

2012 Indigenous Expenditure Report

Report

*Steering Committee
for the Review of
Government
Service Provision*

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Foreword

The *2012 Indigenous Expenditure Report* is the second in a series of biennial reports first commissioned by the Council of Australian Governments (COAG) in December 2007.

The Report presents estimates of expenditure by all governments on both Indigenous specific and mainstream services to Aboriginal and Torres Strait Islander people. The estimates are broadly aligned to the COAG Closing the Gap building blocks.

The Report can contribute to better policy making and thus improved outcomes for Indigenous Australians by providing information on the levels, patterns and drivers of government expenditure on the services they receive. When combined with other data, the estimates provide the basis for acquiring a better understanding of the adequacy, effectiveness and efficiency of such government expenditure. The Report also helps governments identify areas where improved data or more detailed investigations are required to address key questions about services to Indigenous Australians.

While the estimates in this report represent the best collective effort of the jurisdictions, they should be interpreted with due consideration to the caveats expressed. Identifying the Indigenous component of expenditure is not straightforward, with a number of data and methodological challenges yet to be resolved.

On behalf of the Steering Committee, thanks are extended to all those who contributed to this report. Special thanks are due to members of the Indigenous Expenditure Report Working Group and its Convenor, Commissioner Robert Fitzgerald. I am also very grateful for the efforts and commitment of Secretariat staff at the Productivity Commission.

Gary Banks AO
Chair, Steering Committee
September 2012

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Steering Committee

This Report was produced under the direction of the Steering Committee for the Review of Government Service Provision. At 4 September 2012, the Steering Committee comprises the following current members:

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Mr Ron Perry	Aust. Govt.	Department of Prime Minister and Cabinet
Mr Peter Robinson	Aust. Govt.	Department of the Treasury
Mr Mark Thomman	Aust. Govt.	Department of Finance and Deregulation
Dr Meg Montgomery	NSW	Department of Premier and Cabinet
Mr Kevin Cosgriff	NSW	NSW Treasury
Mr Simon Kent	Vic	Department of Premier and Cabinet
Mr Jeremy Nott	Vic	Department of Treasury and Finance
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Ms Janelle Thurlby	Qld	Queensland Treasury
Mr Warren Hill	WA	Department of the Premier and Cabinet
Mr David Christmas	WA	Department of Treasury
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Mr David Reynolds	SA	Department of Treasury and Finance
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Ms Jenny Coccetti	NT	Department of the Chief Minister
Mr Craig Graham	NT	NT Treasury
Mr Peter Harper		Australian Bureau of Statistics
Mr David Kalisch		Australian Institute of Health and Welfare

Acronyms and abbreviations

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AIHW	Australian Institute of Health and Welfare
COAG	Council of Australian Governments
CRC	COAG Reform Council
DVA	Department of Veterans' Affairs
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
GFS	Government Finance Statistics
GPC	Government Purpose Classification
GST	Goods and Services Tax
NIRA	National Indigenous Reform Agreement
NSW	New South Wales
NT	Northern Territory
PBS	Pharmaceutical Benefits Scheme
Qld	Queensland
RPBS	Repatriation Pharmaceutical Benefits Scheme
SA	South Australia
TAFE	Technical and Further Education
Tas	Tasmania
VET	Vocational Education and Training
Vic	Victoria
WA	Western Australia

Glossary

Aboriginal	A person who identifies as being of Aboriginal origin. May also include people who identify as being of both Aboriginal and Torres Strait Islander origin.
Building blocks	In 2008, the Council of Australian Governments (COAG) recognised that Closing the Gap in Indigenous disadvantage would require a long term, major effort focused across a number of strategic platforms or ‘building blocks’. The building blocks endorsed by COAG are: early childhood; schooling; health; economic participation; healthy homes; safe communities; and governance and leadership.
Capital expenditure	Government financial transactions that relate to the acquisition of non-financial assets in the operating statement. For further information see the ABS <i>Australian System of Government Finance Statistics, Concepts, Sources and Methods</i> .
Complementary Indigenous specific expenditure	Expenditure on <i>Indigenous complementary specific services</i> .
Complementary Indigenous specific services	Programs, services and payments that are explicitly targeted to Indigenous Australians. These services are provided <i>in addition</i> to mainstream programs, services and payments.
Cost differential	The difference in the cost of providing mainstream services to Indigenous Australians compared with non-Indigenous Australians.
Data quality statements	A statement evaluating the quality of a given data collection, based on the seven dimensions of quality outlined in the ABS Data Quality Framework.

Direct expenditure	Expenditure on services and programs that are paid directly to individuals, non-government service providers, or local governments.
Expenditure	All expense transactions undertaken by the general government sector of the Australian Government, and State and Territory governments. It excludes capital expenditure but includes expenses related to ‘depreciation’ and maintenance of assets, and ‘capital grants’ made outside the general government sector, or to other governments. This definition follows that described in the ABS Government Finance Statistics framework.
Indigenous Australians	A person of Aboriginal and/or Torres Strait Islander origin who identifies as an Aboriginal and/or Torres Strait Islander.
Indigenous disadvantage	The difference (or gap) in outcomes for Indigenous Australians when compared with non-Indigenous Australians.
Indigenous specific expenditure	Expenditure on <i>Indigenous specific services</i> .
Indigenous specific services	Programs, services and payments that are explicitly targeted to Indigenous Australians (although there may be some use by non-Indigenous Australians). Indigenous specific services can be defined as complementary or substitute.
Indigenous under-identification	The degree to which service users are not identified as Indigenous in data collections.
Indirect expenditure	Payments or transfers made between jurisdictions, or between different levels of government. For example, GST payments provided by the Australian Government to State and Territory governments without conditions, to spend according to their own priorities.
Mainstream expenditure	Expenditure on mainstream services.

Mainstream services	Programs, services and payments that are for Indigenous and non-Indigenous Australians, such as education services.
Non-Indigenous	A person who does not identify as Aboriginal and/or Torres Strait Islander.
Operating expenditure	Total expense transactions which appear in the operating statement, as defined by the ABS Australian System of Government Finance Statistics, Concepts, Sources and Methods. Including ‘uncapitalised employee expenses’, ‘non-employee expenses’, ‘depreciation’, ‘current transfer payments’, ‘capital transfer payments’ and ‘property expense’. Excludes transactions related to the acquisition of non-financial assets.
Remoteness areas	Remoteness areas are defined in the <i>Australian Standard Geographical Classification (ASGC)</i> developed by the ABS. The ASGC identifies locations in Australia as having a particular degree of remoteness, which is determined using the Accessibility/Remoteness Index of Australia (ARIA). From these classifications, this report employs five broad classifications: major cities; inner regional; outer regional; remote; and very remote.
Service use measure	A measure of the Indigenous use of services that is closely linked with, or a proxy for, the impact that Indigenous Australians have on the total expenditure of providing mainstream services.
Substitute Indigenous specific expenditure	Expenditure on <i>substitute Indigenous specific services</i> .
Substitute Indigenous specific services	Programs, services and payments that are explicitly targeted to Indigenous Australians, and which are provided <i>as an alternative</i> to mainstream programs (for example ABSTUDY, which is provided instead of Austudy).
Torres Strait Islander people	People who identify as being of Torres Strait Islander origin. May also include people who identify as being of both Torres Strait Islander and Aboriginal origin.

Terms of reference

The following terms of reference were endorsed by the Council of Australian Governments at its 2 July 2009 meeting in Darwin.

The Indigenous Expenditure Report aims to contribute to better policy making and improved outcomes for Indigenous Australians, by:

1. reporting on expenditure on services which support Indigenous Australians, including in a manner consistent with the COAG Working Group on Indigenous Reform statement of objectives, outcomes and measures and the COAG Overcoming Indigenous Disadvantage report framework.
2. promoting the collection and reporting of robust Indigenous expenditure data through:
 - (a) determining and applying consistent methodology to the collection and reporting of data
 - (b) identifying necessary improvements to the collection and availability of relevant data
 - (c) developing and implementing strategies to address data deficiencies.

The Indigenous Expenditure Report will:

3. include expenditure by both Commonwealth and State/Territory governments (and local government if possible), and over time will:
 - (a) allow reporting on Indigenous and non-Indigenous social status and economic status
 - (b) include expenditure on Indigenous-specific and key mainstream programs
 - (c) be reconcilable with published government financial statistics.
4. focus on on-the-ground services in areas such as: education; justice; health; housing; community services; employment; and other significant expenditure.
5. report on a regular basis, including:
 - (a) completion of an initial ‘stocktake’ report for the first COAG meeting in 2009, setting out the reporting framework, principles, methodology, and survey of available data and strategies for data development

-
- (b) staged reporting against the framework (having regard to considerations such as data availability, implementation requirements and costs of reporting)
 - (c) report on both Indigenous and non-Indigenous expenditure.
6. provide governments with a better understanding of the level and patterns of expenditure on services which support Indigenous Australians, and provide policy makers with an additional tool to target policies to Close the Gap in Indigenous Disadvantage.

The Indigenous Expenditure Report Steering Committee will:

7. provide regular updates to Heads of Treasuries on progress in developing the expenditure framework and to the Working Group on Indigenous Reform on progress on data issues
8. recommend to Heads of Treasuries appropriate institutional arrangements for annual reporting on Indigenous expenditure once the framework for reporting has been developed.

OVERVIEW

Key points

- The 2012 Report is the *second* in a series that provides estimates of expenditure on services to Indigenous Australians. It contributes to the information available to policy makers to address the gap between outcomes for Indigenous and other Australians.
 - It provides information on the levels and patterns of expenditure on targeted and mainstream services for Indigenous Australians across 86 expenditure categories, mapped to the COAG National Indigenous Reform Agreement building blocks.
 - When combined with other information, the estimates in the Report can contribute to a better understanding of the adequacy, effectiveness and efficiency of government expenditure on services to Indigenous Australians.
- Some national level data are summarised below. There were significant variations in the levels and patterns of expenditure across service categories, and across states and territories — more information is available in the Report and from the project website (www.pc.gov.au/gsp/ier).
- Total direct Indigenous expenditure in 2010-11 was estimated to be \$25.4 billion, accounting for 5.6 per cent of total direct general government expenditure. Indigenous Australians make up 2.6 per cent of the population.
 - The Australian Government accounted for \$11.5 billion (45 per cent) of direct Indigenous expenditure, with the remaining \$13.9 billion (55 per cent) provided by State and Territory governments.
 - Mainstream services accounted for \$19.9 billion (78 per cent) of direct Indigenous expenditure, with the remaining \$5.5 billion (22 per cent) provided through Indigenous specific (targeted) services.
- Estimated expenditure per head of population was \$44 128 for Indigenous Australians, compared with \$19 589 for other Australians (a ratio of 2.25 to 1). The \$24 538 per person difference reflected the combined effects of:
 - *greater intensity of service use* (\$16 109 or 66 per cent) — Indigenous Australians use more services per capita because of greater need, and because of population characteristics such as the younger age profile of the Indigenous population
 - *additional cost of providing services* (\$8429 or 34 per cent) — it can cost more to provide services to Indigenous Australians if mainstream services are more expensive to provide (for example, because of location), or if Indigenous Australians receive targeted services (for example, Indigenous liaison officers in hospitals) in addition to mainstream services.
- The Report includes a number of focus areas of expenditure. In selected areas, the ratio of Indigenous to non-Indigenous expenditure per head of population was:
 - *school education* — 2.99:1 (\$5359 per Indigenous Australian compared with \$1792 per non-Indigenous Australian), mainly reflecting higher per capita use of school services, driven by the younger age profile of the Indigenous population
 - *public and community health services* — 4.89:1 (\$3152 per Indigenous Australian compared with \$644 per non-Indigenous Australian), mainly reflecting higher per capita use of health services, driven by the poorer health status of Indigenous Australians
 - *housing* — 4.85:1 (\$1708 per Indigenous Australian compared with \$352 per non-Indigenous Australian), mainly reflecting higher per capita use of social housing by Indigenous Australians, driven by socio-economic disadvantage.

Overview

The *2012 Indigenous Expenditure Report* is the second in a series, prepared by the Steering Committee for the Review of Government Service Provision under the auspice of the Council of Australian Governments (COAG). It provides *estimates* of expenditure on services provided to Aboriginal and Torres Strait Islander people by the Australian Government, and State and Territory governments. Estimates are provided for each level of government, Australia as a whole, and by state and territory geographical basis, for 2008-09 and 2010-11.¹ These estimates provide one element of the evidence base that policy makers need to gain a clearer picture of the efficiency of government services provided to Indigenous Australians.

Estimating the Indigenous component of expenditure — especially for mainstream services — is a complex exercise. The *2010 Indigenous Expenditure Report* (IERSC 2010) and supplement (SCRGSP 2011a) were important first steps toward a reliable method for estimating this expenditure. This report builds on that work with a number of important improvements (box 1). However, many data quality and methodological challenges are yet to be resolved, and the interpretation of these estimates requires an understanding of the strengths and limitations of the data and method, as well as the context within which Indigenous services are provided.

How does this report contribute to public policy?

The disparity between outcomes for Indigenous and other Australians has been an ongoing policy concern for governments at all levels. The *Overcoming Indigenous Disadvantage: Key Indicators 2011* report noted:

Across virtually all the indicators in this report, there are wide gaps in outcomes between Indigenous and other Australians. The report shows that the challenge is not impossible — in a few areas, the gaps are narrowing. However, many indicators show that outcomes are not improving, or are even deteriorating. There is still a considerable way to go to achieve COAG's commitment to close the gap in Indigenous disadvantage. (SCRGSP 2011b, p. 3)

¹ In this report lower case state and territory refers to the geographical boundaries of jurisdictions, and upper case State and Territory refers to the jurisdictional governments.

Box 1 Key improvements for the 2012 Report

The Steering Committee is committed to ongoing improvement of the data and method employed for the Indigenous Expenditure Report estimates. Key improvements for the 2012 Report include:

- *new method for allocating Australian Government expenditure by state and territory* — at the time of the 2010 Report publication, it was not possible to allocate Australian Government direct expenditure across states and territories. As a result, ‘total government’ expenditure in each state and territory could not be estimated. A method was subsequently developed for the 2010 Report Supplement. This method has been fully implemented in the 2012 Report
- *improvements to data and quality* — a number of improvements have been made to the sources and quality of the service use data that underpin the estimates in this report. These are detailed in the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b), which is available from the project website
- *improved mapping of expenditure to policy priorities* — for example:
 - *housing* — a revised structure for the collection and reporting of housing expenditure has improved the accuracy of Indigenous housing expenditure estimates and better aligned with the National Affordable Housing Agreement objectives (chapter 7)
 - *health* — a revised structure for health services expenditure has improved alignment with health outcome areas and other health expenditure reporting. It has also allowed the separate reporting of primary health and secondary health management services (chapter 5)
 - *access to justice* — a revised structure for law courts and legal services expenditure categories has allowed the separate reporting of expenditure on services promoting Indigenous access to justice (chapter 8).

The reasons for these persistent gaps in outcomes are complex, arising from a mix of historical, social and economic causes. Yet there has been limited information with which to assess the adequacy, effectiveness and efficiency of expenditure on programs aimed at improving outcomes for Indigenous Australians.

At its December 2007 meeting, COAG committed to transparent reporting on government expenditure on services related to Indigenous Australians. The Ministerial Council for Federal Financial Relations progressed this commitment by establishing the Indigenous Expenditure Report Steering Committee to develop a national framework for collecting and reporting government expenditure on services related to Indigenous and other Australians.

After the release of the 2010 Report, COAG transferred responsibility for developing and producing the Indigenous Expenditure Report to the Steering

Committee for the Review of Government Service Provision, which also oversees the production of the Report on Government Services and the Overcoming Indigenous Disadvantage report, and the collation of National Agreement data for the COAG Reform Council.

What do the terms of reference require?

The COAG-endorsed terms of reference (p.vi) require that the Indigenous Expenditure Report contribute to governments' understanding of the levels and patterns of expenditure on services that relate to Indigenous Australians, and provide policy makers with an additional tool for targeting policies to Close the Gap in Indigenous disadvantage, by:

- *reporting regularly on a broad range of government expenditure* — including Australian Government, and State and Territory Government expenditure on Indigenous specific and mainstream services used by Indigenous and non-Indigenous Australians
- *emphasising policy relevant expenditure* — focusing on on-the-ground services (such as education, justice, health, housing, community services, and employment) that can be related to National Indigenous Reform Agreement and Overcoming Indigenous Disadvantage reporting frameworks.

How will this report contribute to the Indigenous reform agenda?

The estimates in this report contribute to an understanding of the levels and patterns of government expenditure on services that support Indigenous Australians. Estimates are provided for 86 separate expenditure categories, mapped to six broad service areas — early child development, and education and training; healthy lives; economic participation; home environment; safe and supportive communities; and other government expenditure — that are aligned, at a high level, to the seven National Indigenous Reform Agreement Closing the Gap building blocks.

The estimates in this report can inform key questions such as:

- How much did government spend on key services?
- How much was spent on Indigenous Australians and how does this compare with expenditure on other Australians?
- What were the patterns of service use by Indigenous Australians and how do these compare with service use by other Australians?

- What drove the differences in expenditure between Indigenous and other Australians?

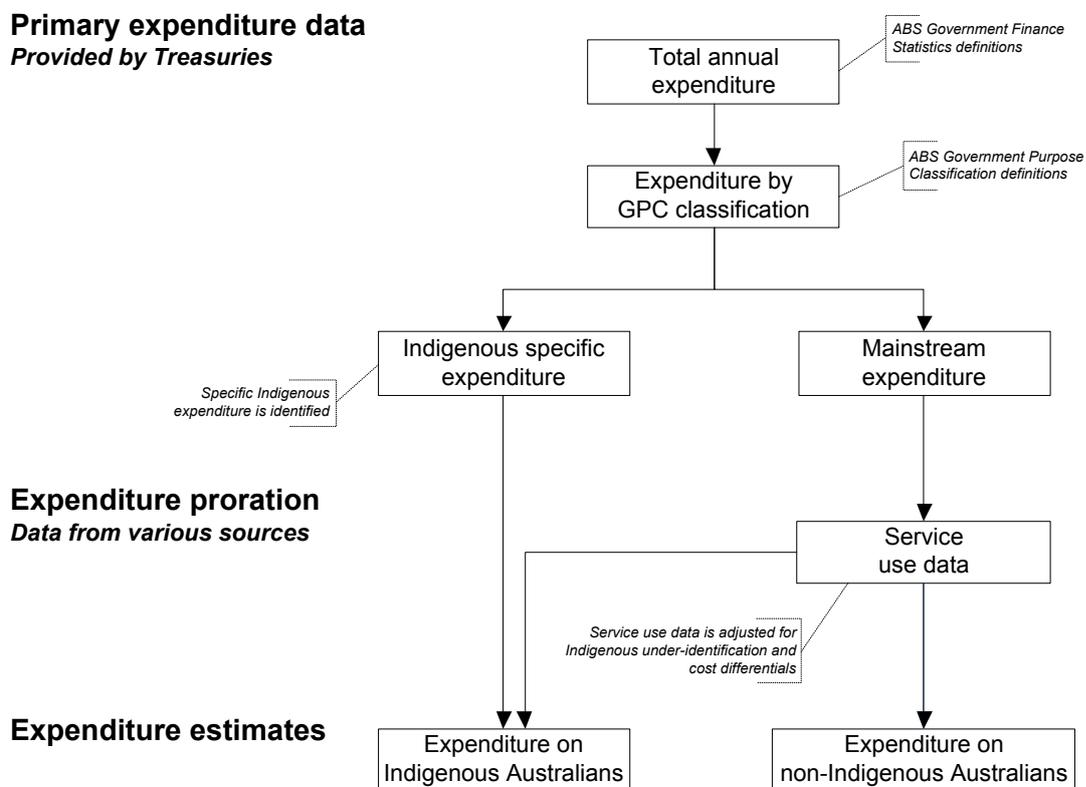
When combined with other data, the estimates in this report can contribute to a better understanding of the adequacy, effectiveness and efficiency of government expenditure on services for Indigenous Australians.

How does the Report estimate Indigenous expenditure?

Figure 1 illustrates the Report’s approach to estimating Indigenous expenditure. Government services for Indigenous Australians are provided through a combination of Indigenous specific (targeted) and mainstream (available to all Australians) services. For this report:

- expenditure on Indigenous specific services is assumed to relate exclusively to Indigenous Australians

Figure 1 **Estimating Indigenous expenditure^a**



^a More information on the Report method is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a) and 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b) which are available from the project website.

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- the Indigenous share of expenditure on mainstream services has been estimated using the best available proxies for the impact of Indigenous Australians on expenditure on those services — referred to as ‘service use measures’. Service use measures vary depending on the nature of a particular service:
 - where individuals have a direct impact on expenditure, an individual service use measure is used; for example, the proportion of mainstream school students who are Indigenous is used to estimate the Indigenous share of expenditure on school services
 - where individuals have little impact on expenditure, a population based service use measure is used; for example, the proportion of the population who are Indigenous is used to estimate the Indigenous share of expenditure on defence
 - where relevant, mainstream service use measures are adjusted for: Indigenous under-identification (where service use measures are known to underestimate the number of Indigenous service users); the cost of service provision (where it costs more (or less) to provide a mainstream service to an Indigenous Australian); and for substitute Indigenous specific services (where Indigenous Australians are provided with targeted services and programs as an alternative to mainstream programs).

Interpreting the estimates in this report

The *2012 Indigenous Expenditure Report* provides estimates of expenditure on Indigenous and non-Indigenous Australians for 2008-09 and 2010-11 (box 2). Estimates are provided for 86 expenditure categories, based on the ABS Government Purpose Classification (ABS 2011), which have been mapped to the National Indigenous Reform Agreement building blocks. For each expenditure category, estimates are available for:

- *direct expenditure* — expenditure on services and payments provided directly to individuals, non-government service providers, or local governments. Estimates are available for:
 - Australian Government direct expenditure by state and territory
 - State and Territory Government direct expenditure
 - total (Australian Government *plus* State and Territory Government) direct expenditure by state and territory.

Box 2 What is expenditure?

The Indigenous Expenditure Report defines expenditure as all expense transactions undertaken by the general government sector of the Australian, State and Territory governments, following the ABS Government Finance Statistics framework (ABS 2005).

This definition excludes capital expenditure but includes expenses related to 'depreciation' and maintenance of assets, and 'capital grants' made outside the general government sector, or indirect expenditure to other governments.

The estimates in this report are reconcilable to expenditure reported under the Uniform Presentation Framework in jurisdictions' end-of-year financial reports.

Source: SCRGSP 2012a and ABS 2011.

- *indirect expenditure* — Australian Government expenditure 'to' and 'through' other governments, such as Specific Purpose Payments and Goods and Services Tax payments, by state and territory
- *total expenditure* — direct *plus* indirect expenditure estimates (which are reconcilable to end-of-year financial reports) are available for all of the Australian Government, and State and Territory governments.² Australian Government total expenditure estimates are also available by state and territory.

The printed report summarises one subset of the available estimates — direct expenditure for 2010-11. These are considered robust estimates of the amounts directly spent by the Australian Government, and State and Territory governments on services in 2010-11. More detailed information, including additional expenditure categories, estimates for 2008-09 and estimates of Australian Government total (direct *plus* indirect) expenditure are available from the project website.

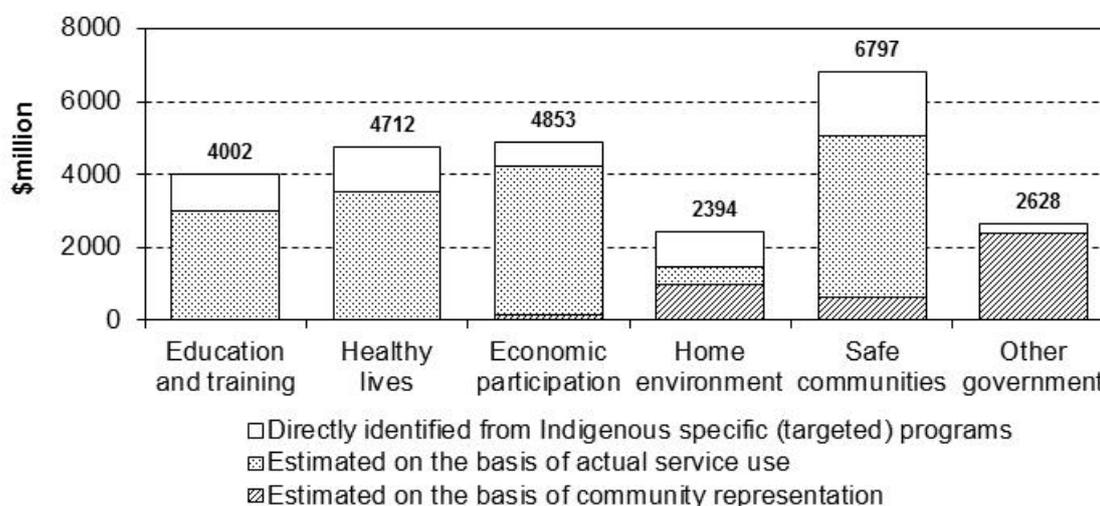
How reliable are the estimates?

The estimates of Indigenous expenditure are based on three components that combine to make up total Indigenous expenditure (figure 2):

- *directly identified Indigenous expenditure* — where expenditure on Indigenous specific (targeted) services and programs can be directly identified, it does not need to be estimated. This component of total Indigenous expenditure is highly reliable (although jurisdictions may not have been able to identify all targeted services)

² State and Territory Government indirect expenditure amounted to less than \$1.6 billion, compared with \$98.5 billion for the Australian Government in 2010-11 (web-attachments W-N to W-V).

Figure 2 **Components of 2010-11 Indigenous expenditure estimates^a**



^a As a general guide, expenditure directly identified from Indigenous specific (targeted) programs is considered highly reliable; expenditure estimated from actual service use is considered to be conceptually reliable, but is subject to the limitations of data quality; and expenditure estimated on the basis of the Indigenous representation in the community is considered less likely to closely reflect the relationship between individual Indigenous Australians and the expenditure.

Source: overview table 1.

- *Indigenous share of mainstream expenditure estimated on the basis of actual service use* — where the Indigenous share of mainstream expenditure is estimated on the basis of actual service use, there is likely to be a closer relationship between Indigenous Australians (as service users) and the cost of providing services. These estimates are conceptually robust, but can have limitations where data quality is low
- *Indigenous share of mainstream expenditure estimated on the basis of share of population* — where the Indigenous share of mainstream expenditure is estimated on the basis of the Indigenous share of the Australian population, there is not likely to be a direct relationship between individual Indigenous Australians and the cost of providing services. These estimates are still conceptually robust, but the services are less likely to have ‘on-the-ground’ significance to Indigenous Australians or communities.

The reliability of these three components can be influenced by factors such as:

- *data availability and quality* — the quality of expenditure estimates is dependent on the availability and quality of the service use measure data and adjustments used in the estimation process. In some cases, the required data are not available or are of relatively poor quality
- *conceptual precision of service use measures and adjustment factors* — how well a service use measure represents the link between the service use and costs

will affect the quality of expenditure estimates. For example, estimates are likely to be more robust where services:

- *are more homogeneous* — because it is easier to identify a robust service use measure. For example, all eligible recipients of the Australian Government Baby Bonus receive the same payments, whereas health services are generally provided through a complex case-mix approach
- *are closely aligned with cost centres and administrative portfolios* — because it is easier for jurisdictions to allocate expenditure. For example, education services are generally associated with an education department, whereas juvenile justice services involve initiatives from a broad range of agencies and portfolios
- *have direct interaction with individuals* — because the link between individuals and service costs is more strongly defined. For example, school students have strong links with education costs, whereas environment and community services provide infrastructure which people may or may not use.

A subjective assessment of the appropriateness and quality of the data underpinning the estimates in this report is provided in overview table 1. Comprehensive data quality statements are provided in the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b), available from the project website.

Service delivery context

The service delivery context influences the levels and patterns of expenditure on Indigenous and non-Indigenous Australians across jurisdictions. In particular, the service delivery context can affect both demand for services and the cost of providing services. The factors influencing demand and cost are complex and inter-related:

- *the demand for services* — demand for services can be influenced by a range of demographic and socio-economic factors, such as the size and age of the population and the incidence of disadvantage. Indigenous Australians use some services more intensively than non-Indigenous Australians (that is, Indigenous Australians use some services more per head of population than non-Indigenous Australians)
- *the cost of service provision* — the cost of providing services to Indigenous Australians can be higher (or lower) than the cost of providing similar services to non-Indigenous Australians, for reasons such as location, complexities related to culture and the compounding effects of multiple disadvantage.

Comparing expenditure over time

This report presents 2010-11 data in the printed report, and 2008-09 and 2010-11 data in the web-based tables. The data for these two periods are not intended to represent particular benchmarks against which future expenditure should be compared. Caution should be exercised when comparing differences between these two points in time because government expenditure, particularly for more disaggregated expenditure categories, can change over time for a number of reasons, including:

- *increase in demand for government services* — generally, increases in the level of demand for particular services will increase expenditure, particularly where expenditure based on meeting eligibility criteria is uncapped. For example, expenditure on unemployment benefits or Medicare
- *the effects of inflation* — to determine actual movement in expenditure, the effect of inflation needs to be removed. However, it is difficult to distinguish changes in price from changes in the level of services government provide, particularly at an aggregate level. This report does *not* remove the effect of inflation from time series data, and caution should be taken when comparing data for 2008-09 with data for 2010-11
- *new policies and changes to existing entitlements* — changes in government policies over time can cause significant movements in expenditure. For example, significant ‘one-off’ global financial crisis stimulus expenditures influenced the 2008-09 estimates. On the other hand, expenditure on many Closing the Gap initiatives did not commence until after 2008-09
- *changes to the allocation of expenditure* — the 2012 Report *Expenditure Data Manual* (2012a) provides guidelines for allocating outlays to the appropriate expenditure categories. However, changes in the machinery of government, information systems and accounting policies can result in different allocations of expenditure over time (particularly for detailed levels of disaggregation).

Future Indigenous Expenditure Reports are expected to provide more robust information about trends in expenditure over time, as more years of data become available and the quality of data improves.

Expenditure estimates

The printed Report presents an overview of estimates of Australian Government, and State and Territory Government ‘direct’ expenditure on Indigenous and non-Indigenous Australians, across six broad areas of expenditure that relate to the

National Indigenous Reform Agreement and Overcoming Indigenous Disadvantage report building blocks:

- *early child development, and education and training (chapter 4)* — expenditure related to the educational aspects of early child development, and education and training
- *healthy lives (chapter 5)* — expenditure related to health services
- *economic participation (chapter 6)* — expenditure related to programs, services and support that allow people to participate in the economy (including labour and employment services, and social security)
- *home environment (chapter 7)* — expenditure related to services and programs that provide people with a safe, healthy and secure place to live (including housing, community and environment, and transport and communication services)
- *safe and supportive communities (chapter 8)* — expenditure related to services and programs that contribute to safe and supportive communities. This includes public order and safety, community support and welfare, and recreation and culture
- *other government services (chapter 9)* — government services that can not be easily allocated to any of the building blocks.

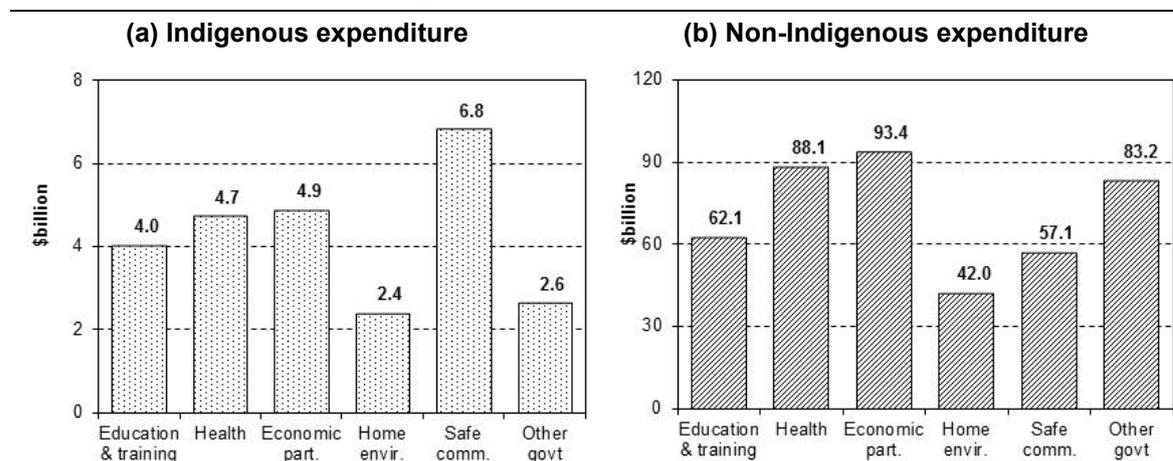
How much did governments spend on services to Indigenous Australians in 2010-11?

Nationally, Australian Government *plus* State and Territory Government direct expenditure on services for Indigenous Australians was \$25.4 billion or 5.6 per cent of all government direct expenditure in 2010-11 (overview table 2). Indigenous Australians made up 2.6 per cent of the Australian population in June 2011 (chapter 3). Across the six building blocks (figure 3):

- similar proportions of Indigenous and non-Indigenous expenditure were devoted to education and training, healthy lives, economic participation and home environment
- a greater proportion of Indigenous expenditure (27 per cent) than non-Indigenous expenditure (13 per cent) was devoted to safe and supportive communities. This mainly related to expenditure on:
 - *public order and safety* — which accounted for 13 per cent of direct Indigenous safe and supportive communities expenditure, compared with

- 4.9 per cent of direct non-Indigenous safe and supportive communities expenditure
- *community support and welfare* — which accounted for 12 per cent of total direct Indigenous safe and supportive communities expenditure compared with 6.8 per cent of direct non-Indigenous safe and supportive communities expenditure.
- a much lower proportion of Indigenous expenditure (10 per cent) than non-Indigenous expenditure (20 per cent) was devoted to other government services, which mainly related to services estimated on a per capita basis.

Figure 3 Australian Government *plus* State and Territory Government direct expenditure on services for Indigenous and non-Indigenous Australians, 2010-11^{a, b}



^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. ^b *Education & training* — early child development and education (chapter 4); *health* — healthy lives (chapter 5); *economic part.* — economic participation (chapter 6); *home envir.* — home environment (chapter 7); *safe comm.* — safe and supportive communities (chapter 8); and *other govt* — other government services (chapter 9).

Source: overview table 2.

How do Indigenous and non-Indigenous expenditure per person compare?

Throughout this report, estimated expenditure is presented on an expenditure per head of population basis (that is, expenditure per person). This allows the comparison of the relative level of expenditure between Indigenous and non-Indigenous Australians, and across jurisdictions of different sizes. It also allows expenditure in different service areas to be aggregated and compared on a consistent basis. However, expenditure per person is not the same as expenditure per user and must not be interpreted as a proxy for unit cost, or the amount that individuals receive from government (box 3).

Box 3 **Interpreting estimated expenditure per person**

Throughout this report, estimated expenditure is presented on an expenditure per head of population basis (that is, expenditure per capita). This allows the comparison of the relative size of expenditure between Indigenous and non-Indigenous Australians, and across jurisdictions of different sizes. It also allows expenditure in different service areas to be aggregated and compared on a consistent basis.

Expenditure per head of population is not a unit cost measure

Expenditure per head of population is not the same as expenditure per user, and *must not* be interpreted as a proxy for unit cost:

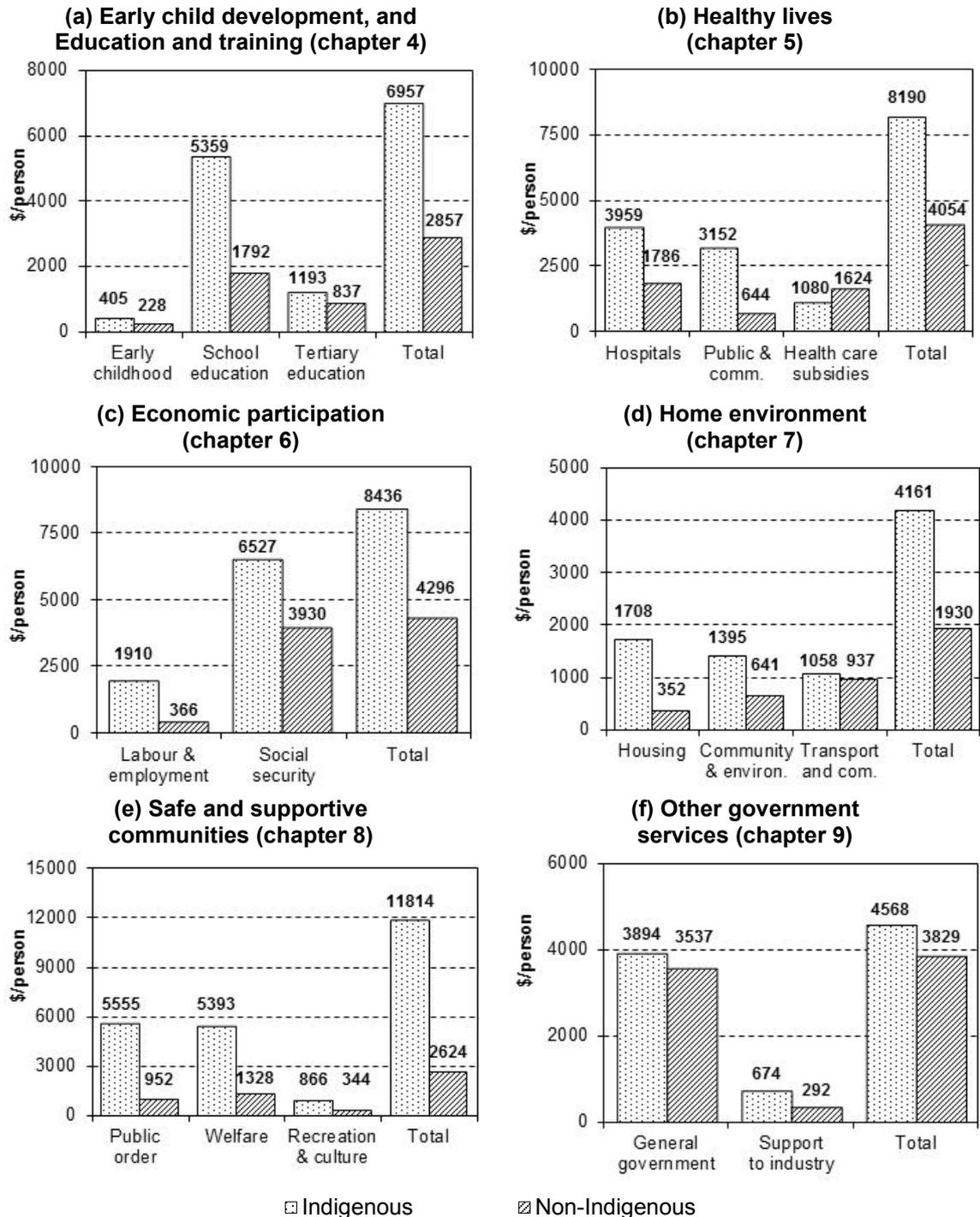
- *expenditure per head of population* — is estimated expenditure divided by the total population
- *expenditure per user (unit cost)* — is estimated expenditure divided by the total number of service users.

Expenditure per user will always be higher than expenditure per head of population, because services are generally provided to a subset of the entire population (for example, school education is only provided to school aged children).

Estimated direct government expenditure per person on all services was \$44 128 per Indigenous person and \$19 589 per non-Indigenous person in 2010-11. That is, an estimated \$2.25 was spent per Indigenous person for every dollar spent per non-Indigenous person in the population in 2010-11 (overview table 2). By broad area of expenditure:

- *early child development, and education and training (chapter 4)* — \$2.44 was spent per Indigenous person in the population for every dollar spent per non-Indigenous person. The largest area of difference in expenditure per head of population was:
 - *school education (a ratio of \$2.99 to 1)* — which reflects the younger age profile of the Indigenous population (figure 4a).
- *healthy lives (chapter 5)* — \$2.02 was spent per Indigenous person in the population for every dollar spent per non-Indigenous person. Indigenous expenditure per person was:
 - *higher for public and community health services (a ratio of \$4.89 to 1)* — which includes expenditure on Aboriginal Community Controlled Health Organisation services
 - *lower for health care subsidies and support (a ratio of \$0.66 to 1)* — which includes expenditure on Medicare rebates, pharmaceutical benefits subsidies (such as the PBS) and private health insurance rebates (figure 4b).

Figure 4 Australian Government *plus* State and Territory Government direct expenditure per person by service area, Australia, 2010-11^{a, b}



^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. ^b Per head of population expenditure is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost. The population data used for these calculations are provided in appendix C, table C.1.

Source: overview table 2.

-
- *economic participation (chapter 6)* — \$1.96 was spent per Indigenous person in the population for every dollar spent per non-Indigenous person. The largest area of difference in expenditure per person was:
 - *labour and employment programs (a ratio of \$5.22 to 1)* — which was mainly related to Indigenous specific employment programs such as the Australian Government Indigenous Employment Program and Community Development Employment Projects (figure 4c).
 - *home environment (chapter 7)* — \$2.16 was spent per Indigenous person in the population for every dollar spent per non-Indigenous person. The largest area of difference in expenditure per head of population was:
 - *housing (a ratio of 4.85 to 1)* — which reflects the higher per capita use by Indigenous Australians of social housing and rental market assistance (figure 4d).
 - *safe and supportive communities (chapter 8)* — \$4.50 was spent per Indigenous person in the population for every dollar spent per non-Indigenous person. The difference in expenditure per person was larger for Indigenous Australians for both:
 - *public order and safety (a ratio of \$5.83 to 1)* — which related to the overrepresentation of the Indigenous population in the justice system. However, care should be exercised in this area because of the relative poor quality of the data and limited information on per-incident costs
 - *community welfare and support (a ratio of \$4.06 to 1)* — which mainly related to the greater per capita use of welfare services, such as support for people with a disability and support for families and children (figure 4e).
 - *other government services (chapter 9)* — \$1.19 was spent per Indigenous person in the population for every dollar spent per non-Indigenous person. The largest area of difference in expenditure per head of population was:
 - *support to industry (a ratio of \$2.31 to 1)* — which mainly related to the distribution of royalties generated from mining on Aboriginal land in the Northern Territory to the Aboriginals Benefit Account (figure 4f).

How much do the different levels of government contribute to direct expenditure?

