sufficiently valued in decision-making

The Commission heard evidence that the value and expertise ACCOs bring is not always acknowledged or valued by governments – and this is reflected in the way many ACCOs are commissioned. In turn, this influences whether they are seen as ‘equal’ partners in decision-making about service delivery and what is best for the communities they serve, which can undermine Priority Reform 1.

The Commission heard during engagements that ACCOs are often perceived by governments as charities, or passive recipients of funding. This is antithetical to aspects of the Agreement that require ACCOs and governments to work as partners. It also devalues the expertise ACCOs provide as essential partners in delivering outcomes for governments and the community. Where ACCOs are not treated as equals during decision-making, governments can miss key opportunities to learn from ACCOs about how to better develop policy and service delivery, and how to transform its own operations (as envisaged by Priority Reform 3).

The Commission also heard that services have at times been ‘lifted and shifted’ from the non-Indigenous service sector into the ACCO sector, without any redesign of services and key performance indicators that align with Aboriginal and Torres Strait Islander community priorities, needs and measures of success. This approach was described by some ACCOs as forcing ‘square pegs into round holes’. It reveals a lack of government understanding of the knowledge and expertise that ACCOs possess, and risks delivering the same unsuccessful outcomes, or at worst, causing harm to the community. Where governments unilaterally define measures of success, exert excessive controls on expenditure, offer short term funding, and focus on compliance as opposed to collaboration, ACCOs ability to deliver services effectively will be limited.

Approaches to contracting often do not fit ACCO models of service delivery

The overwhelming message the Commission heard from ACCOs during engagements for this review was the need for ACCOs to have more control over the design and delivery of services so they can meet community needs and respond to changing priorities.

The design of services is often driven by top-down approaches to problem identification, with targets and key performance indicators not inclusive of Aboriginal and Torres Strait Islander approaches to success and wellbeing (box 3). As one ACCO providing out of home care services for children stated:

The funding is impacted by what the government sees as important or what they think you should be doing. Our view of primary health care is holistic, it is a circle with everything being connected including trauma and healing, early years, everything. Government has a very narrow view of health and wellbeing, and we have to try and work within that. ... ACCOs are in the perfect position to lead the design of programs, if government do it we will get some watered down version that we will have to fix or try and work around, we need to be really involved in the design of any programs to support families, [government] put these things together without knowing what is happening on the ground. (SNAICC 2023, p. 30)

Co-design of services and key performance indicators is one of the most important aspects of strengthening the community-controlled sector, and the Commission heard many examples where this directly translated to improved outcomes for communities (box 4). Co-designing a model of service will likely not improve outcomes if the ACCO cannot also design its indicators of success, and specifically what success looks like for the Aboriginal and Torres Strait Islander families and communities they serve.



Box 3 – Imposed (rather than negotiated) key performance indicators can lead to worse long-term outcomes

The Commission heard from numerous ACCOs that the performance targets contained in their funding contracts are typically unsuited to measuring the nature and impact of their work (PC 2023). The nature of performance targets, outputs and outcomes stipulated in contracts with government funders mean that ACCOs' ways of working – addressing the long term and structural issues that underpin needs of Aboriginal and Torres Strait Islander communities and families, rather than just treating the immediate and individual needs of clients – are not supported. The challenge for ACCOs is that, often, contracts and key performance indicators (KPIs) do not reflect these broader priorities. And although KPIs can sometimes be negotiated to take into account ACCOs' ways of working, this takes further time and resources for the ACCO.

One Review participant, a First Nations' organisation called Community First Development, stated that:

... Despite providing multiple, written reports over many years detailing our model and numerous community success-stories, the 'value' of the work we do with First Nations' communities seems to be dictated by whether we fit into service delivery categories that are specified by outcome areas framed in Portfolio Budget Statements, and whether we meet several generic [National Indigenous Australians Agency] Key Performance Indicators such as the number of people we employ and subsets of our employment data. (sub. 9, p. 11)

Another Review participant, Torres Shire Council, explained that some programs have been judged as 'unsuccessful' where evaluation did not include Indigenous measures of success.

For too long, policy makers and governments have over-complicated the root cause of policy and program failures affecting First Nations people. They have argued ... that a locus of such failure resides in policy and program evaluation. Council submits that the root cause is the absence of Indigenous agency, Indigenous policy design and Indigenous program control. Council asserts that the primacy of focus now should be on the co-design of the programs emanating out of the work of the Joint Council, and consequently and subsequently there must be the co-design of effective and objective evaluation of the programs. (sub. 6, p. 3)



Box 4 – Wungening Moort: Families Healing

Wungening Moort, meaning 'Families Healing' in the Noongar language, is a consortium made up of four ACCOs – Wungening Aboriginal Corporation, Coolabaroo Community Services, Ebenezer Aboriginal Corporation and Moorditj Koort. Wungening Moort offers an in-home support service for Aboriginal families who are currently in contact with the child protection system. The service supports families to keep children safely at home and support families to get children back home (reunification). The service works directly with families to build on their strengths, supporting them in addressing parenting issues and putting in place strategies to ensure the safety of children and young people.

Over the 2021-2022 financial year, Wungening Moort worked with 361 families, providing 15,399 direct occasions of service, and 9,927 occasions of advocacy to other service providers for the families. The result of this work was that only 2% of the children at risk of entering care, and that engaged in the



Box 4 – Wungening Moort: Families Healing

program, progressed into out-of-home care. When they exited the service, 92% of the children referred to Wungening Moort were living with their family. In addition, Wungening Moort has facilitated the reunification of 46 children in out-of-home care with their parents or extended families. These results are directly reflective of one of the strengths of Wungening Moort – like many other ACCOs, it works holistically and side by side with the entire family towards positive outcomes for the children involved.

Source: Wungening Aboriginal Corporation (2022, p. 20).

Narrow assessments of ‘value for money’ can mean ACCOs are overlooked in selection processes

Government grant and procurement policies typically aim to achieve value for money by encouraging competition. According to the Commonwealth Grant Rules and Guidelines 2017, competitive processes are required to allocate grants unless otherwise agreed to by a Minister, accountable authority or delegate (Department of Finance 2017, p. 31). The use of competitive funding processes aims to ensure the most efficient and effective organisations are funded. However, the Commission has found in previous inquiries that competition does not always promote the best outcomes because ‘value for money’ is much harder to define in such cases (PC 2017a, 2019) (box 5). In particular, the value associated with providers’ connection to communities and their ability to deliver culturally safe and capable services can be difficult to quantify relative to the financial costs of service provision.

Further, the benefits of competitive funding processes can be limited in service markets where there are few service providers (that is, where markets are ‘thin’). Where there is only one or a few viable providers, such as in remote and regional settings where many ACCOs operate, competitive funding processes are less likely to drive better outcomes, because funding agencies have less ability to switch between providers.

Where the definition of ‘value for money’ does not account for cultural capability, trust, and community knowledge, contracts may be awarded to providers who can deliver outputs at least cost rather than at higher quality.



Box 5 – Interpreting value for money criteria

Value for money is a core principle in all government funding processes. For example, according to the Commonwealth Grant Rules and Guidelines 2017, value for money is based on a:

... careful comparison of the costs and benefits of feasible options in all phases of grants administration, particularly when planning and designing grant opportunities and when selecting grantees. (Department of Finance 2017, p. 29)

Some government guidelines across jurisdictions also emphasise that price should not be the sole factor when assessing value for money, and officials should consider both financial and non-financial aspects to the application (PC 2020a, p. 238). For example, the Commonwealth Procurement Rules suggest this could include:

- the quality of the goods and services
- fitness for purpose of the proposal
- the potential supplier's relevant experience and performance history
- flexibility of the proposal (including innovation and adaptability over the lifecycle of the procurement)
- environmental sustainability of the proposed goods and services (such as energy efficiency, environmental impact and use of recycled products)
- whole-of-life costs. (Department of Finance 2023, pp. 11–12)

While neither of the above documents mention the Agreement, the Budget Process Operational Rules, effective from December 2022, mandate that entities demonstrate how they will meet obligations under the Agreement (Department of Finance 2022, p. 6). The Budget Process Operational Rules are a set of mandatory rules governing the management of the Australian Government Budget. They work alongside several other guidance documents and are designed to ensure that the government's strategic priorities, such as the Agreement, are implemented across all budget processes. In their bids for funding allocation, the current rules oblige entities to:

- identify how their policy proposals will meet the obligations under the National Agreement on Closing the Gap, including the Priority Reforms and relevant socio-economic targets. This includes working in partnership with peak organisations and strengthening the community-controlled sector (such as how they will direct funding to First Nations organisations to leverage their unique expertise to deliver essential services), consistent with Clause 55b of the National Agreement.
- engage with relevant stakeholders, including First Nations peoples and organisations, and the National Indigenous Australians Agency, to ensure consideration has been given to the potential impact of policy proposals on First Nations peoples. Where there is an impact on First Nations peoples, proposals should identify pathways for engaging with First Nations communities and stakeholders on program implementation (p. 6).

Despite the above progress, much remains to be seen about the extent to which individual government departments will transform themselves, their systems and processes (Priority Reform 3) in order to comprehensively realise outcomes under Priority Reform 2.

Competitive funding processes can particularly disadvantage smaller ACCOs, as a larger proportion of their resources are directed to service delivery, leaving fewer resources to seek out and complete lengthy applications for funding. Smaller providers or those less equipped to respond to grant processes can also find shorter time frames² challenging, particularly where there is a need to form partnerships with larger organisations within that time. This will be an impediment to the growth of the community-controlled sector and its capacity to take on services that governments are seeking to transfer.

In contrast, larger organisations are able to use their economies of scale to quickly tender for large or multiple projects. In many cases this leads to consolidation and bias in favour of larger organisations, such as big NGOs. This was echoed during the Commission's engagements by one ACCO who feels that large organisations are preferenced in the tendering process. When this happens, it runs the risk that smaller organisations that provide services tailored to a community would lose funding, and would be replaced by services that are less tailored to the needs of their communities. ACCOs are deeply connected with the communities they serve, often with staff, management and boards being active members of their local communities, and can provide services which are locally appropriate, responsive and well-tailored to community needs.

There are some government supports in place to assist smaller ACCOs. The Australian Government, through the National Indigenous Australians Agency (NIAA), funds four Indigenous Business and Employment Hubs (in Perth, Adelaide, Western Sydney and Darwin) that offer a range of supports to Indigenous organisations, including writing tenders and back-office administration. More accessible assistance for small ACCOs, especially those operating outside those four cities, would allow ACCOs to focus resources on service delivery, rather than application processes.

Despite these government supports, non-Indigenous NGOs that are typically larger than most ACCOs, may be able to offer a lower-price option on paper but, in many cases, are not as effective as community-based Indigenous organisations at engaging with, and providing services to, Aboriginal and Torres Strait Islander people.

For Priority Reform 2 to be implemented, the control of many services will need to be transitioned to Aboriginal and Torres Strait Islander organisations. Where a community specifies this desire, but no suitable ACCO exists, the funding contract with the non-Indigenous NGO needs to be designed to support the transition process. The Commission has previously stated that, in particular, the funding contract should specify a clear transition path for the development of the emerging ACCO and transfer of skills and knowledge, including setting clear timeframes, with defined milestones, and resourcing of, amongst other things:

- employment and training of locally based staff across all service delivery roles (where appropriate)
- governance capacity to ensure the organisation is able to comply with all aspects of the funding agreement, including reporting and evaluation requirements
- a clear exit strategy for the non-Indigenous service provider (PC 2020a, p. 254).

