

Frequently asked questions

2010 Indigenous Expenditure Report

What is the purpose of the Indigenous Expenditure Report?

To date, there has been limited information available on the level and patterns of government expenditure relating to Indigenous Australians, to support government commitments to overcome Indigenous disadvantage. The Report provides estimates of government expenditure for 2008-09 on services related to Indigenous and non-Indigenous Australians. The estimates of government expenditure in this report, when combined with other information (such as levels of Indigenous disadvantage), have the potential to contribute to a better understanding of the adequacy, effectiveness and efficiency of government expenditure on services related to Indigenous Australians. The Report itself makes no assessment on the adequacy of current levels of government expenditure.

For more information, refer to chapter 1 of the Report.

How will the Indigenous Expenditure Report make a difference to Indigenous Australians?

The Report is not expected to directly affect outcomes for Indigenous Australians — rather, it provides an additional tool to assist policy makers to shape government policy to improve outcomes for Indigenous Australians.

The Report provides estimates of government expenditure that relate to Indigenous Australians across key outcome areas such as: education; justice; health; housing, community services; employment; and other significant expenditure. At a broad level the data informs policy makers' understanding about the level and patterns of government expenditure on services related to Indigenous Australians. The Report also provides government policy makers with more information for developing and assessing policies to Close the Gap in Indigenous disadvantage.

For more information, refer to chapter 1 of the Report.

How does the Report estimate Indigenous expenditure?

Government services related to Indigenous Australians are provided through a combination of Indigenous specific (targeted) and mainstream (available to all Australians) services. While expenditure on Indigenous specific services can generally be assumed to relate exclusively to Indigenous Australians, the proportion of expenditure on mainstream services that relates to Indigenous Australians is often not recorded systematically, and has been estimated for the purpose of the Report.

The Indigenous Expenditure Report approach to estimating the expenditure on services related to Indigenous Australians involves two stages:

- identification of total expenditure by service area and, where applicable, total expenditure for Indigenous specific programs and services is identified
- proration (or allocation) of mainstream (that is, non-Indigenous specific) expenditure between Indigenous and non-Indigenous Australians. The Report method employs measures of service

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use that are closely related to service cost drivers to undertake this estimation (for example, the number of students enrolled in secondary schools for secondary school education).

The *2010 Indigenous Expenditure Report* should be interpreted as a first step in estimating the Indigenous share of expenditure on mainstream services. This is a complex task that was new to most jurisdictions. As a consequence, the data reported will be subject to a process of continual improvement in subsequent reports. Many data quality and methodological challenges remain to be resolved.

For more information, refer to chapter 1 of the Report, and the Expenditure Data Manual and Service Use Measure Definitions Manual, which are available from the project website: www.pc.gov.au/ier.

What does the Report tell us about government expenditure on Indigenous Australians?

The first Indigenous Expenditure Report tells us that:

- total expenditure in 2008-09 related to Indigenous Australians was estimated as \$21.9 billion or 5.3 per cent of total general government expenditure. This is higher than the Indigenous representation in the population (2.5 per cent), reflecting the greater level of relative disadvantage of (and greater use of government services by) Indigenous Australians
- estimated expenditure per head of population was \$40 228 for Indigenous Australians, compared with \$18 351 for non-Indigenous Australians (a ratio of 2.2:1).

This difference reflects the combined effect of:

- *more intensive use of services* — reflecting the greater level of disadvantage of Indigenous Australians — accounting for 53.8 per cent (\$11 762) of the difference
- *provision of Indigenous specific services* — which complement, or a substitute for, mainstream services — accounting for 42.6 per cent (\$9309) of the difference
- *differences in the cost of providing mainstream services* — accounting for 3.7 per cent (\$807) of the difference. Further research into the size and sources of cost differences is a key priority for future reports.

Governments provide a variety of services, in a variety of ways. As such, it is difficult to make direct comparisons of expenditure on like services between jurisdictions. However, the Report does enable broad comparisons of total expenditure on a range of government services that relate to the COAG building blocks. In this way, the Report provides the following estimates for 2008-09 of general government expenditure on services that relate to Indigenous and non-Indigenous Australians:

- *early child development, and education and training* — an estimated \$2.40 was spent per Indigenous person for every dollar spent per non-Indigenous person in the population
- *healthy lives* — an estimated \$1.95 was spent per Indigenous person for every dollar spent per non-Indigenous person in the population
- *economic participation* — an estimated \$1.76 was spent per Indigenous person for every dollar spent per non-Indigenous person in the population
- *home environment* — an estimated \$2.38 was spent per Indigenous person for every dollar spent per non-Indigenous person in the population

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- *safe and supportive communities* — an estimated \$4.07 was spent per Indigenous person for every dollar spent per non-Indigenous person in the population
- *other government expenditure* — an estimated \$1.17 was spent per Indigenous person for every dollar spent per non-Indigenous person in the population.

For more information, refer to the Report Overview, and each building block area's relevant chapter.

Why does it often cost more to provide mainstream services to Indigenous Australians?