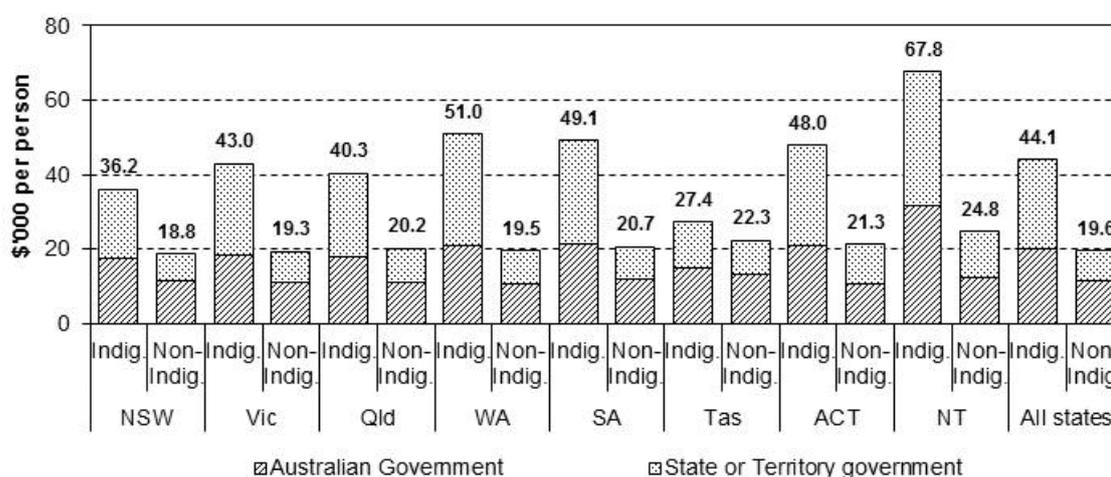
Overall, the Australian Government, and State and Territory governments accounted for similar proportions of total direct expenditure in 2010-11:

- the Australian Government accounted for \$11.5 billion or 45 per cent of direct Indigenous expenditure and \$246 billion or 58 per cent of direct non-Indigenous expenditure

- State and Territory governments accounted for \$13.9 billion (55 per cent) of direct Indigenous expenditure and \$180 billion (42 per cent) of direct non-Indigenous expenditure in 2010-11 (overview table 3).

However, the proportion of direct expenditure accounted for by the Australian Government, and State and Territory governments varied across states and territories (figure 5).

Figure 5 **Australian Government and State and Territory Government direct expenditure per person by state and territory, 2010-11^a**



^a Per head of population expenditure is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost. The population data used for these calculations are provided in appendix C, table C.1.

Source: web-table W-K.1.

The proportions of direct expenditure accounted for by the Australian Government, and State and Territory governments also varied across areas of expenditure. State and Territory governments accounted for the majority of expenditure on:

- *early child development, and education and training* — \$3.2 billion (80 per cent) of direct Indigenous early child education and education and training expenditure and \$44.6 billion (72 per cent) of direct non-Indigenous early child education and education and training expenditure
- *healthy lives* — \$3.1 billion (66 per cent) of direct Indigenous healthy lives expenditure and \$47.7 billion (54 per cent) of direct non-Indigenous healthy lives expenditure
- *home environment* — \$1.8 billion (76 per cent) of direct Indigenous home environment expenditure and \$30.3 billion (72 per cent) of direct non-Indigenous home environment expenditure

- *safe and supportive communities* — \$4.8 billion (71 per cent) of direct Indigenous safe and supportive communities expenditure and \$34.1 billion (60 per cent) of direct non-Indigenous safe and supportive communities expenditure.

The Australian Government accounted for the majority of expenditure on:

- *economic participation* — \$4.7 billion (96 per cent) of direct Indigenous economic participation expenditure and \$90.6 billion (97 per cent) of direct non-Indigenous economic participation expenditure
- *other government services* — \$1.9 billion (71 per cent) of direct Indigenous other government expenditure and \$62.8 billion (75 per cent) of direct non-Indigenous other government expenditure.

The Australian Government also contributed significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 4).

Box 4 Australian Government indirect expenditure

Australian Government indirect expenditure ‘to’ and ‘through’ State and Territory governments are reflected in State and Territory Government direct expenditure when the relevant services are provided. Australian Government indirect expenditure in 2010-11 related to:

- *National Specific Purpose Payments (SPP)* (\$26.2 billion) — payments to State and Territory governments to deliver services, including the National Healthcare SPP, National Schools SPP, National Skills and Workforce Development SPP, National Disability Services SPP and National Affordable Housing SPP
- *National Partnership Agreement payments* (\$25.3 billion) — payments to State and Territory governments to deliver specific projects and undertake national reforms, and as rewards for delivering reforms or service delivery improvements
- *Goods and Services Tax and general revenue assistance* — payments provided to State and Territory governments without conditions, to spend according to their own priorities.

In 2010-11, the Australian Government provided \$47.0 billion in general revenue assistance, nearly all (\$45.9 billion) in Goods and Services Tax payments.

Source: Aus Gov (2011).

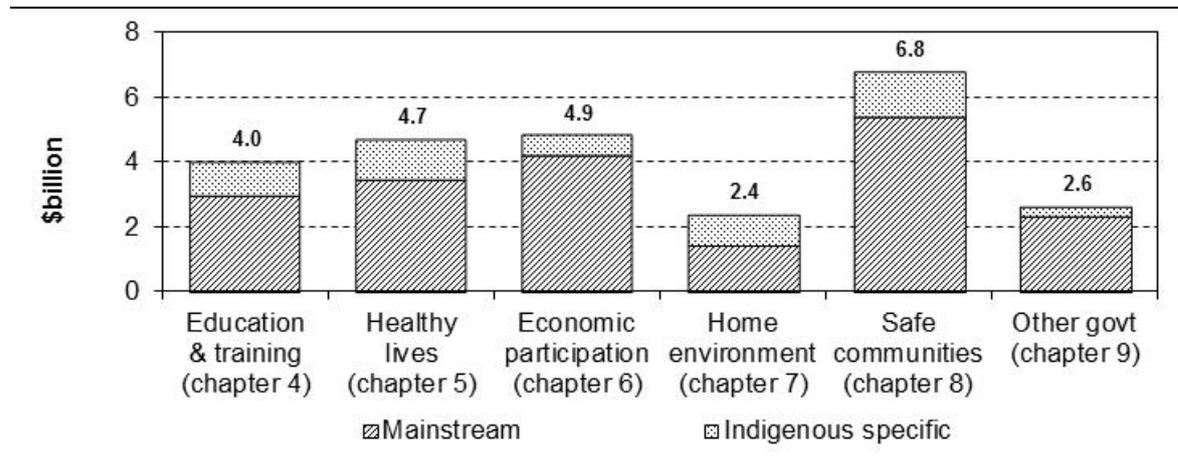
How significant is expenditure on Indigenous specific services?

Government services are provided to Indigenous Australians through a combination of mainstream and Indigenous specific (targeted) services. Mainstream services

accounted for \$19.9 billion (78 per cent) of direct Indigenous expenditure in 2010-11 (overview table 4). By broad area of expenditure:

- *early child development, and education and training* — mainstream services accounted for \$3.0 billion (74 per cent) of direct Indigenous early child development, and education and training expenditure
- *healthy lives* — mainstream services accounted for \$3.5 billion (74 per cent) of direct Indigenous health expenditure
- *economic participation* — mainstream services accounted for \$4.2 billion (87 per cent) of direct Indigenous economic participation expenditure
- *home environment* — mainstream services accounted for \$1.5 billion (61 per cent) of direct Indigenous home environment expenditure
- *safe and supportive communities* — mainstream services accounted for \$5.4 billion (79 per cent) of direct Indigenous safe and supportive communities expenditure
- *other government services* — mainstream services accounted for \$2.4 billion (89 per cent) of direct Indigenous other government services expenditure (figure 6).

Figure 6 Australian Government *plus* State and Territory Government direct expenditure on services to Indigenous Australians by type of expenditure, 2010-11^{a, b, c}



^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. ^b *Mainstream expenditure* includes outlays on programs, services and payments that are available to both Indigenous and non-Indigenous Australians on either a targeted or universal basis. Indigenous mainstream expenditure comprises a component estimated on the basis of service use and a component estimated on the basis of the difference in the cost of providing these services to Indigenous and non-Indigenous people. ^c *Indigenous specific expenditure* includes outlays on programs, services and payments that are explicitly targeted to Indigenous Australians. These programs, services and payments can be either complementary (additional) to, or be substitutes (alternatives) for, mainstream services.

Source: overview table 4.

Indigenous specific services accounted for \$5.5 billion (22 per cent) of direct Indigenous expenditure in 2010-11 (overview table 4). Indigenous specific services can either substitute for, or be complements to, mainstream services:

- *substitute Indigenous specific services* — are alternatives to mainstream services (for example, ABSTUDY). These services are an alternate way of meeting the service needs of Indigenous Australians. Substitute services accounted for \$1.5 billion (28 per cent) of Indigenous specific services in 2010-11
- *complementary Indigenous specific services* — are provided in addition to mainstream services (for example, Indigenous student counsellors in schools). These services add to the cost of providing mainstream services to Indigenous Australians. Complementary services accounted for \$4.0 billion (72 per cent) of Indigenous specific expenditure in 2010-11 (web-table W-I.1).

Why is Indigenous expenditure per capita different?

Expenditure on Indigenous Australians varied across jurisdictions and when compared with expenditure on non-Indigenous Australians. The Report method identifies several factors that drove these variations.

What can the method explain about differences in expenditure?

This report estimates direct expenditure on Indigenous Australians based on:

- *intensity of service use* — expenditure driven by the use of services. Intensity of service use has two sub-components:
 - *Indigenous use of mainstream services* — the estimated Indigenous share of mainstream expenditure is proportional to Indigenous use of mainstream services.

The per capita intensity of service use is higher if, on average, Indigenous Australians tend to use more services than non-Indigenous Australians — either because of greater individual need, or because a higher proportion of the Indigenous population belongs to the age group likely to use those services
 - *Indigenous specific services that substitute for mainstream services* — these are services that Indigenous Australians use instead of a similar mainstream service.
- *additional cost of service provision* — expenditure driven by the additional cost of providing services to Indigenous Australians, compared with the cost of providing similar services to non-Indigenous Australians. (This figure can be

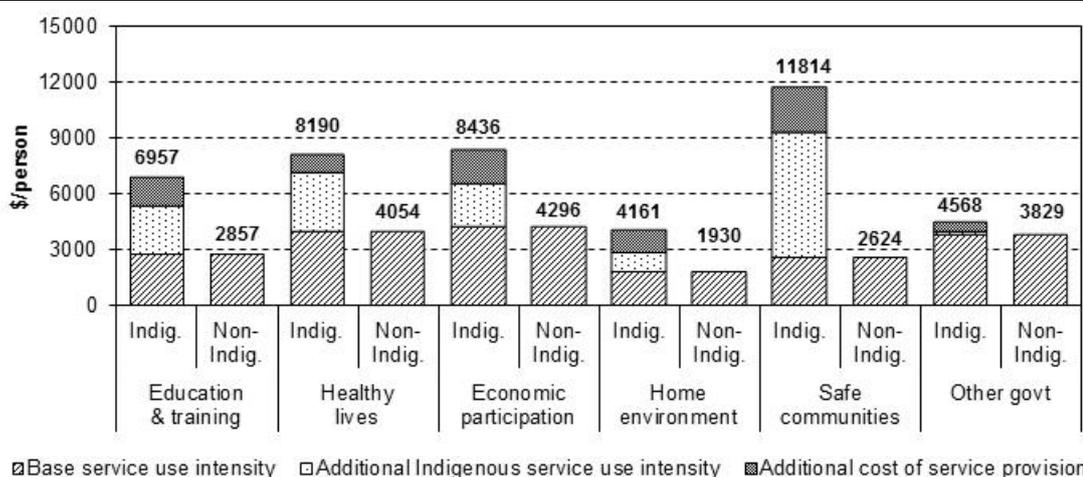
negative if it costs less to provide services to Indigenous Australians; for example, if Indigenous Australians use less expensive services.) The additional cost of service provision has two sub-components:

- *mainstream service cost differential* — any additional cost of providing mainstream services to Indigenous Australians, for reasons such as location, culture and language. For social security payments, mainstream services cost differentials reflect differences in the average payment to Indigenous and non-Indigenous recipients when assessed against eligibility criteria
- *Indigenous specific services that complement mainstream services* — these are services that Indigenous Australians use in addition to a mainstream service.

Variations in expenditure between Indigenous and other Australians

The variation in expenditure per person between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, *plus* any additional cost of providing services to Indigenous Australians (figure 7).

Figure 7 **Australian Government *plus* State and Territory Government direct expenditure per person by driver of expenditure, 2010-11^{a, b, c, d}**



^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. ^b Per head of population expenditure is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost. The population data used for these calculations are provided in appendix C, table C.1. ^c *Additional cost of service provision* includes additional cost of providing mainstream services to Indigenous Australians *plus* complementary Indigenous specific services (those provided in addition to mainstream services). ^d *Total Indigenous intensity of service use* includes the use of mainstream services *plus* substitute Indigenous specific services (those provided as an alternative to mainstream services). The *base service use intensity* is the service use intensity of non-Indigenous Australians. The *additional Indigenous intensity of service use* is total Indigenous intensity of service use *less* base service use intensity.

Source: overview table 5.

Estimated total direct expenditure per Indigenous Australian (\$44 128) was \$24 538 higher than direct expenditure per non-Indigenous Australian in 2010-11. The majority of the difference \$16 109 (66 per cent) was attributable to greater intensity of service use, with the remaining \$8429 (34 per cent) attributable to additional cost of service provision (overview table 5). The majority of additional cost of service provision (\$6948 or 82 per cent) related to complementary Indigenous specific services that were used in addition to mainstream services (web-table W-I.16).

By broad area of expenditure:

- *early child development, and education and training* — expenditure per Indigenous person was \$4101 higher than per non-Indigenous person, with the majority (\$2562 or 62 per cent) attributable to greater intensity of service use
- *healthy lives* — expenditure per Indigenous person was \$4136 higher than per non-Indigenous person, with the majority (\$3147 or 76 per cent) attributable to greater intensity of service use
- *economic participation* — expenditure per Indigenous person was \$4141 higher than per non-Indigenous person, with the majority (\$2346 or 57 per cent) attributable to greater intensity of service use
- *home environment* — expenditure per Indigenous person was \$2231 higher than per non-Indigenous person, with the majority (\$1196 or 54 per cent) attributable to additional cost of service provision
- *safe and supportive communities* — expenditure per Indigenous person was \$9190 higher than per non-Indigenous person, with the majority (\$6773 or 74 per cent) attributable to greater intensity of service use
- *other government services* — expenditure per Indigenous person was \$739 higher than per non-Indigenous person, with the majority (\$493 or 67 per cent) attributable to additional cost of service provision (overview table 5).

What other information is available?

The printed report

The printed report comprises three key elements:

- *background and guidelines for interpretation* — information on the background and purpose of the Report (chapter 1), and guidelines on how the report estimates should be interpreted within the context of the method and data (chapter 2) and service delivery context (chapter 3)

-
- *overview of expenditure* — separate chapters provide a high level overview of expenditure mapped to the COAG building blocks: early child development, and education and training (chapter 4), healthy lives (chapter 5); economic participation (chapter 6); home environment (chapter 7); safe and supportive communities (chapter 8); and other government services (chapter 9)
 - *focus areas of expenditure* — each of the expenditure area chapters includes a detailed examination of a focus area of expenditure. These were selected as guides to the more detailed estimates available online, because of their importance for Indigenous outcomes. The focus areas of expenditure for the 2012 Report are: school education (chapter 4); public and community health (chapter 5); social security support (chapter 6); housing (chapter 7); and law courts and legal services (including access to justice) (chapter 8). There is no focus area of expenditure for chapter 9.

Documentation of the method and data sources

Detailed documentation of the method is provided in two manuals, available from the project website:

- *Expenditure Data Manual* — provides a set of agreed counting rules (definitions, methods and guidelines) for jurisdictions to follow when providing expenditure data (SCRGSP 2012a)
- *Service Use Measure Definitions Manual* — documents the agreed measures used to prorate mainstream expenditure between Indigenous and non-Indigenous Australians (SCRGSP 2012b).

Additional estimates in web-attachments

The printed report should be viewed as an introduction and guide to the full suite of information available in the *2012 Indigenous Expenditure Report*. The Steering Committee has prepared extensive web-based tables to meet the anticipated needs of users. A full list of the web-based tables and their content is provided in appendix D of the printed report.

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— 2012b, *Service Use Measure Definitions Manual, 2012 Indigenous Expenditure Report*, Productivity Commission, Canberra.

Table 1 Reliability of model parameters, 2010-11 estimates

	<i>Estimated</i>			<i>Total exp</i>	<i>Information quality^a</i>		
	<i>Directly identified^b</i>	<i>Service use^c</i>	<i>Comm. rep^d</i>		<i>Appr.^e</i>	<i>Qual.^f</i>	<i>Cost diff.^g</i>
	%	%	%				
Early child development, and Education and training (chapter 4)							
Early childhood	33.5	66.5	–	5 191	A	B	C
School education	22.9	75.1	2.0	42 041	A	B	B
Tertiary education	35.7	62.5	1.9	18 878	A	B	C
Total	25.7	72.4	1.9	66 109	A	B	C
Healthy lives (chapter 5)							
Hospital services ^h	6.3	93.7	–	41 101	A	A	A
Public and community health	60.9	39.1	–	15 820	A	A	B
Health care subsidies & support	12.7	87.3	–	35 928	A	A	B
Total	27.0	73.0	–	92 849	A	A	B
Economic participation (chapter 6)							
Labour and employment	59.2	29.0	11.9	9 054	B	B	C
Social security support	–	100.0	–	89 193	A	A	B
Total	13.4	83.9	2.7	98 247	A	A	B
Home environment (chapter 7)							
Housing	51.0	49.0	–	8 637	A	B	C
Community and environment	52.2	–	47.8	14 739	A	A	C
Transport and communications	5.0	–	95.0	20 978	A	A	C
Total	39.7	20.1	40.2	44 354	A	A	C
Safe and supportive communities (chapter 8)							
Public order and safety	13.6	76.4	10.0	23 899	C	B	C
Community support and welfare	34.1	64.6	1.4	31 973	B	A	C
Recreation and culture	52.0	–	48.0	7 979	A	A	C
Total	25.8	65.4	8.8	63 851	B	B	C
Other government services (chapter 9)							
General government and defence	4.4	–	95.6	79 141	A	A	C
Support to industry	46.3	–	53.7	6 736	A	A	C
Total	10.6	–	89.4	85 877	A	A	C
TOTAL EXPENDITURE	23.2	60.6	16.2	451 287	B	B	C

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b Expenditure directly identified as Indigenous specific (targeted) programs. ^c Expenditure estimated on the basis of actual service use. ^d Expenditure estimated on the basis of **community representation** (comm. rep). ^e **Appropriateness** (appr.) — a subjective assessment of how well the service use measure represents the link between service use and cost. ^f **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. ^g **Cost differential** (cost diff.) — a subjective assessment of the reliability of the information of the difference in the cost of providing the same service to Indigenous and non-Indigenous Australians. ^h Expenditure estimates on 'Hospital services' for Indigenous Australians in some jurisdictions should be interpreted with care; in Tas, due to concerns regarding recording of Indigenous status in Tasmanian hospitals, and in ACT and NSW, on account of cross border flows between these two states. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

Table 2 **Australian Government *plus* State and Territory Government direct expenditure, Australia, 2010-11^{a, b, c}**

	Total expenditure				Expenditure per head of population ^d		
	Indig.	Non-Indig.	Total	Indig. share	Indig.	Non-Indig.	Ratio ^e
	\$m	\$m	\$m	%	\$/pers	\$/pers	ratio
Early child development, and Education and training (chapter 4)							
Early childhood	233	4 958	5 191	4.5	405	228	1.78
School education	3 083	38 958	42 041	7.3	5 359	1 792	2.99
Tertiary education	686	18 192	18 878	3.6	1 193	837	1.43
Total	4 002	62 107	66 109	6.1	6 957	2 857	2.44
Healthy lives (chapter 5)							
Hospital services	2 278	38 823	41 101	5.5	3 959	1 786	2.22
Public & community health	1 813	14 007	15 820	11.5	3 152	644	4.89
Health care subsidies & support	621	35 307	35 928	1.7	1 080	1 624	0.66
Total	4 712	88 137	92 849	5.1	8 190	4 054	2.02
Economic participation (chapter 6)							
Labour & employment	1 099	7 955	9 054	12.1	1 910	366	5.22
Social security support	3 755	85 438	89 193	4.2	6 527	3 930	1.66
Total	4 853	93 393	98 247	4.9	8 436	4 296	1.96
Home environment (chapter 7)							
Housing	982	7 655	8 637	11.4	1 708	352	4.85
Community & environment	803	13 936	14 739	5.4	1 395	641	2.18
Transport & communications	609	20 369	20 978	2.9	1 058	937	1.13
Total	2 394	41 960	44 354	5.4	4 161	1 930	2.16
Safe and supportive communities (chapter 8)							
Public order & safety	3 196	20 703	23 899	13.4	5 555	952	5.83
Community support & welfare	3 102	28 870	31 973	9.7	5 393	1 328	4.06
Recreation & culture	498	7 481	7 979	6.2	866	344	2.52
Total	6 797	57 054	63 851	10.6	11 814	2 624	4.50
Other government services (chapter 9)							
General govt & defence	2 240	76 901	79 141	2.8	3 894	3 537	1.10
Support to industry	388	6 348	6 736	5.8	674	292	2.31
Total	2 628	83 249	85 877	3.1	4 568	3 829	1.19
TOTAL EXPENDITURE	25 387	425 900	451 287	5.6	44 128	19 589	2.25

^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. ^b Refer to relevant chapters for more detail on the estimates and specific guidelines for the use and interpretation of these data. ^c Totals may not add due to rounding. ^d Per head of population expenditure is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost. The population data used for these calculations are provided in appendix C, table C.1. ^e The ratio of total Indigenous expenditure per person to total non-Indigenous expenditure per person.

Source: web-tables W-I.1 and W-I.2.

Table 3 Australian Government *plus* State and Territory Government direct expenditure by state and territory, 2010-11^a

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Early child development, and Education and training (chapter 4)									
Indigenous (\$million)									
Aust Govt	242	59	207	101	53	25	9	108	803
State Govt	818	211	793	505	242	89	29	512	3 199
Non-Indigenous (\$million)									
Aust Govt	5 645	4 608	3 473	1 580	1 318	409	393	105	17 530
State Govt	11 793	11 898	9 283	5 451	3 613	1 195	853	490	44 576
Total	18 498	16 776	13 756	7 637	5 226	1 719	1 283	1 215	66 109
Healthy lives (chapter 5)									
Indigenous (\$million)									
Aust Govt	337	100	317	212	65	41	12	518	1 603
State Govt	623	188	883	518	218	37	35	607	3 109
Non-Indigenous (\$million)									
Aust Govt	13 707	9 248	7 884	4 579	2 541	1 039	666	818	40 482
State Govt	14 293	11 488	9 946	4 921	4 337	1 252	988	430	47 655
Total	28 960	21 024	19 030	10 231	7 161	2 369	1 702	2 373	92 849
Economic participation (chapter 6)									
Indigenous (\$million)									
Aust Govt	1 213	252	1 290	777	285	112	31	723	4 683
State Govt	30	9	79	16	7	3	–	27	170
Non-Indigenous (\$million)									
Aust Govt	29 383	22 989	18 375	7 753	7 779	2 662	1 235	444	90 620
State Govt	1 116	494	448	275	298	83	19	41	2 774
Total	31 742	23 743	20 192	8 821	8 368	2 861	1 285	1 234	98 247
Home environment (chapter 7)									
Indigenous (\$million)									
Aust Govt	153	34	157	60	28	17	4	129	583
State Govt	318	96	492	232	73	25	12	564	1 811
Non-Indigenous (\$million)									
Aust Govt	3 758	2 815	2 529	1 141	893	286	160	82	11 663
State Govt	8 460	8 034	6 951	3 578	2 052	443	456	323	30 297
Total	12 689	10 979	10 129	5 010	3 046	771	632	1 098	44 354

(Continued next page)

Table 3 (continued)

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Safe and supportive communities (chapter 8)									
Indigenous (\$million)									
Aust Govt	490	130	510	247	139	48	30	376	1 970
State Govt	1 246	409	1 138	991	295	78	44	626	4 827
Non-Indigenous (\$million)									
Aust Govt	7 470	5 916	4 472	1 924	2 201	586	303	109	22 979
State Govt	10 469	8 977	6 484	3 964	2 359	895	601	329	34 076
Total	19 674	15 432	12 603	7 125	4 993	1 607	977	1 439	63 851
Other government services (chapter 9)									
Indigenous (\$million)									
Aust Govt	493	110	485	227	93	60	14	374	1 855
State Govt	144	23	295	75	29	27	11	169	773
Non-Indigenous (\$million)									
Aust Govt	20 318	15 826	12 704	6 397	4 675	1 410	1 015	465	62 810
State Govt	5 939	3 319	6 263	1 644	1 497	617	801	359	20 439
Total	26 893	19 278	19 746	8 343	6 295	2 114	1 841	1 367	85 877
TOTAL EXPENDITURE									
Indigenous (\$million)									
Aust Govt	2 927	686	2 966	1 624	662	304	100	2 229	11 498
State Govt	3 178	935	3 680	2 337	863	260	131	2 504	13 889
Non-Indigenous (\$million)									
Aust Govt	80 280	61 403	49 435	23 374	19 406	6 392	3 772	2 021	246 083
State Govt	52 070	44 209	39 375	19 833	14 156	4 485	3 717	1 972	179 817
Total	138 455	107 233	95 455	47 167	35 088	11 441	7 720	8 727	451 287

^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments.

Source: web-table W-J.1.

Table 4 Australian Government *plus* State and Territory direct expenditure on Indigenous Australians, Australia, 2010-11^a

	<i>Indigenous expenditure</i>			<i>Indig. specific share^b</i>	<i>Service area share^c</i>
	<i>Mainstream</i>	<i>Indig. specific</i>	<i>Total</i>		
	\$m	\$m	\$m	%	%
Early child development, and Education and training (chapter 4)					
Early childhood	155	78	233	33.5	0.9
School education	2 378	705	3 083	22.9	12.1
Tertiary education	441	245	686	35.7	2.7
Total	2 974	1 028	4 002	25.7	15.8
Healthy lives (chapter 5)					
Hospital services	2 135	143	2 278	6.3	9.0
Public & community health	803	1 010	1 813	55.7	7.1
Health care subsidies & support	542	79	621	12.7	2.4
Total	3 480	1 232	4 712	26.1	18.6
Economic participation (chapter 6)					
Labour & employment	449	650	1 099	59.2	4.3
Social security support	3 755	–	3 755	–	14.8
Total	4 203	650	4 853	13.4	19.1
Home environment (chapter 7)					
Housing	481	501	982	51.0	3.9
Community & environment	384	419	803	52.2	3.2
Transport & communications	594	15	609	2.5	2.4
Total	1 458	936	2 394	39.1	9.4
Safe and supportive communities (chapter 8)					
Public order & safety	2 760	436	3 196	13.6	12.6
Community support & welfare	2 395	707	3 102	22.8	12.2
Recreation & culture	239	259	498	52.0	2.0
Total	5 394	1 402	6 797	20.6	26.8
Other government services (chapter 9)					
General govt & defence	2 142	98	2 240	4.4	8.8
Support to industry	208	180	388	46.3	1.5
Total	2 350	278	2 628	10.6	10.4
Total expenditure	19 861	5 526	25 387	21.8	100.0

^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. ^b Indigenous specific expenditure as a proportion of total Indigenous expenditure. ^c Indigenous expenditure in the service area as a proportion of total direct Indigenous expenditure. – Zero or rounded to zero.

Source: web-table W-I.1.

Table 5 Australian Government *plus* State and Territory direct expenditure per person on Indigenous and non-Indigenous Australians by source of difference, Australia, 2010-11^{a, b}

	<i>Indigenous expenditure</i>			<i>Non-Indig</i>	<i>Source of difference^c</i>		
	<i>Service use^d</i>	<i>Cost of prov.^e</i>	<i>Total</i>		<i>Service use^d</i>	<i>Cost of prov.^e</i>	<i>Total</i>
	\$/pers	\$/pers	\$/pers	\$/pers	\$/pers	\$/pers	\$/pers
Early child development, and Education and training (chapter 4)							
Early childhood	267	138	405	228	39	138	177
School education	4 203	1 157	5 359	1 792	2 411	1 157	3 567
Tertiary education	948	244	1 193	837	112	244	356
Total	5 418	1 539	6 957	2 857	2 562	1 539	4 101
Healthy lives (chapter 5)							
Hospital services	3 676	283	3 959	1 786	1 891	283	2 173
Public & community health	2 587	565	3 152	644	1 943	565	2 507
Health care subsidies & support	938	142	1 080	1 624	-686 ^f	142	-544 ^f
Total	7 201	989	8 190	4 054	3 147	989	4 136
Economic participation (chapter 6)							
Labour & employment	769	1 140	1 910	366	404	1 140	1 544
Social security support	5 873	654	6 527	3 930	1 943	654	2 597
Total	6 642	1 794	8 436	4 296	2 346	1 794	4 141
Home environment (chapter 7)							
Housing	1 260	447	1 708	352	908	447	1 356
Community & environment	719	676	1 395	641	78	676	754
Transport & communications	986	72	1 058	937	49	72	122
Total	2 965	1 196	4 161	1 930	1 035	1 196	2 231
Safe and supportive communities (chapter 8)							
Public order and safety	4 802	753	5 555	952	3 850	753	4 603
Community support & welfare	4 175	1 218	5 393	1 328	2 847	1 218	4 065
Recreation & culture	420	447	866	344	76	447	522
Total	9 397	2 417	11 814	2 624	6 773	2 417	9 190
Other government services (chapter 9)							
General govt & defence	3 713	181	3 894	3 537	176	181	357
Support to industry	362	312	674	292	70	312	382
Total	4 075	493	4 568	3 829	246	493	739
Total expenditure	35 699	8 429	44 128	19 589	16 109	8 429	24 538

^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. ^b Per head of population expenditure is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost. The population data used for these calculations are provided in appendix C, table C.1. ^c The source of the difference between Indigenous and non-Indigenous expenditure per person. ^d *Service use* — 'intensity of service use'. ^e *Cost of prov* — 'cost of service provision'. ^f The difference between Indigenous and non-Indigenous expenditure per person is negative because Indigenous Australians have a lower intensity of service use than non-Indigenous Australians.

Source: web-table W-I.16.

PART A

ABOUT THE REPORT
AND ESTIMATES

1 What is the Indigenous Expenditure Report?

The *2012 Indigenous Expenditure Report* is the second in a series, prepared in response to a Council of Australian Governments' (COAG) commitment to improve reporting of Indigenous expenditure (COAG 2007).¹

The Report provides *estimates* of expenditure on services provided to Aboriginal and Torres Strait Islander people² by the Australian Government, and State and Territory governments on a state and territory geographical basis for 2008-09 and 2010-11.³ It includes expenditure on both Indigenous specific services and programs, and services delivered to Indigenous people through mainstream services.

These estimates contribute to the evidence base that policy makers can use to assess government expenditure on services to Indigenous Australians. The estimates are one element in this evidence base and aim to complement information on programs and outcomes available from other reporting exercises (section 1.1).

The estimation method used in this report builds on the work undertaken for the 2010 Report and Supplement (IERSC 2010; SCRGSP 2011a). An overview of the method is presented in section 1.2 and more information is provided in chapter 2. Key changes in the method from the 2010 Report are summarised in section 1.3.

While these estimates represent the best collective effort of the jurisdictions, identifying the Indigenous component of expenditure is difficult, and many data quality and methodological challenges are yet to be resolved. Interpreting these estimates requires an understanding of the strengths and limitations of the method and data (chapter 2), and the context within which Indigenous services are provided (chapter 3).

¹ The Indigenous Expenditure Report is prepared by the Steering Committee for the Review of Government Service Provision, which also oversees the production of the Report on Government Services, the Overcoming Indigenous Disadvantage report, and collation of National Agreement data for the COAG Reform Council.

² Throughout this report, the term 'Indigenous' is used to refer to Aboriginal people and Torres Strait Islander people.

³ In this report lower case state and territory refers to the geographical boundaries of jurisdictions, and upper case State and Territory refers to the jurisdictional governments.

The printed report provides an overview of six broad areas of expenditure — early child development, and education and training; healthy lives; economic participation; home environment; safe and supportive communities; and other government services. It should be viewed as an introduction and guide to the more detailed estimates for 86 expenditure categories available electronically from the project website (section 1.5).

1.1 How does this report contribute to public policy?

Indigenous disadvantage has been an important focus of government attention over many years. As noted in the *Closing the Gap Prime Minister's Report*:

Addressing Indigenous disadvantage is one of the most pressing challenges the nation faces. It will require sustained commitment — by governments at all levels, by the corporate sector, by social and non-government organisations, and by Indigenous people. (Aus Gov 2012, p. 9)

Governments need a comprehensive evidence base to design and evaluate policies in order to 'Close the Gap' in Indigenous disadvantage. As required by the terms of reference (p. XVII), the Indigenous Expenditure Report aims to contribute to this evidence base by providing governments and researchers with a better understanding of the levels and patterns of expenditure on services related to Indigenous Australians.

Indigenous disadvantage is a serious and persistent policy challenge

The disparity between outcomes for Indigenous and non-Indigenous Australians — in particular, the gaps in health and life expectancy, early childhood development, educational attainment, economic participation, and access to a safe and secure living environment — have been highlighted by a long list of studies (ABS and AIHW 2008; AIHW 2009; ANAO 2007; Aus Gov 2010, 2011, 2012; SCRGSP 2005, 2007, 2009, 2011b, 2011c, 2012).

Despite successive governments at all levels implementing policies aimed at addressing this disparity, gaps persist in many areas. The 2011 *Overcoming Indigenous Disadvantage* report — which reported on trends in a wide range of Indigenous outcomes — found that:

Across virtually all the indicators in this report, there are wide gaps in outcomes between Indigenous and other Australians. The report shows that the challenge is not impossible — in a few areas, the gaps are narrowing. However, many indicators show that outcomes are not improving, or are even deteriorating. There is still a considerable

way to go to achieve COAG's commitment to close the gap in Indigenous disadvantage. (SCRGSP 2011b, p. 3)

The reasons for these persistent gaps in outcomes are complex, arising from a mix of historical, social and economic causes (SCRGSP 2007). Designing policies and programs to address these challenges is equally complex, and requires a comprehensive evidence base.

In 2008, COAG agreed on the Closing the Gap strategy, represented in the National Indigenous Reform Agreement (NIRA) (COAG 2011). The Closing the Gap strategy identifies a framework of seven 'building blocks' which reflect the interactive nature of achieving outcomes in various policy domains: *early childhood, schooling, health, economic participation, healthy homes, safe communities and governance and leadership*.

Good policy requires a comprehensive evidence base

A comprehensive evidence base includes information about the outcomes being experienced by Indigenous Australians and their communities, the nature and impact of the government (and non-government) services and programs designed to influence those outcomes, and the resources (including financial resources) devoted to those services and programs.

Reporting Indigenous outcome information at a high level includes:

- *National Indigenous Reform Agreement* reporting — the COAG Reform Council reports annually on government progress in achieving NIRA (CRC 2010, 2011, 2012)
- *Overcoming Indigenous Disadvantage* reports — these reports provide comprehensive information on outcomes across a strategic framework of indicators (SCRGSP 2003, 2005, 2007, 2009, 2011).

The Indigenous Expenditure Report seeks to address the information gap around high level reporting of government resourcing by providing estimates of government expenditure on services for Indigenous and non-Indigenous Australians, mapped at a high level to the NIRA building blocks (chapter 2).

The estimates in this report, when used with other data, have the potential to contribute to a better understanding of the adequacy, effectiveness and efficiency of government expenditure on services for Indigenous Australians.

1.2 How is Indigenous expenditure estimated and how can these estimates be used?

How is Indigenous expenditure estimated?

The Indigenous Expenditure Report method estimates government expenditure using data reconcilable to jurisdictions' end-of-year financial reports and a slightly modified version of the ABS Government Purpose Classification (GPC) system.

Indigenous and mainstream expenditure

Services to Indigenous Australians are provided through a combination of:

- *Indigenous specific (targeted) services* — those provided exclusively to Indigenous Australians (although it is noted that there could be some use of these services by non-Indigenous Australians). All expenditure on Indigenous specific services is Indigenous expenditure
- *mainstream (available to all Australians) services* — those provided for all Australians. The Indigenous share of expenditure on mainstream services is not systematically recorded and must be estimated.

Total Australian Government expenditure in each state and territory must be estimated before the Indigenous share of that expenditure can be determined.

Estimating Indigenous mainstream expenditure by state and territory

The Indigenous share of mainstream services is estimated using a proxy for the link between expenditure on services and Indigenous and non-Indigenous Australians. This proxy — referred to as a 'service use measure' — includes measures such as the Indigenous proportion of school students or social security payment recipients, or the representation of Indigenous Australians in the population for services provided to the community (for example, roads). The service use measures are adjusted for the cost of service provision, Indigenous under-identification and substitution between services.

More information on the Report estimation method and concepts is provided in chapter 2 and appendix A.

What estimates are available and what questions can they help to answer?

The Report provides estimates of expenditure on Indigenous and non-Indigenous Australians for 2008-09 and 2010-11. Estimates are provided for the nominal level of expenditure and spending per person across 86 expenditure categories that are based on the ABS GPC. These estimates are broken down by:

- level of government making the expenditure (Australian Government, and State and Territory Government)
- type of program or service (mainstream or Indigenous specific)
- the key driver of expenditure (service use intensity or cost of service provision).

Estimates are also available for:

- *direct expenditure* — expenditure on services and programs (including income support) that is paid directly to individuals, non-government service providers, or local governments
- *total (direct plus indirect) expenditure* — total government expenditure includes indirect expenditure (payments ‘to’ and ‘through’ other governments) such as Specific Purpose Payments and general revenue assistance, including GST payments.

The printed report is an introduction and guide, and presents estimates of direct expenditure for 2010-11 because:

- *direct expenditure allows comparisons* — allows Australian Government, and State and Territory Government expenditure to be combined and compared within, and across, states and territories. It also represents actual expenditure on services provided to individuals (or service providers) (chapter 2)
- *comparing expenditure for two points in time can be problematic* — although the 2008-09 estimates are based on the same method, comparing these estimates with 2010-11 estimates can be problematic for many reasons including the effects of inflation, changing demand, changes to policies and entitlements and reorganisations of the machinery of government (chapter 2).

More detailed expenditure categories, estimates for 2008-09 and estimates for total (direct plus indirect) expenditure are available from the project website (section 1.5).

The printed report also presents estimates for focus areas of expenditure as a guide to the detailed estimates available online, which are important for Indigenous outcomes, including school education (chapter 4), public and community health

(chapter 5), social security payments for the aged, people with a disability, the unemployed and families (chapter 6), housing services (chapter 7) and law courts and legal services (including access to justice) (chapter 8).

The estimates in this report contribute to an understanding of the levels and patterns of government expenditure on services that support Indigenous Australians, and can be used to inform key questions such as:

- How much did government spend on services?
- How much of this was spent on Indigenous Australians and how does this compare with non-Indigenous Australians?
- What were the patterns of service use by Indigenous Australians and how does this compare with non-Indigenous Australians?
- What drives the differences in expenditure between Indigenous and non-Indigenous Australians?

More discussion around the appropriate use and interpretation of the estimates to answer such questions is provided in chapters 2 and 3.

1.3 What's new in the 2012 Report?

The Steering Committee is committed to ongoing improvement of the data and method employed for the Indigenous Expenditure Report estimates. The following key improvements have been implemented for the 2012 Report:

- *a new method for allocating Australian Government expenditure by state and territory* — at the time of the 2010 Report publication, it was not possible to allocate Australian Government direct expenditure across states and territories. As a result, 'total government' expenditure in each State and Territory could not be estimated. A method was subsequently developed for the 2010 Report Supplement. This method has been fully implemented in the 2012 Report
- *improvements to data quality* — there have been a number of improvements to the source and quality of the service use data that underpin the estimates in the report. These are detailed in the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b), which is available from the project website (section 1.5)
- *improved mapping of expenditure to policy priorities* — including in:
 - *housing* — a revised structure for the collection and reporting of housing expenditure has improved the accuracy of Indigenous housing expenditure

and more closely aligns with the National Affordable Housing Agreement objectives

- *health* — a revised structure for health services expenditure has facilitated a better alignment with health outcome areas and other health expenditure reporting. It has also allowed the separate reporting of expenditure related to the provision of health services, payments and programs provided to support those services (such as health research); and the separate reporting of primary (or preventative) health and secondary health management services
- *access to justice* — a revised structure for the law courts and legal services expenditure categories has allowed the separate reporting of expenditure on Indigenous access to justice services.

1.4 What's in the printed report?

Part A of the Report, which includes this chapter, provides an overview of the report objectives and method, and provides guidelines for how the estimates should be used and interpreted. Part A includes:

- *What estimates are available and how should they be used? (chapter 2)* — provides an overview of the available estimates, the method, the implications of the method for how the estimates should be interpreted and used, and guidelines for how the estimates in this report relate to other expenditure and performance reporting
- *How does the service delivery context influence expenditure? (chapter 3)* — provides an overview of the implications of the service delivery context for interpreting expenditure estimates, focusing on factors that can influence the level and cost of Indigenous services.

Part B of the Report provides an overview of expenditure by building block. Each chapter includes an overview of expenditure for all expenditure categories in that building block. Most chapters have a more detailed discussion of expenditure in a particular focus area. Part B includes:

- *early child development, and education and training (chapter 4)* — a summary of 15 expenditure categories available from the project website, with a focus on 'school education' expenditure
- *healthy lives (chapter 5)* — a summary of 16 expenditure categories available from the project website, with a focus area on 'public and community health' expenditure

-
- *economic participation (chapter 6)* — a summary of 10 expenditure categories available from the project website, with a focus on ‘social security for the aged, people with a disability, families and children, and the unemployed’ expenditure
 - *home environment (chapter 7)* — a summary of 17 expenditure categories available from the project website, with a focus on ‘housing’ expenditure.
 - *safe and supportive communities (chapter 8)* — a summary of 20 expenditure categories available from the project website, with a focus on ‘law courts and legal services’ expenditure
 - *other government services (chapter 9)* — a summary of 8 expenditure categories available from the project website. There is no focus area of expenditure for this chapter.

1.5 What other information is available?

Additional estimates in web-based tables

The printed report should be viewed as an introduction and guide to the *2012 Indigenous Expenditure Report*. The Steering Committee has prepared extensive additional web-based tables on the project website that are anticipated to meet the most common needs of users. Users requiring alternative combinations of data are invited to approach the Secretariat (see further information below).

A full list of the web-based tables and their content is provided in appendix D.

Documentation of the method and data sources

The Report method is documented in two manuals that represent the nationally agreed definitions, concepts, methods and data sources used to estimate Indigenous expenditure for the Indigenous Expenditure Report:

- *Expenditure Data Manual* — provides a consistent set of agreed definitions, methods, and guidelines for jurisdictions to follow when providing expenditure data
- *Service Use Measure Definitions Manual* — documents the agreed measures used to prorate mainstream expenditure between Indigenous and non-Indigenous Australians.

These manuals are revised for each report, reflecting the Steering Committee's commitment to continual development. Readers should ensure that the manuals they are referencing correspond to the relevant report.

Further information

Please contact the Secretariat if you require further information or clarification on the estimates presented in this report (contact details are provided on the copyright page). Suggestions for improvement the Report approach or presentation are also welcome. To be notified of developments relating to this report please register your interest via the project website.

1.6 References

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 - 2012b, *Service Use Measure Definitions Manual, 2012 Indigenous Expenditure Report*, Productivity Commission, Canberra.

2 What estimates are available and how should they be used?

This chapter provides an overview of the strengths and limitations of the method and data used in this report and how the estimates relate to other reporting.

The expenditure estimates in this report use a refinement of the method used for the 2010 Report and Supplement (IERSC 2010, SCRGSP 2011). The method is described in section 2.1. The estimates for 2008-09 in this report may vary from those in the 2010 Report and Supplement, due to improvements to the method and revisions to the data.