The evolution of the Australian Government's Connected Beginnings Program is one example of government listening to and acting on the knowledge and expertise of an ACCO to better design the program, in this case with SNAICC, the National Voice for Aboriginal and Torres Strait Islander Children. The Connected Beginnings program aims to increase Aboriginal and Torres Strait Islander children and families' engagement with health and early childhood education and care services by improving access and providing culturally safe services. It is a grant program funded by the Department of Health and Aged Care and Department of Education. Candidate organisations go through a restricted non-competitive selection process, where only specific organisations are invited to apply. SNAICC is also the program's Community Partner, which supports the program in scoping new sites and offering foundational and ongoing support to ensure the approach to project

² Many grant rounds only allow four to six weeks for service providers to respond to selection processes (PC 2017a, p. 243).

selection and design within sites is community-led and culturally safe (Coalition of Peaks 2022, p. 26). Aboriginal and Torres Strait Islander leadership is also being driven through:

- a review of funding guidelines by SNAICC and the Department of Education to ensure alignment with the National Agreement's commitments to ACCO leadership
- an Aboriginal organisation conducting the mid-term evaluation with input from SNAICC
- the Department of Education working with SNAICC on an ACCO Leadership Framework to increase ACCO leadership across Connected Beginnings in a culturally informed way, with a focus on opportunities to transition funding from non-Indigenous organisations to ACCOs to undertake backbone roles (Coalition of Peaks 2022, p. 26).

Initially, very few ACCOs were funded under the Connected Beginnings program – only two out of 20 sites. SNAICC and the Department of Education working in partnership has led to 17 sites now being Indigenous controlled. In 2021, the Australian Government committed \$81.8 million to expand the program to 50 sites nationally by 2025, with the aim that all 50 sites will be ACCO controlled (Coalition of Peaks 2022, p. 26).

Governments use overly prescriptive contracts to manage perceived risks

Another possible symptom of governments not adequately understanding, or not valuing, the knowledge and expertise that ACCOs can bring, is tightly prescribed contract conditions. In any funding contract, governments may seek to mitigate perceived risk by using compliance controls like shortening contract lengths, narrowly defining outputs, and requiring regular and detailed reporting. However, this can mean that ACCOs face cumbersome reporting burdens – often comparatively greater than the requirements placed on non-Indigenous providers (PC 2023). Some ACCOs told the Commission that their reporting burden is high for the relatively small funding they receive – and they needed to do more work to justify funding in comparison to non-Indigenous service providers.

Specific and inflexible contractual restrictions on the use of funding, or a lack of clarity about how funding can be spent, leads to significant challenges. In some cases, funding is also closely circumscribed to particular expenditure items, or during a particular timeframe, which constrains the organisation from reallocating resources among its priorities. For instance, some contracts have an annual funding allocation, despite the length of the overall contract (Blaxland and Cortis 2021, p. 15). This means that the ACCO has limited control of when funding is spent, thereby limiting operational efficiency in cases where costs differ each year, particularly because any unspent funds may have to be paid back to the funding agency (Blaxland and Cortis 2021, p. 17). Many grant contracts also tightly allocate staff positions to clients, with no flexibility around the roles of staff and no capacity to innovate, and therefore organisations are less able to allocate resources to effectively meet community needs.

These outcomes may be due to risk aversion on the part of government funding agencies. Sturges (2017) stated that there is a culture of risk aversion among UK public servants that is driven by governments' audit-focused approach to accountability (PC 2017a, p. 247). Although the Sturges paper was based on research into government procurement practices in the United Kingdom, review participants echoed the same sentiments – that government funding comes with so many conditions, or 'hoops' to jump through, that it can present a barrier to obtaining funding. One Aboriginal and Torres Strait Islander organisation said it was easier to deal with a major bank than seek government funding (PC 2023). Several Aboriginal and Torres Strait Islander organisations said they are now avoiding government programs and funding if they do not fit with their priorities and models of care. Some ACCOs avoid government funding if they can secure other sources, in order to reduce administrative burden and prescriptive contracting; others are more strategic about which grants they select, in order to avoid the cumulative costs of applications for multiple

(small) grants (PC 2023). In this way, prescriptive contract terms have the effect of passing on risks to service providers and service users, who are less well placed to manage them.

Where government contracts do not cover the whole cost of service provision, ACCOs are forced to seek alternative funding

During the Commission's engagements, many Aboriginal and Torres Strait Islander organisations said that their funding does not cover the full cost of providing services, such as funding for transportation costs to deliver health services and remote service delivery (PC 2023). Government funding also often does not cover investment in infrastructure and capital works that are needed to effectively deliver – or improve – services.

Specifically, tightly prescribed funding contracts often do not cover essential administration, management, and infrastructure costs which allow the ACCO to operate. Small organisations are often disproportionately affected by this, as they often rely on multiple small project grants from a variety of different funders, many of which have restrictive funding rules and poor coverage of overhead costs. Managing multiple small contracts is inefficient, as the need to make frequent funding applications and to juggle different timeframes, rules and reporting requirements detracts from the core work of supporting communities. This issue was highlighted in the Commission's study into Aboriginal and Torres Strait Islander visual arts and crafts (2022) in relation to art centres:

Art centres receive operational funding for activities that directly relate to producing art, but not for their other social, cultural and community roles, or for infrastructure projects and capital improvements. This leaves art centres reliant on a patchwork of government grants, which can be burdensome to identify and apply for, highly competitive and unpredictable — a situation described by a sector participant as a 'vortex of applications'. (p. 27)

Another challenge is meeting regulatory requirements within the constraints of funding approaches, as program-based funding often does not allow spending on these essential aspects of running an organisation.

The Commission previously recommended several reforms to ACCO funding models, including that funding reflects the full costs of service delivery (PC 2020a, p. 37). This means that funding takes into account higher costs of service delivery in regional or remote areas and covers other functions that support service outcomes (such as reporting and evaluation). Where service delivery requires access to infrastructure that is not available (such as staff housing) agencies should look beyond the immediate grant funding decision and consider how best to coordinate their expenditures on capital assets with their grant programs for services (PC 2020a, p. 20).

Funding for many ACCOs is unnecessarily insecure and uncertain

Funding agreements in the community services sector are often short – previous Commission reports have found that they generally run between one to three years (PC 2017a, p. 245), and this is consistent with what we heard from review participants (PC 2023) and analysis of Australian Government data.³ Funding contracts can range from completely untied general-purpose grants with minimal or no reporting requirements (provided to the Torres Strait Regional Authority, for example) to tightly prescribed specific-purpose grants with cumbersome reporting requirements, such as a progress report every month (Moran, Porter and Curth-Bibb 2014, p. 40).

³ Commission estimates based on GrantConnect data relating to duration of Australian Government grants categorised under Indigenous Arts and Culture; Indigenous Communities; Indigenous Education; Indigenous Employment and Business; and Indigenous Health.

Many ACCOs access funding from multiple special-purpose grants, often within a single department as well as across other departments, and are therefore burdened with considerable reporting and compliance requirements (Moran, Porter and Curth-Bibb 2014; PC 2020a). For example, a previous Commission report found that one ACCO, the North Australian Aboriginal Justice Agency received 11 different grants for legal services alone, all of which were awarded by the Department of the Prime Minister. Another ACCO, Tangentyere Council, received \$10 million from 24 grants, which were awarded by multiple departments across three levels of government (PC 2020a, pp. 76–77). There is potential to reduce both compliance costs for ACCOs and administrative costs for government agencies by reforming the method of funding for these organisations. The Victorian Government is already running three pilots, some more advanced than others, to reduce the administrative burden for ACCOs as well as improve overall funding processes (Victorian Government 2021, p. 15).

During the Commission's engagements, there was a clearly articulated need for ongoing funding arrangements and longer-term grants to improve continuity in program and service delivery by ACCOs (PC 2023; Productivity Commission 2023). Engagement with Aboriginal and Torres Strait Islander organisations provided numerous examples of very short funding terms (including grants that are not always renewed, or renewed very late, sometimes after the existing contract has already ended) for the delivery of essential services, such as health services (PC 2023). This is consistent with previous Commission research, including the Expenditure on Children in the Northern Territory study, which pointed to the short-term nature of program or project funding, payments for specific activities only, and the exclusion of some overhead costs from their funding agreements (PC 2020a, p. 232).

Short-term contracts and insufficient notice of contract renewals create uncertainty that impedes ACCOs from planning and operating (Aboriginal Family Legal Service WA, sub. 7, Community First Development, sub. 9). They also present challenges to maintaining the skilled workforce required for service delivery, as it is difficult to attract and retain highly skilled workers when ACCOs can only offer short-term, insecure employment (Aboriginal Family Legal Service WA, sub. 7, p. 7). This in turn can limit what ACCOs can do to develop their workforce – for example, it is not feasible to provide long-term traineeships on short-term contracts.

There is also often a mismatch between the duration of funding contracts and reform plans. For instance, the National Health Leadership Forum (NHLF) noted that while the National Aboriginal and Torres Strait Islander Health Workforce Strategic Framework and Implementation Plan 2021–2031 spanned ten years, ACCO funding typically followed four-year funding cycles, with some ad hoc contracting for a single year (pers. comm., 14 June 2023).

There are signs that certain government agencies are improving the way they commission health ACCOs. It was announced in 2022 that from 1 July 2023 – once the previous funding agreements with health ACCOs expired – the Australian Government would move to rolling four-year agreements, with funding available to health ACCOs increasing by 3% year-on-year, including indexation (Hunt and Wyatt 2022).

Despite this, funding agreements for ACCOs in other sectors remain too short. In two reports (Reforms to Human Services and Expenditure on Children in the Northern Territory), the Commission recommended default contract lengths for children, family and community services that are provided on an ongoing basis should be set at a minimum of seven years. To manage the risks associated with longer contract terms, the Commission recommended that contracts include clauses that allow early termination of the contract where there is ongoing failure to deliver an adequate standard of service. However, the Australian Government responded that, while it acknowledges the uncertainties that short-term contracts create, default seven-year contracts for children and family services also pose potential challenges, including locking out new organisations and entrenching ineffective providers. The Australian Government stated that it will therefore

continue to promote and facilitate longer-term agreements where they provide value (Australian Government 2021a, p. 5).

In addition to extending the length of contracts, the Commission has previously recommended that government agencies allow sufficient time (a default of three months) for providers to prepare considered responses to funding opportunities, including the development of integrated bids across related services; to publish a rolling schedule of upcoming grants and tenders over (at least) the following twelve months; and to notify providers of the outcome of grant and tender processes in a timely manner (PC 2017a, 2019).

Some government organisations are implementing new approaches to commissioning ACCOs, with varying success

The Commission also heard from Aboriginal and Torres Strait Islander service providers that some jurisdictions are starting to acknowledge that ACCOs have the capability to take on and effectively deliver government services (PC 2023). For example, several governments, including WA, SA and ACT, have published whole-of-government documents signalling the move towards more relational approaches to the commissioning of all human services. While in Western Australia this is a strategy document which is yet to be implemented, Procurement South Australia has recently published a Commissioning Guideline which clearly establishes principles that departments must follow. The guidelines draw on the Productivity Commission's four-step commissioning cycle (2017a, p. 22) and incorporate the tasks and decisions that translate government policy into services and systems that are responsive to community needs and seek to achieve clear outcomes that reflect the aspirations of the community. It puts people at the centre of services and recognises the specialist knowledge and value of the service sector (Procurement Services SA 2023, p. 1). One of South Australia's service delivery principles is that commissioning is:

- relationship-based, with open, ongoing communication and information exchange
- understanding of the conditions under which work is happening in the sector and current capabilities
- cognisant of limitations and deficits, which are then addressed together in partnership (2023, p. 3)

Similarly, the ACT's Commissioning Roadmap 2022-2024 states that, by 2030, commissioning will transform ACT's human services system to better respond to community need, both existing and emerging, through increased flexibility and opportunities for innovation (ACT Government 2022b, p. 6).