Expenditure per head of population on mainstream government services related to Indigenous Australians is estimated to be greater than for non-Indigenous Australians, reflecting Indigenous Australians' relative disadvantage, more intensive use of government services, and greater cost of providing some services. The provision of services to Indigenous Australians might be more costly than providing similar services to non-Indigenous Australians, because of:

- *mix of services* — Indigenous Australians often access a different range of services from government agencies, which can lead to different case complexity and service delivery costs
- *number of services* — Indigenous Australians sometimes access more services per person
- *culturally appropriate services* — services may be tailored to address specific Indigenous cultural perspectives, or provide specific materials or services in a culturally appropriate manner (such as to cater for Indigenous languages)
- *location* — Indigenous Australians represent a disproportionate share of the total population in remote areas, where the cost of providing government services can be greater.

For more information, refer to chapter 2 of the Report.

How reliable are the estimates?

Estimating the share of government expenditure on services related to Indigenous Australians is not straightforward. This has not been systematically attempted at a cross-government level in the past, and the 2010 Report is a first step towards producing more robust data.

The Report draws on the best available data from a wide range of sources. However, in some cases, the required data were not available, or are of relatively poor quality. The Report also does not include expenditure data from local governments. The Indigenous Expenditure Report Steering Committee uses the following methods to explain and improve the estimates:

- *data quality statements* — any potential sources of uncertainty in data are highlighted by providing data quality statements for all major data sources, using the Australian Bureau of Statistics data quality framework
- *continual improvement* — the Steering Committee will continue to work with governments and data agencies to improve the quality of the estimates over time. However, because of the trade-off between the improvement in estimate reliability and the cost of data quality improvement, it is likely that there will always be some degree of uncertainty
- *sensitivity analysis* — in the longer-term, the Steering Committee will undertake sensitivity analysis using statistical and simulation techniques, to allow Report users to better understand the quantitative extent and source of uncertainty.

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Why is it difficult to compare expenditure between jurisdictions?

Although the Indigenous Expenditure Report is designed to report data for all jurisdictions, there are several factors that may influence the comparability of the expenditure estimates. These include:

- Indigenous specific services are not comparable between states and territories as the Report does not yet capture information with sufficient detail to enable comparison between jurisdictions
- although jurisdictions report expenditure under a uniform framework, the allocation of expenditure to categories can vary across jurisdictions
- the organisation of services (that is, whether they are provided by general government, by government owned businesses, or by the private sector) can lead to significant variation in expenditure reported in a category as the scope of the Report is limited to general government expenditure.

Over time, the comparability of expenditure between jurisdictions will improve. In the meantime, contextual information relating to significant differences in expenditure estimates between jurisdictions has been provided, where available, throughout the Report. Each jurisdiction has also provided comments to aid interpretation, which are presented in chapter two of the Report.

For more information, refer to chapter 2 of the Report.

How is the Indigenous Expenditure Report different from other Indigenous-focused reports, such as the Overcoming Indigenous Disadvantage report?

The Indigenous Expenditure Report is designed to complement other reporting initiatives and contribute information that is not otherwise available. The Indigenous Expenditure Report transparently provides estimates of government expenditure on services related to Indigenous Australians across key outcome areas such as: education; health; employment; community services; justice; and other significant expenditure. The Overcoming Indigenous Disadvantage report provides information about the disparities in outcomes for Indigenous Australians. Taking the types of information provided in both reports will, for example, allow comparison of changes in outcomes with expenditure levels and changes associated with key outcome areas. This will provide a basis for richer assessment of policies designed to Close the Gap in Indigenous disadvantage.

For more information, refer to chapter 1 of the Report, and the Expenditure Data Manual and Service Use Measure Definitions Manual, which are available from the project website: www.pc.gov.au/ier.

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Why are estimates different to those published in similar reports (for example, the Australian Institute of Health and Welfare's Expenditure on health for Aboriginal and Torres Strait Islander people reports)?

The Indigenous Expenditure Report allocates government expenditure on services using the Australian Bureau of Statistics' (ABS) Government Purpose Classification framework. The expenditure in this report is therefore conceptually reconcilable to the ABS Government Finance Statistics publications. Data are also consistent with the whole of government expenditure data reported in budget papers, although the Australian, State and Territory governments' finance departments expenditure consolidation processes may make lower-level comparisons difficult with, for example, agency data publications and the Report on Government Services.

For example, the Healthy Lives chapter of the Indigenous Expenditure Report largely uses the same method and underlying data as the Australian Institute of Health and Welfare's reports on Expenditure on health for Aboriginal and Torres Strait Islander people. However, the estimates shown in each report will differ as a result of the different scope of the Reports (government expenditure only versus all expenditure), different classification of certain health expenditure elements and different treatment of inter-governmental transfers.

The expenditure estimates in this Report may not be directly comparable with agency annual reports or with publications that focus on specific aspects of service areas (such as the Report on Government Services) as it is based on the ABS Government Purpose Classification framework (classified by purpose rather than by government department), and may be subject to adjustments by the Australian, State and Territory governments' finance departments to reflect intra-government transactions.

For more information, refer to chapter 4 of the Report.

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