Estimating government expenditure on services related to Indigenous Australians is a complex process, and involves a number of assumptions that affect how the estimates should be used and interpreted (sections 2.2 and 2.3).

2.1 How is Indigenous expenditure estimated?

The definition and scope of expenditure in this report are consistent with national collections. The expenditure categories are mapped at a high level to the Council of Australian Governments' (COAG) National Indigenous Reform Agreement (NIRA) building blocks.

What is the definition and scope of expenditure?

The Indigenous Expenditure Report defines expenditure as:

... all expense transactions undertaken by the general government sector of the Australian, State and Territory governments. (SCRGSP 2012a, p. 12)

Government is defined as *the general government sector*, which follows the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework (ABS 2005). Expenditure included in this report is *operating expenses*¹ for all types of government expenditure, including expenditure on both Indigenous

¹ Operating expenditure is as defined by the ABS Government Finance Statistics operating statement (ABS 2005).

specific and mainstream government services. It excludes transactions related to the acquisition of non-financial assets (such as property) but includes expenses related to ‘depreciation’ and maintenance of assets, and ‘capital grants’ made outside the general government sector, or to other governments.

The following areas of expenditure are excluded:

- *multi-jurisdictional expenditure* — mainly expenditure by universities. However, government funding to these agencies is included in this report
- *expenditure by local governments* — currently not available in a form suitable for inclusion in this report. The Steering Committee hopes to include local government expenditure in future reports. However, Australian Government, and State and Territory Government payments and grants to local governments are included in this report.

Australian Government, and State and Territory Government expenditure is a combination of:

- *direct expenditure* — expenditure on services and programs that are paid directly to individuals, non-government service providers, or local governments. For example, unemployment benefits that are paid by the Australian Government directly to eligible recipients, or expenditure on school education services by the States and Territories
- *indirect expenditure* — payments or transfers made between jurisdictions, or between different levels of government. A large proportion of Australian government expenditure is indirect (box 2.1). Indirect expenditure includes Australian Government general revenue assistance to State and Territory governments (such as GST payments), which they then allocate to different areas. The data presented in the printed report relates to direct expenditure. Australian Government indirect expenditure is presented in the web-based tables (appendix D).

How do the estimates relate to Indigenous outcomes?

All expenditure estimates in this report are collected and estimated using a framework that extends the ABS Government Purpose Classification (GPC), which is part of the GFS framework (ABS 2005, 2011).

The GFS classifications are an established framework which provides definitions and classifications for coding and analysing government expenditure (ABS 2005, 2011). The GPC provides a structure for classifying ‘... government transactions in

Box 2.1 Australian Government indirect expenditure

The key forms of indirect Australian Government expenditure involve financial support to State and Territory governments for the administration and delivery of services through:

- *National Specific Purpose Payments (SPPs)* — payments to State and Territory governments to deliver services detailed in the following five SPPs:
 - National Healthcare SPP
 - National Schools SPP
 - National Skills and Workforce Development SPP
 - National Disability Services SPP
 - National Affordable Housing SPP.
 - *National Partnership Agreement payments* — there are three types of NPs:
 - *project payments* — payments to State and Territory governments to support the delivery of specific projects
 - *facilitation payments* — payments to State and Territory governments to undertake national reforms
 - *reward payments* — payments for State and Territory governments that deliver reform progress or continuous improvement in service delivery.

In 2010-11, the Australian Government provided \$26.2 billion and \$25.3 billion to State and Territory governments in National SPPs and NPs, respectively
 - *GST and general revenue assistance* — payments provided to State and Territory Government without conditions, to spend according to their own budget.
- In 2010-11, the Australian Government provided \$47.0 billion in general revenue assistance, nearly all (\$45.9 billion) in GST payments.

Source: Aus Gov (2010).

terms of the purposes for which they are made. ... It is especially useful in establishing the trends in government outlays on particular purposes over time' (ABS 1998, p. 1).

The adoption of the GPC allows consistency between this report and other national expenditure data collections that follow these classifications. In particular, the 2012 Report method provides nationally comparable estimates for 86 expenditure categories that have been mapped against the NIRA (COAG 2011) building blocks, including:

- *early childhood* — expenditure related to basic skills for life and learning includes expenditure on childcare and preschool, which can be easily identified through the GPC (chapter 4). However, expenditure related to early childhood

health could not be separately identified for the 2012 Report, and is included in health expenditure

- *schooling* — expenditure related to the development of human capital, including school education, tertiary education and other expenditure on education (such as student transport) can be readily identified through the GPC (chapter 4)
- *health* — expenditure related to improving Indigenous Australians' access to effective health care and improving Indigenous health and life expectancy, including expenditure related to hospital services, community and public health services, pharmaceuticals and aids, and health administration and research can all be identified through the GPC (chapter 5)
- *economic participation* — expenditure related to improving the participation of Indigenous Australians in Australia's labour market, including labour market services and social security, can be identified through the GPC (chapter 6)
- *healthy homes* — expenditure related to providing essential services that allow for the physical and mental wellbeing of Indigenous Australians, including expenditure on housing services, community and environment services and transport and communication services can be identified through the GPC (chapter 7)
- *safe communities* — expenditure related to services that allow Indigenous Australians to feel connected to their communities and be safe from violence, neglect and abuse which can be identified through the GPC (chapter 8). This includes expenditure on public order and safety, community support and welfare, and recreation and culture
- *governance and leadership* — expenditure related to the development of a strong governance culture and facilitating effective governance arrangements in Indigenous communities and organisations. While expenditure related to promoting community engagement through participation in recreational and cultural activities is readily identifiable (chapter 8), expenditure on governance and leadership generally does not involve large programs or significant expenditure, and can be difficult to identify under the GPC framework.

To achieve complete coverage across government expenditure, chapter 9 presents estimates for the GPC categories that do not directly relate to any of the building blocks. However, some expenditure in these categories does contribute to the Indigenous reform agenda, such as expenditure for statistical agencies that collect and report information about Indigenous disadvantage.

Identifying expenditure on services related to Indigenous Australians

Government services related to Indigenous Australians are provided through a combination of Indigenous specific and mainstream services. Expenditure on Indigenous specific services can generally be assumed to be exclusively for the benefit of Indigenous Australians.² The proportion of expenditure on mainstream services that relates to Indigenous Australians is often not documented. This report uses proxy measures of the number of Indigenous users of mainstream services. This can be service users (such as school students) or the Indigenous proportion of the population for expenditure on services to the whole community and infrastructure (such as roads).

Identifying mainstream and Indigenous specific expenditure, by state and territory

The general framework for apportioning Australian Government, and State and Territory Government expenditure between Indigenous and non-Indigenous Australians involves two stages:

1. *Identify the components of government expenditure* — for each service area identify Indigenous and non-Indigenous spending, split by Indigenous specific expenditure and mainstream expenditure, and the ‘direct’ and ‘indirect’ expenditure components for each.

An additional step is needed to identify the split of Australian Government expenditure between each state and territory. The following components of Australian Government expenditure in each state and territory need to be identified:

- *indirect expenditure* in each state and territory is known and does not need to be estimated
- *Indigenous specific expenditure* in each state and territory is estimated at the program and cost centre level using state and territory shares of national service use agreed with the Australian Government
- *direct mainstream expenditure* in each state and territory is estimated at the GPC level using the state and territory share of national service use for each GPC (unless actual state and territory use was known).

2. *Prorate (or allocate) mainstream expenditure between Indigenous and non-Indigenous Australians* — estimate the Indigenous share of direct and

² There can be some use of these services and programs by non-Indigenous Australians (for example, Indigenous health services in remote communities).

indirect mainstream expenditure using information on the Indigenous shares of service use, adjusted for:

- *under-identification* — Indigenous under-identification is defined as a measure of the degree to which Indigenous service users are not correctly identified or recorded in data collections (SCRGSP 2012b). For example, a service may not ask its clients if they are Indigenous, or a person might be reluctant to identify themselves as such
- *cost differentials* — an Indigenous cost differential factor is defined as ‘a measure of the relative cost of providing mainstream services to an Indigenous person compared to the cost of providing the same service to a non-Indigenous person’ (SCRGSP 2012b). For example, it could cost more to deliver a health service to people in remote communities
- *Indigenous specific service use adjustment factor* — when an Indigenous specific service is identified as substitute, it is provided *instead* of a mainstream service. Because of this, an adjustment is required to avoid double counting and the substitute service use population is subtracted from the mainstream population.

Once the Indigenous proration is completed, the total Australian governments’ (that is, Australian Government, and the State and Territory governments) expenditure is the aggregate of the individual state and territory expenditure. This results in a different national estimate than what would be achieved if Australian government Indigenous expenditure had been estimated at a national level, as expenditure per person varies across states and territories.

As previously noted, improvements have been made to the proration method since the *2010 Indigenous Expenditure Report*. The proration method used in the current report combines the general estimation method in the 2010 Report for estimating Indigenous and non-Indigenous expenditure, and the extension to the method applied to the 2010 Report Supplement. This allows for the estimation of Australian Government expenditure in each state and territory and facilitates the reporting of Australian Government, and State and Territory Government expenditure in each state and territory, as well as total government expenditure in each state and territory. As this report is now in its second iteration, unless data quality issues necessitate modification, significant changes to the method are unlikely.

A more detailed description of the proration method is presented in appendix A. Further information on the proration method used in the Report is provided in the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b).

2.2 What expenditure estimates are available and how should they be used?

What expenditure estimates are available?

The method provides estimates of expenditure on Indigenous and non-Indigenous Australians for 2008-09 and 2010-11. Different measures of expenditure can be used to investigate the actual level or patterns of expenditure (\$'000), or to make comparisons between services and jurisdictions (\$ per person) (box 2.2).

Estimates are provided for 86 expenditure categories, based on the ABS GPC, which have been mapped to the National Indigenous Reform Agreement building blocks. For each expenditure category, estimates are available for:

- *direct expenditure* — expenditure on services and payments provided directly to individuals, non-government service providers, or local governments. Estimates are available for:
 - Australian Government direct expenditure by state and territory
 - State and Territory Government direct expenditure
 - total (Australian Government plus State and Territory Government) direct expenditure by state and territory

Box 2.2 Interpreting expenditure per person

Throughout this report estimated expenditure is presented on an expenditure per head of population (that is, expenditure per person). This allows the comparison of expenditure between Indigenous and non-Indigenous Australians, and across jurisdictions of different sizes. It also allows expenditure in different service areas to be aggregated and compared on a consistent basis.

Expenditure per head of population is not a unit cost measure

Expenditure per head of population is not the same as expenditure per user, and must not be interpreted as a proxy for unit cost:

- *expenditure per head of population* — estimated expenditure divided by the total population
- *expenditure per user (unit cost)* — estimated expenditure divided by the total number of service users.

Expenditure per user will always be higher than expenditure per person because services are generally provided to a sub-set of the entire population (for example, school education is only provided to school aged children).

-
- *indirect expenditure* — Australian Government expenditure ‘to’ and ‘through’ other governments, such as Specific Purpose Payments and GST payments, by state and territory
 - *total expenditure* — direct *plus* indirect expenditure estimates (which are reconcilable to end-of-year financial reports) are available for the Australian Government, and State and Territory governments. Australian Government total expenditure estimates are also available by state and territory.

What questions can the estimates help answer?

The components of expenditure can be used to answer different questions about the levels and patterns of expenditure (figure 2.1).

Total (direct plus indirect) expenditure

The total (direct plus indirect) expenditure estimates by the Australian Government, or any of the State and Territory governments could be used to answer questions about governments fiduciary accountability, such as:

- How much did a government spend on each service in a particular year?
- How much of this expenditure was for Indigenous Australians?
- How does this compare with expenditure for non-Indigenous Australians?
- How does this compare with expenditure by other governments?

As total expenditure includes indirect expenditure, it can not be used to measure the actual outlays on services to individuals.

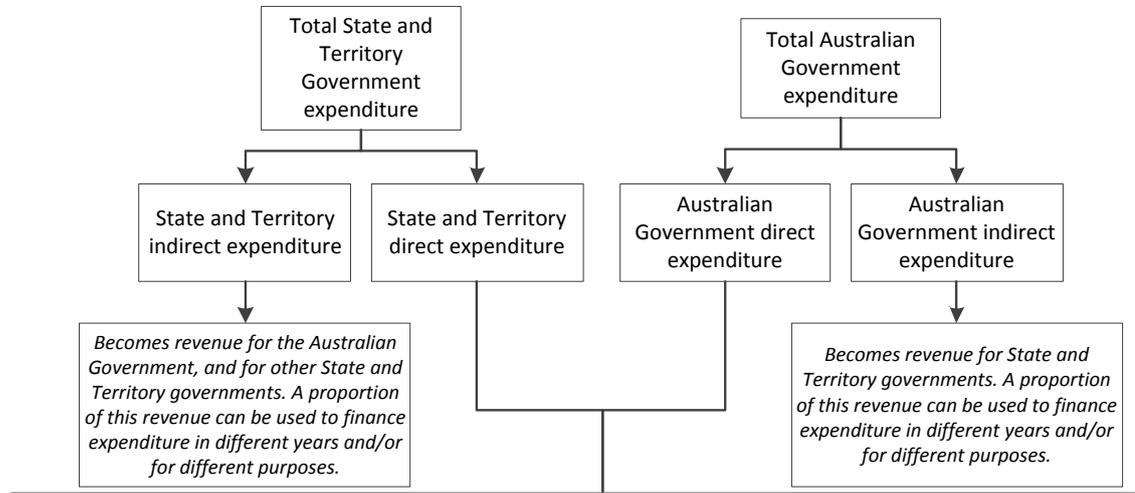
Direct expenditure

The direct expenditure of a State or Territory government could be used individually — or combined with Australian Government expenditure in that state or territory — to answer questions such as:

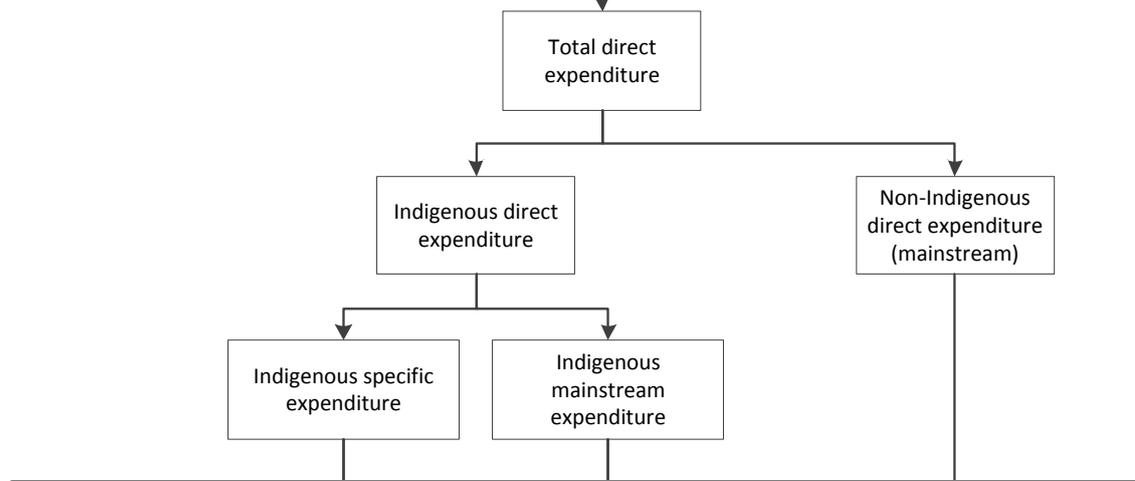
- How much did the Australian Government, and/or the State and Territory Government spend on services in a particular state and year?
- How much of this expenditure was for Indigenous Australians?
- How does this compare with expenditure for non-Indigenous Australians?
- How does this compare with expenditure (per person) in other states and territories?
- What is the state and territory share of national expenditure on services?

Figure 2.1 Interrelationships of expenditure estimates

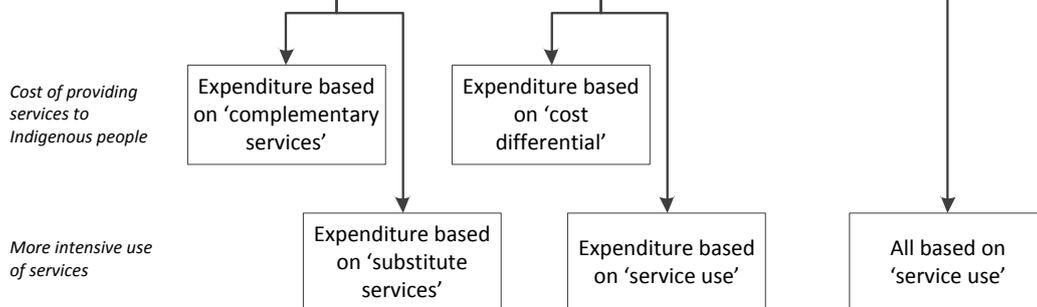
Total expenditure estimates (\$'000 and \$/person)
(Total expenditure by governments the reference year)



Direct expenditure estimates (\$'000 and \$/person)
(Amount actually spent by government on services during the reference year)



Sources of difference (\$/person)



The printed report focuses on direct government expenditure on services to individuals in each state and territory. This allows the Australian Government, and State and Territory Government expenditure to be combined and compared within, and across, states and territories. Because this expenditure represents actual expenditure on services provided to individuals, it can also be combined with outcome data to assess the effectiveness of government programs at a high level.

Estimates of total expenditure (direct plus indirect) are available from the project website (appendix D).

Expenditure by type of program

The Report provides estimates of expenditure on Indigenous specific services, and the Indigenous share of mainstream services, which could be used to answer questions such as:

- What proportion of Indigenous expenditure is accounted for by mainstream services?
- Is Australian Government direct expenditure a complement or substitute for State and Territory Government direct expenditure?
- How do these expenditure patterns compare across states and territories (or services)?

The drivers of Indigenous expenditure

Indigenous expenditure estimates are determined by:

- *intensity of service use* — component of Indigenous mainstream expenditure that is based on service use (which assumes the cost of providing services to Indigenous and non-Indigenous Australians is the same) *plus* Indigenous specific services that are a substitute for mainstream services
- *additional costs of service provision* — component of Indigenous mainstream expenditure that is based on the cost differential (which reflects the additional cost of providing mainstream services to Indigenous Australians) *plus* complementary Indigenous specific services.

These components could be used to help answer questions such as:

- Why does Indigenous expenditure vary by service (or by state or territory)?
- Why is Indigenous expenditure per person different from non-Indigenous expenditure per person?

-
- How much expenditure is associated with the additional cost of providing Indigenous services?
 - How much expenditure could be avoided by Closing the Gap in service use between Indigenous and non-Indigenous Australians?
 - How much expenditure could be avoided if the cost of providing services to Indigenous and non-Indigenous Australians was the same?

What questions can not be answered?

The estimation of the Australian Government, State, or Territory government Indigenous expenditure in a state or territory is a complex task. The method has limitations which has implications for how the data can be used. For this reason, questions that can not be answered include:

- *How much money was spent on Indigenous people in Australia?* This report only includes general government spending. It does not include capital expenditure, expenditure from private organisations, not-for-profit organisations, or local governments
- *How much did a specific department spend?* The Report does not provide a breakdown by individual departments as different departments may record expenditure against multiple GPC categories
- *How effective is a service?* The Report does not evaluate outcomes or the performance of services. Section 2.4 outlines how this report relates to other Indigenous reporting exercises that do include outcome measurement, such as the Overcoming Indigenous Disadvantage Report
- *How much money was spent on Closing the Gap?* This report only considers general government spending at the GPC level. It does not report on government expenditure at the individual program or service level which would allow identification of expenditure that aims to Close the Gap in Indigenous disadvantage
- *How much expenditure was related to provision as opposed to administration of Indigenous services?* This report only identifies general government spending at high levels. It does not split expenditure into different components of service delivery. For example, the cost of delivering medical services in a clinic includes the cost of medical staff and supplies, as well as management and overhead costs. However, the expenditure in this report does not separate this out and only identifies the total cost of delivering the medical service
- *How much benefit did Indigenous Australian get from the expenditure?* This report does not estimate how much of the expenditure actually went directly to

Indigenous Australians. For example, a jurisdiction may have had expenditure on building a hospital, which would be allocated to the GPC for health. However, individuals do not receive that money or necessarily directly benefit from that building.

Comparing expenditure over time

This report presents 2010-11 data in the printed report, and 2008-09 and 2010-11 data in the web-based tables. The data for these two periods are not intended to represent particular benchmarks against which future expenditure should be compared. Caution should be exercised when comparing differences between these two points in time because government expenditure, particularly for more disaggregated expenditure categories, can change over time for a number of reasons, including:

- *increase in demand for government services* — generally, increases in the level of demand for particular services will increase expenditure, particularly where expenditure based on meeting eligibility criteria is uncapped. For example, expenditure on unemployment benefits or Medicare
- *the effects of inflation* — to determine actual movement in expenditure, the effect of inflation needs to be removed. However, it is difficult to distinguish changes in price from changes in the level of services government provide, particularly at an aggregated level. This report does *not* remove the effect of inflation from time series data, and caution should be taken when comparing data for 2008-09 with data for 2010-11
- *new policies and changes to existing entitlements* — changes in government policies over time can cause significant movements in expenditure. For example, significant ‘one-off’ global financial crisis stimulus expenditures influenced the 2008-09 estimates. On the other hand, expenditure on many Closing the Gap initiatives did not commence until after 2008-09
- *changes to the allocation of expenditure* — the 2012 Report *Expenditure Data Manual* (2012a) provides guidelines for allocating outlays to the appropriate expenditure categories. However, changes in the machinery of government, information systems and accounting policies can result in different allocations of expenditure over time (particularly detailed levels of disaggregation).

Future Indigenous Expenditure Reports are expected to provide more robust information about trends in expenditure over time, as more years of data become available and the quality of data improves.

2.3 Limitations of the method and data

Estimating the share of government expenditure on services related to Indigenous Australians is complicated and involves a number of assumptions which affect how estimates should be interpreted. Key issues that must be taken into consideration include the reliability of the method, data quality, and the implications of the method. The service delivery context also has implications and is discussed in detail in chapter 3.

Reliability of the method

To understand the reliability of the method used for this report, three components which combine to estimate total Indigenous expenditure need to be taken into consideration:

- *identified Indigenous expenditure* — where expenditure on Indigenous specific services and programs can be clearly identified, it does not need to be estimated. This component of total Indigenous expenditure is reliable (however jurisdictions may not have been able to identify all targeted services)
- *estimated on the basis of actual service use* — where expenditure is estimated on the basis of actual service use or number of users. In this situation, there is likely to be a closer relationship between the number of Indigenous Australians (as service users) and the cost of providing services. These estimates are conceptually robust, but can have limitations when data quality is low
- *estimated on the basis of share of population* — where expenditure is estimated on the basis of the proportion of Indigenous Australians in the population. This approach is used when it is difficult to identify specific users, or the services are collectively used. In this situation, there is not likely to be a direct relationship between individual Indigenous Australians and the cost of providing services. These estimates are still conceptually robust, but are less likely to have day-to-day significance to an individual Indigenous person or community.

Table 2.1 outlines these three components for each service area. Each service area is broken down in detailed tables in appendix B.

These elements can be influenced by several factors which determine the robustness of the estimates such as:

- *data availability and quality* — the quality of expenditure estimates dependent on the availability and quality of the service use measure data and adjustments used in the estimation process. Expenditure estimates are likely to be more

Table 2.1 Reliability of model parameters, 2010-11 estimates

	Estimated			Total exp	Information quality ^a		
	Directly identified ^b	Service use ^c	Comm. rep ^d		Appr. ^e	Qual. ^f	Cost diff. ^g
	%	%	%		\$m		
Early child development, and Education and training (chapter 4)							
Early childhood	33.5	66.5	–	5 191	A	B	C
School education	22.9	75.1	2.0	42 041	A	B	B
Tertiary education	35.7	62.5	1.9	18 878	A	B	C
Total	25.7	72.4	1.9	66 109	A	B	C
Healthy lives (chapter 5)							
Hospital services ^h	6.3	93.7	–	41 101	A	A	A
Public and community health	60.9	39.1	–	15 820	A	A	B
Health care subsidies & support	12.7	87.3	–	35 928	A	A	B
Total	27.0	73.0	–	92 849	A	A	B
Economic participation (chapter 6)							
Labour and employment	59.2	29.0	11.9	9 054	B	B	C
Social security support	–	100.0	–	89 193	A	A	B
Total	13.4	83.9	2.7	98 247	A	A	B
Home environment (chapter 7)							
Housing	51.0	49.0	–	8 637	A	B	C
Community and environment	52.2	–	47.8	14 739	A	A	C
Transport and communications	5.0	–	95.0	20 978	A	A	C
Total	39.7	20.1	40.2	44 354	A	A	C
Safe and supportive communities (chapter 8)							
Public order and safety	13.6	76.4	10.0	23 899	C	B	C
Community support and welfare	34.1	64.6	1.4	31 973	B	A	C
Recreation and culture	52.0	–	48.0	7 979	A	A	C
Total	25.8	65.4	8.8	63 851	B	B	C
Other government services (chapter 9)							
General government and defence	4.4	–	95.6	79 141	A	A	C
Support to industry	46.3	–	53.7	6 736	A	A	C
Total	10.6	–	89.4	85 877	A	A	C
TOTAL EXPENDITURE	23.2	60.6	16.2	451 287	B	B	C

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b Expenditure directly identified as Indigenous specific (targeted) programs. ^c Expenditure estimated on the basis of actual service use. ^d Expenditure estimated on the basis of **community representation** (comm. rep). ^e **Appropriateness** (appr.) — a subjective assessment of how well the service use measure represents the link between service use and cost. ^f **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. ^g **Cost differential** (cost diff.) — a subjective assessment of the reliability of the information on the difference in the cost of providing the same service to Indigenous and non-Indigenous Australians. ^h Expenditure estimates on 'Hospital services' for Indigenous Australians in some jurisdictions should be interpreted with care; in Tas, due to concerns regarding recording of Indigenous status in Tasmanian hospitals, and in ACT and NSW, on account of cross border flows between these two states. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

robust where the required data are available and of good quality. In some cases, the required data are not available or are of relatively poor quality

- *reliability of input data (cost drivers and service use measures)* — the estimation process uses cost drivers as a proxy for actual expenditure on Indigenous services. Therefore, how well a service use measure represents the link between the service use and costs will affect the quality of expenditure estimates. For example, estimates are likely to be more robust where services:
 - *are more homogeneous* — because it is easier to identify a robust service use measure. For example, health services are generally provided through a complex case mix approach and are less homogeneous than recipients of unemployment benefits
 - *are closely aligned with cost centres and administrative portfolios* — because it is easier for jurisdictions to allocate expenditure. For example, education services are generally associated with an education department, whereas juvenile justice services involve initiatives from a broad range of agencies and portfolios
 - *have direct interaction with individuals* — because the link between individuals and service costs is more strongly defined. For example, school students have strong links with education costs, compared to environment and community services that provide infrastructure which people may or may not use.

Data quality

The estimates in this report draw on the best available data, which comes from a range of sources. This includes data on:

- *government expenditure* — each jurisdiction has provided total expenditure and Indigenous specific expenditure by service area, following — to the best of their abilities — the guidelines in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a)

Differences in information systems, accounting practices, and the organisation of the machinery of government can affect the quality and comparability of jurisdictions expenditure data. There can for example, be missing or incomplete data, or there can be differences in the allocation of expenditure to the expenditure categories (especially at more detailed expenditure levels)

- *service use measures* — the quality of Indigenous estimates is dependent on the appropriateness and quality of the service use measure cost drivers. Information on the service use measures and data sources adopted for each service area is

provided in appendix A of the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b)

- *Indigenous under-identification* — the accuracy of data on Indigenous service users depends on whether data collections record Indigenous status, as well as Indigenous people’s willingness to identify as such. Some data collections already adjust Indigenous service use for known under-identification, while the level of under-identification is unknown for other collections. Information on how Indigenous under-identification was addressed for each service area is provided in chapter 4 and appendix B of the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b)
- *Indigenous cost differentials* — it is difficult to identify differences in the cost of providing mainstream services to Indigenous and non-Indigenous Australians, as relatively little research has been conducted on this topic. For the 2012 Report, each jurisdiction was provided the opportunity to nominate a cost weight based on empirical data. Where jurisdictions were able to identify the existence of different costs of providing services to Indigenous and non-Indigenous Australians, but did not have sufficiently robust data to support the cost weight, a default cost weight of up to 10 per cent could be applied.

Implications of the method

The method allows for the identification of total direct and indirect Australian Government, and State and Territory Government expenditure by state and territory. For each state or territory:

- *direct Australian Government plus total state or territory expenditure equals total ‘non-capital’ government expenditure* — this provides a robust estimate of the amounts directly spent by the Australian Government, and State and Territory governments on services in the reference year³
- *total state or territory expenditure less indirect Australian Government expenditure does not equal State or Territory government expenditure from own sources* — the Australian Government share of total State or Territory government expenditure can not be reliably estimated from the information in this report because of issues related to indirect expenditure.

³ ‘Non-capital’ government expenditure excludes transactions related to the acquisition of financial and physical assets but include expenses related to ‘depreciation’ and ‘capital transfer payments’.

State or Territory government expenditure of *indirect* Australian Government payments can vary from the amounts recorded in Australian Government accounts for a number of reasons including:

- *timing* — there may be a time lag between the financial period that the Australian Government accounts for the expenditure and the financial period that the State and Territory governments actually make the expenditure
- *capital transfers* — capital expenditure directly undertaken by the general government sector (such as States and Territory governments) is out-of-scope; however, Australian Government ‘capital grants’ made outside general government, or to other governments are in-scope because they are not capital expenditure for the Australian Government
- *classifications* — the Australian Government records expenditure to one GPC when the indirect expenditure is transferred to State and Territory governments. However, the receiving jurisdiction may record the expenditure to a different GPC when the services are provided to the public. For example GST payments are allocated to ‘other government services’ by the Australian Government, but are spread across all classifications when State and Territory governments ultimately spend the funds.

2.4 How do the estimates relate to other Indigenous and expenditure reporting?

When combined with other information, the estimates in this report have the potential to contribute to a better understanding of the adequacy, effectiveness and efficiency of government expenditure and services relating to Indigenous Australians. This report is designed to contribute information that is not available through other reporting exercises. This report aims to:

- *complement reporting on Indigenous outcomes* — by aligning reporting on expenditure with the NIRA and Overcoming Indigenous Disadvantage report outcome frameworks
- *supplement other reporting on expenditure* — by providing an Indigenous dimension to expenditure data collected under the GFS framework.

Other Indigenous expenditure reporting

The current report complements other exercises that also provide data on

government expenditure on Indigenous Australians:

- *Australian Institute of Health and Welfare (AIHW) Expenditure on Health for Aboriginal and Torres Strait Islander people* — since 1998 the Indigenous health expenditure series of reports have estimated expenditure on direct health services for Aboriginal and Torres Strait Islander people. The reports include expenditure by all levels of government and the non-government sector, and allow for reliable comparisons of expenditure on Indigenous and non-Indigenous Australians on a service and geographical basis. This report uses the AIHW data on service use and cost differentials to estimate health expenditure for Indigenous and non-Indigenous Australians. The two reports are consistent in method, however may not be directly comparable due to scope, data sources and different reporting periods. Further information on comparability between the 2012 Report and the AIHW report is provided in chapter 5 and box 2.3

Box 2.3 Australian Institute of Health and Welfare estimates of Indigenous health expenditure

The AIHW has been developing and reporting estimates of expenditure on health services for Aboriginal and Torres Strait Islander people since 1998. The latest report, which presents data for 2008-09, was released in June 2011 (AIHW 2011a). A more detailed analysis of expenditure by remoteness and diseases was published in November 2011 (AIHW 2011b).

The AIHW methodology is similar to the Indigenous Expenditure Report methodology, but undertakes the estimation of expenditure at a more detailed level.^a Higher level expenditure estimates are derived by aggregating the Indigenous share of expenditure for many different low-level health service categories. This provides greater scope for analysis at lower levels, and also allows the case-mix characteristics of health services to be reflected more precisely in the aggregated estimates.

Adopting the AIHW methodology for the entire Indigenous Expenditure Report — which aims to identify the Indigenous share of all government expenditure — would be impractical, and would also duplicate the established reporting currently undertaken by the AIHW.

The 2012 Indigenous Expenditure Report estimates of Indigenous health expenditure in 2010-11 are based on AIHW information on health expenditure patterns in 2008-09. This assumes that the pattern of expenditure has not change significantly in the two years, which could have implications on the quality of estimates.^b

^a The AIHW methodology also has a broader definition of expenditure, including expenditure by individuals, private organisations and governments. ^b More detail on how AIHW data have been used to derive the health expenditure estimates presented in this chapter is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a) and the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b).

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- *Northern Territory Treasury Indigenous Expenditure reviews* — The NT Government has produced two comprehensive reports that identify expenditure on both Indigenous specific programs and on Indigenous Australians' use of mainstream services (NT Treasury 2006; 2008). These reviews were conducted with the objective of informing

... the ongoing and important debate about government spending on services for Indigenous people by providing a robust and transparent estimate of Northern Territory Government expenditure and revenue that is related to the Territory's Indigenous population. (NT Treasury 2008, p. 5)

The method of the NT reviews attributes more than half of the Territory's expenditure to services for Indigenous Australians. It provides a useful example of identifying the Indigenous component of expenditure across a broad range of mainstream services. The Indigenous Expenditure Report takes a similar approach and extends it to all general government expenditure in Australia.

Other expenditure reporting

As outlined above, this report seeks to align as closely as possible with other public reports on government expenditure. Expenditure by the Australian Government, and the States and Territories can be found in final budget outcome statements, other budget papers, and annual reports. The expenditure in this report is reconcilable to expenditure reported under the Uniform Presentation Framework in these publications (Aus Gov 2008).

It is important to note that other budget papers and annual reports can be subject to adjustments by finance departments to reflect intra-government transactions. The expenditure 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).

COAG policies and agreements

The National Performance Reporting Framework was agreed by COAG in November 2008 — Indigenous specific outcomes are contained in the COAG National Agreements (NA). These include NAs for education, skills and workforce development, healthcare, affordable housing, disability and the NIRA.

Each NA contains objectives, outcomes, outputs and performance indicators for each sector, and clarifies the roles and responsibilities of the Commonwealth and the states and territories in the delivery of services. The performance of all

governments in agreed outcomes and benchmarks specified in each National Agreement is monitored and assessed by the COAG Reform Council (CRC). The Steering Committee for the Review of Government Service Provision was requested by COAG to collate information relevant to the performance indicators in the National Agreements, and to provide it to the CRC. It does this on an annual basis.

Other Steering Committee reports

- *Report on Government Services* — The focus of this report is on the equity, effectiveness and efficiency of specific government services. In 1997, the Prime Minister requested the Steering Committee for the Review of Government Service Provision to give particular attention to measuring the performance of mainstream services provided to Indigenous Australians. Since 2003, a separate annual Indigenous Compendium has collated all the Indigenous data from the report. This compendium collates information on the performance of a broad range of services provided to Indigenous Australians. The approach in the Indigenous Expenditure Report is different in that it focuses on expenditure, rather than on outcomes and the performance of services
- *Overcoming Indigenous Disadvantage: Key Indicators* — is produced by the Steering Committee for the Review of Government Service Provision (SCRGSP) at the request of COAG. The reporting framework has two tiers: headline indicators for the longer term outcomes sought; and a second tier of strategic change indicators that are potentially responsive to government policies and programs in the shorter term. At a high level, the Indigenous Expenditure Report method maps expenditure to the Overcoming Indigenous Disadvantage report strategic areas for action.

2.5 References

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3 Service delivery context

Comparing expenditure on Indigenous Australians with expenditure on non-Indigenous Australians, or across different states and territories requires an understanding of the complex environment within which services to Indigenous Australians are delivered. The level and patterns of government expenditure will be influenced by:

- *the demand for service provision* — the demand for services can be influenced by a range of demographic and socio-economic factors such as the size and age of the population and the incidence of disadvantage (section 3.1)
- *the cost of service provision* — this can be affected by factors such as location, complexities related to culture and the compounding effects of multiple disadvantage (section 3.2).

The importance of these influences varies by jurisdiction and service. This chapter discusses in broad terms the extent to which service delivery context affects the expenditure estimates. Additional commentary on service delivery issues in individual states and territories is provided in section 3.3.

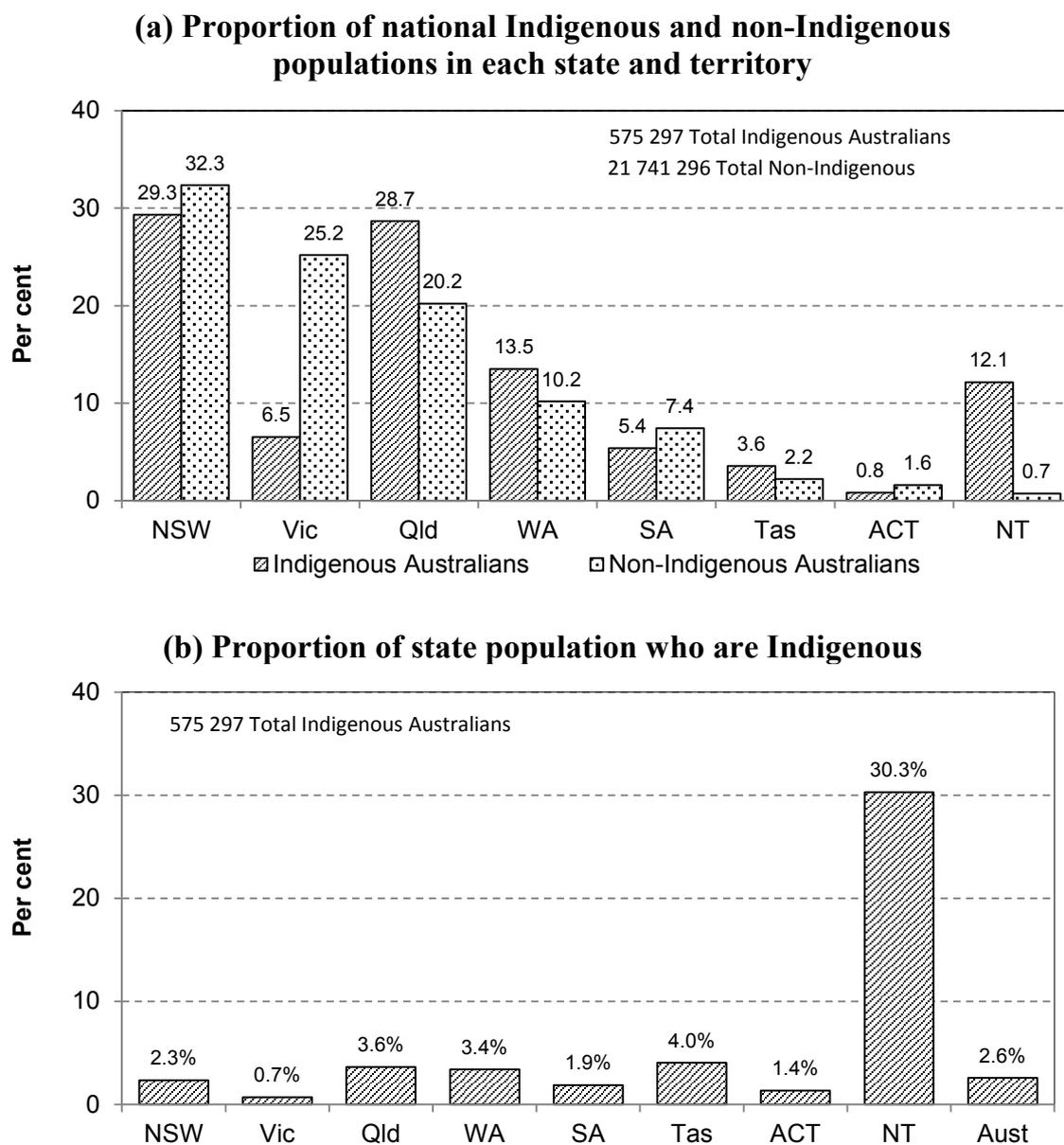
3.1 What influences the Indigenous demand for government services?

As would be expected, a key driver of government expenditure on services for Indigenous Australians is the level of service use. It is estimated that around 81 per cent of direct Indigenous expenditure in 2010-11 was attributable to the use of services by Indigenous Australians (overview table 5). All other factors being equal, greater service use results in a higher level of expenditure.

Several characteristics of the Indigenous population are associated with higher need for services. The demand for services is determined by the size of the Indigenous population and how intensively those people use government services.

The factors influencing demand are complex and are often inter-related with the factors influencing cost (section 3.2).

Figure 3.1 Indigenous population projections, June 2011



Source: *Experimental Estimates and Projections, Indigenous Australians, 1991 to 2021* (cat. no. 3238.0) & *Population Projections, Australia, 2006 to 2101* (cat. no. 3222.0).

How many Indigenous Australians?

Some demand for services is driven by population size, regardless of the level of disadvantage and need. The concentration of Indigenous Australians in specific locations can also influence the cost of providing services (section 3.2).

The ABS estimates that there were around 575 297 Indigenous Australians at June 2011. The majority resided in NSW and Queensland which together accounted

for 58 per cent of the total Australian Indigenous population (figure 3.1a). However, the 12.1 per cent of the Indigenous population that lived in the NT accounted for 30 per cent of the NT's total population (figure 3.1b).

Indigenous Australians use some services more intensively

Indigenous Australians use some services more intensively than non-Indigenous Australians (that is, Indigenous people use some services more per head of population than non-Indigenous people per head of population). Several factors contribute to more intensive service use, including:

- *population age profile* — a higher proportion of young people can be expected to lead to more intensive use of school services
- *Indigenous disadvantage* — entrenched disadvantage, such as poorer health outcomes — can be expected to lead to more intensive use of health services.

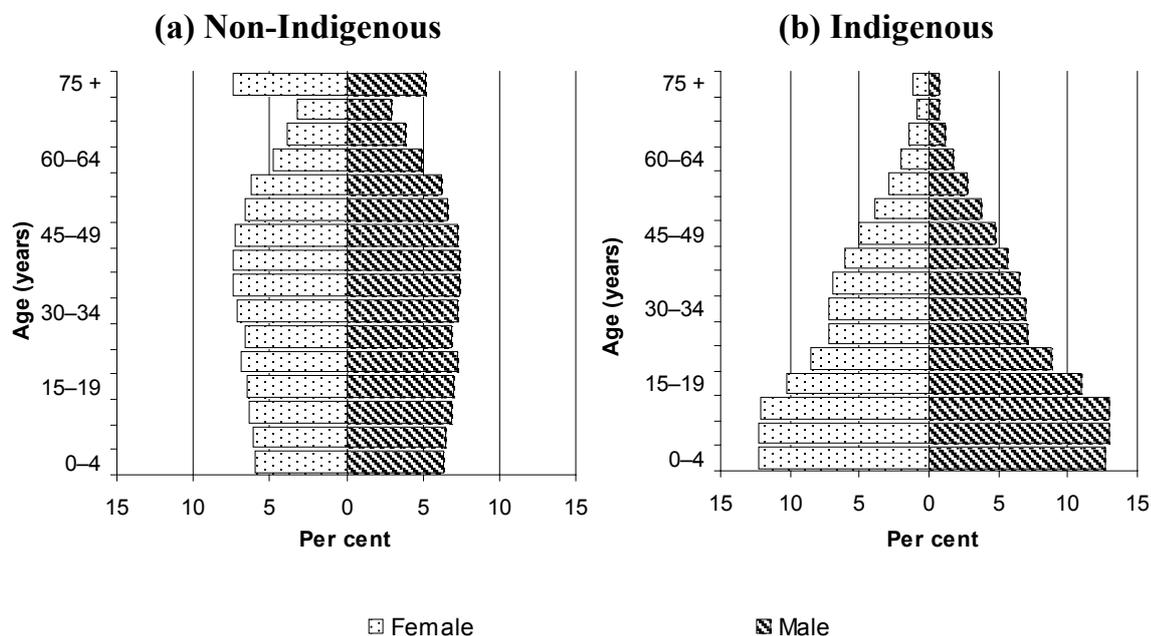
Population age profile

The Indigenous population has a younger age profile than the non-Indigenous population (figure 3.2). Nationally, more than 48 per cent of the Indigenous population was under 20 years of age in 2006, compared to 25.8 per cent of the non-Indigenous population. Similar patterns are observed in all states and territories (appendix C).