While progress across these jurisdictions is welcome, some review participants noted that these whole-of-government documents have not fed through to changes at the agency level (Kimberley Aboriginal Law and Cultural Centre, sub. 23, p. 10).

Some states and territories are also taking a whole-of-government approach to improving the way they commission ACCOs specifically:

- In 2023, the NSW Government funded the NSW Coalition of Aboriginal Peak Organisations to lead a project to 'develop a model for sustainable funding and accountability arrangements for ACCOs that recognises the unique value ACCOs deliver in Aboriginal communities and supports improved outcomes for Aboriginal people' (NSW Government, sub. 32, p. 15). The NSW Government has also begun supporting an Aboriginal-led commissioning model with Absec (the NSW Child, Family and Community Peak Aboriginal Corporation). However, the Commission also heard of an example in NSW where a cultural service developed by an ACCO was subsumed by NSW Government department.
- The Victorian Government is implementing a suite of reforms to the way funding is provided to ACCOs. Reforms include longer term funding contracts, a pooled outcomes-based funding model and a reduction to onerous reporting and accountability processes, including consolidating multiple funding reports within the one department (for example, with Djirra, box 6) (Victorian Government 2021, p. 21).

- The SA Government is planning to work on modifications to ACCO funding approaches that increase duration of funding agreements, provide flexibility to allow for services to respond to changing needs and account for economies of scale including using subsidies or other instruments to control costs in remote and regional areas (SA Government 2021, p. 24).
- The WA Government is in the process of developing a whole-of-government ACCO Strategy. In August 2022, it also released the State Commissioning Strategy for Community Services, as well as the Department of Communities' ACCO Strategy (box 7), both of which specifically prioritise ACCOs for service delivery (WA Government 2022, pp. 19, 22). All agencies responsible for delivering community services need to maintain active Agency Commissioning Plans which are aligned with the State Commissioning Strategy for Community Services (WA Department of Finance 2022). Depending on their implementation, these two strategies may address some of the funding issues identified during the Commission's engagements.

Some changes are also being developed and implemented within individual agencies with potential for application across government. For instance, the Australian Department of Social Services (DSS) is leading the *Stronger ACCOs, Stronger Families* initiative which aims to increase ACCO involvement in delivering DSS-funded Family and Children Activity programs. SNAICC was engaged by DSS in 2022 to identify the strengths, needs, barriers and opportunities of ACCOs in delivering Commonwealth-funded programs, particularly family and children programs. SNAICC's report was released in May 2023 and recommended six key reforms, including embedding community-led decision-making at every stage of funding development and allocation (SNAICC 2023, p. 9). DSS noted that SNAICC's recommendations largely align with current and planned work, with some areas of reform already underway within the department (pers. comm., 12 July 2023). DSS is also working in partnership with SNAICC and the Department of Education to develop a set of common principles from the report findings to underpin a more consistent approach by relevant Commonwealth agencies to common barriers and opportunities identified by the community-controlled sector (pers. comm., 12 July 2023).

Other states and territories (Queensland, Northern Territory and the ACT) have not indicated in their implementation plans whether they intend to review ACCO funding approaches at a whole-of-government level.

While these types of reforms show promise, they are largely in their planning or pilot stages and so it is too early to tell how effective they will be. They would need to be rolled out more widely before ACCOs and service users see improvements on the ground. In order for these pilots to help inform further policy decisions, and to apply any lessons more broadly, Indigenous-led evaluation will be crucial (information paper 7; PC 2020b).



Box 6 – Djirra’s single funding agreement model in Victoria

Djirra is an ACCO that provides support to Aboriginal and Torres Strait Islander women and children in Victoria who are experiencing or have previously experienced family violence. Djirra previously held 15-20 separate program funding streams from the Department of Justice in Victoria. These programs are now covered by a single five-year funding agreement with a six-monthly reporting cycle. This model has yet to be replicated for Djirra’s arrangements with other departments (they hold 42 separate funding streams with other Victorian government departments).

The single funding agreement between Djirra and the Department of Justice has significantly **reduced Djirra’s administrative burden**. Where Djirra was previously required to coordinate with more than seven business units within the department, it now has a single contract manager. This has reduced the administrative burden for Djirra and shifts responsibility for coordination onto the department.

Djirra noted that the approach **relies on and helps to build trust** between themselves and the department. The six-monthly reporting cycle simplifies reporting and reduces ad-hoc requests from government for information. By contrast, Djirra still has access to subject matter experts within the department and can communicate at any time that suits the needs of program delivery.

One significant strength of this model is the **improved flexibility** it offers. For instance, ACCOs that deliver a range of programs may find the demand for those programs fluctuates with changes in community needs. Moving resources to where they are needed can require negotiation with multiple government agencies or divisions if each program is subject to a separate funding agreement. In one instance, where Djirra has separate contracts with a single government department, it took nine months for the different sections of that department to approve a request to move inactive funding from one program to another, delaying the response to time-critical demand for services. By contrast, with Djirra’s single funding contract with the Department of Justice, provides it with more discretion to reallocate funds between programs, and any consultation with the department is simplified.

Another key aspect of the single contract funding model is that the **key performance indicators (KPIs)** have been co-designed by both parties. Typically, KPIs are department imposed and reflect compliance needs rather than focus on the impact of the investment. In Djirra’s funding reform, a KPI matrix was co-designed from which departmental units could choose. This has allowed for a better reflection of the impact of investment, and allowed for multiple programs to affect the same KPI. It also allows Djirra to better design its operations to meet community needs, while providing accountability and integrity.

One major **barrier to implementing** this kind of reform is the complexity of some departments’ grant management systems. Changing these systems can require considerable resources up front, while the associated (substantial) gains are likely to materialise in the longer term. As such, making sure departments are ready to establish such funding models requires sustained commitment to change within the relevant authorising environment. Establishing this form of contracting will also require **continuous improvement**, particularly as the agreement grows to encompass more programs.

Source: Djirra (pers. comm., 4 July 2023).



Box 7 – WA Department of Communities' ACCO Strategy and Commissioning Plan

The WA Department of Communities has released two strategic documents relating to growing ACCOs' share of service delivery in Western Australia – the Agency Commissioning Plan (2021) and the ACCO Strategy 2022-32 (2022). Some aspects of the wording of both documents are consistent with the National Agreement. For example, the Agency Commissioning Plan prioritises 'the leadership of Aboriginal people and organisations in the planning, design and delivery of services' (p. 6) and looks to 'increase market share for Aboriginal Community-controlled Organisations and Aboriginal businesses' (p. 18).

The department's ACCO Strategy states that its key pillars include Cultural Safety and Governance, Partnerships, and Economic Opportunities (WA Department of Communities 2022, p. 10). Two of the stated objectives of the strategy include: that communities' service delivery models are co-designed in partnership with ACCOs, to provide locally informed, place-based and culturally safe services; and that communities will procure ACCOs to deliver frontline services to Aboriginal children, families and communities.

The Commission has heard mixed perspectives from ACCOs on the Strategy and Plan. Several ACCOs have stated that the Strategy is a promising start. However, concerns have also been raised. In its submission, the Kimberley Aboriginal Law and Cultural Centre (KALACC) noted that it:

... has sought to engage with [WA Department of] Communities around Commissioning ... It is clear that at this present point in time, [the WA Department of] Communities is not yet ready to have these Co Design and Commissioning discussions with KALACC. (sub. 23, p. 10)

One ACCO expressed concern about the ability of ACCOs to lead the ACCO Strategy, as opposed to just being a partner of a large non-Indigenous NGO. Another ACCO expressed disappointment during engagements that the commissioning target (for ACCOs to be awarded 3% of the number of awarded contracts) was low, particularly in comparison to South Australia's target of 9% (SA Department for Child Protection 2022, p. 3).

Another problem raised is that government efforts to build capacity were uncoordinated, limiting ACCOs ability to benefit (PC 2023). For example, the WA Government released one-off funding for capacity building at the same time as it was trying to prioritise ACCOs in tendering for contracts. One service stated that the timing of this assistance meant that smaller ACCOs were disadvantaged in the process, given they would have had to split their time and limited resources between applying for assistance for capacity building and writing tenders to provide services, while larger, more established ACCOs could simply do both (PC 2023).

Another issue discussed was that the reporting burden was the same, regardless of the funding amount. One smaller ACCO stated that where funding amounts are small, reporting requirements should be less burdensome relative to larger funding amounts.

Sector-specific funding reforms will play an important role

The current SSPs acknowledge some of the funding challenges facing the ACCOs in the health, disability, early childhood care and development, and housing sectors. While there are common themes across the SSPs, it is also clear that the mix of funding issues are likely to differ by sector.

For instance, Medicare is the main mode of funding in the **health sector**, and a program to optimise the use of Medicare by health ACCOs is being implemented as well as three Australian Government initiatives to increase funding to ACCOs in the early childhood care and development sector. The health SSP notes that a 'needs-based funding model that enables the sector to deliver its full potential is yet to be developed and endorsed by all Parties to the National Agreement' (Joint Council on Closing the Gap 2021b, p. 9). The SSP also notes the opportunity to improve or develop 'commissioning policies and outcomes-based contracting', as well as to redirect funding from non-Indigenous organisations to Aboriginal community-controlled health organisations (ACCHOs) (p. 9).

The National Disability Insurance Scheme (NDIS) is the main vehicle for funding in the **disability sector**. The disability SSP calls for dedicated, reliable and consistent funding to enable services to address the barriers to accessing inclusive disability supports, including thin markets, service quality, transport and geographic location (Joint Council on Closing the Gap 2022b, p. 29). Key challenges include:

- Aboriginal and Torres Strait Islander people participating in the NDIS, particularly those living in remote and very remote communities, often 'do not have access to all the providers they need to enable them to access their NDIS funded supports' (Joint Council on Closing the Gap 2022b, p. 29).
- the NDIS funding model impacts client relationships as it 'does not allow for community relationship building and storytelling/information gathering to ensure informed decision making for First Nations people with disability' (Joint Council on Closing the Gap 2022b, p. 29).
- ACCOs delivering non-NDIS disability services and programs face other challenges. The disability SSP identifies that current funding is 'often short-term and project based, and do not address the long-term need, with little consideration of the 'back-end' requirements of organisations, including administration, strategic and financial planning and training', while 'access to specialised First Nations and disability funding is often limited for supports such as advocacy and communications' (Joint Council on Closing the Gap 2022b, p. 30).

In the **housing sector**, there is no consistent funding model across Australia. Housing ACCOs' costs are expected to be met primarily through rent collection, as governments do not provide baseline funding for housing services (Joint Council on Closing the Gap 2022a, p. 10).