The younger age profile of the Indigenous population is the combination of the higher fertility rates and the lower life expectancies of Indigenous Australians.¹ The younger age profile of the Indigenous population means that there could be greater demand by the Indigenous population as a whole for services related to Indigenous children and young people and their families (for example, school education, child health, maternal and perinatal services), regardless of any level of disadvantage when compared to non-Indigenous Australians.

¹ For more information on Indigenous fertility rates and life expectancies see the ABS publication *Aboriginal and Torres Strait Islander Wellbeing: A Focus on Children and Youth*, Apr 2011 — A Population Overview: Fertility and Mortality, and the 2011 Overcoming Indigenous Disadvantage Report (SCRGSP 2011).

Figure 3.2 Population distribution, Australia, by age and sex, 30 June 2006^{a, b}



^a Includes 'other territories'. ^b Final experimental estimates of the Indigenous, non-Indigenous and total populations of Australia as at 30 June 2006, based on results of the 2006 Census of Population and Housing, and adjusted for net undercount.

Source: ABS (2008a) *Experimental Estimates of Aboriginal and Torres Strait Islander Australians, June 2006*, Cat. no. 3238.0.55.001, Canberra; table A.1 of appendix 3.

Indigenous disadvantage

The characteristics of Indigenous disadvantage have been broadly documented in a range of reports such as the *Overcoming Indigenous Disadvantage* report, (SCRGSP 2003, 2005, 2007, 2009, 2011) and the Closing the Gap Prime Minister's reports (Aus Gov 2010, 2011, 2012).

The greater disadvantage implies that Indigenous Australians could have a greater need for, and use of some services — such as health services, social security and welfare support. However, in some circumstances, Indigenous Australians use services less intensively than non-Indigenous Australians regardless of underlying need. For example, the *2011 Overcoming Indigenous Disadvantage* report noted that:

The proportion of Indigenous 20–24 year olds who reported completing year 12 or equivalent (45 per cent) was half that of non-Indigenous 20–24 year olds (88 per cent) in 2008. (SCRGSP 2011, p. 21)

For some services, government expenditure is committed regardless of whether the service is used:

Attendance rates in government schools for years 5 and 10 were lower for Indigenous students than non-Indigenous students, in all states and territories in 2009. (SCRGSP 2011, p. 42)

3.2 What influences the cost of government Indigenous service provision?

It is estimated that around 19 per cent of direct Indigenous expenditure in 2010-11 was attributable to the difference in the cost of providing services to Indigenous and non-Indigenous Australians (overview table 5). The cost of providing services to Indigenous Australians can be higher (or lower) than providing similar services to non-Indigenous Australians for a number of reasons, including:

- *the types of services* — where a collection of similar services can be bundled into a discrete service type (for example, hospital services), variations in the patterns of service use of Indigenous and non-Indigenous Australians can result in different average costs of service provision. Alternatively, multiple disadvantage or specific cultural challenges could result in a higher cost of achieving similar outcomes
- *where the service is provided* — geographic location and population mobility can influence the cost of providing services because of the effects of scale, operating costs, and continuity of provision.

These influences are complex and are often inter-related with the factors influencing the demand for service use (section 3.1).

Indigenous Australians use different types of services

How can multiple disadvantage affect the cost of service provision?

Multiple dimensions of disadvantage often exist together. For example, lower educational attainment is linked to poor employment outcomes, which in turn can be linked with lower income, which in turn are linked to health outcomes. However, a single service generally is not designed to address the multiple issues that arise across outcome areas, and an individual may need to access many services, which increases the per person cost of service delivery.

In some circumstances, addressing multiple disadvantage experienced by a single individual can be more costly than addressing the same number of conditions but experienced by different individuals because responses are more complex.

For example, the National Aboriginal and Torres Strait Islander Health Survey found that in 2004-05:

after adjusting for differences in age structure, approximately 12 per cent of Indigenous Australians reported diabetes/high sugar levels compared with 4 per cent of non-Indigenous Australians. The greatest difference in prevalence rates between Indigenous and non-Indigenous Australians was among those aged 25–34 years. Indigenous Australians were 6.8 times as likely to report diabetes as non-Indigenous Australians in this age group (AIHW 2011, p. 198)

People who suffer from diabetes are often susceptible to complications, thus treatments are required for the primary health condition of diabetes as well as the secondary complications such as heart disease or vision disorders. This is likely to have an effect on costs associated with treatment.

How do Indigenous service use patterns affect the cost of service provision?

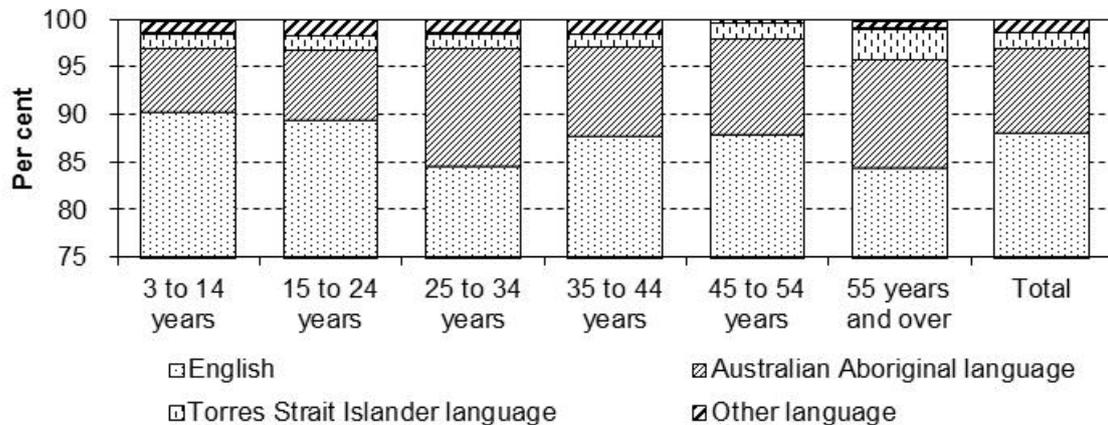
In this report, service areas consist of relatively aggregated bundles of services. Within these bundles of services, some are more costly while others are less costly. For example, one group of services included in *welfare services for people with a disability* (GPC 0623) is accommodation support for people with a disability. This covers institutional accommodation, group home accommodation and other community settings, each of which have different costs. Indigenous Australians can have different usage patterns of these services to non-Indigenous Australians. This has implications for the average cost of Indigenous users of welfare services for people with a disability when compared to the average cost of non-Indigenous users.

How can cultural aspects affect the cost of service provision?

Some cultural characteristics of Indigenous Australians may influence the types of services that need to be provided in order for those services to be accessible and suitable for Indigenous people. For example:

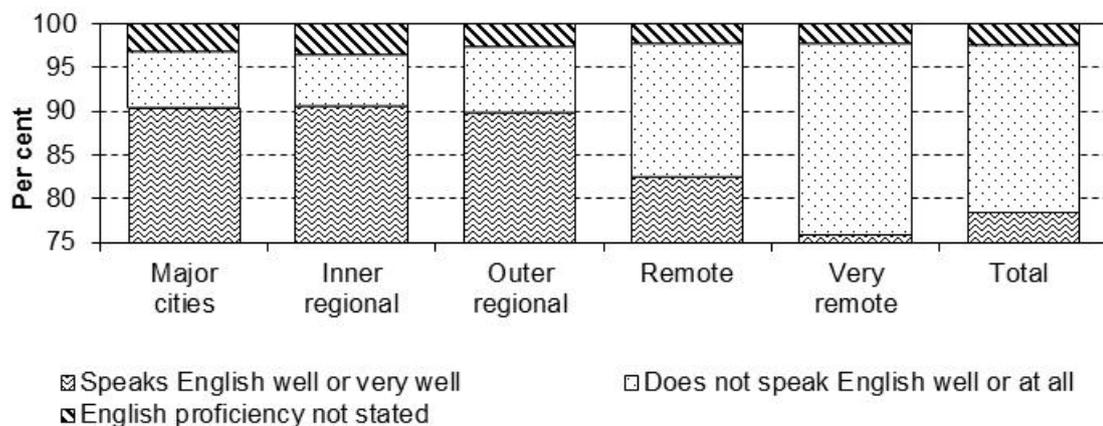
- *language skills* — lack of English language skills can limit access to mainstream services, therefore increasing the use of (and overall levels of expenditure on) Indigenous-specific services. This is particularly the case for older Indigenous Australians and Indigenous Australians in remote areas (figures 3.3 and 3.4). In

Figure 3.3 **Main language spoken at home by Indigenous people, by age, 2006**



Source: ABS (unpublished) National Aboriginal and Torres Strait Islander Social Survey 2008, Cat. no. 4714.0.

Figure 3.4 **Indigenous people who spoke an Indigenous language at home, by remoteness and proficiency in English, 2006**



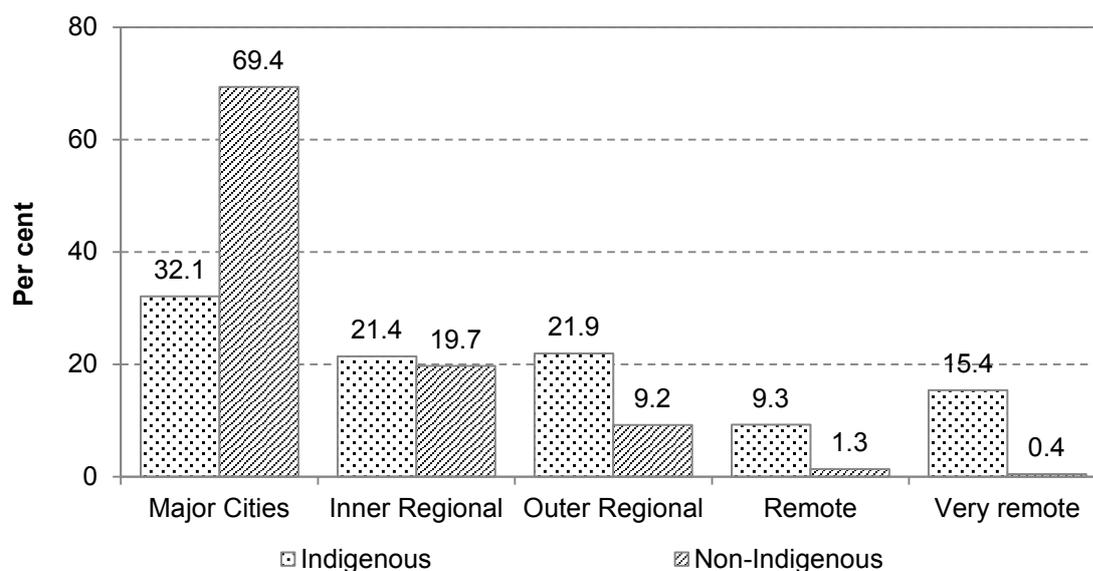
Source: ABS (unpublished) National Aboriginal and Torres Strait Islander Social Survey 2008, Cat. no. 4714.0

the absence of interpreters, lack of English skills may prevent people from using the services they need

- *culturally appropriate services*— some Indigenous Australians prefer services that are provided and/or managed by Indigenous people, whilst some services need to be delivered on a segregated basis for women and men
- *rates of temporary mobility* — some Indigenous Australians (especially those who reside in remote areas) have higher rates of temporary mobility. This is often related to service access or for family reasons. For example in Broome, the main contributors to temporary mobility in and out of town is access to dialysis

treatment, and that the hospital is one of three places in the region where women can give birth in a hospital or clinic (Prout and Yap 2010). Variations in levels of need for services and intensity of use particularly in the areas of health, housing, education and employment can affect costs.

Figure 3.5 Geographic distribution of the Indigenous and non-Indigenous populations, 30 June 2006^{a, b}



^a Includes other territories ^b For confidentiality purposes, outer regional, remote, and very remote have been combined for Victoria and Tasmania.

Source: ABS (2008) Experimental Estimates for Aboriginal and Torres Strait Islander Australians, June 2006, cat. no. 3238.0.

Many Indigenous Australians live in remote areas

Most Indigenous Australians resided in major cities and regional areas in 2006 (75 per cent). However a higher proportion of the Indigenous population (25 per cent) lived in remote and very remote areas compared to non-Indigenous Australians (2 per cent) (figure 3.5).

The cost of providing services is often higher in remote areas where the challenges of being physically isolated can mean smaller populations, less developed market economies and lack of infrastructure. Also the multiple dimensions of disadvantage increase with remoteness, therefore higher costs of providing services to these geographical areas contribute to overall expenditure data reported in this report (Stewart, Lohoar and Higgins 2011).

3.3 Jurisdictions' comments

This section presents observations by the Australian, State and Territory governments on the key contextual factors that should be taken into consideration when interpreting data for their jurisdictions. Further information on specific service areas is provided in the commentary supporting the data reported in chapters 4 to 9.

Australian Government

The Australian Government welcomes this second Indigenous Expenditure Report.

The Report estimates that government expenditure per head of population in 2010-11 was \$44 128 for Indigenous Australians compared with \$19 589 for non-Indigenous Australians. The estimates of government expenditure in the Report reflect the fact that, on average, Indigenous Australians experience a higher level of socio-economic disadvantage and need than non-Indigenous Australians.

Closing the Gap is a collaborative effort shared between all levels of government. The estimates of government Indigenous direct expenditure in the Report highlight the important role of State and Territory governments in achieving these aims. The Report estimates that the Australian Government share of Indigenous direct expenditure in 2010-11 was 45 per cent with the State and Territory governments providing 55 per cent.

The Report also indicates the importance of mainstream services and programs in Closing the Gap with these services providing 78 per cent of overall Indigenous direct expenditure in 2010-11.

Location of residence is a further important contributing factor to the higher level of government expenditure related to Indigenous Australians. The higher cost of providing services in remote areas contributes to the higher level of government Indigenous expenditures in areas with significant remote Indigenous populations. The variations in Australian Government expenditure across states and territories also reflect geographic variations in Indigenous socio-economic disadvantage and need.

The direct expenditures of State and Territory governments in the Report include significant levels of Australian Government funding through National Specific Purpose Payments (National SPPs), National Partnership Agreement (NPA) payments and GST and general revenue assistance (\$98.6 billion in 2010-11). State and Territory governments expend this funding in meeting their responsibilities for the delivery of programs and services for Indigenous people. In the case of National SPPs, State and Territory governments have full budget flexibility to allocate these funds within a particular sector to meet agreed objectives. NPA payments are made to assist with delivery of specific projects, deliver national reforms and reward achievements. In the case of GST and general revenue assistance, the Australian Government places no conditions on the way in which States and Territories spend this funding.

New South Wales

The largest share of Australia's Indigenous population is in NSW — around 169 000 people or 30 per cent of the total Australian Indigenous population. Approximately 95 per cent of the Indigenous population in NSW live in major cities and regional areas. While only 5 per cent of the Indigenous population in NSW live in remote areas, they can represent a large proportion of the population in these areas.

The NSW government provides a broad range of mainstream and specific services to Indigenous people across the vast spectrum of geographic locations from cities and major regional towns through to remote and very remote areas. To meet the needs of Indigenous clients, these services must be both physically accessible and culturally appropriate. However, because the Indigenous population in NSW represents a small proportion of the State's total population (approximately 2.3 per cent), this can present challenges for the appropriate delivery of services. NSW does, however, have a number of Indigenous specific programs which support and build on mainstream programs.

NSW is currently in the process of developing a new Aboriginal affairs strategy, through the Ministerial Taskforce on Aboriginal Affairs. The recommendations for reform will focus on three key areas, including education, employment, and service delivery and accountability. Other important areas such as juvenile detention rates, health and housing, will be considered through the strength-based framework of education and employment. The NSW Government is committed to ensuring a strong community voice in the development of the new Aboriginal affairs strategy.

The NSW Government's 10 year plan *NSW 2021*, includes a number of long-term targets to specifically improve outcomes for Aboriginal people, including reducing the gap in employment outcomes between Aboriginal and non-Aboriginal people within a decade, and halving the gap between NSW Aboriginal and non-Aboriginal students in reading and numeracy by 2018. In addition to employment and education, further important *NSW 2021* targets refer to improving health, reducing homelessness and supporting the culture of Aboriginal people in NSW.

Care should be taken in interpreting and using the Indigenous expenditure data in this report as the proxy measures used in the report to estimate the Indigenous share of mainstream expenditure may in some cases not accurately reflect the actual use of services by Indigenous people in NSW.

Victoria

Victoria is committed to Closing the Gap between Indigenous and non-Indigenous outcomes, and works with communities, businesses, the philanthropic sector and the Commonwealth to improve outcomes for Indigenous Victorians. The Victorian Government supports increased transparency in reporting on Indigenous expenditure, to which this report makes a contribution.

The 2012 Indigenous Expenditure Report updates the data and, in some areas, the methodology of the 2010 Indigenous Expenditure Report. Victoria welcomes the effort in this report to disaggregate Australian Government expenditure amongst the states and territories, an important step to improving transparency on government Indigenous expenditure, which warrants further refinement in future reports.

Of itself, this report cannot illuminate the effectiveness or appropriateness of expenditure in seeking to close the gap. Care must be exercised in interpreting these data in conjunction with reporting on Indigenous outcomes. In particular, Victoria emphasises that *per head of population expenditure data* are provided only to allow comparison between jurisdictions. These measures are not an indication of the cost of service provision, and should not be used as a measure of ‘value for money’. The differences in demography between Indigenous and non-Indigenous Victorians can have a significant effect on the per person expenditure results, and this should be borne in mind when interpreting these data.

Victoria’s Indigenous population is not geographically concentrated, significant under-identification is known to occur, and the extent of existing support structures varies across the State. Accordingly, Victoria has a unique suite of programs in place to address the disadvantage faced by Indigenous Victorians. It should be remembered that while the Report method attributes differences in expenditure between Indigenous and non-Indigenous service users to level of service use and the cost differential in providing these services, these factors are not entirely exogenous to government, and policy and operational decisions made by a jurisdiction, and the service system structure in place within a jurisdiction, contribute substantially to expenditure results. Unique jurisdictional systems also mean that the type and level of Indigenous specific services are not strictly comparable across jurisdictions.

Expenditure estimates for Victoria’s targeted Indigenous programs are robust; however, the accuracy of attributed expenditure under mainstream services is limited due to the assumptions necessary under the Report method, in particular in relation to data provided at the lower levels of the General Purpose Classification system.

Queensland

This report is one of a number of reports that provide information on Indigenous related programs and performance. The Report does not seek to make a comment on the appropriateness or otherwise of Indigenous expenditure — rather it is seen as a partner document with other reports, which together allow for analysis on effectiveness and efficiency measures.

- Care needs to be taken in interpreting the estimates in this report. This is only the second Indigenous Expenditure Report. While jurisdictions have strived to obtain consistency in classifications etc, the Queensland Government expects the quality of a detailed report of this nature will progressively improve over subsequent reports
- Queensland was not able to provide cost differential data and has used the default options proposed by the Steering Committee for the last report. Given 22 per cent of Indigenous Queenslanders live in remote or very remote communities, the costs of delivering services to Queenslanders in those locations may be higher than those in other jurisdictions
- In most of the charts and tables, Indigenous expenditure is reported per head of total Indigenous population. For any comparison across jurisdictions, it is necessary to be cognisant of different policy settings, demographics and service delivery arrangements.

The Queensland Government is committed to providing Indigenous Queenslanders with a real say in their future and will be focusing on delivering real change in education, health and employment opportunities for Indigenous people.

With a commitment to increasing home ownership and resolving land tenure issues, the Queensland Government will work with Aboriginal and Torres Strait Islander communities to identify opportunities to improve life outcomes.

Western Australia

Western Australia's estimated Indigenous population of around 77 694 (as of June 2011) is the third largest in Australia, and is projected by the ABS to grow by 20 per cent over the next 10 years. 78 per cent of WA's Indigenous population is under the age of 40 years and a very high 43 per cent are living in remote or very remote areas within more than 280 town-based and remote communities. These factors contribute to WA having the highest Indigenous to non-Indigenous expenditure ratio for State Government expenditure in Australia in 2010-11 and pose numerous complex challenges for the government to deliver services to help 'close the gap' on Indigenous disadvantage.

While this update of the Indigenous Expenditure Report provides an overall picture of government recurrent expenditure on services in 2010-11, the data are still under development and the following contextual information should be noted when analysing WA expenditure data:

- the high cost of providing services and infrastructure to Indigenous Australians, especially those living in the remote Indigenous communities, may not be fully reflected in WA's data due to the 2006 Census 'smoothing process' which reduces the accuracy of WA's Indigenous population estimates. This in turn affects the reliability of all expenditure per capita data presented in the report. It is expected that the next report will be based on more recent 2011 Census data
- WA has had to rely on the default cost differential options for this report. Given the high number of remote Indigenous communities in WA, and the large distances across which services are required to be delivered, it is likely that the costs associated with delivering many of the services in WA may be higher than the default assumptions. WA intends to develop specific cost differential data for future Reports in consultation with relevant agencies
- expenditure on Indigenous Australians from outside the general government sector is excluded. This means that any expenditure undertaken by government trading enterprises such as housing, water and power (which is a significant portion of WA's expenditure) are not currently accounted for within the Report
- some of WA's Indigenous services are delivered as sub-components of broader mainstream programs (such as in the areas of child protection and health) which do not meet the agreed criteria for defining Indigenous specific programs for this report. In addition, some forms of WA Government financial assistance, such as charging below market level rents for social housing, are not covered by this report and may impact on interstate comparisons.

South Australia

South Australia's Aboriginal population is very dispersed with approximately half of the population residing in Adelaide and half in regional and remote areas. A number of communities reside in the far north-west and far-west of the state which can require a different and more costly service delivery approach.

The majority of Indigenous expenditure in South Australia is comprised of expenditure on mainstream services, particularly in health and education. The South Australian Government has identified approximately \$230 million of Indigenous specific expenditure, with around 70 per cent of this expenditure on 'complementary' services, that is services that are provided in addition to mainstream services.

South Australia's Strategic Plan includes 10 targets specifically targeted at Aboriginal people that reflect the focus of the plan on improving the wellbeing of all Aboriginal South Australians.

South Australia notes that there are significant challenges in collecting, estimating and interpreting Indigenous expenditure data as presented in this report. These challenges include:

- comparing expenditure trends across jurisdictions — due to the different service delivery contexts, underlying need and demographics that exist within each jurisdiction
- the disparity of methods used by jurisdictions in consolidating Government Finance Statistics data, particularly the disaggregated GPC data, and the effect of large transactions specific to a jurisdiction
- the timing and quantum of Commonwealth Government funded programs, such as National Partnership payments, which have significant impacts on the jurisdiction level data
- reliably estimating the cost differential for providing mainstream services to Indigenous people, particularly in remote and very remote areas
- understanding trends in data over time, particularly at the disaggregated level, as the methodology and collection approaches evolve.

Tasmania

The issue of Aboriginality in Tasmania is complex due to factors including:

- the State's small population includes a high proportion of Aboriginal persons (4 per cent) compared to most other jurisdictions (appendix C, table C.1)
- Tasmania has a higher than average proportion of disadvantaged persons and yet, whilst the Aboriginal population remains the most disadvantaged, the acute disadvantage evident in some jurisdictions is generally not apparent
- the State's population is the most decentralised of all states and territories, yet there is only one discrete Aboriginal community (Cape Barren Island).

Given these factors, the Tasmanian Government aims to address the causes and symptoms of Indigenous disadvantage through mainstream services designed to address disadvantage in the wider community. Increasingly, mainstream services are adopting practices that consider cultural appropriateness, such as cultural competency training, cultural awareness training and the establishment of Aboriginal advisory committees and groups. Mainstream services are complemented by Indigenous specific programs and services in some areas.

In addition to the issues raised in chapter 2, the following issues should be considered when interpreting and using expenditure estimates for Tasmania:

- *Indigenous under-identification* — under-identification of Aboriginal service users continues to be an issue for Tasmania. This issue is particularly relevant to hospitals, where estimates show Aboriginal service use to be below the Aboriginal population share. This is a striking contrast to usage patterns in most other services and to other jurisdictions
- *prorating mainstream expenditure* — caution needs to be exercised when interpreting estimates as the proportion of expenditure on mainstream services that relates to Indigenous persons is rarely able to be directly identified
- *jurisdictional incomparability* — comparison between jurisdictional expenditure levels is difficult given differences in demographics, underlying need, policy choices and service delivery context. For example, most special education services in Tasmania are provided through mainstream schooling, which may not be consistent with practices in other jurisdictions.

Tasmania continues to work on improving identification of Aboriginal service users and expenditure to better reflect actual service delivery practices.

Australian Capital Territory

An estimated 4822 Indigenous Australians were living in the ACT as at June 2011, accounting for 1.3 per cent of the total population. There are fewer Indigenous people in the ACT than in any other jurisdiction. However, their involvement in areas such as the justice system, community support and child protection is generally higher than for non-Indigenous Canberrans. This increases expenditure, as does the use of ACT services by Indigenous people from neighbouring New South Wales.

When compared nationally, Indigenous Canberrans are more likely to have higher levels of education and training, greater participation in the workforce, lower rates of unemployment and to own or be purchasing a home. Indigenous Canberrans access health services less frequently than those in most other jurisdictions.

A total of \$231.4 million was estimated to be expended on services to support Indigenous Australians living in the ACT. The Australian Government expended \$100.2 million and the ACT Government \$131.2 million of this amount.

Expenditure on mainstream services to support Indigenous people in the ACT, such as schools and hospitals, accounted for \$176.2 million of the total \$231.4 million, with the Australian Government contributing \$63.6 million and the ACT Government \$112.7 million.

Initiatives directly targeted at Indigenous people in the ACT accounted for the remaining \$55.2 million, with \$18.5 million expended by the ACT Government and \$36.6 million by the Australian Government for initiatives to support:

- safe and supportive communities, including the Aboriginal Justice Centre — 47 per cent
- early child development and education and training, including Koori Preschools — 22 per cent
- healthy lives, including initiatives delivered by the Winnunga Nimmityjah Aboriginal Health Service — 17 per cent
- home environment, including the Integrated Aboriginal and Torres Strait Islander Family Support Service — 7 per cent
- economic participation, including Indigenous trainee programs in the ACT Public Service — 6 per cent and
- governance and leadership, including the ACT Aboriginal and Torres Strait Islander Elected Body — 1 per cent.

Northern Territory

The Northern Territory welcomes the release of the second edition of the Indigenous Expenditure Report (IER). The IER promotes the accountability of governments and transparency of expenditure for Indigenous purposes.

The context of service delivery in the Territory is very different from other states. The Territory's unique demographic profile is characterised as small and remote and widely dispersed over a large landmass with a high proportion of Indigenous Australians. Nearly one third of the Territory's population is Indigenous, compared with 2.5 per cent nationally. The service delivery challenge is compounded by the high mobility of this population group.

While a large proportion of Indigenous Territorians reside in remote communities, it is often necessary for remote residents to access key services provided in major Territory centres. For example, the Territory provides patient transport services between remote communities and major centres for remote residents requiring hospital care. Nearly three quarters of patients using patient transport services in the Territory are Indigenous.

Indigenous Australians are overrepresented across virtually all government services, and in many instances, are the majority users of services. Due to the relative size of the Indigenous population in the Territory, the majority of government services for Indigenous Australians are delivered through mainstream programs.

While this report provides comprehensive analysis of estimates of government expenditure on all services, it is limited to recurrent expenditure. Consequently, the IER does not report on the Northern Territory's significant investment in housing and essential service infrastructure in remote communities across the Territory.

The Territory is committed to closing the gap between Indigenous and non-Indigenous outcomes. The factors that contribute to Indigenous disadvantage are multidimensional, and therefore, improving Indigenous outcomes requires an integrated approach. The Territory is working closely with the Commonwealth, Indigenous stakeholders and the community to develop whole of government strategies to improve wellbeing of Indigenous Territorians, particularly in the areas of health, education, welfare, community safety, employment and housing.

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PART B

OVERVIEW OF EXPENDITURE
BY BUILDING BLOCK

4 Early child development, and education and training

Key points

- Early child development, and education and training services help people develop the skills and knowledge to participate successfully in society and the economy, a key element in breaking the cycle of disadvantage
 - school education is a focus area of expenditure for this chapter.
- Government direct expenditure on all early child development, and education and training was \$66 billion in 2010-11. Direct expenditure on services to Indigenous Australians made up \$4 billion (6.1 per cent) of the total
 - State and Territory governments provided \$3.2 billion (80 per cent) of direct Indigenous expenditure — the Australian Government provided the remaining 20 per cent, plus significant indirect payments ‘to’ and ‘through’ the State and Territory governments
 - most Indigenous expenditure related to mainstream services (74 per cent, \$3.0 billion) — but Indigenous specific (targeted) expenditure (such as ABSTUDY, Indigenous tutors and staff), accounted for \$1.0 billion (26 per cent) of direct expenditure on early child development, and education and training.
- Government direct expenditure per head of population on all early child development and education services was \$6957 per Indigenous person and \$2857 per non-Indigenous person in 2010-11, (a ratio of 2.44 to 1).
- School education accounted for \$42.0 billion (64 per cent) of all direct expenditure and \$3.1 billion (77 per cent) of direct Indigenous expenditure on early child development, and education and training in 2010-11.
- Direct school education expenditure per head of population was \$5359 per Indigenous person and \$1792 per non-Indigenous person in 2010-11 (a ratio of 2.99 to 1). Expenditure per head of population is not expenditure per student, and must not be interpreted as a proxy for unit cost or expenditure per service user.
- The \$3567 difference in school education expenditure per person was due to the:
 - *greater intensity of service use (\$2411 or 68 per cent)* — the younger age profile of the Indigenous population means that Indigenous Australians are higher per capita (per head of population) users of school education services
 - *additional cost of service provision (\$1157 or 32 per cent)* — mainly related to complementary Indigenous specific services (services provided in addition to mainstream services, such as tutorial schemes, and education attendance, retention and participation programs).

This chapter presents an overview of estimates of Australian Government, and State and Territory Government direct expenditure on early child development, and education and training (hereafter early child development and education) in 2010-11. This includes expenditure on early childhood education and care (preschool and childcare); school education (primary and secondary schools); and tertiary education (university, VET and TAFE education).

This expenditure relates to two of the seven Council of Australian Governments' (COAG) National Indigenous Reform Agreement (COAG 2011) building blocks and Overcoming Indigenous Disadvantage report strategic areas for action (SCRGSP 2011b) — early childhood and schooling.¹

Interpreting the estimates in this chapter requires an understanding of the strengths and limitations of the method and data (chapter 2), and the context within which Indigenous services are provided (chapter 3).

A description of early child development and education services included in these estimates and the links between expenditure on these services and Indigenous outcomes is discussed in section 4.1.

Section 4.2 presents an overview of total (Australian Government plus State and Territory Government) direct expenditure on early child development and education. Comprehensive expenditure estimates for 15 education services expenditure categories are available from the project website (appendix D).

Section 4.3 analyses expenditure on school education (covering six of the 15 early child development and education services expenditure categories) — as a guide to the more detailed estimates available online.

What is 'direct' expenditure?

Direct expenditure is government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments during the reference year.

Indirect expenditure is government payments 'to' and 'through' other governments. Such payments may not be spent by the recipient government in the reference year, and may be spent on capital rather than the provision of services. It is also difficult to categorise the area of expenditure of 'untied' indirect payments such as GST transfers.

A detailed discussion of expenditure concepts is provided in chapter 2 (section 2.2).

¹ The COAG early childhood building block also includes expenditure related to maternal, antenatal and early childhood health (discussed in chapter 5 of this report) and family and youth support services (discussed in chapter 8 of this report).

4.1 What are early child development and education services and why are they important for Indigenous outcomes?

This section identifies the scope of services included in the early child development and education expenditure estimates presented in this report and summarises the links between early child development and education and Indigenous outcomes.

What are early child development and education services?

Early child development and education expenditure in this report includes outlays on:

- *early childhood education and care* — child care services (long day care, family day care, occasional care and outside-school-hours care services provided to children aged 0–12 years) and preschool services (early childhood education programs provided by qualified teachers for children from three to five years)
- *school education* — compulsory and non-compulsory education services are provided in government and non-government, primary and secondary schools. ‘Other school education’ includes services provided in special schools for students with a disability, support for school students (such as student transport, and income support), and support for schools and teachers (curriculum development and student assessment, examinations and certification, school registration and accreditation). School education is discussed in more detail in section 4.3
- *tertiary education* — university education, TAFE and VET, provided in both government and non-government institutions. ‘Other tertiary education’ includes support for tertiary students (such as student transport and income support), and support for tertiary institutions and teachers.

A detailed description of the early child development and education expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a, pp. 61–76 and 113).

Why are early child development and education services important to Indigenous outcomes?

Indigenous Australians have poorer early child development and education participation rates and outcomes than non-Indigenous Australians. The 2011

Overcoming Indigenous Disadvantage report noted:

- *early childhood education* — five year old Indigenous children overall had less developed language and cognitive skills than non-Indigenous children of the same age, as they entered full time school
- *school education* — Indigenous school students generally had lower attendance rates, poorer educational outcomes and lower retention rates than non-Indigenous school students
- *tertiary education* — 20–64 year old Indigenous Australians had significantly lower rates of post school qualification than non-Indigenous Australians (SCRGSP 2011b).

There is a high degree of interdependence among education services, because learning is a lifetime experience. Young children begin to develop the knowledge and skills to participate effectively in society at home and in early childhood education and care. At school, students further develop these skills and knowledge. This development is critical, not only for the individuals, but for society and the economy (OECD 2011).

There are strong links between school achievement (including year 11–12 completion) and improved employment, income and health outcomes (Doyle and Hill 2007; Forbes, Barker & Turner 2010; Savvas, Boulton & Jepsen 2011). The completion of higher education increases a person's chance of employment and potential salary (OECD 2011).

The COAG NIRA (COAG 2011) objectives for early child development and education services include:

- *early childhood education* — providing Indigenous children with early learning, development and socialisation opportunities through access to quality, affordable, early childhood education and care services. These services can also support the workforce participation choices for parents of children in the year before formal school.

The COAG target in this area is that 'all Indigenous four year olds in remote communities have access to quality early childhood education within five years' (COAG 2011, p. A-19)

- *school education* — providing Indigenous children with the opportunity to develop their human capital through access to schools with the appropriate infrastructure, workforce and opportunities for parental and community involvement. Improvements in school education outcomes (including in literacy and numeracy), contribute to transition pathways into post school and education work.

The COAG targets in this area are to ‘halve the gap for Indigenous students in reading, writing and numeracy within a decade’ and to ‘halve the gap for Indigenous 20–24 years olds in Year 12 or equivalent attainment rates by 2020’ (COAG 2011, p. A-19)

- *tertiary education* — participation in, and attainment of, post-secondary education contributes to improved employment and income outcomes, and could have a strong influence on the COAG target to ‘halve the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade’ (COAG 2011, p. A-19).

4.2 An overview of government expenditure on early child development and education services

This section provides an overview of Australian Government, and State and Territory Government direct expenditure on early child development and education in 2010-11. It begins with a summary of the levels and patterns of expenditure, then considers the main drivers of expenditure — as revealed by the Indigenous Expenditure Report method (chapter 2).

How much does government spend?

Nationally, government direct expenditure on early child development and education was \$66.1 billion in 2010-11, 15 per cent of all government direct expenditure on services (web-table W-J.1). The two major areas of early child development and education expenditure were school education (\$42.0 billion) and tertiary education (\$18.9 billion) (attachment table 4.1).

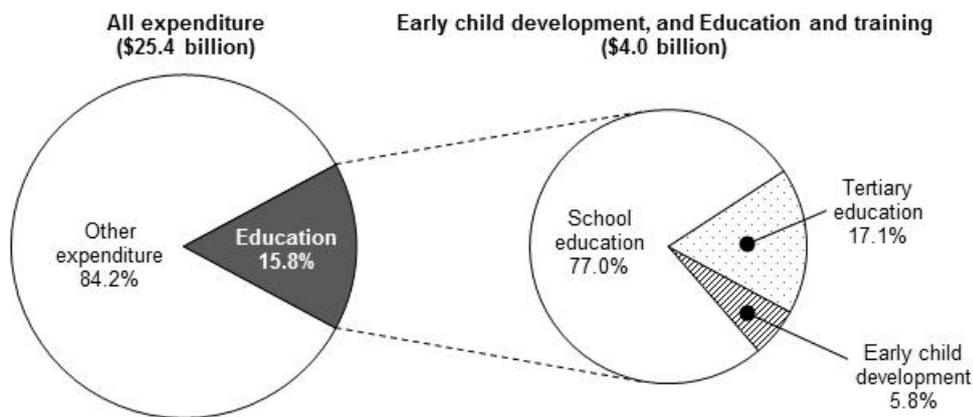
Estimated expenditure on early child development and education services provided to Indigenous Australians was \$4.0 billion in 2010-11. This represented 6.1 per cent of all government expenditure on early child development and education services (web-table W-J.1), and 16 per cent of all government expenditure on services to Indigenous Australians (figure 4.1a).

How does Indigenous and non-Indigenous expenditure per person compare?

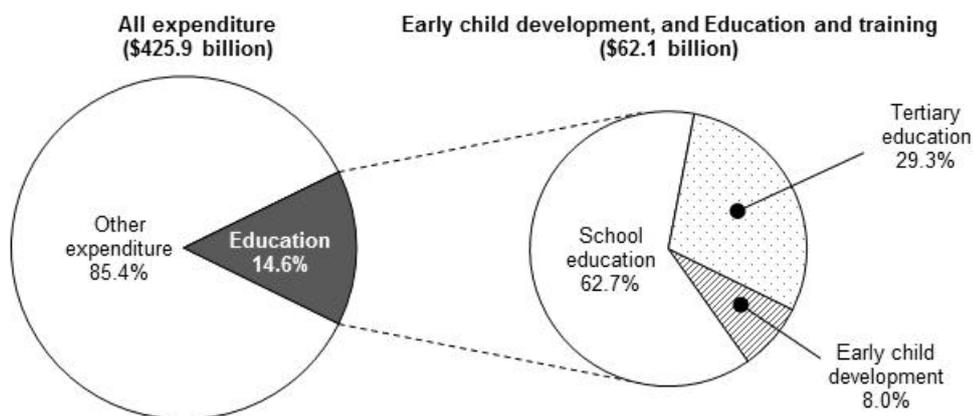
Estimated government expenditure per person on all early child development and education services was \$6957 per Indigenous person and \$2857 per non-Indigenous

Figure 4.1 Australian Government *plus* State and Territory Government direct expenditure on early child development, and education and training services, 2010-11

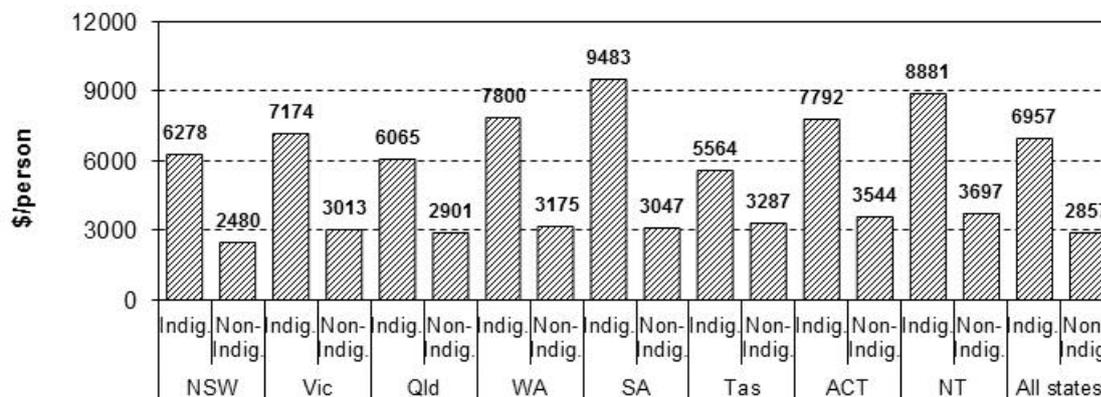
(a) Expenditure on Indigenous Australians



(b) Expenditure on non-Indigenous Australians



(c) Expenditure per person by Indigenous status^a



^a Expenditure per person is not expenditure per student, and must not be interpreted as a proxy for unit cost or expenditure per service user.

Source: attachment table 4.1.

person.² That is, an estimated \$2.44 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population in 2010-11 (figure 4.1c). By high level expenditure category:

- *early childhood education and care* — \$1.78 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian
- *school education* — \$2.99 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian
- *tertiary education* — \$1.43 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian (attachment table 4.1).

How much do the different levels of governments contribute directly?

State and Territory Government expenditure accounted for \$3.2 billion (80 per cent) of direct Indigenous early child development and education expenditure and \$44.6 billion (72 per cent) of direct non-Indigenous early child development and education expenditure in 2010-11, with the remainder being contributed by Australian Government (attachment table 4.1). By high level expenditure category, State and Territory Government expenditure accounted for:

- *early childhood education and care* — \$105 million (45 per cent) of direct Indigenous early childhood education and care expenditure and \$850 million (17 per cent) of direct non-Indigenous early childhood education and care expenditure
- *school education* — \$2.7 billion (87 per cent) of direct Indigenous school education expenditure and \$37.1 billion (95 per cent) of direct non-Indigenous school education expenditure
- *tertiary education* — \$407 million (59 per cent) of direct Indigenous tertiary education expenditure and \$6.6 billion (37 per cent) of direct non-Indigenous tertiary education expenditure (attachment table 4.1).

The Australian Government also contributes significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 4.1).

² Note that expenditure per head of population is not the same as expenditure per student, and must not be interpreted as a proxy for unit cost (chapter 2, box 2.2).

Box 4.1 Australian Government indirect expenditure on early child development, and education and training services in 2010-11^a

Australian Government indirect expenditures ‘to’ and ‘through’ State and Territory governments are reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure in 2010-11 related to:

- *early child development* — including outlays on Universal Access to Early Childhood Education and the National Quality Agenda for Early Childhood Education and Care
- *school education* — including outlays on Building the Education Revolution (non-government schools),^b National Schools SPP, Smarter Schools Program and Secure Schools Program (section 4.3, box 4.6)
- *tertiary education* — including outlays on the National Skills and Workforce Development SPP, Productivity Places Program and Apprentice Kickstart Program.

To avoid double counting, Australian Government indirect expenditure is not included in estimates reported elsewhere in this chapter. In summary:

- Australian Government indirect expenditure on early child development and education was \$18.7 billion in 2010-11, of which \$830 million related to services for Indigenous Australians.
- The largest area of expenditure was school education, which accounted for \$16.8 billion, of which \$760 million related to services for Indigenous Australians.

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments ‘to’ and ‘through’ other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure. ^b Building the Education Revolution expenditure for government schools is classified as capital expenditure and therefore out of scope for the purposes of this report (chapter 2, section 2.1).

Source: web-table W-V.2.

How significant are Indigenous specific services in early child development and education expenditure?

Government early child development and education services for Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 4.2).

Mainstream services accounted for \$3.0 billion (74 per cent) of direct Indigenous early child development and education expenditure (attachment table 4.2). By high level expenditure category, mainstream services accounted for:

- *early childhood education and care* — mainstream services accounted for

\$155 million (67 per cent) of direct Indigenous early childhood education and care expenditure

- *school education* — mainstream services accounted for \$2.4 billion (77 per cent) of direct Indigenous school education expenditure
- *tertiary education* — mainstream services accounted for \$441 million (64 per cent) of direct Indigenous tertiary education expenditure (attachment table 4.2).

Indigenous specific services can be either a substitute for, or a complement to, mainstream services:

- *substitute Indigenous specific services* — are an alternative to mainstream services (for example, ABSTUDY). These services are an alternate way of meeting the service needs of Indigenous Australians

Box 4.2 Indigenous specific early child development, and education and training services in 2010-11

The Australian Government, and State and Territory governments provided early child development and education services to some Indigenous Australians through a number of Indigenous specific (targeted) programs in 2010-11, including:

- *Closing the Gap — Northern Territory Crèches (\$1.9 million)* — Australian Government funding to improve access to child care services for Indigenous Australians living in remote NT communities
- *Indigenous Support Program and Commonwealth Scholarships Program (\$46 million)* — Australian Government income assistance for Indigenous university students
- *training initiatives for Indigenous adults in regional and remote communities (\$8.1 million)* — Queensland Government outlays to identify and support the implementation of practical, flexible and integrated strategies that will ensure Indigenous Australians in regional and remote areas can take advantage of vocational education and training opportunities leading to employment
- *Aboriginal Access Centre (\$7.3 million)* — SA Government support for the Aboriginal Access Centre (AAC), which aims to lead prospective Aboriginal students from unemployment to vocational education and training and to meaningful employment. The AAC provides students with services such as case management, tutorial assistance and e-learning resources from more than a dozen TAFE SA metropolitan and regional campuses.

Examples of Indigenous specific school education services are provided in box 4.7.

Source: Australian Government, and State and Territory Government unpublished data.

-
- *complementary Indigenous specific services* — are provided in addition to mainstream services (for example, Indigenous student counsellors in schools). These services add to the cost of providing services to Indigenous Australians.

Indigenous specific services accounted for \$1.0 billion (26 per cent) of direct expenditure on Indigenous early child development and education services in 2010-11 (attachment table 4.2). ‘Complementary’ services accounted for \$731 million (71 per cent) of Indigenous specific expenditure, and ‘substitute’ services accounted for \$297 million (29 per cent) (web-table W-I.3). By high level expenditure category:

- *early childhood education and care* — Indigenous specific services accounted for \$78.1 million (29 per cent) of direct Indigenous early childhood education and care expenditure
- *school education* — Indigenous specific services accounted for \$705.3 million (23 per cent) of direct Indigenous school education expenditure
- *tertiary education* — Indigenous specific services accounted for \$245 million (36 per cent) of direct Indigenous tertiary education expenditure (web-table W-I.3).

Why is Indigenous expenditure per person different?

Expenditure on Indigenous Australians can vary across jurisdictions and when compared with expenditure on non-Indigenous Australians. The Report method identifies several factors that drive these variations.

What can the method explain about differences in expenditure?

This report estimates direct expenditure on Indigenous Australians based on:

- *intensity of service use* — how much expenditure is driven by the use of services. Intensity of service use has two sub-components:
 - *Indigenous use of mainstream services* — the estimated Indigenous share of mainstream expenditure is proportional to Indigenous Australians’ use of mainstream services.

The per capita intensity of service use is higher if, on average, Indigenous Australians use more services than non-Indigenous Australians — either because of greater individual need, or because a higher proportion of the Indigenous population belong to the age group likely to use those services.

-
- *Indigenous specific services that are a substitute for mainstream services* — these are services that Indigenous Australians use instead of a similar mainstream service.
 - *additional cost of service provision* — how much expenditure is driven by the additional cost of providing services to Indigenous Australians, compared with the cost of providing similar services to non-Indigenous Australians. This figure can be negative if it costs less to provide services to Indigenous Australians; for example, if Indigenous Australians tend to use less expensive services. The additional cost of service provision has two sub-components:
 - *mainstream services cost differentials* — any additional cost of providing mainstream services to Indigenous Australians, for reasons such as location, culture and language (chapter 3)
 - *Indigenous specific services that complement mainstream services* — these are services that Indigenous Australians use in addition to a mainstream service; for example, Indigenous student counsellors in schools.

Conceptual issues associated with interpreting these components are discussed in chapter 2.

Variations in expenditure between Indigenous and non-Indigenous Australians

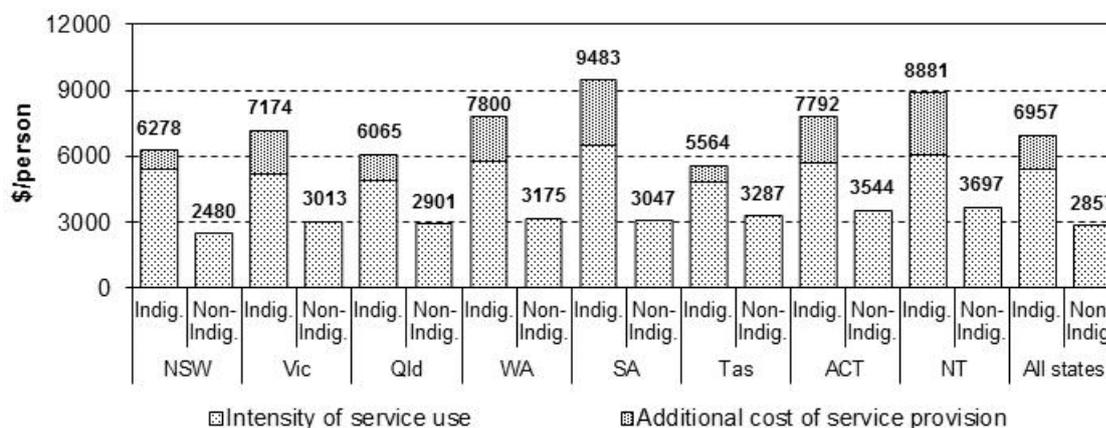
The variation in expenditure per capita between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, *plus* any additional cost of providing services to Indigenous Australians (figure 4.2 and box 4.3).

Estimated direct early child development and education expenditure per Indigenous person was \$4101 higher than per non-Indigenous person in 2010-11. The majority of the difference \$2562 (63 per cent) was attributable to a greater intensity of service use, with the remaining \$1539 (38 per cent) attributable to the additional cost of service provision (attachment table 4.3 and box 4.3). The majority (83 per cent) of the additional cost of service provision related to complementary Indigenous specific services that were used in addition to mainstream services (web-table W-I.18).

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *early childhood education and care* — was \$177 higher, which mainly related to

Figure 4.2 Australian Government *plus* State and Territory Government direct expenditure per person on early child development, and education and training services by driver of expenditure, 2010-11^{a, b}



^a Refer to box 4.3 for guidelines on how to interpret this chart. ^b Expenditure per person is not expenditure per student, and must not be interpreted as a proxy for unit cost or expenditure per service user.

Source: attachment tables 4.1 and 4.2.

the additional cost of service provision (\$138 or 78 per cent), with the remainder (\$39 or 22 per cent) attributable to the greater intensity of service use. The majority (95 per cent) of the additional cost of service provision related to complementary Indigenous specific services

- *school education* — was \$3567 higher, which mainly related to the greater intensity of service use by Indigenous Australians (\$2411 or 69 per cent), with the remainder (\$1157 or 32 per cent) attributable to additional cost of service provision. The majority (81 per cent) of the additional cost of service provision related to complementary Indigenous specific services
- *tertiary education* — was \$356 higher, which mainly related to the additional cost of service provision (\$244 or 67 per cent), with the remainder (\$112 or 31 per cent) attributable to the greater intensity of service use. The majority (83 per cent) of the additional cost of service provision related to complementary Indigenous specific services (web-table W-I.18).

What influences the intensity of service use and the cost of service provision?

Indigenous intensity of service use is mainly driven by the younger age profile of the Indigenous population. Early child development and education services typically are targeted toward younger people, and in 2006:

- children aged 0–4 years accounted for 13 per cent of the Indigenous population, compared with 6.2 per cent of the non-Indigenous population

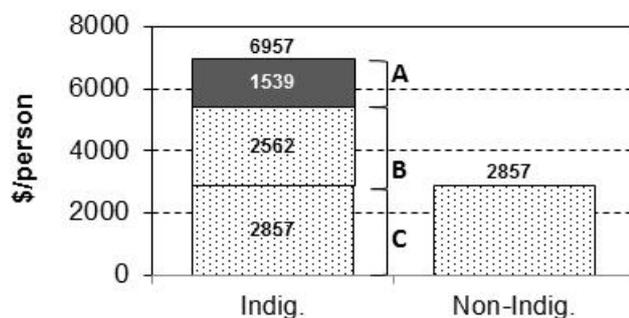
Box 4.3 Interpreting differences in expenditure per person^{a, b}

Total direct expenditure on early child development and education services per Indigenous person was \$6957, compared with \$2857 per non-Indigenous person in 2010-11. That is, \$2.44 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian.

What can the method explain about differences in expenditure?

The Report estimates direct expenditure on Indigenous early child development and education services based on the *intensity of service use* and the *additional cost of service provision* (chapter 2).

Indigenous intensity of service use accounted for \$5418 per person (78 per cent) of total direct expenditure on Indigenous Australians (area B *plus* area C in diagram). Additional cost of service provision accounted for the remaining \$1539 per person (22 per cent) (area A).



Variations between Indigenous and non-Indigenous Australians

The \$4101 difference in expenditure per person between Indigenous and non-Indigenous Australians is attributable to greater intensity of service use by Indigenous Australians and additional cost of mainstream service provision (area A *plus* area B in diagram).

^a Total direct expenditure includes Australian government *plus* State and Territory Government direct expenditure. ^b Expenditure per person is not expenditure per user, and must not be interpreted as a proxy for unit cost.

Source: web-table W-M.2.

- young people aged 5–19 years accounted for 36 per cent of the Indigenous population, compared with 20 per cent of the non-Indigenous population
- young adults aged 20–24 years accounted for 8.7 per cent of the Indigenous population, compared with 7.1 per cent of the non-Indigenous population (chapter 3).

The younger age profile of the Indigenous population means that Indigenous per capita (per person in the population) use of early child development and education services would be expected to be greater than non-Indigenous per capita use.

Differences in the cost of service provision between Indigenous and non-Indigenous Australians relate to the additional cost of providing mainstream services, and the use of complementary Indigenous specific services.

What other information is available?

This chapter provides an overview of the 2012 Report estimates of expenditure on early child development and education services. Comprehensive expenditure estimates for 15 separate expenditure categories are available from the project website (box 4.4, appendix D).

Box 4.4 **Early child development, and Education and training estimates available online**

The web-based attachments (appendix D) include detailed estimates for 15 early child development, and education and training expenditure sub-categories:

- early child development
 - preschool education (GPC 0431)
 - child care services (GPC +0621.1)
- school education
 - primary education (GPC 0411)
 - secondary education (GPC 0412)
 - other school education
 - ... primary and secondary education not elsewhere classified (GPC 0419)
 - ... special education (GPC 0432)
 - ... transport for school students (GPC 0441 and GPC+ 0449.1)
 - ... assistance for school education (GPC+ 0490.1)
- tertiary education
 - university education (GPC 0421)
 - TAFE and VET
 - ... technical and further education (GPC 0422)
 - ... vocational training (GPC 1331)
 - other tertiary education
 - ... tertiary education not elsewhere classified (GPC 0429)
 - ... transport for tertiary students (GPC+ 0449.2)
 - ... other education not definable by level (GPC 0439)
 - ... assistance for tertiary education (GPC+ 0490.2)

4.3 A focus on school education services

This section focuses on estimates of Australian Government, and State and Territory Government expenditure on school education services in 2010-11.

The discussion in this section is provided both as a guide to the more detailed estimates available online for 15 separate early child development and education expenditure categories, and because of the importance of these services for Indigenous outcomes. As noted in chapter 2, an understanding of the levels and patterns of government expenditure on services that support Indigenous Australians can be used to inform four key questions:

- How much did government spend on school education?
- How much of this was for Indigenous Australians and how does this compare with non-Indigenous Australians?
- What were the patterns of service use by Indigenous Australians and how does this compare with non-Indigenous Australians?
- What drives the differences in expenditure between Indigenous and non-Indigenous Australians?

This report's estimates of expenditure on school education show that in 2010-11:

- expenditure on school education per Indigenous person was almost three times that per non-Indigenous person
- two main factors contributed to the higher level of expenditure on school education for Indigenous Australians:
 - *Indigenous Australians used more services* — Indigenous Australians used more school services because a greater proportion of the Indigenous population is of school age (chapter 3). Indigenous Australians could also be more likely to attend government schools because of their lower incomes
 - *some services for Indigenous Australians cost more to provide* — costs can be higher if mainstream services are more expensive to provide (for example, because of remoteness), or where Indigenous Australians receive additional Indigenous specific (targeted) services (for example, Indigenous student counsellors).
- three-quarters of all school expenditure is provided through mainstream services
- Indigenous specific (targeted) services were most significant for other school services (which includes student income support), accounting for 51 per cent of expenditure. However, mainstream services still accounted for 49 per cent of expenditure on other school services to Indigenous Australians
- State and Territory governments provided almost all primary education and secondary education expenditure in 2010-11, but the Australian Government was the major provider of other school education expenditure (54 per cent of

Indigenous other school education expenditure and 30 per cent of non-Indigenous other school education expenditure) (attachment table 4.1).

What are school education services?

School education expenditure in this report includes outlays on:

- *primary school education* — educational programs provided to primary school students in government and non-government schools. It includes special education programs integrated into mainstream primary education
- *secondary school education* — educational programs provided to secondary school students in government and non-government schools. It includes some vocational and technical training in the final years and special education programs integrated into mainstream secondary education
- *other school education* — includes services that support the participation of students in education and the delivery of education services by schools, including:
 - *primary and secondary education not elsewhere classified* — support for schools and teachers that cannot be allocated to primary or secondary education
 - *special education* — education services for children with physical, mental or learning disabilities provided in dedicated institutions, and education services for children in custody or on remand, or in hospital
 - *student transport for school students* — publically funded transport services, concessions or allowance for school students
 - *assistance for school education* — income and other support for primary and secondary school students.

For a detailed description of the types of expenditure recorded under primary and secondary education, refer to the 2012 Report *Expenditure Data Manual* (SCRGPS 2012a, pp. 61–63, 68, 70, 72 and 75).

Why are school education services important to Indigenous outcomes?

The expenditure reported under school education is an important element of the COAG National Indigenous Reform Agreement building block — schooling. The

Agreement notes:

Human capital development through education is key to future opportunity. Responsive schooling requires attention to infrastructure, workforce, curriculum, student literacy and numeracy achievement, and opportunities for parental engagement and school/community partnerships. (COAG 2011, p. 6)

Halving the gap for Indigenous students in reading, writing and numeracy within a decade, and halving the gap for Indigenous students in year 12 or equivalent attainment by 2020 are priority targets for COAG (COAG 2011).

Further information on Indigenous outcomes related to education and training is provided in chapter 6 of the 2011 *Overcoming Indigenous Disadvantage* report (SCRGSP 2011b) and *National Agreement Performance Information 2010: National Education Agreement* (SCRGSP 2011a).

What affects the comparison of school education expenditure?

When comparing Indigenous expenditure estimates across states and territories and with non-Indigenous expenditure estimates, it is important to take into consideration the structure of schooling across Australia, and differences in the age profiles of the Indigenous and non-Indigenous populations.

Structural differences across jurisdictions

The structure of school education varies across states and territories. These differences can influence the comparability and interpretation of expenditure across jurisdictions (figure 4.3). Primary school expenditure in Queensland, WA and SA is likely to be proportionally higher because it encompasses more years of schooling.

Expenditure per person and expenditure per user

Throughout this report, estimated expenditure is presented on an expenditure per person basis (that is, expenditure per head of population), to allow expenditure in different service areas to be aggregated and compared on a consistent basis. It also facilitates the comparison of expenditure between Indigenous and non-Indigenous Australians, and across jurisdictions of different sizes.

Expenditure per head of population is not the same as expenditure per student. Expenditure per student will always be higher than expenditure per head of population, because school education is only provided to the school aged cohort of the population (broadly, young people aged 5–19 years).

The younger age profile of the Indigenous population means that a greater proportion of the Indigenous population is of school age. This will mean that on average, expenditure per person will be greater for Indigenous Australians than for non-Indigenous Australians (even if expenditure per student may be similar).

Figure 4.3 Structure of primary and secondary schooling, 2010^{a, b, c, d}

Level	NSW, Vic, Tas, ACT, NT	Qld, WA, SA
Year 12	Secondary	Secondary
Year 11		
Year 10		
Year 9		
Year 8		
Year 7	Primary	Primary
Year 6		
Year 5		
Year 4		
Year 3		
Year 2		
Year 1	Kindergarten (NSW, ACT) Preparatory (Vic, Tas) Transition (NT)	Preparatory (Qld) Pre-primary (WA) Reception (SA)
Pre-year 1		

^a Tasmania denotes years 11 and 12 as post-secondary. ^b ACT students transition to a senior college for years 11 and 12. ^c SA has an intake for each term. ^d Year 7 in WA will be moved to secondary schooling in 2015.

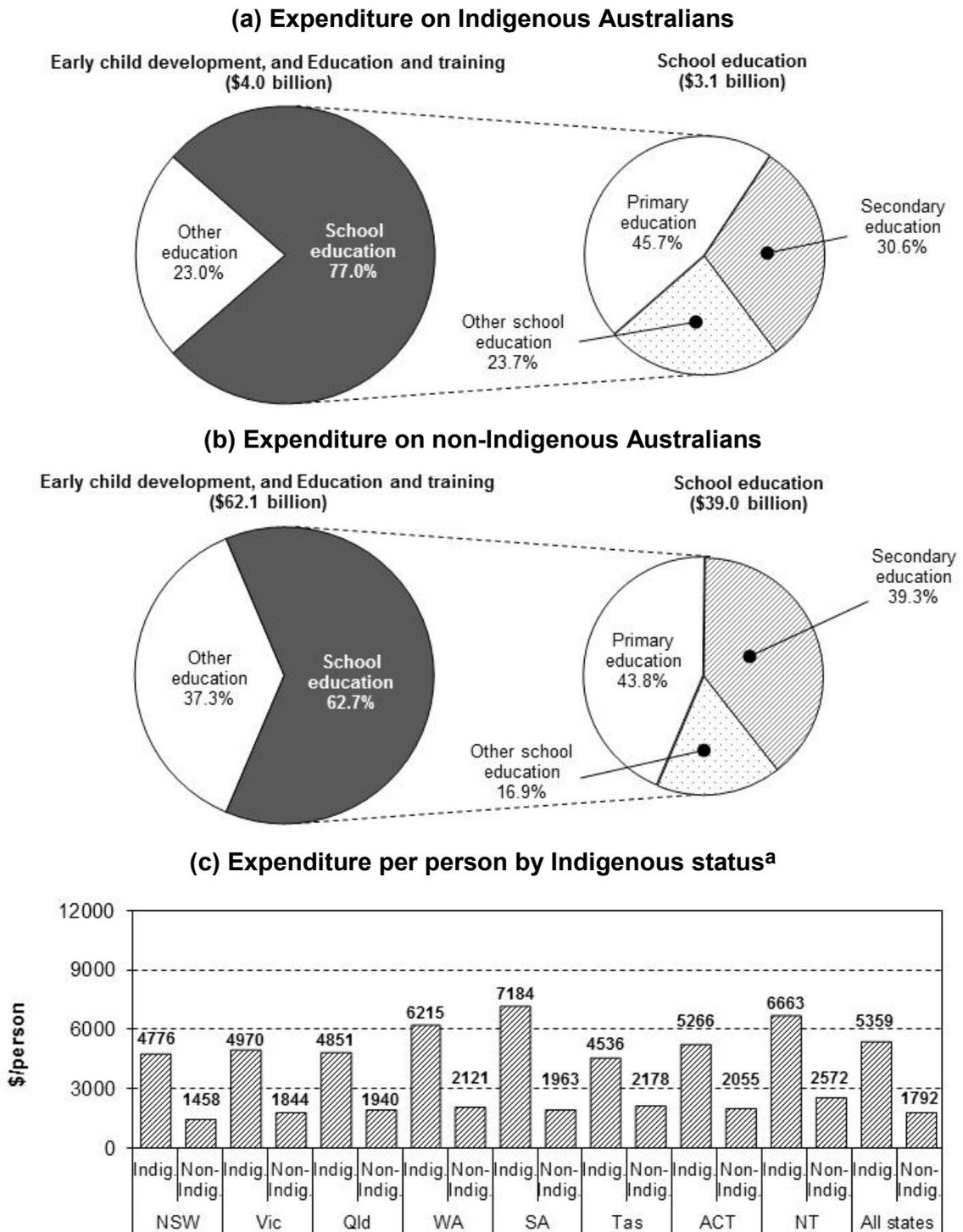
Source: Adapted from ABS (2011).

How much does government spend on school education?

Nationally, government direct school education expenditure was \$42 billion (64 per cent) of all direct early child development and education expenditure in 2010-11. The majority of this expenditure was related to primary school education services (\$18.5 billion or 44 per cent) and secondary school education services (\$16.2 billion or 39 per cent). The remainder related to other school education services (which includes support services for schools and student income support) (\$7.3 billion or 17 per cent) (web-table W-J.2).

Estimated direct Indigenous school education expenditure was \$3.1 billion in 2010-11. This represented 77 per cent of all government direct Indigenous early child development and education expenditure (figure 4.4a). In comparison, direct

Figure 4.4 **Australian Government *plus* State and Territory Government direct expenditure on school education services, 2010-11**



^a Expenditure per person is not expenditure per student, and must not be interpreted as a proxy for unit cost or expenditure per service user.

Source: attachment table 4.1.

non-Indigenous school education expenditure represented only 63 per cent of all government direct expenditure on non-Indigenous early child development and education (figure 4.4b).

School education was the largest area of early child development and education expenditure for Indigenous Australians. Estimated expenditure on school education comprised:

- *primary education* — \$1.4 billion (46 per cent) of Indigenous school education expenditure, compared with 44 per cent of non-Indigenous school education expenditure
- *secondary education* — \$943 million (31 per cent) of Indigenous school education expenditure, compared with 39 per cent of non-Indigenous school education expenditure
- *other school education* — \$731 million (24 per cent) of Indigenous school education expenditure, compared with 17 per cent of non-Indigenous school education expenditure (web-table W-J.2).

How does Indigenous and non-Indigenous expenditure per person compare?

Caution should be exercised when interpreting expenditure per head of population as this is not the same as expenditure per student, and must not be interpreted as a proxy for unit cost (box 4.5).

Estimated total government expenditure per person on school education was \$5359 per Indigenous person and \$1792 per non-Indigenous person in 2010-11. That is, an estimated \$2.99 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian in 2010-11 (figure 4.4c).

This expenditure comprised:

- *primary education* — \$2449 per Indigenous person and \$785 per non-Indigenous person. That is, an estimated \$3.12 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
- *secondary education* — \$1640 per Indigenous person and \$704 per non-Indigenous person. That is, an estimated \$2.33 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
- *other school education* — \$1270 per Indigenous person and \$303 per non-Indigenous person. That is, an estimated \$4.19 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population (web-table W-I.4).

Box 4.5 Expenditure per student

Expenditure per head of population is useful for summarising expenditure across different services and for comparing expenditure between jurisdictions and Indigenous and non-Indigenous Australians. However, it is not the same as expenditure per user, and is not intended to be a proxy for unit cost (chapter 2, box 2.2).

Expenditure (or funding) per student is a commonly employed proxy for unit cost in assessment of school education services. For example, the 2012 Report on Government Services estimated recurrent expenditure per full time equivalent student in government primary and secondary schools to be \$12 522 and \$15 414, respectively in 2009-10 (SCRGSP 2012b, p. 4.32). Caveats on interpreting such measures are provided in box 4.4 of that report (SCRGSP 2012b, p. 4.32).

Estimates of expenditure per student are presented below to illustrate that the Report expenditure estimates can be combined with information on service users or user outcomes for analytical purposes.

Direct expenditure per student on school education, 2010-11^{a, b, c, d}

	NSW	Vic	Qld	WA	SA ^e	Tas	ACT	NT	All states
Primary school (\$/primary student)									
Indig.	9 037	12 064	12 548	15 546	18 691	12 960	14 415	24 273	13 533
Non-Indig.	6 439	9 380	10 295	10 807	8 267	12 259	10 857	17 338	8 882
Total	6 563	9 415	10 454	11 140	8 688	12 308	10 945	20 338	9 122
Secondary school (\$/secondary student)									
Indig.	12 118	16 523	13 628	22 330	18 227	13 851	16 530	23 056	15 441
Non-Indig.	8 581	11 523	11 315	15 822	8 589	12 583	11 770	16 039	10 725
Total	8 730	11 577	11 454	16 158	8 902	12 666	11 866	18 631	10 919
Other school education (\$/primary and secondary student)									
Indig.	5 538	4 363	3 573	3 497	4 643	3 303	3 230	5 178	4 423
Non-Indig.	2 153	1 609	1 789	1 234	4 371	1 482	893	939	1 967
Total	2 306	1 642	1 907	1 378	4 381	1 607	946	2 666	2 083

^a Expenditure estimates in dollar values are available from the project web-site for report users to combine with other data for analytical purposes (appendix D.) Before undertaking such analysis the Steering Committee recommends consulting the documentation on the method, including the scope of services covered by each expenditure category. ^b These estimates are provided for illustrative purposes and are not intended to be robust measures of expenditure per student or to be used directly for policy analysis. Such analysis would require more sophisticated measures than those presented. ^c Expenditure per student is calculated as Australian Government *plus* State and Territory Government direct expenditure on primary, secondary and other school education services divided by the relevant number of enrolled students in both government and non-government schools. No adjustments are made for the lower level of funding per student for non-government schools. ^d Direct expenditure reflects Australian Government indirect expenditure when the State and territory governments spend (chapter 2). ^e SA data for other school education includes the pass through of Australian Government grants to non-government schools, and is not directly comparable to other jurisdictions that have allocated these grants to primary and secondary education.

Source: Steering Committee for the Review of Government Service Provision estimates.

How much do the different levels of government contribute directly?

State and Territory Government expenditure accounted for \$2.7 billion (87 per cent) of Indigenous and \$37.1 billion (95 per cent) of non-Indigenous school education expenditure in 2010-11. The remainder was contributed by the Australian Government (attachment table 4.1).

State and Territory governments provided the overwhelming majority (greater than 99 per cent) of primary and secondary education direct expenditure for both Indigenous and non-Indigenous Australians. State and Territory Government direct expenditure accounted for 46 per cent of Indigenous other school education expenditure, compared with 72 per cent of non-Indigenous other school education expenditure.

The remaining direct expenditure was contributed by the Australian Government. The largest area of Australian Government expenditure was other school education, which comprised:

- *primary and secondary education not elsewhere classified* — accounted for \$251 million (64 per cent) of Indigenous and \$422 million (23 per cent) of non-Indigenous Australian Government expenditure on other school education. This related mainly to direct payments to government and non-government schools that could not be separately allocated to the primary and secondary education expenditure categories. It included expenditure on programs such as: National Asian Languages in Schools Program; National School Chaplaincy Program; Supplementary Funding for School Operations; and Youth Attainment and Transitions National Partnership (direct payment component)
- *assistance for school education* — accounted for \$143 million (36 per cent) of Indigenous and \$1.4 billion (77 per cent) of non-Indigenous Australian Government expenditure on other school education. This was mainly related to financial assistance for students, such as ABSTUDY and Youth Allowance (web-table W-I.3).

The Australian Government also contributed significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 4.6).

How significant are Indigenous specific services in school education expenditure?

Government school education services to Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 4.7).

Box 4.6 Australian Government indirect expenditure on school education in 2010-11^a

Australian Government indirect expenditure is reflected in State and Territory Government expenditure when services are ultimately provided. Australian Government indirect expenditure on school education was \$16.8 billion in 2010-11, of which \$760 million related to services for Indigenous Australians.

The largest areas of expenditure were the National Schools Specific Purpose Payment (SPP) (\$10.6 billion) and Building the Education Revolution (for non-government schools) — Primary schools for the 21st century (\$5.4 billion),^b which when combined accounted for 95 per cent of indirect expenditure on school education.

Indirect expenditure on specific Closing the Gap initiatives such as Quality Teaching Accelerated Literacy, Additional Teachers for Remote Schools and Teacher Housing accounted for a further \$49.6 million (6.5 per cent) of indirect Indigenous expenditure on early child development, and education and training.

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments 'to' and 'through' other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure. ^b Building the Education Revolution expenditure for government schools is classified as capital expenditure and therefore out of scope for the purposes of this report (chapter 2, section 2.1).

Source: web-table W-V.2.

Mainstream services accounted for \$2.4 billion (77 per cent of total Indigenous expenditure on these services) in 2010-11. Indigenous specific expenditure accounted for the remaining \$705 million (23 per cent) (attachment table 4.2). By expenditure category:

- *primary education* — Indigenous use of mainstream school education accounted for \$1.2 billion (84 per cent) of Indigenous expenditure in this area, with Indigenous specific (targeted) services accounting for \$220 million (16 per cent)
- *secondary education* — Indigenous use of mainstream secondary education accounted for \$832 million (88 per cent) of Indigenous expenditure in this area, with Indigenous specific (targeted) services accounting for \$111 million (12 per cent)
- *other school education* — Indigenous use of mainstream other school education accounted for \$357 million (49 per cent) of Indigenous expenditure in this area, with Indigenous specific (targeted) services accounting for \$374 million (51 per cent). Targeted services related mainly to Australian Government

complementary payments and services such as Australian Government payments under the *Indigenous Education (Targeted Assistance) Act 2000*.

Box 4.7 Indigenous specific school education services in 2010-11

The Australian Government, and State and Territory Government provided school education services to some Indigenous Australians through a number of Indigenous specific (targeted) programs in 2010-11, including:

- *ABSTUDY — Secondary (\$125 million)* — the Australian Government's ABSTUDY is a means-tested living allowance and other supplementary benefits for eligible secondary students. Primary students living at home and aged 14 years or more on 1 January in the year of study may also be eligible for assistance
- *Koori Regional Staff (\$7.5 million)* — the Victorian Government's Wannik workforce funding and Koori regional staff sourced from the National Education Agreement and the National Indigenous Reform Agreement
- *Transition Support Service (\$26 million)* — the Queensland Government's support to Indigenous students from Cape York and Torres Strait region who move away from their communities to complete secondary education at a boarding school
- *Aboriginal Tutorial Assistance Scheme (\$6.3 million)* — the WA Government provides teacher support to students identified as not meeting minimum National Assessment Program — Literacy and Numeracy standards in primary years 4–7 and secondary years 8–12.

Source: Australian Government, and State and Territory Government unpublished data.

Why is Indigenous expenditure per person different?

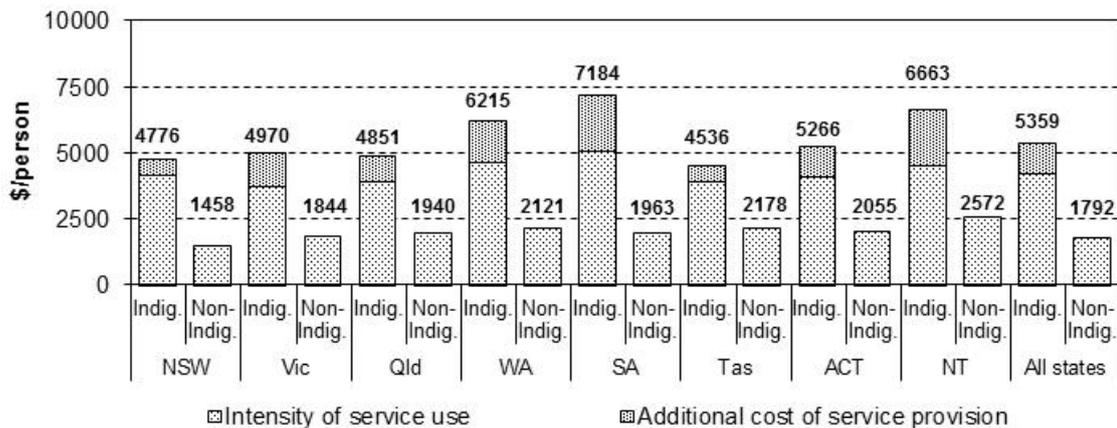
Expenditure on school education per Indigenous person varied across jurisdictions and compared with expenditure per non-Indigenous person. The Report method separately identifies several factors that drive these variations (section 4.2).

Variation in expenditure between Indigenous and non-Indigenous Australians

As previously noted, the variation in expenditure per person between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, plus any additional cost of providing services to Indigenous Australians (figure 4.5 and box 4.3).

Estimated expenditure on school education per Indigenous person was \$3567 higher than per non-Indigenous person in 2010-11. The majority of the difference (\$2411

Figure 4.5 **Australian Government *plus* State and Territory Government direct expenditure per person on school education by driver of expenditure, 2010-11^{a, b}**



^a Refer to box 4.3 for guidelines on how to interpret this chart. ^b Expenditure per person is not expenditure per student, and must not be interpreted as a proxy for unit cost or expenditure per service user.

Source: attachment tables 4.1 and 4.3.

or 68 per cent) was attributable to a greater intensity of service use (driven by the younger Indigenous population profile), with the remainder (\$1157 or 32 per cent) attributable to additional cost of service provision (attachment table 4.1 and 4.3). The majority (81 per cent) of additional cost of service provision related to complementary Indigenous specific services that were used in addition to mainstream services (web-table W-I.18).

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *primary education* — was \$1664 higher, which mainly related to a greater intensity of service use driven by the younger Indigenous population profile (\$1198 or 72 per cent of the difference), with the remainder attributable to the additional cost of service provision (\$466 or 28 per cent). The majority (73 per cent) of additional cost of service provision related to complementary Indigenous specific services
- *secondary education* — was \$936 higher, which mainly related to a greater intensity of service use driven by the younger Indigenous population profile (\$679 or 73 per cent of the difference), with the remainder attributable to the additional cost of service provision (\$256 or 27 per cent). The majority (69 per cent) of additional cost of service provision related to complementary Indigenous specific services
- *other school education* — was \$967 higher, which mainly related to a greater intensity of service use driven by the younger Indigenous population profile

(\$533 or 55 per cent of the difference), with the remainder attributable to the additional cost of service provision (\$434 or 45 per cent). The majority (96 per cent) of additional cost of service provision related to complementary Indigenous specific services such as Australian Government Closing the Gap funding for Supporting Remote Schools — Additional Teachers, Quality Teaching Accelerated Literacy, and Teacher Housing programs in the NT.

What influences the intensity of service use and the cost of service provision?

Because of the younger age profile of the Indigenous population, Indigenous Australians are higher per capita (per head of population) users of school education services. In 2011, 4.7 per cent of school students were Indigenous, although Indigenous people made up only 2.6 per cent of the population as a whole. This leads to a higher intensity of school education service use by the Indigenous population.

Additional cost of providing school education relate to complementary Indigenous specific services such as tutorial schemes, and education attendance, retention and participation programs.

4.4 References

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Attachment 4.A Summary data tables

Table 4.1 **Australian Government *plus* State and Territory Government direct expenditure on early child development, and education and training, 2010-11^{a, b}**

<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Early child development									
Total expenditure									
Indigenous									
Aust Govt \$m	45	10	39	10	8	2	1	15	129
State Govt \$m	13	5	19	20	15	3	2	27	105
Non-Indigenous									
Aust Govt \$m	1 315	943	1 013	303	316	101	85	32	4 108
State Govt \$m	195	207	92	148	123	32	33	19	850
Total \$m	1 568	1 164	1 163	482	461	139	121	93	5 191
Indig. share %	3.7	1.2	5.0	6.2	5.0	3.9	2.4	44.6	4.5
Expenditure per person ^c									
Indig. \$/per	345	386	352	387	739	262	591	592	405
Non-Indig. \$/per	215	210	251	204	271	274	336	320	228
Ratio ^d ratio	1.60	1.84	1.40	1.90	2.73	0.96	1.76	1.85	1.78
School education									
Total expenditure									
Indigenous									
Aust Govt \$m	100	23	94	60	28	14	3	72	395
State Govt \$m	706	164	706	422	195	79	22	393	2 688
Non-Indigenous									
Aust Govt \$m	617	542	331	150	153	48	33	6	1 880
State Govt \$m	9 640	9 558	8 198	4 546	3 024	1 014	689	408	37 077
Total \$m	11 063	10 287	9 329	5 179	3 399	1 156	748	879	42 041
Indig. share %	7.3	1.8	8.6	9.3	6.6	8.1	3.4	52.9	7.3
Expenditure per person ^c									
Indig. \$/per	4 776	4 970	4 851	6 215	7 184	4 536	5 266	6 663	5 359
Non-Indig. \$/per	1 458	1 844	1 940	2 121	1 963	2 178	2 055	2 572	1 792
Ratio ^d ratio	3.27	2.70	2.50	2.93	3.66	2.08	2.56	2.59	2.99

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Table 4.1 (continued)

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Tertiary education										
Total expenditure										
Indigenous										
Aust Govt	\$m	97	26	74	31	17	9	5	21	280
State Govt	\$m	98	42	69	62	31	7	5	93	407
Non-Indigenous										
Aust Govt	\$m	3 713	3 123	2 129	1 127	850	259	274	67	11 542
State Govt	\$m	1 958	2 132	993	757	467	149	131	63	6 649
Total	\$m	5 866	5 324	3 264	1 977	1 365	423	414	243	18 878
Indig. share	%	3.3	1.3	4.4	4.7	3.5	3.7	2.3	46.7	3.6
Expenditure per person ^c										
Indig.	\$/per	1 157	1 819	862	1 198	1 560	766	1 934	1 627	1 193
Non-Indig.	\$/per	806	959	710	851	814	835	1 153	806	837
Ratio ^d	ratio	1.43	1.90	1.21	1.41	1.92	0.92	1.68	2.02	1.43
All early child development, and Education and training										
Total expenditure										
Indigenous										
Aust Govt	\$m	242	59	207	101	53	25	9	108	803
State Govt	\$m	818	211	793	505	242	89	29	512	3 199
Non-Indigenous										
Aust Govt	\$m	5 645	4 608	3 473	1 580	1 318	409	393	105	17 530
State Govt	\$m	11 793	11 898	9 283	5 451	3 613	1 195	853	490	44 576
Total	\$m	18 498	16 776	13 756	7 637	5 226	1 719	1 283	1 215	66 109
Indig. share	%	5.7	1.6	7.3	7.9	5.6	6.7	2.9	51.1	6.1
Expenditure per person ^c										
Indig.	\$/per	6 278	7 174	6 065	7 800	9 483	5 564	7 792	8 881	6 957
Non-Indig.	\$/per	2 480	3 013	2 901	3 175	3 047	3 287	3 544	3 697	2 857
Ratio ^d	ratio	2.53	2.38	2.09	2.46	3.11	1.69	2.20	2.40	2.44

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. ^d The ratio of total Indigenous expenditure per person to total non-Indigenous expenditure per person. This reflects the combined effects of differential use patterns and costs between Indigenous and non-Indigenous people (subject to the limitation of the data and methodology).

Source: web-tables W-J.1 and W-K.1.

Table 4.2 Australian Government *plus* State and Territory Government direct expenditure on Indigenous early child development, and education and training by type of expenditure, 2010-11^{a, b}

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Early child development									
Total Indigenous expenditure (\$million)									
Mainstream ^c	42	7	48	22	11	5	2	19	155
Indig. specific ^d	16	8	10	8	12	1	1	23	78
Total Indig.	58	15	58	30	23	5	3	41	233
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	247	178	291	288	366	229	391	265	270
Indig. specific ^d	98	208	61	100	373	33	200	326	136
Total Indig.	345	386	352	387	739	262	591	592	405
School education									
Total Indigenous expenditure (\$million)									
Mainstream ^c	650	141	665	374	114	78	19	337	2 378
Indig. specific ^d	157	46	135	109	109	16	7	128	705
Total Indig.	806	187	800	483	223	93	25	465	3 083
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	3 849	3 758	4 034	4 808	3 684	3 768	3 897	4 828	4 133
Indig. specific ^d	928	1 212	817	1 406	3 500	768	1 370	1 835	1 226
Total Indig.	4 776	4 970	4 851	6 215	7 184	4 536	5 266	6 663	5 359
Tertiary education									
Total Indigenous expenditure (\$million)									
Mainstream ^c	144	53	96	59	24	12	5	48	441
Indig. specific ^d	51	16	46	34	24	3	4	66	245
Total Indig.	195	68	142	93	48	16	9	114	686
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	853	1 402	581	764	786	602	1 005	687	767
Indig. specific ^d	304	417	282	434	775	164	929	940	425
Total Indig.	1 157	1 819	862	1 198	1 560	766	1 934	1 627	1 193
All early child development, and Education and training									
Total Indigenous expenditure (\$million)									
Mainstream ^c	835	201	809	455	150	95	26	404	2 974
Indig. specific ^d	224	69	191	151	144	20	12	217	1 028
Total Indig.	1 059	270	1 000	606	294	115	38	620	4 002

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Table 4.2 (continued)

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	4 948	5 337	4 906	5 860	4 836	4 600	5 293	5 780	5 170
Indig. specific ^d	1 329	1 837	1 159	1 940	4 647	964	2 499	3 101	1 787
Total Indig.	6 278	7 174	6 065	7 800	9 483	5 564	7 792	8 881	6 957

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c *Mainstream expenditure* includes outlays on programs, services and payments that are available to both Indigenous and non-Indigenous Australians on either a targeted or universal basis. Indigenous mainstream expenditure comprises a component estimated on the basis of service use and a component estimated on the basis of the difference in the cost of providing these services to Indigenous and non-Indigenous people. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d Indigenous specific expenditure includes outlays on programs, services and payments that are explicitly targeted to Indigenous Australians. These programs, services and payments can be either complementary (additional) to, or be a substitute (alternative) for, mainstream services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1.

Source: web-tables W-J.1 and W-K.1.