The majority of housing ACCOs only provide social housing for Aboriginal and Torres Strait Islander people on low incomes whose rent does not cover all the costs involved, especially repairs and maintenance. Not all tenants in housing managed by ACCOs may be claiming the income support payments they may be eligible for, including Commonwealth Rent Assistance (Joint Council on Closing the Gap 2022a, p. 10). The housing SSP notes housing ACCOs have the potential to be financially viable and self-sustaining if supported to offer mixed tenancy options (social, affordable and market rents) and 'multi-service provision including integrated services and aged care accommodation as well as [specialist disability accommodation]' (Joint Council on Closing the Gap 2022a, p. 10). Some states and territories, such as New South Wales, have been transferring management or freehold title to housing ACCOs.

In the **early childhood education and care sector**, Aboriginal and Torres Strait Islander child and family centres and multifunctional Aboriginal children's services are now incorporated within mainstream early childhood education and care funding streams, particularly the Child Care Subsidy (CCS) and associated

CCS safety net measures. At the same time, the shift from a dedicated funding model to CCS has been described as shifting attention:

... from supporting the most vulnerable children and families within their communities to thrive, to meeting the needs of working families (Joint Council on Closing the Gap 2021a, p. 11).

Aboriginal and Torres Strait Islander community-controlled early childhood education and care services are uniquely placed to address barriers to access and deliver culturally safe, holistic supports to Aboriginal and Torres Strait Islander families and provide integrated child development and family supports beyond mainstream childcare and early learning programs (2021a, p. 11). These additional child and family support functions are funded differently depending on which government funds the programs (Joint Council on Closing the Gap 2021a, p. 11).

New South Wales, Queensland and the Northern Territory have maintained dedicated Aboriginal and Torres Strait Islander child and family centre programs that fund community-controlled agencies.

For the **family support and child protection sector**, the SSP calls for a dedicated, reliable and consistent funding model to provide holistic support to children and families in alignment with the five elements of the Aboriginal and Torres Strait Islander Child Placement Principle (prevention, placement, connection, participation and partnership services) (Joint Council on Closing the Gap 2021a, p. 17).

The SSPs demonstrate the importance of sector-specific funding reforms, as the four sectors each have different funding models. As discussed above, it will be valuable to make SSPs more effective vehicles for reform through improved design, reporting and accountability.

3 Shifting more service delivery to ACCOs

Where non-Indigenous organisations are contracted to deliver programs intended for Aboriginal and Torres Strait Islander people, the Agreement requires governments to increase the share of funding allocated to Aboriginal and Torres Strait Islander organisations (clause 55a). Implementation of commitments under clause 55 are required to be completed by 2024.

While full implementation of clause 55 is not yet due, there are marked differences between jurisdictions in terms of progress and approaches to date. Some governments are attempting to prioritise funding for ACCOs by making structural changes – for example, one NSW Government action is to trial an Aboriginal-led commissioning and procurement model.

The WA Government has also introduced new participation requirements to its Aboriginal Procurement Policy where, in contracts valued at \$5 million or above, suppliers for certain government contracts must meet Aboriginal employment and Aboriginal business subcontracting targets in several sectors, as well as for any service being delivered predominantly to Aboriginal and Torres Strait Islander people, or that targets the specific needs of Aboriginal and Torres Strait Islander people (WA Department of Finance 2021). According to WA's 2021-2022 Aboriginal Procurement Policy Performance Report, the majority of contracts awarded under WA's Aboriginal Procurement Policy are not for community services (26 of 262 contract number and 38% of contract value) (WA Department of Finance 2023).

Other governments (Victoria and South Australia) have acknowledged their obligations in their implementation plans and are currently planning how to deliver on the commitments (SA Government 2021; Victorian Government 2021). Some governments (Queensland, Tasmania and the ACT) have not acknowledged their obligations to implement clause 55 in their implementation plans (ACT Government 2021; Queensland Government 2023; Tasmanian Government 2022). Tasmania and the ACT

have included actions in their implementation plans which focus more on supporting establishment of new ACCOs and capacity strengthening for the small number of existing ACCOs in their jurisdiction (such as by funding infrastructure improvements) (ACT Government 2021, p. 15; Tasmanian Government 2022, p. 9).

The New South Wales Government changed its procurement rules by giving first preference to, and directly negotiating with, Aboriginal businesses in procurements up to \$250 000. It has also changed participation requirements in all contracts valued over \$7.5 million to require Aboriginal participation through employment, training or subcontracting arrangements with Aboriginal businesses or members of staff (NSW Government 2022a, p. 67).

Grant programs are a prominent source of ACCO funding and, therefore, will play a key role in any changes under Priority Reform 2. Grants are typically awarded in competitive tender (box 5). The Australian Government has stated that, in competitive grant rounds, preferencing means that Aboriginal and Torres Strait Islander organisations are identified as the grant recipient in instances where there is 'equal ranking' with a non-Indigenous organisation, including by demonstrating value for money (Australian Government 2021b, p. 14). Nevertheless, the assessment methodology used to rank applicants will determine whether funding for ACCOs is prioritised in practice.

Despite some progress at the agency level, no whole-of-government grant guidelines have been changed. Many jurisdictions have instead announced ad-hoc grant funding that is only available to ACCOs, or organisations working in partnership with ACCOs. This includes programs such as WA's Addressing Family Violence in the Kimberley Grants Program and Victoria's Aboriginal Community Initiatives Fund. Other jurisdictions, such as South Australia, continue to announce community grant funding and state that ACCOs are welcome to apply, but do not state that they will be prioritised. The majority of these grant programs have not been listed in jurisdictions' implementation plans or annual reports, so it is difficult to comprehensively assess if grant processes are changing to prioritise ACCOs across all sectors and all jurisdictions.

Ensuring a 'meaningful proportion' of funding is allocated to ACCOs

Where new funding is announced for all Australians, the Agreement requires governments to ensure that a meaningful proportion is allocated to Aboriginal and Torres Strait Islander organisations. The Agreement notes that a 'meaningful proportion' can be considered to be:

... an amount which takes into account the number and capacity of Aboriginal and Torres Strait Islander organisations, particularly the existing community-controlled sectors and the service demands of Aboriginal and Torres Strait Islander people, including through the views of Aboriginal and Torres Strait Islander community-controlled peaks organisations in the relevant jurisdiction. (clause 55b)

However, this leaves significant room for further interpretation. The Commission is not aware how any jurisdictions are defining a 'meaningful proportion' and how this will be applied in practice to new funding. Some jurisdictions (the Australian, Victorian and New South Wales Governments) have stated in their implementation plans that they are working to identify the best way of meaningfully allocating new funding.

The Australian Government and the Coalition of Peaks are working to provide guidance to agencies on how they can determine a 'meaningful proportion' of funding. Using a transparent methodology, agencies' decisions should account for a range of factors such as ACCO availability and capability, the sector, and the type of work. As such, the definition of 'meaningful proportion' depends not only on the level of policy ambition, but on the way in which contextual factors are considered and prioritised.

Where governments have not defined 'meaningful proportion' as it relates to their jurisdiction, this should not impede changes that would *increase* ACCOs' proportion of service delivery, including through changes outlined in the previous section that are aimed at improving the way the services of ACCOs are

commissioned. Indeed, these types of changes are likely to have larger benefits as they relate to both existing as well as new funding. To the extent that new funding (which is the focus of clause 55b) is an incremental increase to existing funding, it will be a small proportion of total funding provided to services for Aboriginal and Torres Strait Islander people.

The slow and piecemeal approach to shifting funding to ACCOs is not conducive to achieving the objective of Priority Reform 2

The Commission has heard from ACCOs and other Aboriginal and Torres Strait Islander organisations that some funding is being redirected from non-Indigenous organisations to ACCOs, and that the Agreement has allowed some peak organisations to grow with more funding. For instance, the WA Aboriginal Family Legal Service highlighted where a shift in funding had occurred for them and the positive outcomes of that program, including that some newly-funded services quickly reached capacity, demonstrating a significant demand for culturally safe services (sub. 7, p. 7).

Not every service in every location can, or will need to be delivered by Aboriginal and Torres Strait Islander organisations (Coalition of Peaks 2019, p. 17). Indeed, in some cases, non-Indigenous NGOs are able to deliver culturally safe services, and some Aboriginal and Torres Strait Islander communities will choose to maintain longstanding relationships with existing NGOs that have demonstrated they can provide culturally safe services. In other cases, non-Indigenous NGOs have chosen not to tender for programs in Aboriginal and Torres Strait Islander communities, or are working towards transitioning services to ACCOs, if they believe ACCOs could better deliver a culturally safe service. For example, SNAICC is working in partnership with Life Without Barriers to transfer all out-of-home care services to Aboriginal and Torres Strait Islander community-control within 10 years (Life Without Barriers 2021).

Nevertheless, we heard frustration about the pace of change – both over the course of the Agreement, and in the longer term. Overall, governments' responses to the National Agreement have been described as 'lethargic' (KALACC, sub. 23, p. 10). Several other participants noted that non-Indigenous NGOs often win contracts over ACCOs to deliver services for Aboriginal and Torres Strait Islander people (PC 2023). Participants noted that non-Indigenous service providers have been able to grow and become more financially sustainable, while delivering programs that do not appear to be improving community outcomes (PC 2023). The child protection sector was highlighted as an example of a sector that is dominated by non-Indigenous providers who lack the ability to provide cultural safety, and this has a detrimental effect (PC 2023).

In many cases, non-Indigenous NGOs contracted by governments would then engage with ACCOs, rather than contracts or funding being awarded to ACCOs themselves. The Aboriginal Peak Organisations NT (APO NT) stated that:

Governments need to do better so they themselves aren't contravening commitments under the National Agreement, especially regarding prioritisation of funding to Aboriginal community-controlled organisations and partnerships ... APO NT resources end up being directed at providing local intelligence to service providers that governments fly in from interstate, rather than working with APO NT to build capacity of local service providers ... (sub. 10, pp. 4, 2)

And while the term 'black cladding' is more often used in commercial sectors, the Commission has heard of instances where non-Indigenous NGOs put in place subsidiary arrangements to compete for funds where ACCOs are meant to be prioritised. For example, the Commission heard of an alleged instance where a non-Indigenous NGO put in place subsidiary arrangements to compete for funds where ACCOs were meant to be prioritised. Indigenous business directory Supply Nation has previously stated that some businesses

technically meet the definition of Indigenous ownership in order to be eligible to win a government contract while, in practical terms, they remain controlled by non-Indigenous people (Wahlquist 2021).

In other cases, government agencies are in competition with ACCOs to deliver services. As one participant, Torres Shire Council, stated:

Provision of government services by State and Federal governments are crowding out local delivery. There are more than 30 agencies on Thursday Island serving the Torres Shire. Many of the jobs could be done by local people, but it's an unequal playing field with mainland government organisations offering non-local staff subsidised travel and housing. (sub 6, p. 1)

For instance, the Commission heard of an example where a program was piloted by an ACCO with government funding. Once the pilot had ended, the program continued, although this time it was delivered by the funding government agency, without any involvement of the ACCO. This is antithetical to strengthening the community-controlled sector and self-determination.

In another example, we heard that Closing the Gap funding for maternal and infant health services was subject to an open tender by a state government. Despite drawing tenders from both ACCOs and non-Indigenous NGOs, the tender was eventually cancelled and the funding was used for government service delivery.