Table 4.3 Australian Government *plus* State and Territory Government direct expenditure on Indigenous early child development, and education and training by driver of expenditure, 2010-11^{a, b}

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Early child development									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	42	9	48	21	11	5	2	17	154
Cost of provision ^d	16	6	10	9	12	1	1	25	80
Total Indig.	58	15	58	30	23	5	3	41	233
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	247	238	288	271	366	229	391	236	267
Cost of provision ^d	98	148	63	117	373	33	200	355	138
Total Indig.	345	386	352	387	739	262	591	592	405
School education									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	698	141	646	360	157	81	20	316	2 418
Cost of provision ^d	108	46	154	123	66	12	6	150	665
Total Indig.	806	187	800	483	223	93	25	465	3 083
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	4 136	3 739	3 915	4 631	5 058	3 930	4 103	4 522	4 203
Cost of provision ^d	641	1 231	936	1 583	2 125	606	1 163	2 140	1 157
Total Indig.	4 776	4 970	4 851	6 215	7 184	4 536	5 266	6 663	5 359
Tertiary education									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	173	46	114	65	34	14	6	94	546
Cost of provision ^d	22	22	29	28	15	1	4	20	140
Total Indig.	195	68	142	93	48	16	9	114	686
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	1 027	1 228	689	837	1 088	701	1 172	1 340	948
Cost of provision ^d	130	590	173	360	473	65	762	287	244
Total Indig.	1 157	1 819	862	1 198	1 560	766	1 934	1 627	1 193
All early child development, and Education and training									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	913	196	807	446	202	100	27	426	3 117
Cost of provision ^d	147	74	193	160	92	14	10	194	885
Total Indig.	1 059	270	1 000	606	294	115	38	620	4 002

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Table 4.3 (continued)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All states
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	5 409	5 206	4 892	5 739	6 513	4 861	5 666	6 099	5 418
Cost of provision ^d	868	1 969	1 173	2 060	2 971	703	2 126	2 782	1 539
Total Indig.	6 278	7 174	6 065	7 800	9 483	5 564	7 792	8 881	6 957

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. A more detailed overview of the *2012 Indigenous Expenditure Report* method is provided in chapter 2. ^c *Intensity of service use* component includes the use of mainstream services *plus* substitute Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d *Cost of service provision* component includes any additional cost of providing mainstream services to Indigenous Australians *plus* complementary Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1.

Source: web-tables W-L.1 and W-M.1.

5 Healthy lives

Key points

- Healthy lives services play an important role in improving health outcomes and contribute to Closing the Gap in life expectancy (at birth) between Indigenous and non-Indigenous Australians
 - public and community health services is a focus area of expenditure for this chapter.
- Government direct expenditure on all health services was \$92.8 billion in 2010-11. Direct expenditure on services to Indigenous Australians made up \$4.7 billion (5.1 per cent) of the total
 - State and Territory governments provided \$3.1 billion (66 per cent) of direct Indigenous expenditure — the Australian Government provided the remaining 34 per cent, plus significant indirect expenditure 'to' and 'through' the State and Territory governments
 - most Indigenous expenditure related to mainstream services (74 per cent, \$3.5 billion) — but Indigenous specific (targeted) expenditure (such as Indigenous child and maternity health services and the Remote Aboriginal Health Services Program) accounted for \$1.2 billion (26 per cent) of direct health expenditure.
- Government direct expenditure per head of population on all health services was \$8190 per Indigenous person and \$4054 per non-Indigenous person in 2010-11 (a ratio of 2.02 to 1).
- Public and community health accounted for \$15.8 billion (17 per cent) of total and \$1.8 billion (38 per cent) of direct Indigenous expenditure on health in 2010-11.
- Direct public and community health expenditure per head of population was \$3152 per Indigenous person and \$644 per non-Indigenous person in 2010-11, (a ratio of 4.89 to 1).
- The \$2507 difference in public and community health expenditure per person was due to the:
 - *greater intensity of service use (\$1943 or 77 per cent)* — the high rate of Indigenous use could be attributed to Indigenous Australians' poorer health outcomes and higher level of risk factors, such as smoking, poorer nutrition and obesity
 - *additional cost of service provision (\$565 or 23 per cent)* — exclusively related to complementary Indigenous specific services (services provided in addition to mainstream services, such as Indigenous alcohol diversion programs and Indigenous children and family health centres).

This chapter presents an overview of estimates of Australian Government, and State and Territory Government direct expenditure on services that contribute to healthy lives for Indigenous Australians (hereafter health services) in 2010-11. This includes expenditure on hospital services (hospitals and mental health institutions); public and community health services (health services in non-hospital settings); and other health care subsidies and support services (health insurance and Medicare, pharmaceutical subsidies and patient aids, and research and administration).

Promoting healthy lives for Indigenous Australians is one of the seven Council of Australian Governments' (COAG) National Indigenous Reform Agreement (COAG 2011b) building blocks and Overcoming Indigenous Disadvantage report strategic areas for action (SCRGSP 2011).

Interpreting the estimates in this chapter requires an understanding of the strengths and limitations of the method and data (chapter 2),¹ and the context within which Indigenous services are provided (chapter 3).

A description of health services included in these estimates, and an overview of the link between expenditure on these services and Indigenous outcomes is presented in section 5.1.

Section 5.2 presents an overview of total (Australian Government *plus* State and Territory Government) direct expenditure on health services. Comprehensive expenditure estimates for 16 health services expenditure categories are available from the project website (appendix D).

What is 'direct' expenditure?

Direct expenditure is government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments during the reference year.

Indirect expenditure is government payments 'to' and 'through' other governments. Such payments may not be spent by the recipient government in the reference year, and may be spent on capital rather than the provision of services. It is also difficult to categorise the area of expenditure of 'untied' indirect payments such as GST transfers.

A detailed discussion of expenditure concepts is provided in chapter 2 (section 2.2).

¹ The estimates presented in this chapter draws on the work undertaken by the Australian Institute of Health and Welfare (AIHW) in developing expenditure reporting on health services for Aboriginal and Torres Strait Islander people (chapter 2, section 2.4).

Section 5.3 analyses expenditure on public and community health services (covering seven of the 16 health services expenditure categories) — as a guide to the more detailed estimates available online.

5.1 What are health services and why are they important for Indigenous outcomes?

This section identifies the scope of services included in the health services expenditure estimates presented in this report and summarises the link between health services and Indigenous outcomes.

What are health services?

Health services expenditure in this report includes outlays on:

- *hospital services* — including services provided to admitted patients (acute care services, rehabilitation and palliative care) and non-admitted patients (emergency and outpatient services) in hospitals. Hospital services also include mental health services provided to admitted patients in psychiatric hospitals and psycho-geriatric nursing homes
- *public and community health services* — encompassing an extensive range of health programs that are offered in community (non-hospital) settings, and primary health services that target particular health issues or particular at risk groups in the population. These include:
 - *public health services* — covering activities that contribute to health protection and promotion, illness prevention, and expenditure on public health issues and priorities that affect the population as a whole, or significant population sub-groups
 - *community health services* — including mental health services, patient transport, alcohol and other drug treatment, and maternal and child health services.
- *health care subsidies and support services* — including private health insurance subsidies, medical services subsidies provided under the Medicare Benefits Schedule (MBS), medications provided under the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS), patient aids (wheelchairs, hearing aids, orthopaedic appliances and prostheses), health research and general health administration.

There is a high degree of interdependence among the health sectors; for example, community health services can complement, or be a substitute for, some hospital services, and subsidies for medical care, and pharmaceutical and patient aids services may be provided in either hospital or community settings.

A detailed description of the health services expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a, pp. 79–98).

Why are health services important to Indigenous outcomes?

Indigenous Australians generally have poorer health outcomes than other Australians — on average, they die younger, have greater incidence of disability and chronic health conditions, and experience a lower quality of life (AIHW 2010). The gap in life (at birth) expectancy between Indigenous and non-Indigenous Australians for 2005–2007 was 11.5 years for males and 9.7 years for females (SCRGSP 2011). Indigenous Australians are also twice as likely to rate their health as fair or poor compared with non-Indigenous Australians (AHMAC 2011).

The National Indigenous Reform Agreement, which aims to address these disparities in outcomes, noted that:

All health services play an important role in providing Indigenous people with access to effective health care, and being responsive to and accountable for achieving government and community health priorities. (COAG 2011b, p. 6)

The *National Partnership Agreement on Closing the Gap in Indigenous Health Outcomes* (COAG 2009a) set priorities for addressing the gap in health outcomes between Indigenous and non-Indigenous Australians.

The *National Healthcare Agreement 2011* (COAG 2011a) and a number of national partnership agreements, such as the *National Partnership Agreement on Hospital and Health Workforce Reform* (COAG 2008) and the *National Partnership Agreement on Preventive Health* (COAG 2009b), contribute to governments' objectives of maintaining a sustainable health system. This includes improving access to quality and culturally inclusive primary health care services, and the prevention, early detection and management of major chronic disease. The agreements also identify the roles and responsibilities of Australian Government, and State and Territory governments in realising those objectives.

Closing the Gap in health outcomes will also require improvements in the social determinants of health, including education (chapter 4), employment (chapter 6) and housing (chapter 7).

5.2 An overview of government expenditure on health services

This section provides an overview of Australian Government, and State and Territory Government direct expenditure on health services in 2010-11. It begins with a summary of the levels and patterns of expenditure, then considers the main drivers of expenditure — as revealed by the Indigenous Expenditure Report method (chapter 2).

How much does government spend?

Nationally, government direct expenditure on health services was \$92.8 billion in 2010-11, 21 per cent of all government direct expenditure on services (web-table W-J.1). The two major areas of health expenditure were hospital services (\$41.1 billion) and health care subsidies and support services (\$35.9 billion) (attachment table 5.1).

Estimated expenditure on health services provided to Indigenous Australians was \$4.7 billion in 2010-11. This represented 5.1 per cent of all government expenditure on health services (web-table W-J.1), and 19 per cent of all government expenditure on services to Indigenous Australians (figure 5.1a).

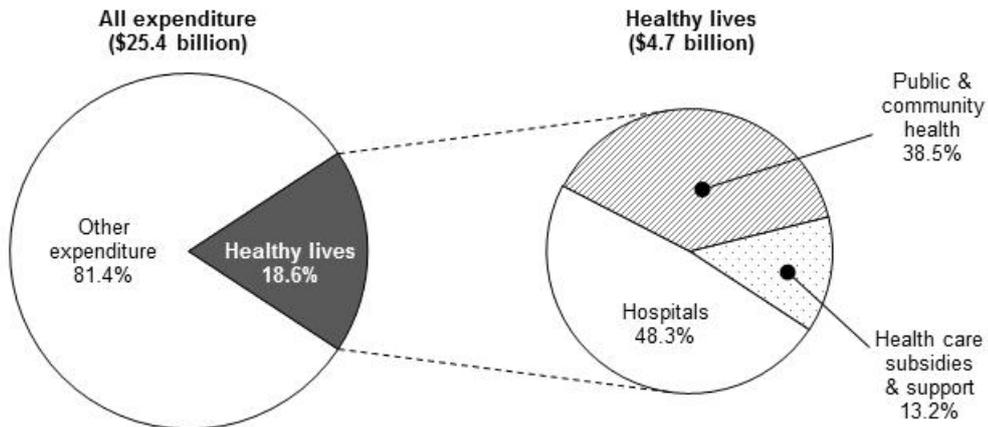
How does Indigenous and non-Indigenous expenditure per person compare?

Estimated government expenditure per person on all health services was \$8190 per Indigenous person and \$4054 per non-Indigenous person. That is, an estimated \$2.02 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population in 2010-11 (figure 5.1c). By high level expenditure category:

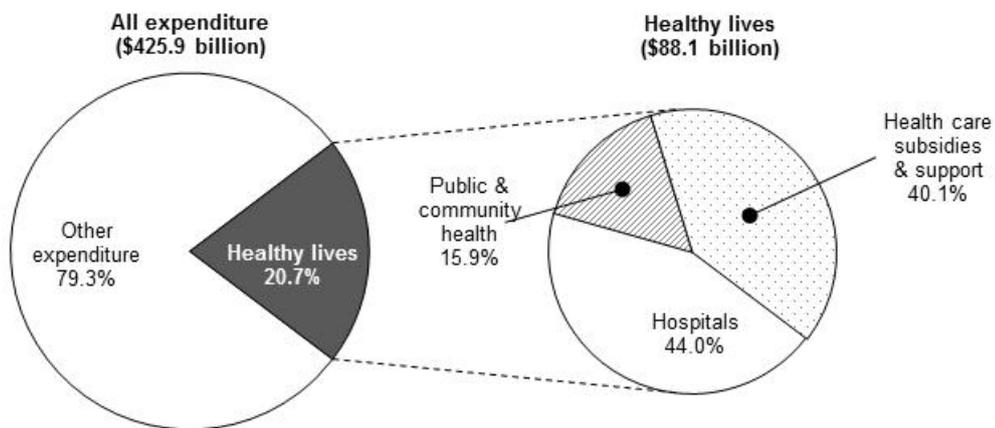
- *hospital services* — \$2.22 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous person
- *public and community health services* — \$4.89 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous person
- *health care subsidies and support services* — \$0.66 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian (attachment table 5.1).

Figure 5.1 Australian Government *plus* State and Territory Government direct expenditure on healthy lives services, 2010-11

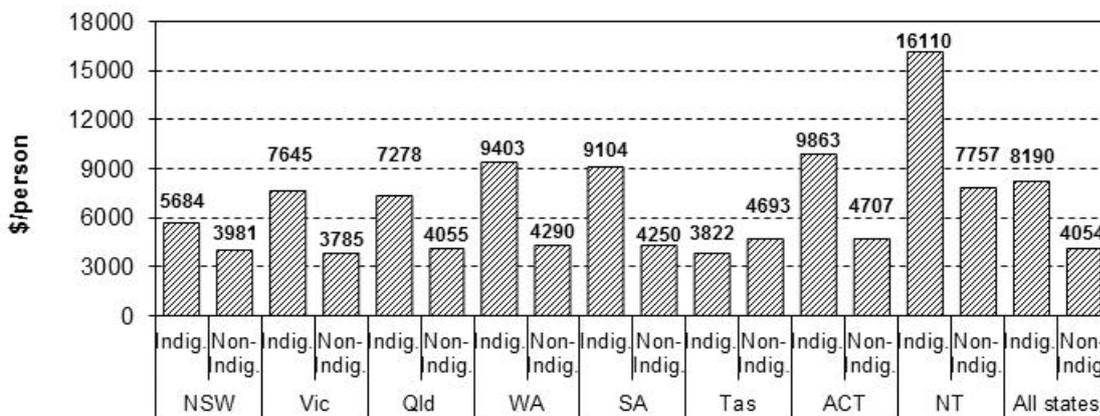
(a) Expenditure on Indigenous Australians



(b) Expenditure on non-Indigenous Australians



(c) Expenditure per person by Indigenous status



Source: attachment table 5.1.

How much do the different levels of government contribute directly?

State and Territory Government expenditure accounted for \$3.1 billion (66 per cent) of direct Indigenous health expenditure and \$47.7 billion (54 per cent) of direct non-Indigenous health expenditure in 2010-11, with the remainder being contributed by the Australian Government (attachment table 5.1). The Australian Government also contributes significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 5.1).

Box 5.1 Australian Government indirect expenditure on healthy lives services in 2010-11^a

Australian Government indirect expenditures ‘to’ and ‘through’ State and Territory governments are reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure in 2010-11 related to: the National Healthcare Specific Purpose Payment (SPP); projects funded under the Health and Hospital Fund; and National Health and Hospital Network measures such as access to elective surgery, investment in emergency departments and sub-acute care, which amounted to just under \$13.4 billion.

To avoid double counting, Australian Government indirect expenditure is not included in estimates reported elsewhere in this chapter. In summary:

- Australian Government indirect expenditure on health services was \$13.9 billion in 2010-11, of which \$762 million related to services for Indigenous Australians.
- The largest area of expenditure was hospital services, which accounted for \$13.5 billion, of which \$708 million related to services for Indigenous Australians.

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments ‘to’ and ‘through’ other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure.

Source: web-table W-V.3.

How significant are Indigenous specific services in health expenditure?

Government health services for Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 5.2).

Mainstream services accounted for \$3.5 billion (74 per cent) of direct Indigenous health services expenditure (attachment table 5.2):

- *hospital services* — mainstream services accounted for \$2.1 billion (94 per cent) of direct Indigenous hospital services expenditure

Box 5.2 Indigenous specific healthy lives services in 2010-11

The Australian Government, and State and Territory governments provided health services to some Indigenous Australians through a number of Indigenous specific (targeted) programs in 2010-11, including:

- *Building Strong Foundations for Aboriginal Children, Families and Communities Program (\$5.5 million)* — this NSW Government program contributes to improving health, development and wellbeing outcomes for children under 5 years and their families
- *Koori Maternity Services Program (\$2.1 million)* — this Victorian Government program contributes to culturally appropriate care to Aboriginal women during pregnancy, birth and the immediate period after birth.

Examples of Indigenous specific public and community health services are provided in box 5.6.

Source: Australian Government, and State and Territory Government unpublished data.

- *public and community health services* — mainstream services accounted for \$803 million (44 per cent) of direct Indigenous public and community health services expenditure
- *health care subsidies and support services* — mainstream services accounted for \$542 million (87 per cent) of direct Indigenous health care subsidies and support services expenditure (attachment table 5.2).

Indigenous specific services can either be a substitute for, or a complement to, mainstream services:

- *substitute Indigenous specific services* — are an alternative to mainstream services (for example, Aboriginal Medical Services). These services are an alternate way of meeting the service needs of Indigenous Australians
- *complementary Indigenous specific services* — are provided in addition to mainstream services (for example, Indigenous liaison officers in hospitals). These services add to the cost of providing services to Indigenous Australians.

Indigenous specific services accounted for \$1.2 billion (26 per cent) of direct Indigenous health services expenditure in 2010-11 (attachment table 5.2). Complementary services accounted for \$768 million (62 per cent) of Indigenous specific expenditure, while substitute services accounted for the remaining \$463 million (38 per cent) (web-table W-I.5). By high level expenditure category:

- *hospital services* — Indigenous specific services accounted for \$143 million (6.3 per cent) of direct Indigenous hospital services expenditure

-
- *public and community health services* — Indigenous specific services accounted for \$1.0 billion (56 per cent) of direct Indigenous public and community health services expenditure
 - *health care subsidies and support services* — Indigenous specific services accounted for \$79 million (13 per cent) of direct Indigenous health care subsidies and support services expenditure (web-table W-I.5).

Why is Indigenous expenditure per person different?

Expenditure on Indigenous Australians can vary across jurisdictions and when compared with expenditure on non-Indigenous Australians. The Report method identifies several factors that drive these variations.

What can the method explain about differences in expenditure?

This report estimates direct expenditure on Indigenous Australians based on:

- *intensity of service use* — how much expenditure is driven by the use of services. Intensity of service use has two sub-components:
 - *Indigenous use of mainstream services* — the estimated Indigenous share of mainstream expenditure is proportional to Indigenous Australians' use of mainstream services.

The per capita intensity of service use is higher if, on average, Indigenous Australians use more services than non-Indigenous Australians — either because of greater individual need, or because a higher proportion of the Indigenous population belong to the age group likely to use those services.
 - *Indigenous specific services that are a substitute for mainstream services* — these are services that Indigenous Australians use instead of a similar mainstream service.
- *additional cost of service provision* — how much expenditure is driven by the additional cost of providing services to Indigenous Australians, compared with the cost of providing similar services to non-Indigenous Australians. This figure can be negative if it costs less to provide services to Indigenous Australians; for example, if Indigenous Australians tend to use less expensive services. The additional cost of service provision has two sub-components:
 - *mainstream services cost differentials* — any additional cost of providing mainstream services to Indigenous Australians, for reasons such as location, culture and language (chapter 3)

- *Indigenous specific services that complement mainstream services* — these are services that Indigenous Australians use in addition to a mainstream service; for example, Indigenous student counsellors in schools.

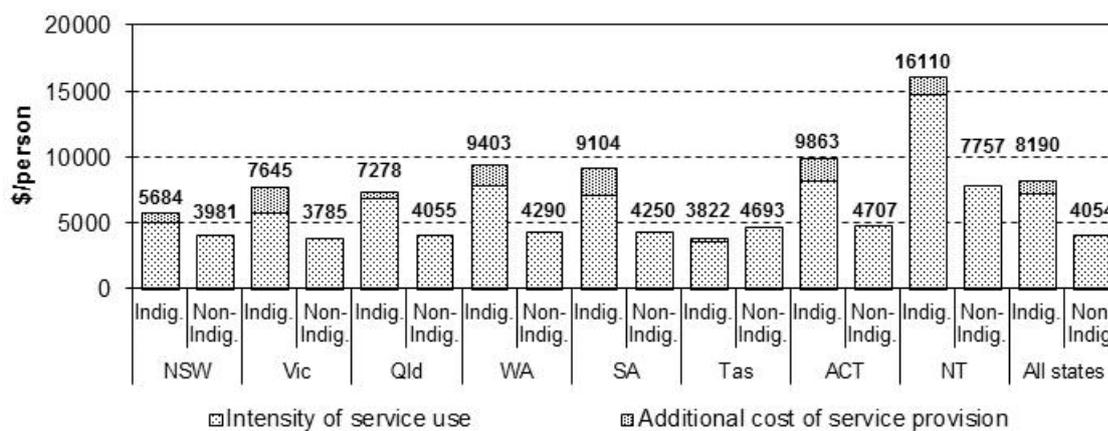
Conceptual issues associated with interpreting these components are discussed in chapter 2.

Variations in expenditure between Indigenous and non-Indigenous Australians

The variations in expenditure per capita between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, *plus* any additional costs of providing services to Indigenous Australians (figure 5.2 and box 5.3).

Estimated direct expenditure on health services per Indigenous person was \$4136 higher than expenditure per non-Indigenous person in 2010-11. The majority of the difference \$3147 (76 per cent) was attributable to greater intensity of service use, with the remaining \$989 (24 per cent) attributable to additional cost of service provision (attachment table 5.1, 5.3 and box 5.3). The majority (81 per cent) of additional cost of service provision related to complementary Indigenous specific services that were used in addition to mainstream services (web-table W-I.20).

Figure 5.2 Australian Government *plus* State and Territory Government expenditure per person on healthy lives services by driver of expenditure, 2010-11^{a, b}



^a Refer to box 4.3 for guidelines on how to interpret this chart. ^b Expenditure per person is not expenditure per user, and must not be interpreted as a proxy for unit cost.

Source: attachment tables 5.1 and 5.3.

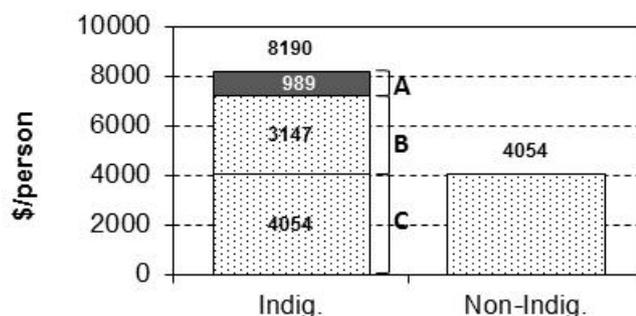
Box 5.3 Interpreting differences in expenditure per person^{a, b}

Total direct expenditure on health services per Indigenous person was \$8190, compared with \$4054 per non-Indigenous person in 2010-11. That is, \$2.02 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian.

What can the method explain about differences in expenditure?

The Report estimates direct expenditure on Indigenous health services based on the *intensity of service use* and the *additional cost of service provision* (chapter 2).

Indigenous intensity of service use accounted for \$7201 per person (88 per cent) of total direct expenditure on Indigenous Australians (area B *plus* area C in diagram). Additional cost of service provision accounted for the remaining \$989 per person (12 per cent) (area A).



Variations between Indigenous and non-Indigenous Australians

The \$4136 difference in expenditure per person between Indigenous and non-Indigenous Australians is attributable to greater intensity of service use by Indigenous Australians and additional cost of mainstream service provision (area A *plus* area B in diagram).

^a Total direct expenditure includes Australian government *plus* State and Territory Government direct expenditure. ^b Expenditure per person is not expenditure per user, and must not be interpreted as a proxy for unit cost.

Source: web-table W-M.3.

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *hospital services* — was \$2173 higher, which mainly related to a greater intensity of service use (\$1891 or 87 per cent), with the remainder (\$283 or 13 per cent) attributable to the additional cost of service provision. The majority (63 per cent) of the additional cost of service provision related to the higher cost of providing mainstream services
- *public and community health services* — was \$2507 higher, which mainly related to the greater intensity of service use by Indigenous Australians (\$1943 or 77 per cent), with the remainder (\$565 or 23 per cent) attributable to the additional cost of service provision, all related to complementary Indigenous specific services
- *health care subsidies and support services* — was \$544 lower, which mainly related to the lower intensity of service use by Indigenous Australians

(\$686 lower). This was partially offset by additional cost of service provision (\$142 higher). The majority of additional cost of service provision (95 per cent) related to complementary Indigenous specific services. (web-table W-I.20).

What influences the intensity of service use and the cost of service provision?

The intensity of service use of health services is largely driven by the poorer health status (and consequent greater need for health services) of Indigenous Australians. Indigenous Australians are, on average, high users of public hospitals and community health services, and low users of medical, pharmaceutical, dental and other health services, compared with non-Indigenous Australians (AIHW 2011).

Health outcomes can be related to a number of factors, including a healthy living environment, access to and use of health services, and lifestyle choices (SCRGSP 2011). When Indigenous Australians access health services they generally have a greater reliance on publicly funded health services (rather than privately funded services) (AIHW 2008).

The additional cost of service provision of hospital services are largely (63 per cent) driven by additional costs of providing mainstream services to Indigenous Australians (web-table W-I.20). This includes the higher cost of providing health services in small and isolated communities. Around one-quarter of Indigenous Australians lived in remote or very remote areas in 2006 (chapter 3).

Providing services to small and remote communities can be more costly (and can limit the availability of some health services). The AIHW notes that:

... the Northern Territory, with its relatively small population, faces substantial additional costs compared with other jurisdictions, such as Victoria, in providing health goods and services to its population. (AIHW 2011, p. 7)

The additional cost of service provision for public and community health and health care subsidies and support services is driven predominantly by complementary Indigenous specific programs and services (100 per cent and 95 per cent, respectively) (web-table W-I.19).

What other information is available?

This chapter provides an overview of the 2012 Report estimates of expenditure on health services. Comprehensive estimates for 16 separate expenditure categories are available from the project website (box 5.4, appendix D).

Box 5.4 Healthy lives estimates available online

The web-based attachments (appendix D) include detailed estimates for 16 healthy lives expenditure sub-categories:

- hospital services
 - admitted patient services in acute care institutions (GPC 0511)
 - non-admitted patient services in acute care institutions (GPC 0512)
 - mental health institutions (GPC 0520)
- public and community health services (excluding subsidies)
 - public health services (GPC 0550)
 - community health services
 - ... community mental health services (GPC 0541)
 - ... patient transport (GPC 0542)
 - ... other community health services
 - ... other health practitioners (GPC+ 0549.2)
 - ... community health (GPC+ 0549.3)
 - ... dental services (GPC+ 0549.4)
- health care subsidies and support services
 - health service subsidies
 - ... medical services subsidies (including Medicare) (GPC+ 0549.1)
 - ... private health insurance subsidies (GPC+ 0590.1)
 - pharmaceuticals, medical aids and appliances
 - ... benefit-paid pharmaceuticals (GPC+ 0560.1)
 - ... other medications (GPC+ 0560.2)
 - ... aids and appliances (GPC+ 0560.3)
 - research and administration
 - ... health research (GPC 0570)
 - ... general health administration (GPC+ 0590.2).

5.3 A focus on public and community health services

This section focuses on estimates of Australian Government, and State and Territory Government expenditure on public and community health services in 2010-11.

The discussion in this section is provided both as a guide to the detailed estimates available online for 16 separate health expenditure categories, and because of the importance of these services for Indigenous outcomes. As noted in chapter 2, an

understanding of the levels and patterns of government expenditure on services that support Indigenous Australians can be used to inform four key questions:

- How much did government spend on public and community health?
- How much of this was for Indigenous Australians and how does this compare with non-Indigenous Australians?
- What were the patterns of service use by Indigenous Australians and how does this compare with non-Indigenous Australians?
- What drives the differences in expenditure between Indigenous and non-Indigenous Australians?

This report's estimates of total direct expenditure on public and community health services show that in 2010-11:

- the share of total direct health expenditure spent on public and community health services for Indigenous Australians was almost 2.5 times that for non-Indigenous Australians
- public and community health expenditure per person for Indigenous Australians was almost five times that for non-Indigenous Australians
- two main factors contributed to the higher level of expenditure on public and community health services for Indigenous Australians:
 - *Indigenous Australians used more services* — Indigenous Australians are high users of public and community health services as a result of poorer health status, which is influenced by Indigenous socioeconomic disadvantage and higher health risk factors (such as smoking)
 - *some services for Indigenous Australians cost more to provide* — costs can be higher if mainstream services are more expensive to provide (for example, because of remoteness), or where Indigenous Australians receive additional Indigenous specific (targeted) services (for example, Aboriginal Medical Services and Indigenous liaison officers in hospitals).
- Indigenous specific (targeted) services were particularly significant in the area of public and community health, accounting for 56 per cent of expenditure. However, mainstream services still accounted for 44 per cent of expenditure on public and community health services to Indigenous Australians
- State and Territory governments provided 46 per cent of Indigenous public and community health expenditure in 2010-11, compared with 69 per cent of non-Indigenous public and community health expenditure. The remainder was contributed by the Australian Government (attachment table 5.1)

-
- community health was the largest area of Australian Government, and State and Territory Government public and community health expenditure.

What are public and community health services?

Public and community health services contribute to the prevention, early detection and management of chronic disease. These services play important roles in managing many health conditions and addressing the health needs of individuals and families. They are the first point of contact with the health care system for most people.

Public and community health services in this report includes outlays on:

- *public health services* — focuses on public health issues that affect the population as a whole, or significant population sub-groups (NPHP 1998). They include services aimed at health protection, promotion of health in the community, and prevention of illness, injury and disability.

Public health services expenditure includes outlays on immunisation services, communicable disease control (including biosecurity), public health education campaigns, activities that ensure food quality and hygiene, injury prevention, environmental monitoring and control, and cancer screening programs

- *Community health services* — comprise primary health care and community-based health services delivered by a range of allied health professionals in a community (non-hospital) setting (Rosen, Gurr and Fanning 2010). This Report includes estimates for the following categories of community health expenditure:
 - *community mental health services* — including assessment, treatment, rehabilitation and care of people with mental illness or psychiatric disability who live in the community
 - *patient transport* — the transport of patients by ground or air, along with health (or medical) care, including public ambulance services or flying doctor services
 - *other community health services (excluding subsidies)* — the web-tables (appendix D) include estimates for the following other community health services sub-categories:
 - ... *other health practitioners* — including pathology and radiology services and services provided by registered health practitioners (other than doctors and dentists) in a community setting, including diabetes educators, physiotherapists, dieticians and podiatrists

-
- ... *community health* — including alcohol and other drug treatment, domiciliary nursing services, ‘well baby’ clinics and family planning services
 - ... *dental services* — services provided by registered dental practitioners.

Medicare subsidies, pharmaceuticals, aids and appliances provided under the PBS and the RPBS, and private health insurance subsidies — which contribute funding to a range of services provided in a community-based setting — are reported under health care subsidies and support services. These services are not discussed in this focus area. Further details on health care subsidies and support services are available from *Expenditure on Health for Aboriginal and Torres Strait Islander People 2008-09* (AIHW 2011).

For a detailed description of the types of expenditure recorded under the public and community health services categories, refer to the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a, pp. 83–84, 87–90).

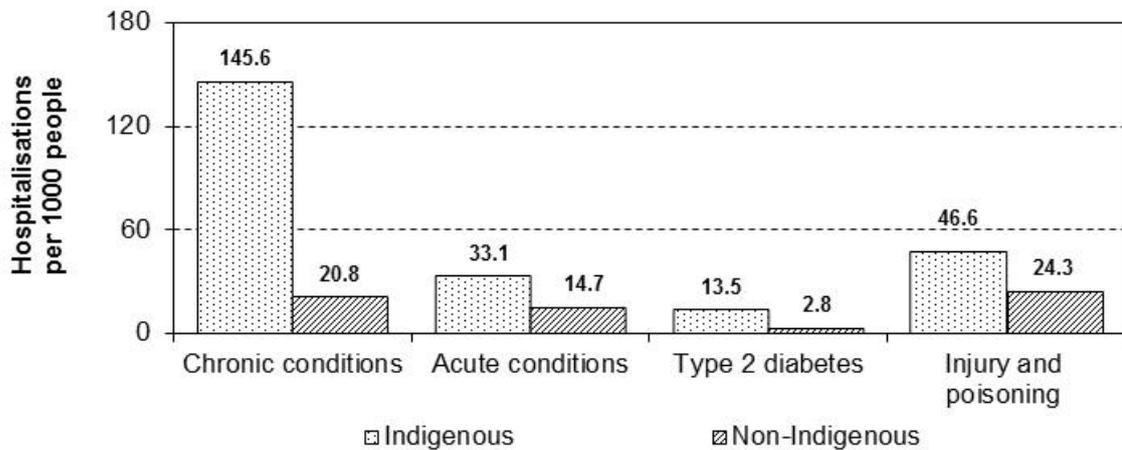
Why are public and community health services important to Indigenous outcomes?

Chronic diseases — such as cardiovascular disease, diabetes, mental disorders and chronic respiratory diseases — were responsible for 70 per cent of the gap in health outcomes between Indigenous and non-Indigenous Australians in 2003 (Vos et al. 2009). Hospitalisation rates for all chronic diseases (except cancer) were higher for Indigenous Australians than for other Australians in 2008 (SCRGSP 2011) (figure 5.3).

Public and community health services are important contributors to meeting two COAG targets: to close the life expectancy gap within a generation; and to halve the gap in mortality rates for Indigenous children under five within a decade (COAG 2011b).

- *Public health services* can promote social responsibility for health, empowering individuals and strengthening community capacity, which can in turn reduce lifestyle risk factors and contribute to preventing chronic disease (AHMAC 2011)
- *Community health services* can play a central role in effective management of chronic disease by delaying the progress of disease, reducing hospitalisation rates for preventable chronic conditions, improving quality of life, increasing life expectancy, and decreasing the need for high-cost health interventions (AHMAC 2011).

Figure 5.3 **Age standardised hospitalisation rates for potentially preventable conditions, 2008-09**



Source: SCRGSP 2011.

The *National Partnership Agreement on Closing the Gap in Indigenous Health Outcomes* (COAG 2011b) includes health reforms that focus on preventative community-based health care to reduce factors that contribute to chronic disease and expand access to culturally secure community and allied health services.

Further information on Indigenous outcomes related to public and community health is provided in chapter 7 of the 2011 *Overcoming Indigenous Disadvantage* report (SCRGSP 2011) and chapter 11 of the *Report on Government Services Indigenous Compendium* (SCRGSP 2012b).

What affects the comparison of public and community health expenditure?

When comparing estimates of Indigenous expenditure across states and territories or with estimates of non-Indigenous expenditure, it is important to take into consideration the roles and responsibilities of the Australian Government, and the State and Territory governments in managing the health system, variation in health policy priorities across states, and the remote locations of some Indigenous populations, which can affect the cost of providing health services.

The Australian Government, and State and Territory governments all provide funding for public and community health services, with State and Territory governments having the main responsibility for delivering these services. State and Territory governments have discretion over allocation of expenditure and differing government policy priorities across states and territories can contribute to variations

in the provision of health services (and variation in the level of associated government expenditure) across jurisdictions.

The level of health expenditure per Indigenous person varied substantially across jurisdictions and compared with expenditure per non-Indigenous person (figure 5.5). States and territories with higher proportions of Indigenous Australians in remote and very remote areas (such as the NT and WA) tended to have higher expenditure per Indigenous Australian.

How much does government spend on public and community health?

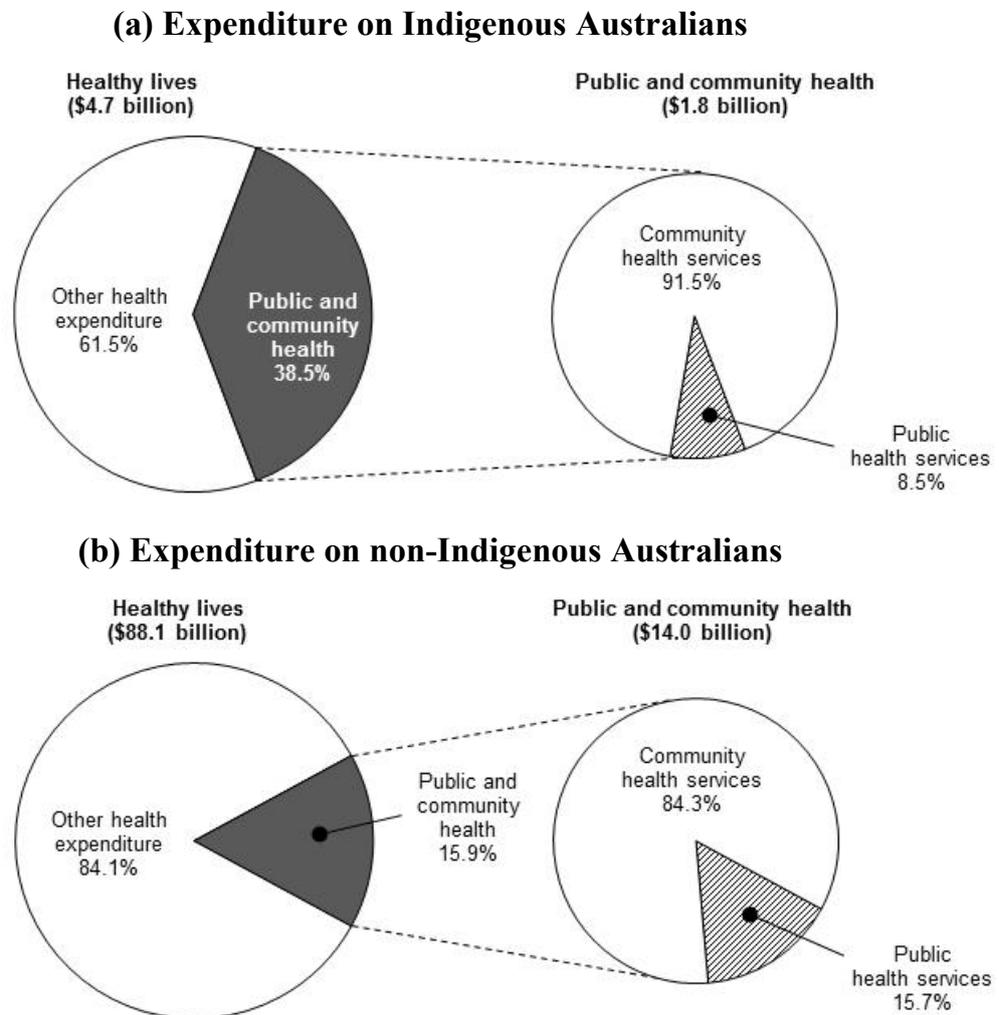
Nationally, government expenditure on public and community health services was \$15.8 billion, which amounted to 17 per cent of all government health services expenditure in 2010-11. The majority of this expenditure was related to the provision of community health services (\$13.5 billion or 85 per cent), with the remainder related to public health services (\$2.4 billion or 15 per cent) (web-table W-J.3).

Estimated direct Indigenous public and community health services expenditure was \$1.8 billion in 2010-11. This represented 38 per cent of all government direct Indigenous health expenditure (figure 5.4a). In comparison, direct non-Indigenous public and community health services expenditure represented only 16 per cent of all government direct non-Indigenous health services expenditure (figure 5.4b). This reflects the greater use of public and community health services by Indigenous Australians.

Public and community health was the second largest area of health expenditure for Indigenous Australians, after hospital services (figure 5.1a). Estimated expenditure on Indigenous public and community health services comprised:

- *public health services* — \$154 million (8.5 per cent) of Indigenous public and community health services expenditure, compared with 16 per cent for non-Indigenous public and community health services
- *community health services* — \$1.7 billion (91 per cent) of Indigenous public and community health services expenditure, compared with 84 per cent for non-Indigenous public and community health services.

Figure 5.4 **Australian Government *plus* State and Territory direct expenditure on public and community health services, 2010-11**



Source: attachment table 5.1.

How does Indigenous and non-Indigenous expenditure per person compare?

Estimated total government expenditure per person on public and community health services was \$3152 per Indigenous person and \$644 per non-Indigenous person in 2010-11 (figure 5.5a and 5.5b). That is, an estimated \$4.89 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population in 2010-11 (attachment table 5.1).

The largest component of public and community health expenditure was directed towards the provision of community health services for both Indigenous and non-Indigenous Australians, but was higher per Indigenous Australian than per

non-Indigenous person (figure 5.5c). This expenditure comprised:

- *public health services* — \$268 per Indigenous Australian and \$101 per non-Indigenous person. That is, an estimated \$2.65 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population (figure 5.5b)
- *community health services* — \$2883 per Indigenous Australian and \$543 per non-Indigenous person. That is, an estimated \$5.31 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population (figure 5.5c).

The average expenditure per Indigenous person varied more significantly across jurisdictions than expenditure per non-Indigenous person (figure 5.5). This reflected differences in the average costs of delivering public and community health services between Indigenous and non-Indigenous Australians and across states and territories. States and territories with a higher proportion of Indigenous Australians living in remote and very remote locations (such as in WA and the NT) tended to have higher service delivery costs and, therefore, higher average expenditure per Indigenous person.

How much do the different levels of government contribute directly?

State and Territory Government expenditure accounted for \$843 million (46 per cent) of Indigenous and \$9.7 billion (69 per cent) of non-Indigenous public and community health services expenditure in 2010-11. The remainder was contributed by the Australian Government (attachment table 5.1).

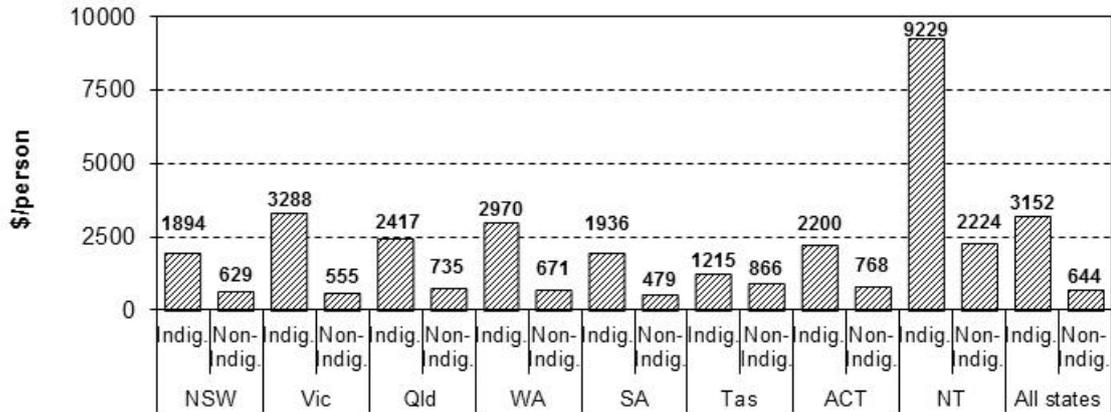
State and Territory Government direct expenditure comprised:

- *public health services* — accounted for \$115 million (74 per cent) of Indigenous and \$1.7 billion (77 per cent) of non-Indigenous expenditure on public health services
- *community health services* — accounted for \$728 million (44 per cent) of Indigenous and \$8.0 billion (68 per cent) of non-Indigenous expenditure on community health services. The most significant area of State and Territory Government expenditure was other community health services (51 per cent) followed by patient transport (26 per cent) and then community mental health services (23 per cent) (web-table W-J.3).