Overall, transitions of service provision from non-Indigenous service providers to ACCOs could be better facilitated in a number of ways. The Commission heard from non-government, non-Indigenous organisations that funding is not always available to support ACCOs to take over service delivery from them. This was a theme that had previously been explored in the Commission's study on Expenditure on Children in the Northern Territory, where participants raised concerns that the process of transition to ACCOs is not given adequate time or resources in funding agreements. For example, Save the Children Australia noted that:

Funders have stipulated short timeframes for transition without adequate consultation with service providers or communities, nor identification of a transition partner. ... Good quality, ethical and sustainable transitions require adequate financial investment to ensure that both mainstream and community organisations are supported to undertake effective and appropriate transition work over a realistic timeframe. (Save the Children 2019, p. 3)

In these instances, governments have a crucial role to play in setting funding arrangements that include both a succession plan and resourcing for skills transfer and capacity building (PC 2020a, p. 21). This may include specifying in non-Indigenous NGO contracts that, where appropriate, services should be transferred to an ACCO within an agreed timeframe.

Overall, these issues may arise from an inconsistent understanding by government agencies of Priority Reform 2, the value and expertise that ACCOs bring to delivering outcomes for their communities, and how this needs to evolve the way decisions are made about service-delivery models, key performance indicators and funding. Without this shift in view, it is likely that piecemeal approaches and slow progress to implementing Priority Reform 2 will remain.

The Commission is seeking further information on the factors that are important in transferring service delivery from government providers and non-Indigenous NGOs to ACCOs, and examples of good practice in doing so. An area of particular focus is the potential to put obligations for governments into service delivery contracts, such as requirements for governments to provide data to ACCOs to enable them to design and deliver services that best meet the priorities and needs of service users.



Information request 2

Shifting service delivery to Aboriginal community-controlled organisations (ACCOs)

The Commission is seeking further information on:

- examples of good practice in transferring service delivery from mainstream organisations to ACCOs
- the risks to the sustainability of ACCOs from simply 'lifting and shifting' mainstream services into ACCO delivery
- putting obligations for governments into service delivery contracts, such as requirements for governments to provide data to ACCOs to enable them to design and deliver services that best meet the priorities and needs of service users
- the extent to which, in transferring service delivery from mainstream organisations to ACCOs, governments are reforming the way that services are contracted, funded, delivered, reported against and evaluated.

Grant and procurement guidelines could be improved at the agency and whole-of-government level

There is no accurate, published information about the quantum of funding that ACCOs receive nationally. This is partly due to a lack of data, as there are currently no formal nationally consistent business rules or mechanisms to identify which grants are provided to Aboriginal and Torres Strait Islander community-controlled organisations (Australian Government 2022a, p. 28). As such, it is difficult to measure the extent to which funding and service delivery has shifted toward ACCOs.

The Australian Government has stated that the current Commonwealth Grants Rules and Guidelines 2017 provide flexibility in how entities can work with ACCOs to administer grants and achieve government policy outcomes. This means there is 'flexibility now for Commonwealth entities to preference ACCOs in the selection of grants, to achieve their obligations under the Agreement' (Australian Government 2023, p. 20). In 2021, the Australian Government stated that it will work in partnership with the Coalition of Peaks to develop a suite of materials to guide and support agencies to develop and implement their own prioritisation policies within their existing grant programs and procurement activities (2021b, p. 15).

At the state and territory level, there has been mixed progress in amending grant and procurement guidelines to prioritise ACCOs. For instance, one whole-of-government document, Western Australia's State Commissioning Strategy for Community Services (2022), states that ACCOs should be prioritised where service users are expected to be Aboriginal and Torres Strait Islander people (p. 10). By contrast, numerous whole-of-government funding guidance documents have been released since the start of the Agreement, but these make no mention of prioritising Aboriginal and Torres Strait Islander organisations. Some, such as the NSW Grants Administration Guide (2022) and South Australian Commissioning Guideline (2023), contain many of the principles of relational contracting (to be applied across all human services) but do not mention Aboriginal and Torres Strait Islander organisations.

Without clarity at the whole-of-government level, agencies are likely to differ in their approach to implementing changes to ACCO funding. The Commission previously found that funding practices differed

between government departments with regard to expenditure for children in the Northern Territory.⁴ This likely reflects the difference in objectives of their funding programs – for example, the Indigenous Advancement Strategy funds community-led initiatives and aims to empower Aboriginal and Torres Strait Islander people, whereas the Department of Social Services’ funding is directed towards providers that are able to deliver predetermined evidence-based programs (PC 2020a, p. 75). In the context of the Agreement, funding prioritisation for ACCOs has seen limited progress.

The quantum of ACCO funding is unclear in most jurisdictions

The Australian, NSW, ACT and NT Governments have completed Expenditure Reviews, which provide varying levels of detail regarding the quantum of funding that ACCOs receive (box 8). However, jurisdictions have used different methodologies (and timeframes) for their expenditure reviews, which means they are not comparable. The Australian Government stated that its review is a once-off exercise (NIAA, pers. comm., 27 April 2023), while the NSW Government will continue to monitor and publicly report on all Indigenous-related expenditure.

Moving forward, effective accountability would necessitate all jurisdictions monitoring expenditure over time. It will also be important for parties to the Agreement to agree upon a consistent methodology and regular timeframes to produce the next iterations of the expenditure reports (or indeed, their first iterations). This process should be done in partnership with Aboriginal and Torres Strait Islander organisations and, given the deadlines for expenditure reviews has lapsed, this should be progressed as soon as practicable.

⁴ For example, in 2018, the Department of the Prime Minister and Cabinet spent 47% of its funding relating to child and family services in the Northern Territory on Aboriginal and Torres Strait Islander organisations, and 18% on secular organisations (PC 2020a, p. 75). By contrast, most organisations receiving funding from the (Commonwealth) Department of Social Services were non-Indigenous, often with a national or international presence.



Box 8 – Expenditure reviews across jurisdictions

Prior to the National Agreement on Closing the Gap, the Productivity Commission's Indigenous Expenditure Report (IER) provided estimates of Australian, state and territory government expenditure for Aboriginal and Torres Strait Islander people. The report was commissioned by the Council of Australian Governments (COAG) in December 2007. Four editions have been produced – the most recent edition was released in October 2017 while previous editions were published in 2010, 2012 and 2014.

Under the Agreement, governments are required to review and identify current spending and opportunities to reprioritise funding to Aboriginal and Torres Strait Islander organisations by July 2022 (clause 113). At the time of writing, New South Wales and the ACT were the only jurisdictions to have publicly released a review, while the Australian and NT Governments have provided unpublished reviews to Joint Council. Some jurisdictions (Tasmania and Queensland) have not yet agreed on the methodology to begin their reviews and are unlikely to have finished them by 2024.

	Review completion	Indigenous-specific funding identified
Australian Government	Completed – unpublished	Unpublished
NSW	Completed – published	\$1.1 billion (2021-2022)
Vic	Expected 2023	Not yet reported
Qld	No stated timeframe	Not yet reported
SA	Expected 2023	Not yet reported
NT	Completed – unpublished	Unpublished ^a
WA	Expected 2023	Not yet reported
Tas	Expected 2023	Not yet reported
ACT	Completed – published	\$52.7 million

Of the reviews that the Commission has seen, the scope and methodology of reviews is not consistent between jurisdictions, and therefore not comparable. The Australian Government's review focused on grant funding and excluded procurement (NIAA, pers. comm., 27 April 2023). The NSW Government's review was relatively comprehensive, detailing both Indigenous-specific expenditure and mainstream expenditure that was delivered to Aboriginal and Torres Strait Islander people. The scope used by the NSW Government is broadly consistent with the Commission's 2017 Indigenous Expenditure Report.

Several lessons can be learned from the process of collating the Commission's IER. For example, many Aboriginal and Torres Strait Islander people were concerned that the high-level aggregated expenditure estimates in the IER could be misleading and were open to misinterpretation. Aboriginal and Torres Strait Islander people also pointed out that the top-down approach of the IER and lack of information on outcomes means its usefulness is limited for improving government programs. Some forms of data that were of interest to Aboriginal and Torres Strait Islander people as well as to governments could not be provided through the IER because the required expenditure data are not collected or compiled centrally by jurisdictions.

a. The breakdown by service delivery provider was not available for the NT Government Departments of Education; Corporate and Digital Development; Health; and Territory Families, Housing and Communities.

4 Sector strengthening plans: progress, actions and accountability

The Agreement requires governments to develop SSPs in partnership with Aboriginal and Torres Strait Islander organisations, which can focus on sector-specific funding issues (clauses 49–53). This could be an important avenue for implementing change to funding sources other than grants and procurement – for instance, through Medicare funding in the health sector or the NDIS in the disability sector.

By design, SSPs are intended to work *alongside* other existing initiatives, including the many actions contained in implementation plans (table 1), potentially allowing SSPs to build on current initiatives and improve collaboration. However, this also presents risks around misalignment of different programs and complexities of governance. For example, responsibilities are often shared between multiple government agencies. This highlights the need for government agencies to coordinate and cooperate with each other, and to prevent gaps in responsibility.

In addition, there are a range of relationships between SSPs and other policy frameworks. For example, the health SSP ‘recognises and intersects with a range of existing policies, frameworks and programs at both the jurisdiction level as well as the national level’ (Joint Council on Closing the Gap 2021b, p. 4). This can lead to situations where the SSP (or the Agreement more broadly) is not working in alignment with other programs or frameworks intended to contribute to the same objectives.

A key question (for both SSPs and implementation plans) is whether they promote transformation, short-term change, or business-as-usual. Many examples of progress against agreed actions are ‘achieved’ with reference to programs or practices that existed prior to the Agreement. This calls into question whether the actions track to a conceptual logic; that is, have they been conceived by starting with an objective of what change should look like, followed by a review of what actions would be needed to logically achieve that goal.

Table 1 – Implementation plans address varied aspects of Priority Reform 2

Actions relevant to Priority Reform 2	
Australian Government (2023)	Includes summary of three areas: strengthening the community-controlled sector; identifying First Nations expenditure; and prioritising funding to Aboriginal and Torres Strait Islander organisations. Also provides a summary of three new actions (agreeing additional sectors for SSPs; SSP evaluation methodology; and guidance for agencies on clause 55b), and identifies delivery timeframe and responsible minister.
New South Wales (2022-24)	Includes three key action areas: a dedicated, reliable and consistent funding model for ACCOs; dedicated and identified workforce in ACCOs which have wage parity; and strong governance and business processes for ACCOs. The plan identifies several commitments under each action area, and for each, provides a summary of consultations and identifies the responsible minister.
Victoria (2021-23)	Includes three current initiatives: Aboriginal Workforce Fund; funding to Aboriginal community-controlled organisations; and COVID-19 Aboriginal Community Response and Recovery Fund. Also includes summary of how SSPs will align with implementation plans and other initiatives.
Queensland (2022)	Includes several actions categorised by (ten) different government departments and agencies. Actions include the ‘Making Tracks towards achieving First Nations Health Equity: Interim Investment Strategy 2021-22’; the transition of Queensland Government funded primary health care services to ACCOs; and the Queensland Police Service First Nations Summit. The plan identifies status, funding, timeframe, responsible ministers, and next steps.

Actions relevant to Priority Reform 2

South Australia (2021)	Includes several key actions including: investigate establishment of shared services model for ACCOs; investigate non-government source of funding for ACCOs; establish and support Aboriginal community-controlled peak bodies; complete the first round of SSPs; and support growth in ACCOs Working Group. The plan identifies status, timeframe, and responsible minister.
Western Australia (2021)	Includes 20 key actions and identifies status, funding, timeframe, and responsible minister. The range of actions includes the Developing the ACCO Consortium; State-wide Commissioning Strategy; and the General Court Intervention Program.
Tasmania (2021-23)	Includes three key actions: Aboriginal Funding Reform Model; Building Capability, Understanding and Sharing Knowledge Project; and Aboriginal Sector Support Organisations. The plan identifies status, timeframe, and responsible minister, while funding was to be confirmed.
Northern Territory (2022)	Includes several actions including the NT Government and APO NT establishing an Aboriginal education peak body, an Aboriginal justice body, and a set of pilot sites for community-controlled housing. The plan identifies resourcing, timeframe, parties, and lead agency. In most cases, resourcing was to be determined.
ACT (2021)	Includes two new actions and nine existing actions relating to Priority Reform 2. The new actions are to design a purpose-built facility for Gugan Gulwan Youth Aboriginal Corporation, and commence delivering the outcomes from a feasibility study from the Aboriginal Child Care Association. The plan identifies status, funding, timeframe, and responsible ministers.
ALGA (2021)	Includes three key actions: participating in the development of SSPs; working with state and territory governments to review procurement policies and guidelines; and the Local Government Skills and Capability Project.

Sources: ACT Government (2021), Australian Government (2023), Australian Local Government Association (2022), Government of Western Australia (2021), NSW Government (2022b), Northern Territory Government (2021), Queensland Government (2023), SA Government (2021), Tasmanian Government (2022), Victorian Government (2021).

What progress has been made in establishing SSPs?

Government parties have made progress in developing the first four SSPs. The health and early childhood care and development (ECCD) SSPs were agreed by Joint Council in December 2021 and SSPs for housing and disability were agreed in August 2022. Given the timing of these agreements, relatively little time has passed in which to analyse their effect on outcomes, with marginally more scope to consider the impacts of the health and ECCD SSPs than the housing and disability SSPs. However, all four SSPs can be examined in terms of how they intend to provide structures conducive to reform.

Each plan contains a number of actions but responsibilities and timeframes for actions are lacking

Sector strengthening plans for health and ECCD were agreed by Joint Council in December 2021, and for housing and disability in August 2022. Each of the current sector strengthening plans identify a set of measures to build the capability of the sector – around 100 actions in total – which relate to six major groupings (workforce, sustainable funding, capital infrastructure, service delivery, governance, and peak bodies) (table 2). It is beyond the scope of this draft report to assess the effectiveness of each individual action. However, at a high level, the major groupings of actions align with the strong sector elements, and cover areas of concern that were raised during our engagements, including workforce and funding (PC 2023).

Individually, the actions listed in each SSP vary according to their aim and level of ambition. For example, several actions across the SSPs focus on mapping, scoping and planning, which are key functions in the early stages of reform and transformation. As such, these actions aim to contribute to longer term improvements in outcomes for Aboriginal and Torres Strait Islander people, rather than in the immediate term. They may also be appropriate to build a foundation for action to be taken. Such actions aim to achieve incremental progress in a longer process, which raises the importance of ongoing monitoring and accountability—to ensure that they do eventually lead to more tangible changes.

It is difficult to report on how implementation of the SSPs has progressed – in part because two of the SSPs were agreed relatively recently, and because jurisdictions generally have not included thorough reporting on SSP implementation in their 2021-22 annual reports (discussed further below). Many of the actions listed in SSPs did not have resourcing or timelines assigned at the time of agreement.

Governments have also committed funds to a virtual funding pool⁵ for the purposes of sector strengthening (in addition to other funds relevant to Priority Reform 2, such as funding for service delivery). Responsibility for allocating these funds remains with the contributing government, although the funds are committed to sector strengthening activities in accordance with Joint Council's strategic plan (box 9). As such, while the funding pool ensures funds are *available* for sector strengthening actions outlined in SSPs, the SSP is not intended as the mechanism to *allocate* funds.



Box 9 – Strategic plan for sector strengthening funding

Australian governments have established a Virtual Funding Pool for the purposes of sector strengthening. The funds are *committed* more than they are *pooled*, as state and territory governments allocate funds from their own contribution toward programs in their own jurisdiction. Neither does the Australian Government allocate funds to states and territories, rather its funding can be used toward recommended areas for development identified in Joint Council's strategic plan (including national and cross-jurisdictional or multi-jurisdictional priorities) (Joint Council on Closing the Gap 2021c).

Priority areas

In its *Strategic plan for funding the development of the Aboriginal and Torres Strait Islander community-controlled sector*, Joint Council identified that initial funding would be allocated to early childhood care and development, housing, health, and disability sectors. Subsequently, the Partnership Working Group (PWG) would consider investment priorities in sectors identified as policy priority areas under Priority Reform 1: justice, social and emotional wellbeing, and languages. Further sectors may be identified by the PWG for endorsement by Joint Council.

⁵ Government parties have contributed funding towards the strengthening of the community-controlled sector and the capacity building of ACCOs. Current funding commitments are as follows (over four years from 2020-21): Australian Government \$46.5 million; New South Wales \$7.4 million; Victoria \$3.3 million; Queensland \$9.3 million; Western Australia \$3.4 million; South Australia \$3.301 million; Tasmania \$1.2 million; ACT \$0.8 million; and Northern Territory \$2 million (Joint Council on Closing the Gap 2021c, p. 2).



Box 9 – Strategic plan for sector strengthening funding

Funding principles

Under the Joint Council Strategic Plan, funding decisions are to be consistent with the following overarching principles:

- Funding will be directed to Aboriginal and Torres Strait Islander community-controlled organisations or emerging community-controlled organisations.
- Funding allocations should support development and sustainability, and long-term funding is preferred.
- Funding agreements should be outcome-focused.
- Accountability should be shared between governments and community-controlled organisations.
- Evaluation should be incorporated into program design and delivery.
- Co-design processes are consistent with Priority Reforms 1 and 3, build understanding of service-user needs in Aboriginal and Torres Strait Islander communities, and inform program and service design and delivery.
- The creation of jobs for Aboriginal and Torres Strait Islander people will be a crucial feature of these principles.

Funds allocated

The Commission has not undertaken an exhaustive audit of the use of the virtual funding pool. The Australian Government has previously allocated funds for a scoping study to develop a First Nations Data Strategy (Australian Government 2021b). The WA Government provided funding from the virtual funding pool to the Aboriginal Health Council of WA, to establish a new peak body for ACCOs delivering social services (Joint Council on Closing the Gap 2022b). The ACT Government has drawn on the virtual funding pool to support Yerrabi Yurwang Child and Family Aboriginal Corporation to become a registered human services provider (Legislative Assembly of the ACT 2022).

The National Aboriginal Community-Controlled Health Organisation (NACCHO) has proposed several programs for the health sector strengthening virtual funding pool, including: governance training and support program for the Aboriginal community-controlled health sector (\$1.963 million); strengthening the capacity of Aboriginal Community-Controlled Health Registered Training Organisations to develop the Aboriginal and Torres Strait Islander health workforce (\$1.17 million); a co-designed National Strategic Roadmap to secure a permanent, highly skilled and nationally credentialed Aboriginal and Torres Strait Islander environmental health workforce to meet community health needs (\$1.228 million); and optimal utilisation of the Medicare Benefits Schedule (MBS) Project (\$4.226 million) (NACCHO 2022a).

Accountability mechanisms for progress on SSP actions are weak

While the SSPs contain actions that largely align with strong sector elements, the question remains as to whether these planning activities are leading to the intended reforms within the intended timeframes.

Table 2 – Actions in current SSPs and strong sector elements

Strong sector element (clause 45)	Group under current SSPs	Actions under current SSPs
There is sustained capacity building and investment in ACCOs	Capital infrastructure	Actions include funding buildings, renovations and repairs (health) and ensuring new and upgraded infrastructure meets accessibility standards (disability), identifying opportunities for land and building transfers to ACCOs (ECCD, housing), and funding reliable IT capacity (health, disability). Outside of the health sector, which has \$280 million in dedicated funding earmarked for new infrastructure, these actions mainly involve collecting data, developing programs and identifying service or infrastructure gaps and future needs.
	Service delivery	Actions include reviewing reporting frameworks and quality standards to reduce burden (health), ensuring standards meet the needs of the community-controlled sector (ECCD) and the Cultural Model of Inclusion (disability). Actions also include mapping service models (disability) and redesigning service models to best fit with delivery needs (ECCD), and supporting research and data strategies (health, disability).
There is a dedicated and identified Aboriginal and Torres Strait Islander workforce and people working in community-controlled sectors have wage parity	Workforce	Actions include understanding workforce data and determining workforce needs (all sectors), developing career pathways (health, ECCD) and building on ACCO and mainstream workforces' capabilities to be culturally safe and inclusive (disability, ECCD and housing).
ACCOs that deliver common services are supported by a peak body, governed by a majority Aboriginal and Torres Strait Islander board, that has strong governance and capacity	Governance	Actions include streamlining reporting and compliance requirements (ECCD, disability) and registration processes for ACCOs (housing) and developing leadership and board skills (disability, housing).
	Peak body	Actions include expanding Aboriginal and Torres Strait Islander representation and voices in decision-making (health, disability), building the capacity and reach of peaks (disability, housing) and developing approaches and seeking funding for peak bodies where they do not exist in all jurisdictions (ECCD)
ACCOs have a dedicated, reliable and consistent funding model designed to suit the types of services required by communities and responsive to the needs of recipients (clause 45).	Funding model	Actions include reviewing and implementing funding arrangements for ACCOs (health, disability, ECCD) – along with supporting activities such as developing a needs-based funding model and strengthening systems to use Medicare more effectively (health), developing funding prioritisation policies to preference ACCO delivery (ECCD), and disseminating support material on funding sources to ACCOs (disability, housing).

Many actions are defined only at a high level, often without concrete timeframes, responsibilities, and resourcing. Very few of the actions across four existing SSPs specify who is accountable for the actions in any detail beyond listing 'all jurisdictions'. Similarly, few actions specify either resources or timeframes for completion. Without clarity about what needs to be done by whom and when, it is difficult to track progress

and maintain accountability for the actions to be implemented. This leaves a heavy reliance on other processes (including further development of details for the agreed actions; policy partnerships that are equally early in their development; and the Joint Council review of annual reports) to ensure progress.

Without clear accountabilities, resources and timeframes, there is a risk that these actions will not be completed. At this stage, accountability mechanisms do not appear to be strong enough to ensure the implementation of SSP actions.

The main mechanism for monitoring and reporting on implementation of the SSPs is through jurisdictional annual reporting and subsequent review by Joint Council. Both the disability and housing SSPs note that these processes are ‘the key accountability mechanisms’ for monitoring and reporting on implementation of the sector strengthening plan (2022b, p. 11, 2022a, p. 3).

It was also expected that (once established) the policy partnership would contribute to the governance and accountability of SSPs. For example, the Early Childhood Policy Partnership (ECP) *Agreement to Implement* states that the ECP ‘will have oversight and drive development of policy reforms outlined in the National Aboriginal and Torres Strait Islander Early Childhood Strategy and Early Childhood Care and Development Sector Strengthening Plan’ (2022, p. 3). One of the topics in scope for the ECP is to ‘review the community-controlled early childhood care and development sector and plans to strengthen the sector in line with Priority Reform Two’ (2022, p. 3).⁶

On one hand, the degree of accountability built into SSPs reflects the need for flexibility in implementation, given the need to take account of pre-existing programs, policies, frameworks, as well as the strategies and budget priorities of different governments, national peaks, and the community-controlled sectors (Joint Council on Closing the Gap 2022b, p. 7). On the other hand, a lack of accountability may reflect that some SSPs were agreed with several aspects of governance yet to be determined. One SSP noted that mechanisms for monitoring and reporting progress were in need of further consideration by the PWG. Some of the governance arrangements in the ECCD SSP had yet to be developed at the time of publication.