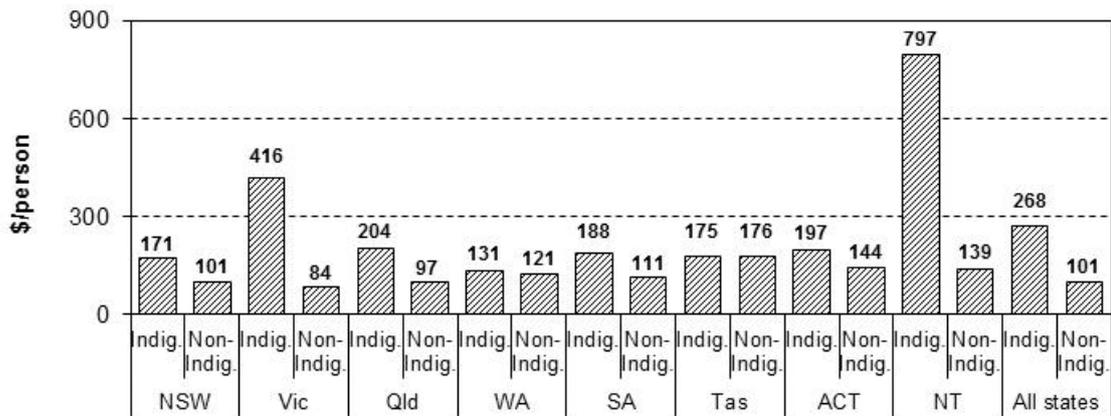
The remaining direct expenditure was contributed by the Australian Government. The most significant area of Australian Government public and community health

Figure 5.5 **Australian Government *plus* State and Territory Government direct expenditure per person on public and community health services by Indigenous status, 2010-11**

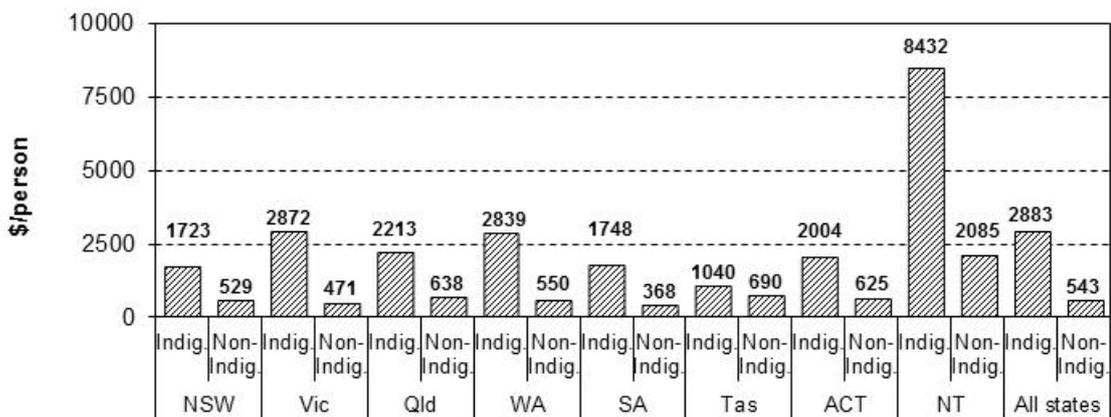
(a) Public and community health services



(b) Public health services



(c) Community health services



Source: web-table W-K.3.

expenditure was community health services (\$4.7 billion or 90 per cent). The Australian Government also contributed significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 5.5).

Box 5.5 Australian Government indirect expenditure on public and community health services in 2010-11^a

Australian Government indirect expenditure ‘to’ and ‘through’ State and Territory governments is reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure on public and community health services related to: the Essential Vaccines National Partnership (NP); the Plan for Perinatal Depression NP; the Indigenous Early Childhood Development — Antenatal and Reproductive Health NP; and the Bowel Cancer Screening NP, which together amounted to about \$296 million.

To avoid double counting, indirect Australian Government expenditure is not reported in this chapter. In summary:

- Australian Government indirect expenditure on public and community health services was \$374 million in 2010-11, of which \$54 million related to services for Indigenous Australians
- The largest area of expenditure was public health services, which accounted for \$310 million with the remainder in community health (\$63 million).

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments ‘to’ and ‘through’ other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure.

Source: web-table W-V.3.

How significant are Indigenous specific services in public and community health expenditure?

Government public and community health services to Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 5.6):

- *community health services* — Indigenous Australians have higher use of Indigenous specific (targeted) community health services than mainstream services (although mainstream services still accounted for 43 per cent of expenditure on Indigenous community health services) (web-table W-I.5)

Box 5.6 Indigenous specific public and community health services in 2010-11

The Australian Government, and State and Territory governments provided public and community health services to some Indigenous Australians through a number of Indigenous specific (targeted) programs in 2010-11.

Australian Government Indigenous specific expenditure related to a range of targeted community health care and substance misuse programs, largely delivered in community based settings. State and Territory Government Indigenous specific expenditure primarily related to hospital services, community clinics and Aboriginal Community Controlled Health Services (AIHW 2010).

Examples of public and community health services include:

- *Australian Government Bringing Them Home and Link-Up programs (\$26.5 million)* — counselling, family tracing and reunion services to Indigenous Australians to support their social and emotional wellbeing
- *WA Strong Spirit Strong Mind Metro (\$1 million)* — raising awareness of alcohol and drug issues among Indigenous Australians in the Perth metropolitan area.

Source: Australian Government, and State and Territory Government unpublished data.

The relatively high use of Indigenous specific (targeted) services reflects the recognition by governments that, for geographic, social and cultural reasons, mainstream services are not always accessible to, or the most appropriate providers of these services for Indigenous Australians (AIHW 2008)

- *public health services* — Indigenous expenditure on public health services was mainly related to mainstream services (55 per cent), with the remainder related to Indigenous specific (targeted) expenditure (45 per cent) (web-table W-I.5).

Indigenous specific expenditure on public and community health services was \$1.0 billion (56 per cent of total direct Indigenous expenditure on these services) in 2010-11. Mainstream services accounted for the remaining \$803 million (44 per cent) (attachment table 5.2). By expenditure category:

- *public health services* — Indigenous use of mainstream public health services accounted for 55 per cent of Indigenous expenditure in this area (\$85 million) with Indigenous specific (targeted) services accounting for 45 per cent (\$70 million)
- *community health services* — Indigenous use of mainstream community health services accounted for 43 per cent of Indigenous expenditure in this area (\$718 million) with Indigenous specific (targeted) services accounting for 57 per cent (\$941 million) (web-table W-J.3).

Why is Indigenous expenditure per person different?

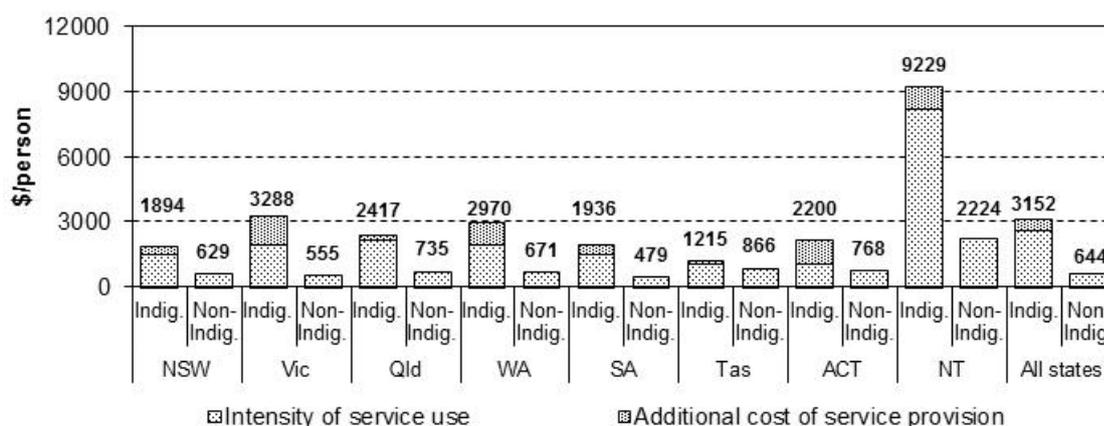
Expenditure on public and community health services per Indigenous person varied across jurisdictions and compared with expenditure per non-Indigenous person. The Report method separately identifies several factors that drive these variations (section 5.2).

Variations in expenditure between Indigenous and non-Indigenous Australians

As previously noted, the variation in expenditure per person between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, plus any additional costs of providing services to Indigenous Australians (figure 5.6 and box 5.3).

Estimated expenditure on public and community health services per Indigenous person was \$2508 higher than per non-Indigenous person in 2010-11. The majority of the difference (\$1944 or 77 per cent) was attributable to a greater intensity of service use, with the remainder (\$565 or 23 per cent) attributable to the additional cost of service provision (attachment tables 5.1 and 5.3). The additional cost of service provision related exclusively to complementary Indigenous specific services (services used in addition to mainstream services) (web-table W-I.20).

Figure 5.6 Australian Government *plus* State and Territory Government direct expenditure per person on public and community health services by driver of expenditure, 2010-11^a



^a Refer to box 5.3 for guidelines on how to interpret this chart.

Source: attachment tables 5.1 and 5.3.

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *public health* — was \$167 higher, which mainly related to a greater intensity of service use (\$112 or 67 per cent of the difference), with the remainder (\$55 or 33 per cent) attributable to the additional cost of service provision
- *community health services* — was \$2340 higher, which mainly related to a greater intensity of service use (\$1831 or 78 per cent of the difference), with the remainder (\$509 or 22 per cent) attributable to the additional cost of service provision (web-table W-I.20).

The additional cost of service provision for both public health and community health related exclusively to complementary Indigenous specific services.

What influences the intensity of service use and the cost of service provision?

The intensity of service use can be influenced by level of need. The high rate of Indigenous use of public and community health services could be attributed to Indigenous Australians' poorer health outcomes and higher level of risk factors, such as smoking, poor nutrition and obesity (AIHW 2010). This is reflected in higher prevalence rates for a number of health conditions that are predominantly managed through public and community health services. In addition, Indigenous Australians experience higher levels of socioeconomic disadvantage, which may lead to greater reliance on government funded public and community health services.

Responding to the significant Indigenous health disadvantage, the Australian Government and State and Territory governments provide targeted services to improve Indigenous Australians' access to public and community health services. These services can involve higher costs because of location, size and additional culturally appropriate services. The availability of these services might also contribute to more intensive use of community-based health services.

The higher average costs of providing community health services to Indigenous Australians is also influenced by the higher proportion of Indigenous Australians than non-Indigenous Australians who live in remote areas, where the costs of providing health services are higher.

More detailed information on health expenditure and drivers of health costs are available from *Expenditure on Health for Aboriginal and Torres Strait Islander People 2008-09* (AIHW 2011).

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Attachment 5.A Summary data tables

Table 5.1 **Australian Government *plus* State and Territory Government direct expenditure on healthy lives, 2010-11^{a, b}**

<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Hospital services^c									
Total expenditure									
Indigenous									
Aust Govt \$m	35	7	32	16	10	5	3	7	114
State Govt \$m	423	118	648	367	190	26	27	364	2 163
Non-Indigenous									
Aust Govt \$m	898	613	363	161	205	177	80	5	2 503
State Govt \$m	10 871	9 038	7 296	3 409	3 725	947	751	283	36 320
Total \$m	12 226	9 777	8 339	3 954	4 130	1 155	861	659	41 101
Indig. share %	3.7	1.3	8.2	9.7	4.8	2.7	3.5	56.2	5.5
Expenditure per person ^d									
Indig. \$/per	2 709	3 327	4 124	4 937	6 449	1 508	6 211	5 302	3 959
Non-Indig. \$/per	1 673	1 762	1 742	1 612	2 429	2 302	2 366	1 791	1 786
Ratio ^e ratio	1.62	1.89	2.37	3.06	2.66	0.65	2.63	2.96	2.22
Public and community health (excluding subsidies)									
Total expenditure									
Indigenous									
Aust Govt \$m	132	58	170	136	34	14	4	423	970
State Govt \$m	188	66	229	95	26	11	7	221	843
Non-Indigenous									
Aust Govt \$m	1 354	857	838	492	347	118	71	227	4 304
State Govt \$m	3 072	2 182	2 392	994	428	304	199	131	9 703
Total \$m	4 746	3 163	3 629	1 717	835	448	281	1 003	15 820
Indig. share %	6.7	3.9	11.0	13.4	7.2	5.6	3.8	64.3	11.5
Expenditure per person ^d									
Indig. \$/per	1 894	3 288	2 417	2 970	1 936	1 215	2 200	9 229	3 152
Non-Indig. \$/per	629	555	735	671	479	866	768	2 224	644
Ratio ^e ratio	3.01	5.93	3.29	4.43	4.04	1.40	2.86	4.15	4.89

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Table 5.1 (continued)

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Health care subsidies and support										
Total expenditure										
Indigenous										
Aust Govt	\$m	170	35	116	60	21	23	6	89	518
State Govt	\$m	12	4	6	57	1	0	1	22	103
Non-Indigenous										
Aust Govt	\$m	11 455	7 777	6 683	3 926	1 989	743	515	586	33 674
State Govt	\$m	350	268	258	518	184	1	38	16	1 632
Total	\$m	11 988	8 084	7 062	4 560	2 195	767	560	712	35 928
Indig. share	%	1.5	0.5	1.7	2.5	1.0	2.9	1.3	15.5	1.7
Expenditure per person ^d										
Indig.	\$/per	1 081	1 029	738	1 496	719	1 099	1 452	1 579	1 080
Non-Indig.	\$/per	1 679	1 469	1 578	2 007	1 343	1 525	1 573	3 741	1 624
Ratio ^e	ratio	0.64	0.70	0.47	0.75	0.54	0.72	0.92	0.42	0.66
All healthy lives										
Total expenditure										
Indigenous										
Aust Govt	\$m	337	100	317	212	65	41	12	518	1 603
State Govt	\$m	623	188	883	518	218	37	35	607	3 109
Non-Indigenous										
Aust Govt	\$m	13 707	9 248	7 884	4 579	2 541	1 039	666	818	40 482
State Govt	\$m	14 293	11 488	9 946	4 921	4 337	1 252	988	430	47 655
Total	\$m	28 960	21 024	19 030	10 231	7 161	2 369	1 702	2 373	92 849
Indig. share	%	3.3	1.4	6.3	7.1	3.9	3.3	2.8	47.4	5.1
Expenditure per person ^d										
Indig.	\$/per	5 684	7 645	7 278	9 403	9 104	3 822	9 863	16 110	8 190
Non-Indig.	\$/per	3 981	3 785	4 055	4 290	4 250	4 693	4 707	7 757	4 054
Ratio ^e	ratio	1.43	2.02	1.79	2.19	2.14	0.81	2.10	2.08	2.02

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the *2012 Indigenous Expenditure Report* method is provided in chapter 2. ^c Expenditure estimates on 'Hospital services' for Indigenous Australians in Tasmania and ACT should be interpreted with care due to concerns regarding recording of Indigenous status in Tasmanian hospitals and accounting for cross border flows between NSW and the ACT. ^d Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. ^e The ratio of total Indigenous expenditure per person to total non-Indigenous expenditure per person. This reflects the combined effects of differential use patterns and costs between Indigenous and non-Indigenous people (subject to the limitation of the data and methodology).

Source: web-tables W-J.1 and W-K.1.

Table 5.2 Australian Government *plus* State and Territory Government direct expenditure on Indigenous healthy lives by type of expenditure, 2010-11^{a, b}

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All states
Hospital services^c									
Total Indigenous expenditure (\$million)									
Mainstream ^d	453	122	599	374	161	31	30	365	2 135
Indig. specific ^e	5	3	81	10	39	–	0	6	143
Total Indig.	457	125	680	384	200	31	30	370	2 278
Indigenous expenditure per person (\$/person) ^f									
Mainstream ^d	2 682	3 244	3 634	4 813	5 198	1 508	6 147	5 224	3 711
Indig. specific ^e	27	83	489	123	1 251	–	64	79	248
Total Indig.	2 709	3 327	4 124	4 937	6 449	1 508	6 211	5 302	3 959
Public and community health (excluding subsidies)									
Total Indigenous expenditure (\$million)									
Mainstream ^d	118	24	162	33	23	11	2	428	803
Indig. specific ^e	201	99	236	198	37	14	8	217	1 010
Total Indig.	320	124	398	231	60	25	11	645	1 813
Indigenous expenditure per person (\$/person) ^f									
Mainstream ^d	700	648	986	425	732	544	515	6 128	1 395
Indig. specific ^e	1 194	2 641	1 431	2 545	1 204	671	1 685	3 101	1 756
Total Indig.	1 894	3 288	2 417	2 970	1 936	1 215	2 200	9 229	3 152
Health care subsidies and support									
Total Indigenous expenditure (\$million)									
Mainstream ^d	159	25	103	103	19	21	6	106	542
Indig. specific ^e	23	14	18	13	3	2	1	4	79
Total Indig.	182	39	122	116	22	23	7	110	621
Indigenous expenditure per person (\$/person) ^f									
Mainstream ^d	944	664	626	1 330	612	998	1 277	1 517	943
Indig. specific ^e	137	365	112	166	107	101	175	62	137
Total Indig.	1 081	1 029	738	1 496	719	1 099	1 452	1 579	1 080
All healthy lives									
Total Indigenous expenditure (\$million)									
Mainstream ^d	730	172	865	510	203	63	38	899	3 480
Indig. specific ^e	229	116	335	220	80	16	9	226	1 232
Total Indig.	959	288	1 200	731	283	79	48	1 125	4 712

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Table 5.2 (continued)

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Indigenous expenditure per person (\$/person) ^f									
Mainstream ^d	4 326	4 556	5 246	6 568	6 542	3 049	7 939	12 869	6 049
Indig. specific ^e	1 358	3 089	2 032	2 834	2 561	772	1 924	3 242	2 141
Total Indig.	5 684	7 645	7 278	9 403	9 104	3 822	9 863	16 110	8 190

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the *2012 Indigenous Expenditure Report* method is provided in chapter 2. ^c Expenditure estimates on 'Hospital services' for Indigenous Australians in Tasmania and ACT should be interpreted with care due to concerns regarding recording of Indigenous status in Tasmanian hospitals and accounting for cross border flows between NSW and the ACT. ^d *Mainstream expenditure* includes outlays on programs, services and payments that are available to both Indigenous and non-Indigenous Australians on either a targeted or universal basis. Indigenous mainstream expenditure comprises a component estimated on the basis of service use and a component estimated on the basis of the difference in the cost of providing these services to Indigenous and non-Indigenous people. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Indigenous specific expenditure includes outlays on programs, services and payments that are explicitly targeted to Indigenous Australians. These programs, services and payments can be either complementary (additional) to, or be substitute (alternative) for, mainstream services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^f Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1.

Source: web-tables W-J.1 and W-K.1.

Table 5.3 Australian Government *plus* State and Territory Government direct expenditure on Indigenous healthy lives by driver of expenditure, 2010-11^{a, b}

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Hospital services^c									
Total Indigenous expenditure (\$million)									
Intensity of use ^d	431	117	651	356	154	30	28	348	2 115
Cost of provision ^e	26	8	29	27	47	1	2	23	163
Total Indig.	457	125	680	384	200	31	30	370	2 278
Indigenous expenditure per person (\$/person) ^f									
Intensity of use ^d	2 555	3 116	3 951	4 584	4 951	1 436	5 854	4 975	3 676
Cost of provision ^e	155	211	173	352	1 498	72	357	328	283
Total Indig.	2 709	3 327	4 124	4 937	6 449	1 508	6 211	5 302	3 959
Public and community health (excluding subsidies)									
Total Indigenous expenditure (\$million)									
Intensity of use ^d	249	74	363	153	48	22	5	573	1 488
Cost of provision ^e	71	49	35	77	12	3	6	72	325
Total Indig.	320	124	398	231	60	25	11	645	1 813
Indigenous expenditure per person (\$/person) ^f									
Intensity of use ^d	1 476	1 977	2 204	1 974	1 541	1 069	1 042	8 204	2 587
Cost of provision ^e	418	1 311	212	996	395	147	1 158	1 025	565
Total Indig.	1 894	3 288	2 417	2 970	1 936	1 215	2 200	9 229	3 152
Health care subsidies and support									
Total Indigenous expenditure (\$million)									
Intensity of use ^d	159	25	104	101	19	21	6	105	540
Cost of provision ^e	24	14	17	15	3	2	1	5	82
Total Indig.	182	39	122	116	22	23	7	110	621
Indigenous expenditure per person (\$/person) ^f									
Intensity of use ^d	941	661	632	1 297	611	998	1 265	1 506	938
Cost of provision ^e	140	368	105	199	108	101	187	73	142
Total Indig.	1 081	1 029	738	1 496	719	1 099	1 452	1 579	1 080
All healthy lives									
Total Indigenous expenditure (\$million)									
Intensity of use ^d	839	217	1 119	610	220	72	39	1 026	4 143
Cost of provision ^e	120	71	81	120	62	7	8	100	569
Total Indig.	959	288	1 200	731	283	79	48	1 125	4 712

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Table 5.3 (continued)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All states
Indigenous expenditure per person (\$/person) ^f									
Intensity of use ^d	4 971	5 754	6 787	7 855	7 103	3 502	8 161	14 684	7 201
Cost of provision ^e	713	1 890	491	1 547	2 001	320	1 702	1 426	989
Total Indig.	5 684	7 645	7 278	9 403	9 104	3 822	9 863	16 110	8 190

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the *2012 Indigenous Expenditure Report* method is provided in chapter 2. ^c Expenditure estimates on 'Hospital services' for Indigenous Australians in Tasmania and ACT should be interpreted with care due to concerns regarding recording of Indigenous status in Tasmanian hospitals and accounting for cross border flows between NSW and the ACT. ^d *Intensity of service use* component includes the use of mainstream services plus substitute Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e *Cost of service provision* component includes any additional cost of providing mainstream services to Indigenous Australians plus complementary Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^f Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1.

Source: web-tables W-L.1 and W-M.1.

6 Economic participation

Key points

- Economic participation is associated with a range of positive life outcome areas, such as improved income, sense of identity, improved self-esteem and social contact. This in turn can lead to improved health and financial independence:
 - social security support is a focus area of expenditure for this chapter.
- Government direct expenditure on all economic participation was \$98.2 billion in 2010-11. Direct expenditure on services to Indigenous Australians made up \$4.9 billion (4.9 per cent) of the total:
 - Australian Government provided \$4.7 billion (96.5 per cent) of direct Indigenous expenditure plus some indirect payments 'to' and 'through' the State and Territory governments for labour and employment services. The remaining expenditure (3.5 per cent) was provided by State and Territory governments
 - Most Indigenous expenditure was related to mainstream services (87 per cent, \$4.2 billion), but Indigenous specific (targeted) expenditure (such as the Indigenous employment program and Indigenous business networks) accounted for \$650 million (13 per cent) of economic participation direct expenditure.
- Government direct expenditure per head of population on all economic participation services was \$8436 per Indigenous person and \$4296 per non-Indigenous person in 2010-11 (a ratio of 1.96 to 1).
- Social security support accounted for \$89.2 billion (91 per cent) of total and \$3.8 billion (77 per cent) of direct Indigenous economic participation expenditure in 2010-11.
- Direct social security support expenditure per head of population was \$6527 per Indigenous person and \$3930 per non-Indigenous person in 2010-11 (a ratio of 1.66 to 1).
- The \$2597 difference in social security support expenditure per person was due to the:
 - *greater intensity of service use (\$1943 or 75 per cent)* — Indigenous Australians have a higher use of family and child benefits, disability benefits and unemployment benefits, which reflects their younger age profile, higher incidence of disability and the poorer employment outcomes
 - *additional cost of service provision (\$654 or 25 per cent)* — mainly related to higher average income support payments to Indigenous Australians compared to non-Indigenous Australians.

This chapter presents an overview of estimates of Australian Government, and State and Territory Government direct expenditure on services that contributed to the economic participation of Indigenous Australians in 2010-11. This includes expenditure on labour and employment services (labour market programs and industrial relations), and social security support (income support for families, the aged, people with disabilities, the unemployed and veterans).

Promoting economic participation of Indigenous Australians is one of the seven Council of Australian Governments' (COAG) National Indigenous Reform Agreement (COAG 2011) building blocks and Overcoming Indigenous Disadvantage report strategic areas for action (SCRGSP 2011).¹

Interpreting the estimates in this chapter requires an understanding of the strengths and limitations of the method and data (chapter 2), and the context within which Indigenous services are provided (chapter 3).

A description of economic participation services and an overview of the links between expenditure on these services and Indigenous outcomes is presented in section 6.1.

Section 6.2 presents an overview of total (Australian Government *plus* State and Territory Government) direct expenditure on economic participation. Comprehensive expenditure estimates for 10 expenditure categories are available from the project website (appendix D).

Section 6.3 analyses expenditure on social security support (covering four of the 10 economic participation expenditure categories) — with an emphasis on support for people with disability, the aged, families and children, and the unemployed — as a guide to the more detailed estimates available online.

What is 'direct' expenditure?

Direct expenditure is government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments during the reference year.

Indirect expenditure is government payments 'to' and 'through' other governments. Such payments may not be spent by the recipient government in the reference year, and may be spent on capital rather than the provision of services. It is also difficult to categorise the area of expenditure of 'untied' indirect payments such as GST transfers.

A detailed discussion of expenditure concepts is provided in chapter 2 (section 2.2).

¹ Home ownership and access to land and native title assets, which are also included in the economic participation building block, are covered in chapters 7 and 8, respectively.

6.1 What are economic participation services and why are they important for Indigenous outcomes?

This section identifies the scope of services included in the economic participation expenditure estimates presented in this report, and summarises the link between economic participation services and Indigenous outcomes.

What are economic participation services?

Economic participation services expenditure in this report includes outlays on:

- *labour and employment services* — services that aim to facilitate a strong institutional framework for the labour market and to promote employment, including:
 - *other labour and employment services* — support for workplace institutions (such as the administration of industrial relations, occupational health and safety, and worker’s compensation systems); labour market assistance services (assistance to jobseekers, work placement, and active labour market programs); and skilled immigration programs
 - *other economic affairs* — the administration, regulation, promotion, research, operation, licensing and general business support activities that promote the efficient operations of markets, and facilitate a vibrant, competitive, growing and sustainable economy. For example, the activities of regulatory bodies such as the Australian Competition and Consumer Commission and Indigenous Business Australia.
- *social security support payments* — government payments and concessions for people who have low incomes because they are unemployed, because their personal circumstances limit their employment options (for example, age or medical conditions), or because their normal income is insufficient to meet the costs of raising a family.

A detailed description of the economic participation expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012, pp. 102–111 and 198–199).

Why are economic participation services important to Indigenous outcomes?

Labour and employment services

Employment (along with business opportunities and wealth creation) helps Indigenous Australians achieve economic independence:

Many aspects of work affect people's wellbeing, including hours worked, job satisfaction and security, levels of remuneration, opportunities for self-development and interaction with people outside the home. Having a job or being involved in a business activity not only leads to improved incomes for families and communities (which has a positive influence on health and education of children), it also enhances self-esteem and reduces social alienation. (SCRGSP 2011, p. 8.1)

Approximately 54 per cent of the Indigenous population aged 18–64 years were employed (including Community Development Employment Projects (CDEP) participation) in 2008 — compared with 76 per cent of the non-Indigenous population (SCRGSP 2011, p. 4.63).² Halving the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade is a COAG target (COAG 2011).

Labour and employment services help people gain employment through targeted services for the unemployed and services that promote efficient and equitable labour markets and a strong economy.

The *National Partnership Agreement on Indigenous Economic Participation* (COAG 2008) aims to promote economic independence for Indigenous Australians while providing balanced incentives for those who rely on income support.

Social security support

Social security support is important for people not currently able to participate independently in the mainstream economy through employment or entrepreneurship, or who have low incomes. However, the *Overcoming Indigenous Disadvantage: Key Indicators 2011* report noted that:

Indigenous people have been over-represented in the Australian income support system. In 2008, 40.4 per cent of the Indigenous population reported government cash pensions and allowances as their main source of personal income, compared to

² The ABS estimates of Indigenous employment include people participating in Australian CDEP. If CDEP participation is excluded, the proportion of the Indigenous population aged 18–64 years in employment was 48.2 per cent in 2008 (SCRGSP 2011, p. 4.63).

13.8 per cent of non-Indigenous people. A range of adverse socioeconomic conditions contribute to a high dependence on income support by Indigenous people, including poor standards of health, lack of employment opportunities in some local labour markets and lower levels of educational attainment. (SCRGSP 2011, p. 8.35)

The social security system provides an essential safety net for those who are unable to support themselves fully through work. A range of income support payments are available and can be grouped into five categories:

1. *assistance to families and children* — the main income assistance paid to families (and lone parents) includes parenting payment (single and partnered), paid parental leave and family tax benefit parts A and B
2. *assistance to people with a disability* — the primary payment in this category is disability support pension. Income assistance is also provided for carers such as carer payment and carer allowance
3. *assistance to the unemployed* — the main unemployment payments include Newstart allowance and youth allowance
4. *assistance to the aged* — the main payment in this category is the age pension
5. *other income support payments* — provide assistance to veterans and dependants, assistance to widows, deserted wives, divorcees and orphans, and assistance to the vulnerable and people in special circumstances.

The National Indigenous Reform Agreement (COAG 2011) identifies the importance of ensuring that social security support is designed and delivered in a manner that promotes active engagement, enhanced capability and positive social norms. The *National Partnership Agreement on Indigenous Economic Participation* (COAG 2008) aims to reduce the reliance of Indigenous households on social security payments by promoting economic independence.

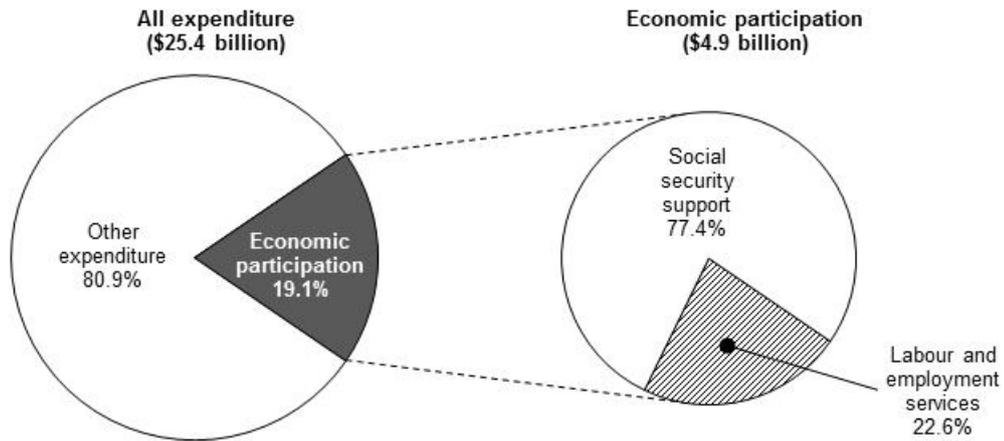
Economic participation can be affected by many factors, such as educational attainment (chapter 4) and an individual's health (chapter 5). It can also affect people's capacity to access healthy homes (chapter 7) and their involvement with the justice system (chapter 8).

6.2 An overview of government expenditure on economic participation services

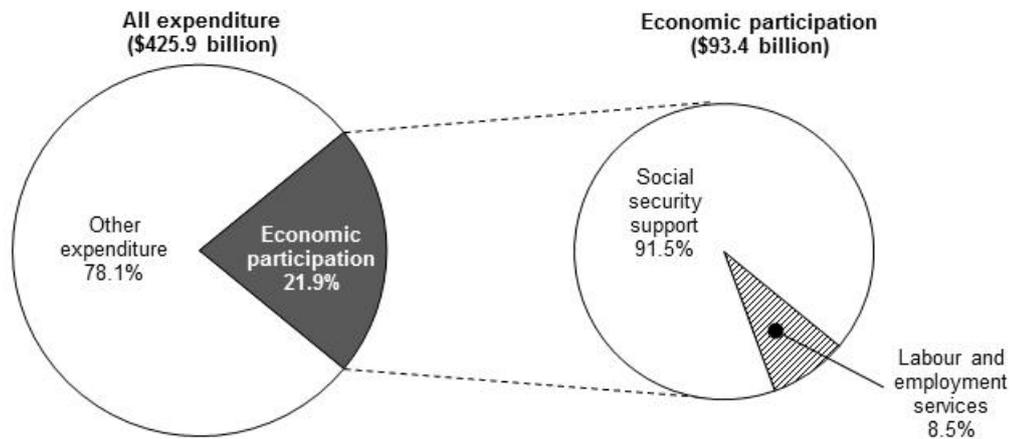
This section provides an overview of Australian Government, and State and Territory Government direct expenditure on economic participation in 2010-11. It begins with a summary of the levels and patterns of expenditure and then considers

Figure 6.1 Australian Government *plus* State and Territory Government direct expenditure on economic participation, 2010-11

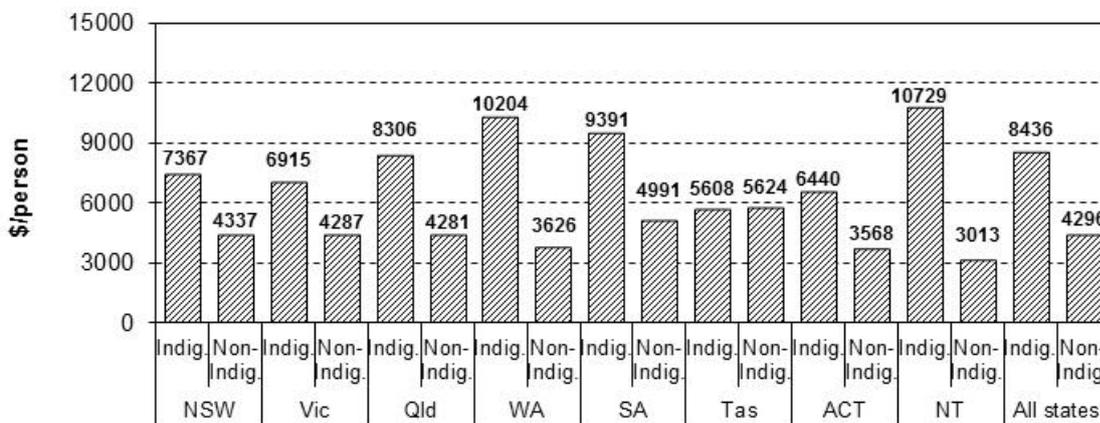
(a) Expenditure on Indigenous Australians



(b) Expenditure on non-Indigenous Australians



(c) Expenditure per person by Indigenous status



Source: attachment table 6.1.

the main drivers of expenditure — as revealed by the Indigenous Expenditure Report method (chapter 2).

How much does government spend?

Nationally, government direct expenditure on economic participation was \$98.2 billion (22 per cent) of all government direct expenditure on services in 2010-11. The largest area of economic participation expenditure was social security support payments (\$89.2 billion or 91 per cent) — which is discussed in more detail in section 6.3 (web-table W-J.1).

Estimated expenditure on economic participation services provided to Indigenous Australians was \$4.9 billion in 2010-11. This represented 4.9 per cent of all government expenditure on economic participation (web-table W-J.1), and 19 per cent of all government expenditure on services to Indigenous Australians (figure 6.1a).

How does Indigenous and non-Indigenous expenditure per person compare?

Estimated government expenditure per person on all economic participation services was \$8436 per Indigenous person and \$4296 per non-Indigenous person. That is, an estimated \$1.96 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population in 2010-11 (figure 6.1c). By high level expenditure category:

- *labour and employment services* — \$5.22 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian
- *social security support* — \$1.66 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian (attachment table 6.1).

How much do the different levels of government contribute directly?

Australian Government expenditure accounted for \$4.7 billion (96 per cent) of direct Indigenous economic participation expenditure and \$90.6 billion (97 per cent) of direct non-Indigenous economic participation expenditure in 2010-11, with the remainder contributed by State and Territory governments (attachment table 6.1). The Australian Government also contributes expenditure ‘to’ and ‘through’ State and Territory governments (box 6.1).

Box 6.1 Australian Government indirect expenditure on economic participation in 2010-11^a

Australian Government indirect expenditure 'to' and 'through' State and Territory governments is reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure in 2010-11 related to Infrastructure Employment Projects and Community Work Placements under the Natural Disaster Queensland program.

To avoid double counting, Australian Government indirect expenditure is not included in estimates reported elsewhere in this chapter. In summary:

- Australian Government indirect expenditure on economic participation services was \$14.8 million in 2010-11, of which \$2.6 million related to the provision of labour and employment services solely for Indigenous Australians.

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments 'to' and 'through' other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure.

Source: web-table W-V.4.

How significant are Indigenous specific services in economic participation expenditure?

Government economic participation services for Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 6.2).

Mainstream services accounted for \$4.2 billion (87 per cent) of direct Indigenous economic participation expenditure (attachment table 6.2):

- *labour and employment services* — mainstream services accounted for \$449 million (41 per cent) of direct Indigenous labour and employment services expenditure
- *social security support* — mainstream services accounted for \$3.8 billion (100 per cent) of direct social security support expenditure (attachment table 6.2).

Box 6.2 **Indigenous specific economic participation programs and services in 2010-11**

The Australian Government, and State and Territory governments provided economic participation services to some Indigenous Australians through a number of targeted programs in 2010-11 including:

- *Indigenous Employment Program (\$148 million)* — this Australian Government program offers tailored solutions to assist employers to recruit, train and provide sustainable employment for Indigenous Australians. The program also supports Indigenous Australians to pursue self-employment and business development opportunities
- *Koori Business Network (\$840 000)* — this Victorian Government program provides targeted support to Indigenous businesses and entrepreneurs to increase Indigenous business capacity and in turn the number of successful, dynamic and diverse Victorian Indigenous businesses participating in the Victorian economy
- *Indigenous Enterprise Development Officers (\$1.1 million)* — this Queensland Government program provides funding to employ Indigenous enterprise development officers to assist Indigenous Australians with their businesses.

Source: Australian Government, and State and Territory Government unpublished data.

Indigenous specific services can either be a substitute for, or a complement to, mainstream services:

- *substitute Indigenous specific services* — are an alternative to mainstream services (for example, ABSTUDY, Indigenous housing organisations). These services are an alternate way of meeting the service needs of Indigenous Australians
- *complementary Indigenous specific services* — are provided in addition to mainstream services (for example, Indigenous student counsellors in schools). These services add to the cost of providing services to Indigenous Australians.

Indigenous specific services accounted for \$650 million (13 per cent) of direct Indigenous economic participation expenditure in 2010-11 (attachment table 6.2), which all related to the provision of complementary Indigenous specific labour and employment services (web-table W-I.7).

Why is Indigenous expenditure per person different?

Expenditure on Indigenous Australians can vary across jurisdictions and when compared with expenditure on non-Indigenous Australians. The Report method identifies several factors that drive these variations.

What can the method explain about differences in expenditure?

This report estimates direct expenditure on Indigenous Australians based on:

- *intensity of service use* — how much expenditure is driven by the use of services. Intensity of service use has two sub-components:
 - *Indigenous use of mainstream services* — the estimated Indigenous share of mainstream expenditure is proportional to Indigenous Australians' use of mainstream services.

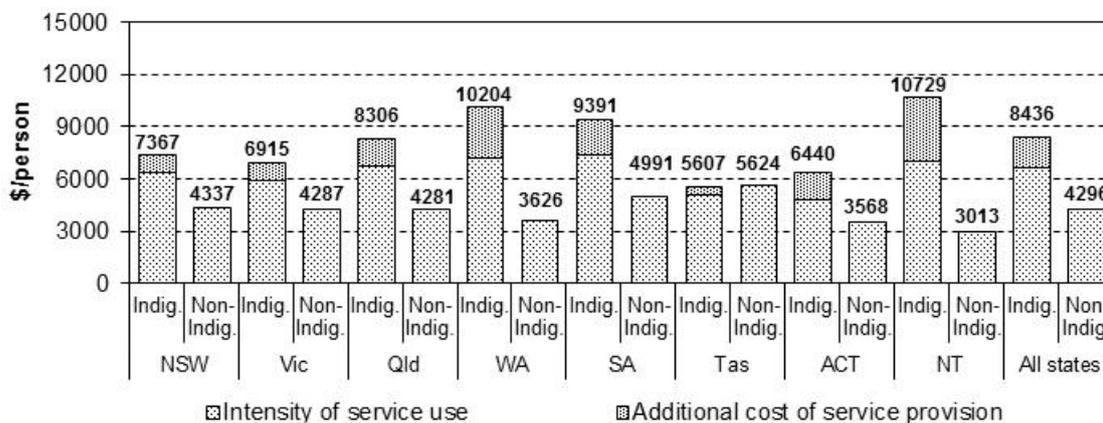
The per capita intensity of service use is higher if, on average, Indigenous Australians use more services than non-Indigenous Australians — either because of greater individual need, or because a higher proportion of the Indigenous population belong to the age group likely to use those services.
 - *Indigenous specific services that are a substitute for mainstream services* — these are services that Indigenous Australians use instead of a similar mainstream service.
- *additional cost of service provision* — how much expenditure is driven by the additional cost of providing services to Indigenous Australians, compared with the cost of providing similar services to non-Indigenous Australians. This figure can be negative if it costs less to provide services to Indigenous Australians; for example, if Indigenous Australians tend to use less expensive services. The additional cost of service provision has two sub-components:
 - *mainstream services cost differentials* — any additional cost of providing mainstream services to Indigenous Australians, for reasons such as location, culture and language (chapter 3)
 - *Indigenous specific services that complement mainstream services* — these are services that Indigenous Australians use in addition to a mainstream service; for example, Indigenous student counsellors in schools.

Conceptual issues associated with interpreting these components are discussed in chapter 2.

Variations in expenditure between Indigenous and non-Indigenous Australians

The variations in expenditure per capita between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, *plus* any additional cost of providing services to Indigenous Australians (figure 6.2 and box 6.3).

Figure 6.2 **Australian Government *plus* State and Territory Government direct expenditure per person on economic participation services by driver of expenditure, 2010-11^a**



^a Refer to box 6.3 for guidelines on how to interpret this chart.

Source: attachment tables 6.1 and 6.3.

Estimated direct economic participation expenditure per Indigenous person was \$4141 higher than expenditure per non-Indigenous person in 2010-11. The majority of the difference, \$2346 (57 per cent), was attributable to a greater intensity of service use, with the remaining \$1794 (43 per cent) attributable to the additional cost of service provision (attachment table 6.1 and box 6.3). The majority (63 per cent) of the additional cost of service provision related to complementary Indigenous specific services that were used in addition to mainstream services (web-table W-I.22).

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *labour and employment services* — was \$1544 higher, which mainly related to the additional cost of service provision (\$1140 or 74 per cent), with the remainder (\$404 or 26 per cent) attributable to a greater intensity of service use. The majority (99 per cent) of the additional cost of service provision related to complementary Indigenous specific services
- *social security support* — was \$2597 higher, which mainly related to the a greater intensity of service use (\$1943 or 75 per cent), with the remainder (\$654 or 25 per cent) attributable to the additional cost of service provision related exclusively to the higher cost of providing mainstream services (web-table W-I.22). For the area of social security support additional costs refer to the average payment to each recipient.