The effectiveness of the SSPs will depend in part on the strength of partnerships – not only in their development, but also as part of promoting ongoing accountability and alignment with policy partnerships. As discussed in information paper 2, policy partnerships are in their infancy and, as such, may yet provide a driving force for more effective implementation of SSPs. However, there remain questions as to how to improve policy partnerships themselves – their success will ultimately depend on the intent of the parties involved and their willingness and commitment to work collaboratively. For governments, this requires concrete actions to share decision-making power.

To this end, future SSPs will benefit where governments engage with peak bodies and community-controlled organisations as part of genuine joint decision-making (as per Priority Reform 1), which may also depend heavily on the transformation of government agencies and their ways of working (Priority Reform 3). As governments transform themselves and enable shared decision-making and true partnerships, they are better able to support ACCOs with reliable and secure funding approaches and funding prioritisation, and investment in workforce and other capacity building.

Annual reports provide only a partial picture of progress

Some – but not all – of the jurisdictional 2021-22 Annual Reports reported on the implementation of SSP actions.

⁶ Policy partnerships exist for five areas of policy - justice, social and emotional wellbeing, housing, early childhood care and development, and languages. Of these policy areas, only housing and early childhood care and development have sector strengthening plans (as at July 2023).

- The Australian, Western Australian, Queensland, Northern Territory and ACT Governments reported on initiatives against each of the SSP actions, for those SSPs that were published in December 2021 (health and ECCD).
- The NSW, Victorian, SA, and Tasmanian Governments reported on broad directions on strengthening the community-controlled sector but these policy actions do not directly relate to identified SSP actions. Often reporting relates to initiatives organised by strong sector *elements*, but not against individual SSP *actions*.

Where detail is available, jurisdictions have reported progress on a range of programs. For instance, the ACT Government noted investments in physical infrastructure, grant funding to promote Indigenous health workforce, and introducing a commissioning model to the health sector, as well as further action plans being developed under Safe and Supported project, consultation on workforce strategy for the ECCD sector. The WA Government reported progress on actions in the health SSP and the ECCD SSP, including the WA Department of Health endorsement of a new state-wide commissioning strategy.

While clause 47 does not require jurisdictions to report against SSP *actions*, only strong sector *elements*, jurisdictions that report against individual SSP actions provide a stronger basis for monitoring progress. For those jurisdictions that reported against individual SSP actions in their annual reports, it was clearer where progress was underway and where policy actions were lagging. This provides a basis for progress to be assessed. For the remaining jurisdictions, the annual reports provide less opportunity for Joint Council to monitor progress under the SSPs.

As a result, the Joint Council faces a challenging task each year in determining whether governments' actions against SSPs are heading in the right direction. First, the annual reporting process has been imperfect as a mechanism for transparency and accountability of SSP actions. The inclusion of more detail could allow a clearer understanding of whether progress was being made via new or changed programs, or whether the report was referring to business-as-usual. A requirement for jurisdictions to report on SSP actions would improve the review process.

In addition, where the SSP actions are geared toward longer-term outcomes, it can be challenging to assess their progress on an annual basis unless there is clarity on what would constitute meaningful interim progress. To this end, the SSPs do not articulate a clear program logic of how the listed actions will improve outcomes for Aboriginal and Torres Strait Islander people. A clearer program logic would improve the Joint Council's ability to assess whether the SSPs are leading to genuine progress. It would also help efforts to understand the importance of listed actions and to design their implementation.

5 The ACCO workforce: addressing persistent skill gaps and barriers

In order for the community-controlled sector to deliver high quality services, it requires a highly skilled Aboriginal and Torres Strait Islander workforce. During the course of this review, Aboriginal and Torres Strait Islander organisations noted that strengthening their workforce and retaining staff were key challenges. In particular, ACCOs face challenges relating to aspects of the commissioning relationship with government (such as funding); broader issues facing Aboriginal and Torres Strait Islander people in the workforce; the difficulties related to specific jobs in service-delivery; and geographical constraints.

Skill gaps and shortages have been reported in relation to several occupations across Australia, including healthcare services (Jobs and Skills Australia 2022). ACCOs that operate in regional and remote areas face additional challenges given the limited available workforce. In addition, many of the benefits that ACCOs bring to service delivery rely on the employment of Aboriginal and Torres Strait Islander people, ideally with

connections to those communities where services are delivered. In our engagements, we heard that in some cases, workforce shortages in some remote areas have reached a point where medical procedures have been cancelled because of the lack of health care professionals.

We have also heard during the course of this review that there are several steps still needed to improve the Aboriginal and Torres Strait Islander workforce in the ACCO sector. This includes aspects of the commissioning relationship between ACCOs and governments (as discussed in section 2); and the reform architecture formed by multiple workforce programs and plans, including their interaction with broader labour market issues.

Funding is key to strengthening ACCO workforces

It is fundamentally important that ACCOs are able to offer stable, longer-term employment to skilled staff, including professionals, which necessitates certainty and consistency around funding. ACCOs have often argued that short-term funding has implications for the ACCO workforce, which has flow-on effects regarding the availability of culturally beneficial services for communities (South Australian Government, sub. 28, pp. 7–8). Some progress has been made in increasing the stability of ACCO funding, including that from 1 July 2023, the Australian Government will move to rolling four-year agreements (NACCHO 2022c). In most other cases, ACCOs will be at a disadvantage relative to government organisations and large non-Indigenous NGOs in being able to offer longer term, stable employment.

Some jurisdictions have quarantined funds for the purpose of strengthening the Aboriginal and Torres Strait Islander workforce (either specifically for ACCOs or more generally for both ACCOs and the public service). For example, the Victorian Aboriginal Workforce Fund in particular has several design elements that align with good practice, including an element of self-determination in the design of funding allocation. This allocation mechanism aims to support the needs and priorities of ACCOs ‘based on consultation with the sector, rather than prescribing focus areas’ (Victorian Government 2022c, p. 93). To achieve this, a steering committee of Aboriginal community representatives was formed to guide the allocation of the funds, guided by the principles of ‘promoting cultural safety, minimising reporting burden and supporting Aboriginal-specific measures of success’ (p. 93). The Victorian Government consider the fund as being a:

... step towards a more self-determined approach to supporting the sector – in this case, its workforce development needs. Lessons and reflections from the [Aboriginal Workforce Fund] can be built on to progress funding reform, drive the sustainability of Aboriginal organisations, and continue to transfer more power and control to communities. (Victorian Government 2022c, p. 93)

The fund is managed by the Victorian Department of Health and the Department of Families, Fairness and Housing (DFFH). The second tranche of the Aboriginal Workforce Fund allocated \$25 million across 26 ACCOs (including Aboriginal Community Elders Service and Victorian Aboriginal Health Services) and \$9 million allocated to DFFH-funded agencies (Andrews 2022; Victorian Government 2022b).

Overall, funding pools that incorporate similar design features as the Victorian Aboriginal Workforce Fund can help to target workforce issues that ACCOs themselves identify as important. At the same time, this is unlikely to lessen the need for fundamental changes to commissioning and contracting practices, which will still be needed in order to allow ACCOs to compete for scarce talent in the labour market.

ACCOs compete for talent with non-Indigenous NGOs and the public service

Under the agreement, one of the elements that defines a strong sector is a ‘dedicated and identified Aboriginal and Torres Strait Islander workforce’, and where ‘people working in community-controlled sectors have wage parity based on workforce modelling commensurate with need’ (clause 45b).

We heard that ACCOs have difficulty retaining Aboriginal and Torres Strait Islander staff when salaries and benefits are better in government agencies, non-Indigenous community service providers, or employment in competing sectors. ACCOs in the Torres Strait, for example, noted that government agencies employed local workers who are then not available for ACCOs to employ. Several ACCOs told us about the wage disparity with government agencies in particular, or where (non-local) workers were being provided with benefits not available to local workers (such as subsidised housing).

The ability to compete with non-Indigenous NGOs or with government agencies in the labour market is in part determined by the quantum of funding that an ACCO receives. To this end, as discussed above, it is vital that ACCOs are funded to meet the full cost of services that are designed and delivered in a way that meets the needs of communities.

The public sector's demand for Aboriginal and Torres Strait Islander staff may decrease the workforce available to ACCOs

Several jurisdictions report some growth in the proportion of the public service workforce who identified as Aboriginal or Torres Strait Islander (Government of South Australia 2022; NSW Public Service Commission 2022; Queensland Government 2022; Victorian Government 2022a). Initiatives are being implemented to transform government agencies under Priority Reform 3, which should both increase the number and improve the cultural safety of employment opportunities for Aboriginal and Torres Strait Islander workers in the public service (discussed in information paper 4). As a major employer of skilled workers across human services, this could lead to a significant increase in demand for Aboriginal and Torres Strait Islander people with relevant (or potential to develop) skills.

To the extent that these changes would, over several years, encourage more Aboriginal and Torres Strait Islander people to undertake the kind of vocational or tertiary qualifications in demand in the public service, it could progressively increase the pool of skilled workers available to ACCOs. However, by the same token, increases in demand from the public service can potentially crowd out ACCOs who may be competing for the same applicants. As such, the longer-term implications for the ACCO workforce are mixed.

Some initiatives attempt to address the potential for labour market competition between ACCOs and the public service. For instance, the SA Government annual report action updates note that the Office of the Commissioner of Public Sector Employment (OCPSE) and the SA Department of the Premier and Cabinet will investigate the current level of wage parity between Aboriginal and non-Aboriginal workforce. They will potentially develop a framework that recognises and quantifies the value of Aboriginal cultures, languages, knowledge systems, to inform the design of job classifications and salaries for both ACCOs and government agencies.

In any case, progress against both Priority Reforms 2 and 3 will require (and lead to) increased employment of skilled Aboriginal and Torres Strait Islander people. Given that ACCOs, non-Indigenous NGOs and the public sector compete for the same talent in the labour market, ACCOs will continue to be at a disadvantage unless they are able to offer similarly attractive pay and conditions. And in order to meet the demands of ACCOs, non-Indigenous NGOs and the public service alike, there remains a need to improve career and training pathways to increase the number and range of Aboriginal and Torres Strait Islander people with sought after skills and qualifications.

Workforce challenges sometimes require a sector-specific lens

Skill needs and workforce challenges vary by sector. The first four sector strengthening plans have all identified attraction and retention as key issues, and have identified several workforce challenges specific to the health, disability, ECCD and housing sectors:

- In the disability sector, challenges include limited recognition of cultural knowledge, community connection and skills; in regional and remote communities, the need for transportation and accommodation options, and barriers in obtaining qualifications (Joint Council on Closing the Gap 2022b, p. 26).
- In the housing sector, challenges include the high degree of cultural capability required, which is not recognised in the award wages; broad and ill-defined skill sets; and high turnover caused by burn out (Joint Council on Closing the Gap 2022a, p. 9)
- In the ECCD SSP, challenges affecting regional and remote services in particular include the reliance on an external workforce leading to limited opportunities to develop local Aboriginal and Torres Strait Islander staff who have the cultural knowledge, community connections, and commitment to support their community (Joint Council on Closing the Gap 2021a, p. 9).
- The health sector faces challenges of having a high number of vacancies of both Aboriginal and Torres Strait Islander and non-Indigenous staff, across all service locations, particularly in remote and very remote regions (Joint Council on Closing the Gap 2021b, p. 10)

Several of the workforce-related actions in SSPs aim to contribute to longer-term benefits, as many of the workforce-related actions across four SSPs involve mapping, scoping and planning (including determining sector workforce development needs, analysing workforce data, and building capacity) or are geared toward improving pathways into and through education and training.

Jurisdictional implementation plans also show several reform strategies to promote Aboriginal and Torres Strait Islander participation specifically in the health workforce (box 10). The health sector has perhaps the most developed strategies regarding workforce promoting reforms. A key challenge that results is the need to align the actions contained in various different workforce plans and strategies. We heard from the NHLF that:

While the Priority Reforms have value, there can be misalignment between the Agreement and other strategies that have been developed through other processes. There is no coordination between different strategies and jurisdictions have failed to set up governance mechanisms for commitments made at the Health Ministers Roundtable. (NHLF, pers. comm., 14 June 2023)

This can result in the delay or lack of resourcing for important reforms – putting at risk the efforts made in co-design and agreement across governments and ACCOs, potentially leading to a waste of resources and the further erosion of trust in cooperative processes.



Box 10 – Examples of strategies to grow the Aboriginal and Torres Strait Islander health workforce

Governments have developed a range of plans and strategies to improve the Aboriginal and Torres Strait Islander health workforce. For instance, the Department of Health published the *National Aboriginal and Torres Strait Islander Health Workforce Strategic Framework and Implementation Plan 2021–2031* to provide a comprehensive sector-specific strategy at the Commonwealth level (Department of Health 2022). More specifically-targeted strategies, such as the South Australian Rural Health Workforce Strategy, focusses on the number and capacity of Aboriginal health workers in country areas (SA Government 2021).

Some funding has been allocated to employ and further train the Aboriginal and Torres Strait Islander health workforce in particular areas of service delivery. For instance:



Box 10 – Examples of strategies to grow the Aboriginal and Torres Strait Islander health workforce

- NACCHO is being funded to support capacity building in community-controlled health organisations. This involves training and workforce development, designing a roadmap for an environmental health workforce, and improving the utilisation of the Medicare Benefits Schedule (Australian Government 2022a, p. 28).
- The Healthy Mums, Healthy Bubs program involves funding of \$45 million over 4 years, including \$32.3 million to grow the maternity health workforce and redesign maternity services for First Nations peoples: support for culturally Birthing on Country models of care (Australian Government 2022a, p. 56).

Other programs focus on supporting Aboriginal and Torres Strait Islander people to complete their education as skilled health workers. In October 2022, the Australian Government announced \$54.3 million to train 500 First Nations health workers and practitioners (Burney, McCarthy and Dodson 2022). Tasmania's health workforce strategy, Health Workforce 2040, contains actions to increase the employment rates of Tasmanian Aboriginal people in the health workforce, including funding for Aboriginal Health Worker traineeships (Tasmania Department of Health 2019).

Promoting skilled career pathways and participation

For ACCOs to deliver culturally safe services, they require a highly-skilled Aboriginal and Torres Strait Islander workforce. More broadly, ACCO's ability to attract and retain a skilled workforce depends on the actions to improve participation of Aboriginal and Torres Strait Islander people in education and in employment – which in turn are influenced by trends in education and training, further education, youth engagement, and economic participation broadly (Socioeconomic Outcomes 5 to 8 respectively under the National Agreement). Progress has varied on these outcomes. The Australian Government noted that progress on youth engagement in education and employment (Outcome 7) is 'likely to be on track to be achieved' given the increases in Aboriginal and Torres Strait Islander students completing Year 12 (Australian Government 2022a, p. 80).

Many ACCOs require Aboriginal and Torres Strait Islander staff with vocational and tertiary qualifications. Increasing the size of this workforce requires reform initiatives related to Outcome 6 of the National Agreement, which aims to ensure Aboriginal and Torres Strait Islander students reach their full potential through further education pathways. One example is the Regional University Centres program, which supports both Aboriginal and Torres Strait Islander and non-Indigenous students to study tertiary qualifications from their regional and remote communities (box 11).

Some programs and initiatives aim to improve training outcomes for Aboriginal and Torres Strait Islander people who are studying or already employed by the public service and ACCOs. The SA Government, for instance, will provide funding and in-kind support for Aboriginal workforce development in both ACCOs and government agencies. SA Government to provide targeted financial support for:

- pre-employment training that advances Aboriginal participants on identified career pathways
- further study to gain qualifications in management (similar to previous programs which provided support for Aboriginal staff to gain a Diploma in Management or Master of Business Administration) workplace mentoring (particularly middle management).



Box 11 – Regional University Centres

The Regional University Centres (RUC) aim to help students in regional and remote areas access higher education from their community by providing student support and campus-style facilities for students who study online. As at March 2022:

... 10.8 per cent of students (295) supported by RUCs were First Nations, an increase from 10.5 per cent (260) in 2021. Comparatively, in 2020 (latest available data), only 2.05 per cent of students accessing higher education were First Nations peoples. (Australian Government 2022b, p. 74)

Among the 26 Commonwealth-funded RUCs are two based in Arnhem Land: the Arnhem Land Progress Aboriginal (ALPA) Corporation and the Wuyagiba Study Hub Aboriginal Corporation. Eight new Centres were to be established from mid-2022 via a grant round, which will include the establishment of a Centre in the Cape York region.

In addition, the Rural and Regional Enterprise Scholarships program provides up to \$18,500 to students from regional and remote areas to undertake tertiary study. The program gives priority consideration to Aboriginal and Torres Strait Islander students, who comprise 142 of the 4180 scholarship recipients (3.4 per cent) since 2018. The Australian Government noted in its annual report that further work has been undertaken to promote awareness of the scholarship to Aboriginal and Torres Strait Islander people.

Source: Australian Government (2022b).

Career pathways in health

The health SSP specifically noted that more needs to be done to develop career pathways, including from high school, and expanding registered training organisations. This aligns with what we heard in engagements for this and previous reviews, where Aboriginal and Torres Strait Islander organisations highlighted the importance of improving health career pathways. It also aligns with research published by the Lowitja Institute (2020), based on case studies in both the Northern Territory (2020) and New South Wales (2020), that concluded:

Career development and pathways for advancement for Aboriginal and Torres Strait Islander health staff across all professions, roles and locations should be a priority for government, the community-controlled sector, professional associations, other peak bodies and policy makers. (Nathan et al. 2020, p. 49)

Some governments are implementing programs to encourage student and career pathways in health in accordance with the *National Aboriginal and Torres Strait Islander Health Workforce Strategic Framework and Implementation Plan 2021–2031*. For instance, in the ACT, Indigenous Allied Health Australia is leading the implementation of the National Aboriginal & Torres Strait Islander Health Academy program in conjunction with educational institutions (the University of Canberra and the Canberra Institute of Technology) and several ACT Government departments. For Aboriginal and Torres Strait Islander people considering studies in health, the program provides ‘a wraparound culturally appropriate, supportive Australian School-based Apprenticeship (ASBA) model’ (ACT Government 2022a, p. 81).

Aboriginal and Torres Strait Islander peak bodies have noted a number of areas for potential improvement. For instance, NACCHO noted that a lack of funding for supervision in the community-controlled health sector can pose a barrier to the completion of placement requirements (NACCHO 2022b, pp. 8–9). We also heard

from the NHLF that ACCOs involved in supporting the Aboriginal and Torres Strait Islander health workforce are not always as valued by government as those organisations directly involved in health service delivery (pers. comm., 14 June 2023).

In previous Commission work on Innovations in Care for Chronic Health Conditions (2021), we heard that the Institute for Urban Indigenous Health (IUIH) operated its own long-term workforce development strategy called 'Growing our Own' (box 12). Targeted and dedicated strategies such as this could be a useful example for other areas where a standalone program could reach sufficient scale.



Box 12 – The Urban Indigenous Health workforce pipeline

The Institute for Urban Indigenous Health (IUIH) employed 322 Aboriginal and Torres Strait Islander people in 2019-20, nearly half of its total workforce. This helps the service to maintain a strong connection to community.

About 20% of IUIH's workforce is drawn from its own pipeline — a long-term, deliberate workforce development strategy called 'Growing our Own'. The strategy includes 22 professional development and study programs, including ready-to-work programs, school-based programs, vocational education traineeships, university placements and management training for emerging leaders in the organisation. The programs prioritise enrolments from disadvantaged and vulnerable Aboriginal and Torres Strait Islander young people experiencing barriers to education and work.

The school-based traineeship provides an opportunity for students to train as Allied Health Assistants. This training is complemented by pastoral care and support. In one program, 85% of the trainee cohort went on to work at IUIH. Vocational education traineeships enable students to complete a Certificate III or IV in areas related to health and wellbeing, such as fitness, individual support, primary health care, business administration and dental assisting.

A student placement partnership with the University of Queensland aims to provide students with exposure to the community-controlled health sector. The Ready to Work program supports young people transitioning into the workforce. Half the program participants have moved into employment following the program and many others have gone on to participate in further training.

Source: PC (2021, p. 87).

6 Overall progress toward a stronger community-controlled sector

Overall, progress towards Priority Reform 2 has been limited. Governments committed to strengthening the community-controlled sector to deliver high-quality, holistic and culturally safe services to Aboriginal and Torres Strait Islander people. In doing so, governments recognised that community control is an act of self-determination and that services delivered by community-controlled organisations achieve better results and are often preferred over mainstream services.

There are some signs that governments are making changes – for instance, some agencies have put in place contracting arrangements that prioritise ACCOs, and have signalled a move towards more collaborative and relational approaches to commissioning ACCOs. But overall, governments have taken few tangible steps to strengthen the various sectors to increase the proportion of services delivered by ACCOs. There is a general lack of whole-of-government reform - for instance, whole-of-government grant rules and guidelines have remained unchanged and some jurisdictions have announced ad-hoc grant funding for ACCOs. And during engagements, the Commission heard from many ACCOs that little has changed in how government are working with them – we heard that there is limited shared decision-making and co-design of programs and services. Several longstanding funding concerns also remain, including that contracts are unnecessarily short and uncertain, and that funding does not cover the full cost of well-designed and delivered services.

Several factors are likely to be contributing to the prevalence of business-as-usual, including a lack of accountability towards agreed actions. More fundamentally, there does not appear to be a consistent understanding by government agencies of the knowledge and expertise that ACCOs bring to delivering outcomes for their communities. This has implications for whether ACCOs are seen by governments as ‘equal’ partners in decision-making. In turn, this influences the way decisions are made about service-delivery models, key performance indicators, and funding. Where governments do transfer service delivery to ACCOs, but fail to support ACCOs to take leadership in designing models of service delivery and associated key performance indicators, this can create risks for service outcomes, and ultimately for Aboriginal and Torres Strait Islander people.

Government agencies need to work more collaboratively with ACCOs and communities to define service and program outcomes and ensure that ACCOs have a secure base through appropriate funding arrangements. This requires transformation in how government agencies work (as called for by Priority Reform 3), and shared decision-making (in line with Priority Reform 1), supported by a shift in view to recognise the expertise and knowledge that ACCOs bring. Without this, progress towards Priority Reform 2 is likely to remain limited.

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