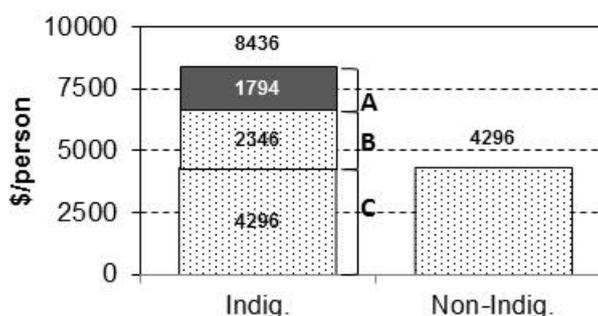
Box 6.3 Interpreting differences in expenditure per person^{a, b}

Total direct expenditure on economic participation services per Indigenous person was \$8436, compared with \$4296 per non-Indigenous person in 2010-11. That is, \$1.96 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian.

What can the method explain about differences in expenditure?

This report method estimates direct expenditure on Indigenous economic participation services based on the *intensity of service use* and the *additional cost of service provision* (chapter 2).

Indigenous intensity of service use accounted for \$6642 per person (79 per cent) of total direct expenditure on Indigenous Australians (area B *plus* area C in the diagram). Additional cost of service provision accounted for the remaining \$1794 per person (21 per cent) (area A).



Variations between Indigenous and non-Indigenous Australians

The \$4141 difference in expenditure per person between Indigenous and non-Indigenous Australians is attributable to greater intensity of service use by Indigenous Australians and additional cost of mainstream service provision (area A *plus* area B in the diagram).

^a Total direct expenditure includes Australian government *plus* State and Territory Government direct expenditure. ^b Expenditure per person is not expenditure per user, and must not be interpreted as a proxy for unit cost.

Source: web-table W-M.4.

What influences the intensity of service use and the cost of service provision?

The intensity of service use by Indigenous Australians is driven by Indigenous use of mainstream services. On average Indigenous users of:³

- *labour and employment services* — represented 6.1 per cent of mainstream labour and employment services users. This was higher in areas such as labour market assistance to job seekers programs (13.5 per cent)
- *social security support* — represented 3.8 per cent of mainstream social security support recipients. This was higher for assistance to the unemployed

³ Economic participation estimates are based on 40 separate service use measures. The Indigenous representations in total user estimates reported here are weighted averages.

(9.5 per cent), families and children (5.9 per cent), and people with a disability (4.9 per cent), and lower for assistance to the aged (0.8 per cent). Social security support is discussed in more detail in section 6.3.

Differences in the cost of service provision between Indigenous and non-Indigenous Australians relate to the additional cost of providing mainstream services, and the use of Indigenous specific (targeted) complementary services.

What other information is available?

This chapter provides an overview of the 2012 Report estimates of expenditure on economic participation services. Comprehensive expenditure estimates for 10 separate expenditure categories are available from the project website (box 6.4, appendix D).

Box 6.4 Economic participation estimates available online

The web-based attachments (appendix D) include detailed estimates for 10 economic participation expenditure sub-categories:

- labour and employment services
 - other labour and employment affairs (GPC 1339)
 - other economic affairs not elsewhere classified (GPC 1390)
- social security support
 - Income assistance to
 - ... families and children (GPC+ 0610.5)
 - ... people with a disability (GPC+ 0610.2)
 - ... the unemployed (GPC+ 0610.4)
 - ... the aged (GPC+ 0610.3)
 - ... other social security support
 - ... assistance to veterans and dependants (GPC+ 0610.1)
 - ... concessions and allowances to low income earners (GPC+ 0610.6)
 - ... assistance to the vulnerable and people in special circumstances (GPC+ 0610.8)
 - ... assistance to widows, deserted wives, divorcees and orphans (GPC 0610.7).

6.3 A focus on social security support

This section focuses on estimates of Australian Government, and State and Territory Government expenditure on social security support in 2010-11.

The discussion in this section is provided both as a guide to the detailed estimates available online for 10 economic participation expenditure categories, and because of the importance of these services as an essential safety net for those Indigenous Australians who are unable to support themselves fully through work. As noted in chapter 2, an understanding of the levels and patterns of government expenditure on services that support Indigenous Australians can be used to inform four key questions:

- How much did government spend on social security support payments?
- How much of this was for Indigenous Australians and how does this compare with non-Indigenous Australians?
- What were the patterns of service use by Indigenous Australians and how does this compare with non-Indigenous Australians?
- What drives the differences in expenditure between Indigenous and non-Indigenous Australians?

This report's estimates of expenditure on social security support show that in 2010-11 the proportion of direct economic participation expenditure spent on social security support was lower for Indigenous than non-Indigenous Australians:

- social security support per Indigenous Australian was more than one-and-a-half times that per non-Indigenous Australian. Although expenditure per person was higher for Indigenous than for non-Indigenous Australians for most social security support payments, it was *lower* for assistance to the aged and other social security payments
- the Australian Government provided similar proportions (99.5 per cent) of social security support expenditure to Indigenous and non-Indigenous Australians in 2010-11. The remaining expenditure was contributed by State and Territory governments, and related exclusively to the provision of additional concessions and allowances to low-income earners:
 - the largest area of social security support expenditure was assistance to families and children (\$1.7 billion), followed by assistance to people with a disability (\$1 billion) and assistance to the unemployed (\$624 million). These payments comprised about 89 per cent of social security support expenditure.

-
- two main factors contribute to the higher level of expenditure on social security support per Indigenous Australian:

- *Indigenous Australians use services differently* — Indigenous Australians are higher recipients of assistance to families and children, people with a disability and the unemployed, which reflects their younger age profile, higher incidence of disability and the poorer employment outcomes

However, they are lower recipients of assistance to the aged (which reflects lower Indigenous life expectancy), and other social security payments (reflecting the lower representation of Indigenous Australians on other payment criteria (such as military service for assistance to veterans and dependants)

- *services for Indigenous Australians can be more, or less, costly to provide* — the main factor affecting the difference in the cost of providing mainstream social security payments to Indigenous Australians is the average level of payment under the eligibility criteria. This can be higher, or lower, depending on individual circumstances and assessment eligibility criteria such as economic means (income and assets), family structure, and location.

What are social security support payments?

Social security support is mainly provided by the Australian Government in the form of payments administered by either the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), the Department of Education, Employment and Workplace Relations (DEEWR), Department of Industry, Innovation Science, Research and Tertiary Education (DIISRTE), Attorney-General's Department (AGD), or the Department of Veterans' Affairs (DVA).

Social security support is a safety net that enables people to independently access goods and services, but is a second-best solution when compared to people gaining employment (section 6.1).

Social security support expenditure in this report includes outlays on:

- *assistance to families and children* — payments to support families with their responsibilities, such as providing assistance with the cost of raising children. The main payments include family tax benefit part A and B, and the baby bonus
- *assistance for people with a disability* — payments provided to people who are ill, injured or have a disability, and support for their carers. This includes payments such as the disability support pension, and carer allowance

-
- *assistance to the unemployed* — financial support payments to people who are temporarily unemployed due to a medical condition, and people who are unemployed and are looking for work (for example, sickness allowance and Newstart allowance)
 - *assistance to the aged* — payments to support retired people to have an adequate income (for example, the age pension administered by FaHCSIA)
 - *other social security support* — the web-tables (appendix D), include estimates for the following sub-categories:
 - *assistance to veterans and dependants* — compensations and benefits paid to veterans and their dependents for injury, disease or death, resulting from service with the Australian Defence Force (for example, disability pension, service pension, war widows pension, orphans pension, and the age pension administered by DVA)
 - *concessions and allowances to low-income earners* — concession benefits provided by the Australian Government include access to medicines listed on the Pharmaceutical Benefits Scheme, and certain medical services, at a cheaper rate. State and Territory governments may also offer additional health, household, transport, and education and recreation concessions. Their availability may vary from state to state
 - *assistance to the vulnerable and people in special circumstances* — short-term financial assistance to people experiencing severe financial hardship due to circumstances outside their control such as domestic violence or natural disaster (for example, crisis payment, special benefit, and Australian Government Disaster Recovery Payment)
 - *widows, deserted wives, divorcees and orphans benefits* — payments to people who are widowed, divorced or separated later in life and have lost the financial support of their partner (such as the widow allowance and widow B pension). Also includes double orphan pension payments which help people meet the cost of caring for children who are orphans or are unable to be cared for by their parents.

For a detailed description of the types of expenditure recorded under social security support expenditure categories, refer to the 2012 Report *Expenditure Data Manual* (SCRGSP 2012, pp. 102-111).

Why are social security support payments important to Indigenous outcomes?

The social security support system in Australia provides an essential safety net for those Australians who are unable to support themselves fully through work, including providing income support as people move between jobs when economic and personal circumstances change (Landt and Pech 2001).

The employment to population ratio for the Indigenous working-age population (aged 15–64 years) increased from 51 per cent to 54 per cent between 2004-05 and 2008, but was well below the non-Indigenous ratio for both years (74 per cent and 76 per cent, respectively) (SCRGSP 2011).

In 2008, Indigenous Australians had a higher unemployment rate than non-Indigenous Australians (17 per cent and 3.6 per cent, respectively), and a long term unemployment rate almost six times greater than that of non-Indigenous Australians (5.2 per cent and 0.9 per cent, respectively) (SCRGSP 2011). This increases the demand for income support.

The *Australian Government Indigenous Economic Development Strategy 2011–2018*, which aims to increase employment participation and work opportunities for Indigenous Australians, noted:

Government also has an important role in ensuring that the legal, taxation and welfare systems encourage economic participation and do not create disincentives that impede successful participation in the economy. (Aus Gov 2011, p. 22)

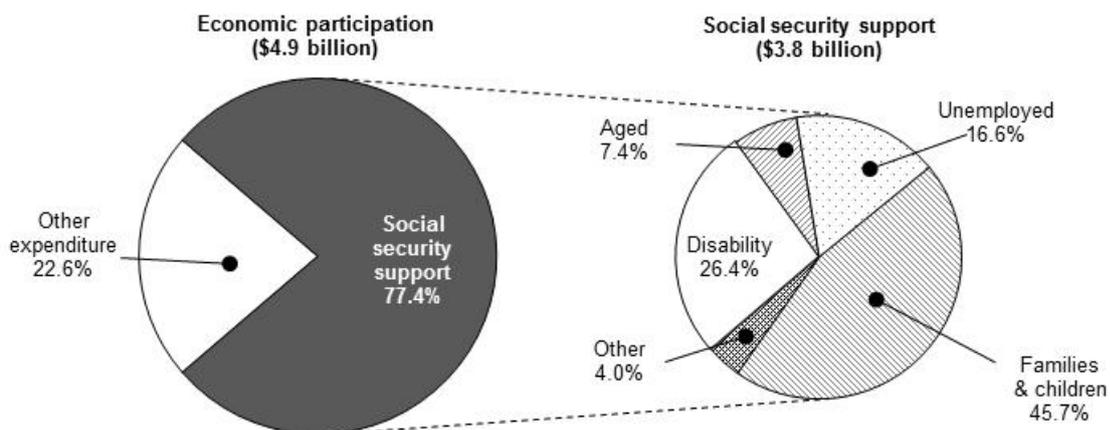
The National Indigenous Reform Agreement (COAG 2011) and the *National Partnership Agreement on Indigenous Economic Participation* (COAG 2008) aim to halve the gap in employment rates between Indigenous and non-Indigenous Australians. Strategies include promoting employment participation, education and training, and support for Indigenous Australians to take responsibility for their economic wellbeing so that they can lead independent and productive working lives.

How much does government spend on social security support?

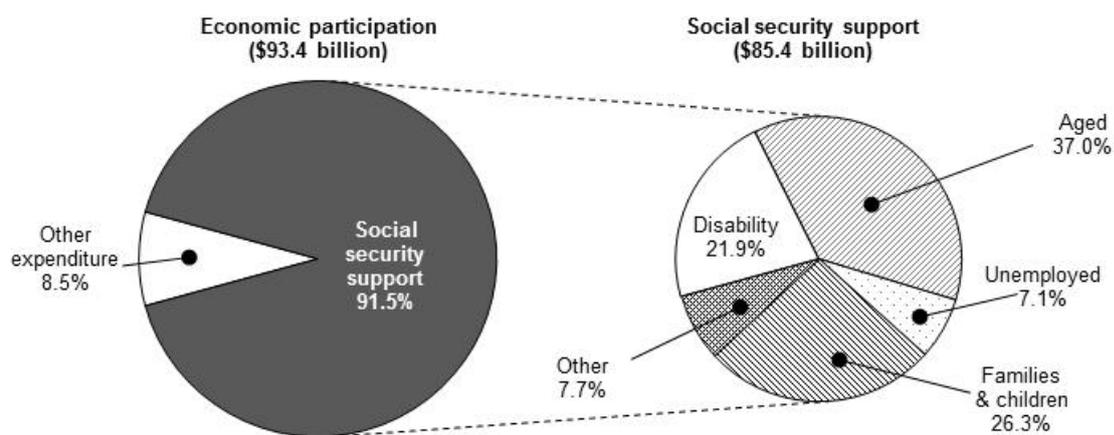
Nationally, government expenditure on social security support payments was \$89.2 billion, which amounted to 91 per cent of all government economic participation expenditure in 2010-11. The three largest areas of expenditure were assistance to the aged (\$31.9 billion or 36 per cent), assistance to families and children (\$24.2 billion or 27 per cent), and assistance to people with a disability (\$19.7 billion or 22 per cent) (web-table W-J.4).

Figure 6.3 Australian Government *plus* State and Territory Government direct expenditure on social security support, 2010-11

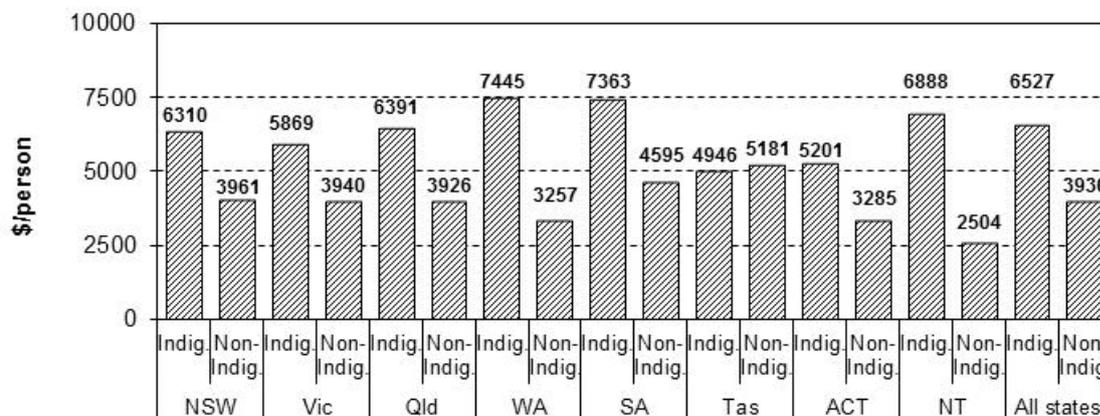
(a) Expenditure on Indigenous Australians



(b) Expenditure on non-Indigenous Australians



(c) Expenditure per person by Indigenous status



Source: attachment table 6.1.

Estimated expenditure on Indigenous social security support was \$3.8 billion in 2010-11. This represented 77 per cent of all government direct Indigenous economic participation expenditure (figure 6.3a). In comparison, direct non-Indigenous social security support expenditure represented 91 per cent of all government direct non-Indigenous economic participation expenditure (figure 6.3b).

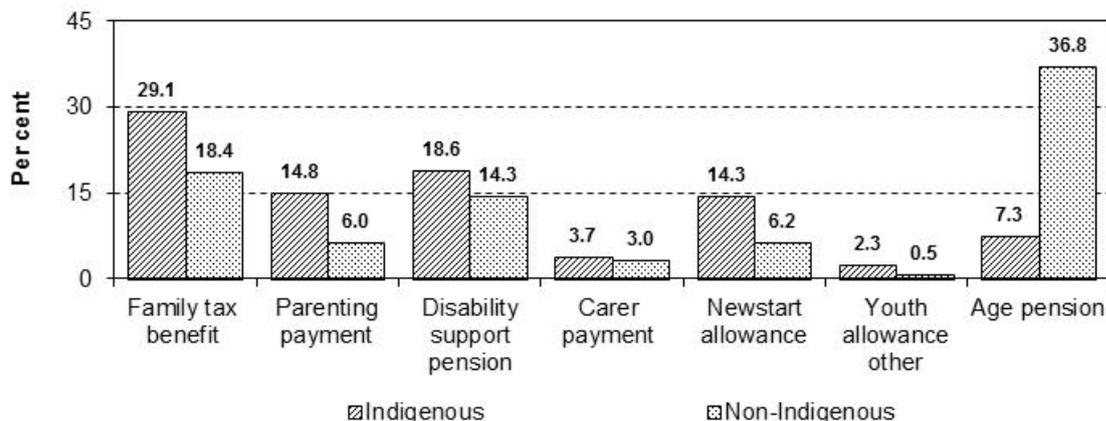
Government social security support to Indigenous Australians is provided entirely through mainstream services.

Social security support was the largest area of economic participation expenditure for Indigenous Australians. The largest component of social security support expenditure for Indigenous Australians was assistance to families and children, whereas assistance to the aged was the largest area of social security support for non-Indigenous Australians (figure 6.3a). Estimated expenditure on Indigenous social security support payments comprised:

- *assistance to families and children* — \$1.7 billion (46 per cent) of Indigenous social security support expenditure, compared with 26 per cent of non-Indigenous social security support expenditure
- *assistance for people with disability* — \$1.0 billion (26 per cent) of Indigenous social security support expenditure, compared with 22 per cent of non-Indigenous social security support expenditure
- *assistance to the unemployed* — \$624 million (17 per cent) of Indigenous social security support expenditure, compared with 7.1 per cent of non-Indigenous social security support expenditure
- *assistance to the aged* — \$277 million (7.4 per cent) of Indigenous social security support expenditure, compared with 37 per cent of non-Indigenous social security support expenditure
- *other social security payments* — \$148 million (4.0 per cent) of Indigenous social security support expenditure, compared with 7.7 per cent of non-Indigenous social security support expenditure (web-table W-J.4).

A higher proportion of Indigenous than non-Indigenous Australians received each of the selected income support payments, except for the age pension where the non-Indigenous proportion was higher in 2010-11 (figure 6.4). Family tax benefit (parts A and B) was the largest area of income support payments for Indigenous Australians (29 per cent), followed by disability support pension (19 per cent), and parenting payment (single and partnered) (15 per cent). By way of comparison, the age pension was the largest area of income support payments for non-Indigenous Australians, followed by the family tax benefit (18 per cent), and the disability support pension (14 per cent).

Figure 6.4 **Income support payments by selected payment types, 2010-11^{a, b}**



^a Family tax benefit includes family tax benefit parts A and B. ^b Parenting payment includes parenting payments both single and partnered.

Source: Steering Committee for the Review of Government Service Provision estimates (unpublished).

How does Indigenous and non-Indigenous expenditure per person compare?

Estimated total government expenditure per person on social security support was \$6527 per Indigenous person and \$3930 per non-Indigenous person in 2010-11. That is, an estimated \$1.66 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population in 2010-11 (figure 6.3c).

For most social security payments, expenditure per Indigenous person was higher than expenditure per non-Indigenous person, except for assistance to the aged and other social security supports, where expenditure per non-Indigenous person was higher (figure 6.3c). This expenditure comprised:

- *assistance to families and children* — \$2980 per Indigenous person and \$1035 per non-Indigenous person. That is, an estimated \$2.88 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
- *assistance for people with disability* — \$1722 per Indigenous person and \$860 per non-Indigenous person. That is, an estimated \$2.00 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
- *assistance to the unemployed* — \$1085 per Indigenous person and \$277 per non-Indigenous person. That is, an estimated \$3.91 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population

-
- *assistance to the aged* — \$481 per Indigenous person and \$1456 per non-Indigenous person. That is, an estimated \$0.33 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
 - *other social security payments* — \$258 per Indigenous person and \$302 per non-Indigenous person. That is, an estimated \$0.85 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population (web-table W-I.8).

How much do the different levels of government contribute directly?

Social security payments are mainly provided by the Australian Government with \$3.7 billion (99.5 per cent) of Indigenous and \$85 billion (99.5 per cent) of non-Indigenous social security support expenditure in 2010-11. State and Territory Government social security support is restricted to the provision of concessions and allowances to low-income earners. There is no indirect expenditure reported for this area (attachment table 6.1).

By category, Australian Government expenditure accounted for:

- *assistance to families and children* — \$1.7 billion of direct Indigenous families and children assistance expenditure and \$22.5 billion of direct non-Indigenous Australians families and children assistance expenditure
- *assistance for people with a disability* — \$991 million of direct Indigenous disability assistance expenditure and \$18.7 billion of direct non-Indigenous Australians direct Indigenous disability assistance expenditure
- *assistance to the unemployed* — \$624 million for direct Indigenous unemployment assistance expenditure and \$6.0 billion for direct non-Indigenous unemployment assistance expenditure
- *assistance to the aged* — accounted for \$277 million of direct Indigenous aged assistance expenditure and \$31.7 billion of direct non-Indigenous aged assistance expenditure
- *other social security payments* — accounted for \$130 million (88 per cent) of Indigenous and \$6.1 billion (93 per cent) of non-Indigenous expenditure on other social security payments. The remaining direct expenditure was contributed by the State and Territory Government for the provisions of concessions and allowances to low-income earners (web-table W-J.4).

Why is Indigenous expenditure per person different?

Expenditure on social security per Indigenous person varied across jurisdictions and when compared with expenditure per non-Indigenous Australian. The Report method separately identifies several factors that drive these variations (section 6.2).

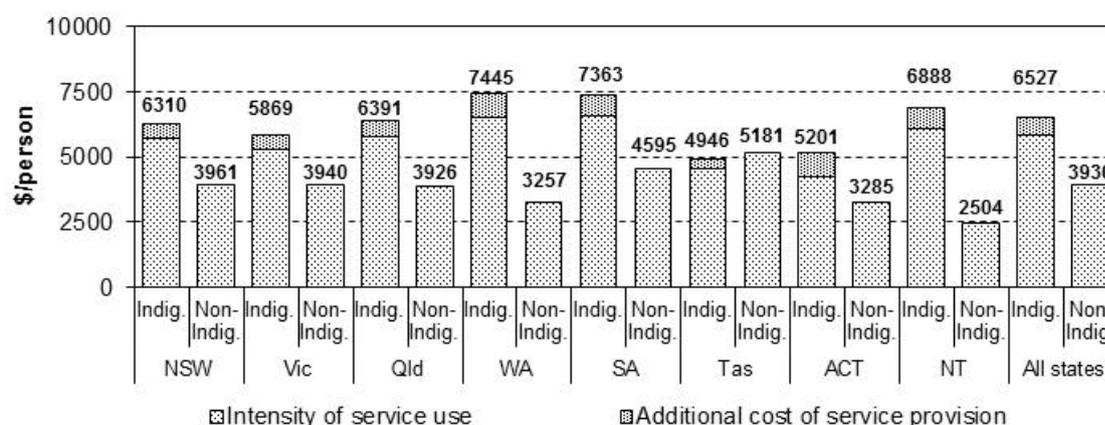
For the area of social security support, the additional costs refer to the average payment that each recipient receives. This can be higher, or lower, depending on individual circumstances and assessment eligibility criteria such as economic means (income and assets), family structure, and location. Eligibility criteria vary for individual payments. The interpretation of the additional costs associated with income support payments is as follows:

- *higher additional cost of service provision* — the average income support payment for Indigenous Australians is higher than non-Indigenous Australians
- *lower costs of service provision* — the average income support payment for Indigenous Australians is lower than non-Indigenous Australians.

Variations in expenditure between Indigenous and non-Indigenous Australians

The variations in expenditure per person between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, plus any additional cost of providing services to Indigenous Australians (figure 6.5 and box 6.3).

Figure 6.5 **Australian Government *plus* State and Territory Government direct expenditure per person on social security support by driver of expenditure, 2010-11^a**



^a Refer to box 6.3 for guidelines on how to interpret this chart.

Source: attachment tables 6.1 and 6.3.

Estimated expenditure on social security support per Indigenous person was \$2597 higher than per non-Indigenous person in 2010-11. The majority of the difference (\$1943 or 75 per cent) was attributable to a greater intensity of service use, with the remainder (\$654 or 25 per cent) attributable to the additional cost of service provision (attachment tables 6.1 and 6.3). The additional cost of service provision related exclusively to higher costs of providing mainstream services (web-table W-I.22).

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *assistance to families and children* — was \$1945 higher, which mainly related to a greater intensity of service use (\$1425 or 73 per cent of the difference), with the remainder (\$520 or 27 per cent) attributable to additional cost of service provision (higher average income support payment for Indigenous Australians)
- *assistance for people with a disability* — was \$863 higher, which mainly related to a greater intensity of service use (\$799 or 93 per cent of the difference), with the remainder (\$64 or 7.4 per cent) attributable to the additional cost of service provision (higher average income support payment for Indigenous Australians)
- *assistance to the unemployed* — was \$807 higher, which related entirely to a greater intensity of service use
- *assistance to the aged* — was \$975 lower, which mainly related to a lower intensity of service use by Indigenous Australians (\$1044 lower). This was partially offset by the additional cost of service provision (higher average income support payment for Indigenous Australians) (\$69 higher)
- *other social security payments* — was \$44 lower, which was almost exclusively related to a lower intensity of service use by Indigenous Australians. This was influenced by the lower representation of Indigenous people among veterans and dependants, and widows, deserted wives, divorcees and orphans benefits recipients. However, it was partially offset by the greater intensity of service use by Indigenous Australians of special benefits, Australian Government Disaster Recovery Payments, and concessions and allowances to low-income earners.

The additional cost of service provision for all social security support payments related exclusively to the higher cost of providing mainstream services.

What influences the intensity of service use and the cost of service provision?

The intensity of service use by Indigenous Australians is driven by the Indigenous use of mainstream services. On average Indigenous recipients of:⁴

- *assistance to families and children* — represented 5.9 per cent of recipients of mainstream assistance to families and children. This was higher for payments such as the parenting payment (single) (10.2 per cent), and lower for payments such as paid parental leave (1.2 per cent)
- *assistance to people with a disability* — represented 4.9 per cent of recipients of mainstream assistance to people with a disability. This was higher for payments such as the disability support pension (5.3 per cent), and lower for payments such as the carer allowance (2.9 per cent)
- *assistance to the unemployed* — represented 9.5 per cent of recipients of mainstream assistance to the unemployed. This was higher for payments such as youth allowance (16 per cent), and lower for payments such as the partner allowance (0.6 per cent)
- *assistance to the aged* — represented 0.8 per cent of recipients of mainstream assistance to the aged. This was higher for payments such as the utility allowance (4.6 per cent), and lower for payments such as seniors supplement (0.1 per cent)
- *other social security payments* — represented 2.1 per cent of recipients of other mainstream social security payments. This was higher for payments such as assistance to the vulnerable and people in special circumstances (9.6 per cent), and lower for payments such as assistance to veterans and dependants (0.4 per cent) (web-table W.I.22).

⁴ Social security estimates are based on 34 separate service use measures. The Indigenous representations in total recipients estimates reported here are weighted averages.

6.4 References

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Attachment 6.A Summary data tables

Table 6.1 **Australian Government *plus* State and Territory Government direct expenditure on economic participation, 2010-11^{a, b}**

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>Aust</i>
Labour and employment services										
Total expenditure										
Indigenous										
Aust Govt	\$m	160	31	240	199	60	10	6	242	947
State Govt	\$m	19	9	76	16	3	3	0	27	152
Non-Indigenous										
Aust Govt	\$m	1 822	1 404	1 167	541	437	134	81	41	5 627
State Govt	\$m	819	494	394	275	204	83	19	41	2 328
Total	\$m	2 820	1 937	1 877	1 030	704	230	106	350	9 054
Indig. share	%	6.3	2.0	16.8	20.8	8.9	5.9	5.7	76.6	12.1
Expenditure per person ^c										
Indig.	\$/per	1 058	1 046	1 914	2 759	2 028	662	1 240	3 841	1 910
Non-Indig.	\$/per	376	346	355	369	396	444	284	509	366
Ratio ^d	ratio	2.82	3.02	5.39	7.49	5.12	1.49	4.37	7.55	5.22
Social security support										
Total expenditure										
Indigenous										
Aust Govt	\$m	1 053	221	1 050	578	225	102	25	481	3 736
State Govt	\$m	12	–	4	–	3	–	–	–	18
Non-Indigenous										
Aust Govt	\$m	27 561	21 585	17 207	7 212	7 341	2 529	1 154	403	84 992
State Govt	\$m	297	–	55	–	94	–	–	–	446
Total	\$m	28 922	21 806	18 316	7 791	7 664	2 630	1 179	884	89 193
Indig. share	%	3.7	1.0	5.8	7.4	3.0	3.9	2.1	54.4	4.2
Expenditure per person ^c										
Indig.	\$/per	6 310	5 869	6 391	7 445	7 363	4 946	5 201	6 888	6 527
Non-Indig.	\$/per	3 961	3 940	3 926	3 257	4 595	5 181	3 285	2 504	3 930
Ratio ^d	ratio	1.59	1.49	1.63	2.29	1.60	0.95	1.58	2.75	1.66

(Continued next page)

Table 6.1 (continued)

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>Aust</i>
All economic participation										
Total expenditure										
Indigenous										
Aust Govt	\$m	1 213	252	1 290	777	285	112	31	723	4 683
State Govt	\$m	30	9	79	16	7	3	0	27	170
Non-Indigenous										
Aust Govt	\$m	29 383	22 989	18 375	7 753	7 779	2 662	1 235	444	90 620
State Govt	\$m	1 116	494	448	275	298	83	19	41	2 774
Total	\$m	31 742	23 743	20 192	8 821	8 368	2 861	1 285	1 234	98 247
Indig. share	%	3.9	1.1	6.8	9.0	3.5	4.0	2.4	60.7	4.9
Expenditure per person ^c										
Indig.	\$/per	7 367	6 915	8 306	10 204	9 391	5 608	6 440	10 729	8 436
Non-Indig.	\$/per	4 337	4 287	4 281	3 626	4 991	5 624	3 568	3 013	4 296
Ratio ^d	ratio	1.70	1.61	1.94	2.81	1.88	1.00	1.80	3.56	1.96

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. ^d The ratio of total Indigenous expenditure per person to total non-Indigenous expenditure per person. This reflects the combined effects of differential use patterns and costs between Indigenous and non-Indigenous people (subject to the limitation of the data and methodology). – Zero or rounded to zero.

Source: web-tables W-J.1 and W-K.1.

Table 6.2 Australian Government *plus* State and Territory Government direct expenditure on Indigenous economic participation by type of expenditure, 2010-11^{a, b}

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Labour and employment services									
Total Indigenous expenditure (\$million)									
Mainstream ^c	104	25	153	58	24	12	3	70	449
Indig. specific ^d	74	15	163	156	39	2	3	198	650
Total Indig.	179	39	316	214	63	14	6	268	1 099
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	618	652	927	753	769	573	531	1 008	780
Indig. specific ^d	440	394	987	2 006	1 260	88	708	2 833	1 130
Total Indig.	1 058	1 046	1 914	2 759	2 028	662	1 240	3 841	1 910
Social security support									
Total Indigenous expenditure (\$million)									
Mainstream ^c	1 065	221	1 054	578	229	102	25	481	3 755
Indig. specific ^d	–	–	–	–	–	–	–	–	–
Total Indig.	1 065	221	1 054	578	229	102	25	481	3 755
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	6 310	5 869	6 391	7 445	7 363	4 946	5 201	6 888	6 527
Indig. specific ^d	–	–	–	–	–	–	–	–	–
Total Indig.	6 310	5 869	6 391	7 445	7 363	4 946	5 201	6 888	6 527
All economic participation									
Total Indigenous expenditure (\$million)									
Mainstream ^c	1 169	245	1 207	637	252	114	28	552	4 203
Indig. specific ^d	74	15	163	156	39	2	3	198	650
Total Indig.	1 243	260	1 369	793	292	115	31	749	4 853
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	6 927	6 521	7 319	8 198	8 132	5 519	5 732	7 896	7 307
Indig. specific ^d	440	394	987	2 006	1 260	88	708	2 833	1 130
Total Indig.	7 367	6 915	8 306	10 204	9 391	5 607	6 440	10 729	8 436

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c *Mainstream expenditure* includes outlays on programs, services and payments that are available to both Indigenous and non-Indigenous Australians on either a targeted or universal basis. Indigenous mainstream expenditure comprises a component estimated on the basis of service use and a component estimated on the basis of the difference in the cost of providing these services to Indigenous and non-Indigenous people. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d Indigenous specific expenditure includes outlays on programs, services and payments that are explicitly targeted to Indigenous Australians. These programs, services and payments can be either complementary (additional) to, or substitute (alternative) for, mainstream services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. – Zero or rounded to zero.

Source: web-tables W-J.1 and W-K.1.

Table 6.3 Australian Government *plus* State and Territory Government direct expenditure on Indigenous economic participation by driver of expenditure, 2010-11^{a, b}

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>Aust</i>
Labour and employment services									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	104	25	153	58	24	12	3	64	443
Cost of provision ^d	74	15	163	156	39	2	3	204	656
Total Indig.	179	39	316	214	63	14	6	268	1 099
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	618	652	927	753	769	573	531	920	769
Cost of provision ^d	440	394	987	2 006	1 260	88	708	2 921	1 140
Total Indig.	1 058	1 046	1 914	2 759	2 028	662	1 240	3 841	1 910
Social security support									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	968	199	960	506	205	94	21	426	3 378
Cost of provision ^d	97	22	94	72	24	8	5	55	376
Total Indig.	1 065	221	1 054	578	229	102	25	481	3 755
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	5 734	5 292	5 822	6 516	6 595	4 580	4 259	6 096	5 873
Cost of provision ^d	575	577	570	929	768	366	942	792	654
Total Indig.	6 310	5 869	6 391	7 445	7 363	4 946	5 201	6 888	6 527
All economic participation									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	1 072	224	1 113	565	229	106	23	490	3 821
Cost of provision ^d	171	37	257	228	63	9	8	259	1 032
Total Indig.	1 243	260	1 369	793	292	115	31	749	4 853
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	6 352	5 944	6 749	7 269	7 364	5 153	4 790	7 016	6 642
Cost of provision ^d	1 015	972	1 557	2 935	2 028	454	1 650	3 713	1 794
Total Indig.	7 367	6 915	8 306	10 204	9 391	5 608	6 440	10 729	8 436

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c *Intensity of service use* component includes the use of mainstream services plus substitute Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d *Cost of service provision* component includes any additional cost of providing mainstream services to Indigenous Australians plus complementary Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1.

Source: web-tables W-L.1 and W-M.1.

7 Home environment

Key points

- A healthy home environment provides the foundation of a healthy population. This includes access to housing as well as amenities and services in the local community and services and infrastructure that enable interaction with the broader economy and society such as transport and communications
 - housing is the focus area of expenditure for this chapter.
- Government direct expenditure on all home environment service was \$44.4 billion in 2010-11. Direct expenditure on services to Indigenous Australians made up \$2.4 billion of the total.
 - State and Territory governments provided \$1.8 billion (76 per cent) of direct Indigenous expenditure — the Australian Government provided the remaining 24 per cent, plus significant indirect payments ‘to’ and ‘through’ the State and Territory governments.
 - most Indigenous expenditure related to mainstream services (\$1.5 billion or 61 per cent) — but Indigenous specific (targeted) expenditure (such as Indigenous housing authorities), accounted for \$936 million (39 per cent) of home environment direct expenditure.
- Government direct expenditure per head of population on all home environment services was \$4161 per Indigenous person and \$1930 per non-Indigenous person in 2010-11, (a ratio of \$2.16 to 1).
- Housing services accounted for \$8.6 billion (20 per cent) of all direct expenditure and \$982 million (41 per cent) of Indigenous direct expenditure on home environment in 2010-11.
- Direct housing expenditure per head of population was \$1708 per Indigenous person and \$352 per non-Indigenous person in 2010-11 (a ratio of \$4.85 to 1). Expenditure per head of population is not the same as expenditure per service user, and must not be interpreted as a proxy for unit cost.
- The \$1356 difference in housing services expenditure per person was due to:
 - *greater intensity of service use (\$908 or 67 per cent)* — mainly reflecting higher per capita (per head of population) use of social housing by Indigenous Australians, which could be related to lower incomes and levels of economic independence.
 - *additional cost of service provision (\$447 or 33 per cent)* — mainly related to complementary Indigenous specific services under the Remote Indigenous Housing and National Affordable Housing Agreements.

This chapter presents an overview of expenditure estimates of Australian Government, and State and Territory Government direct expenditure on home environment in 2010-11. This includes expenditure on housing services;¹ community and environment services; and transport and communications services.

Promoting healthy homes for Indigenous Australians is one of the seven Council of Australian Governments' (COAG) National Indigenous Reform Agreement (COAG 2011) building blocks and Overcoming Indigenous Disadvantage report strategic areas for action — healthy homes (SCRGSP 2011).

Interpreting the estimates in this chapter requires an understanding of the strengths and limitations of the method and data used (chapter 2), and the context within which Indigenous services are provided (chapter 3).

A description of the types of services included under home environment, and the links between expenditure on these services and Indigenous outcomes is discussed in section 7.1.

Section 7.2 presents an overview of total (Australian Government *plus* State and Territory Government) direct expenditure on home environment services. Comprehensive expenditure estimates for 17 home environment expenditure categories are available from the project website (appendix D).

Section 7.3 analyses expenditure on housing services (which includes four of the 17 home environment services expenditure categories) — as a guide to the detailed estimates available online.

What is 'direct' expenditure?

Direct expenditure is government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments during the reference year.

Indirect expenditure is government payments 'to' and 'through' other governments. Such payments may not be spent by the recipient government in the reference year, and may be spent on capital rather than the provision of services. It is also difficult to categorise the area of expenditure of 'untied' indirect payments such as GST transfers.

A detailed discussion of expenditure concepts is provided in chapter 2 (section 2.2).

¹ For consistency with the *National Housing Affordability Agreement* (COAG 2009a), home purchase assistance is included in housing services for the Indigenous Expenditure Report.

7.1 What are home environment services and why are they important for Indigenous outcomes?

This section identifies the home environment services included in the expenditure estimates presented in this report and summarises the links between home environment services and Indigenous outcomes.

The National Indigenous Reform Agreement (NIRA) identifies healthy homes as a fundamental precondition of a healthy population (COAG 2011). Factors that contribute to a safe and healthy living environment, such as the negative impact of overcrowding, and access to appropriate utilities are broadly covered by the NIRA building block ‘healthy homes’. This building block relates mainly to housing, but also includes amenities and services in the local community, and services and infrastructure that enable Indigenous Australians to interact with the broader economy and society such as transport and communications.

Housing services

Living in a safe and stable environment can provide a sense of belonging and contribute to an individual’s health and wellbeing (PC 2004). Indigenous Australians are more likely to experience a greater range of housing difficulties such as lack of affordable housing, overcrowding and sub-standard accommodation, and homelessness (Flatau and Cooper 2005). Hardship can flow from a lack of access to affordable and appropriate housing, substance misuse and violence (Birdsall-Jones 2008), and the combination of these factors can push people into marginal housing or into a homeless state.

Housing services expenditure in this report comprises outlays on services that provide people with a safe and healthy place to live, including:

- *home purchase assistance* — grants and concessions designed to make home ownership achievable, typically to first home buyers
- *rental assistance* — financial assistance to people in the private rental market
- *social housing* — public housing (dwellings owned or leased to provide affordable rental accommodation) and community housing (rental housing provided for low to moderate income or special needs households)
- *homelessness services* — crisis accommodation, homelessness services and the Supported Accommodation Assistance Program.

Housing services are discussed in more detail at section 7.3. A detailed description of housing services expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a, pp. 129–141).

Community and environment services

The layout of the community, combined with environmental factors, can have a major impact on the overall health of the community (FaHCSIA 2008). Good environmental health is fundamental to a healthy home environment. Poor infrastructure and ineffectual utilities are linked to higher rates of illnesses with environmental causes such as respiratory diseases and can impact children's education and development (SCRGSP 2011).

Many remote Indigenous communities rely on localised water, sewerage and electricity systems and access to these basic services requires a combination of functioning community infrastructure and functioning household hardware (SCRGSP 2011). These are important factors in designing and delivering services to ensure that appropriate standards of environmental health are maintained.

The *Remote Service Delivery National Partnership Agreement* (COAG 2009e) describes the responsibilities of the Australian Government and State and Territory governments in improving access to services for Indigenous Australians living in these locations (including community and environment services).

Community and environment services expenditure in this report comprises outlays on services that support the physical and built environment, including:

- *community development* — planning new or rehabilitating existing communities, land use regulation and community amenities such as street lighting, public conveniences, bus shelters and pedestrian shopping malls
- *water supply* — supply of fresh water for drinking and domestic purposes including public health issues related to the domestic water supply, and the expansion and operation of water supply systems
- *sanitation, waste management and environment protection* — the management of household and industrial waste, sewerage, street cleaning and urban stormwater drainage management, and the protection and conservation of the environment
- *fuel and energy supply* — the administration, regulation, planning, support and operation of electricity, gas and other fuel based industries.

In Australia, community and environment services are provided by all levels of government, including local governments. However, while expenditure by the Australian Government and State and Territory governments to local governments are included in this report, expenditure by local governments is not currently in scope.

A detailed description of community and environment services expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a, pp. 116, 122, 131–140 and 153–159).

Transport and communications services

Transport and communications services are vital to people's everyday living. They can influence an individual's or community's capacity to access: services and opportunities (such as health care, education and employment); information (for example, program information or job vacancies); and maintain social networks (including transport to community events and access to family and friends).

The *National Partnership Agreement on Remote Indigenous Public Internet Access* (COAG 2009c) describes, at a high level, the responsibilities of the Australian Government and State and Territory governments in improving access to internet facilities and computer training for Indigenous Australians in remote locations.

The expenditure estimates presented in this report include services that support connections within and across communities such as:

- *road transport* — community road transport, road maintenance and related administrative activities such as vehicle licensing and registration
- *rail transport* — administration, planning, construction, regulation and operation of urban and other passenger and freight rail transport
- *air transport* — administration, construction, planning, support and operations of air transport facilities and services
- *other transport* — maintaining, regulating, supporting and promoting combined transport systems in which the use of rail, road and ferry services cannot be separated
- *pipelines* — pipeline infrastructure used to transport oil and gas from their source to suppliers (but not final users)
- *communications services* — postal, cable, telephone and wireless communications systems and satellites.

A detailed description of transport and communications services expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a, pp. 175–191).

7.2 An overview of government expenditure on home environment services

This section provides an overview of Australian Government, and State and Territory Government direct expenditure on home environment services in 2010-11. It begins with a summary of the levels and patterns of expenditure, and then considers the main drivers of expenditure — as revealed by the Indigenous Expenditure Report method (chapter 2).

How much does government spend?

Nationally, government direct expenditure on home environment was \$44.4 billion in 2010-11 or 10 per cent of all government direct expenditure on services. The majority of home environment expenditure was on transport and communications (\$21 billion or 47 per cent) (web-table W-J.1).

Estimated expenditure on Indigenous home environment was \$2.4 billion in 2010-11. This represented 5.4 per cent of all government expenditure on home environment services (web-table W-J.1), and 9.4 per cent of all government expenditure on services to Indigenous Australians (figure 7.1a).

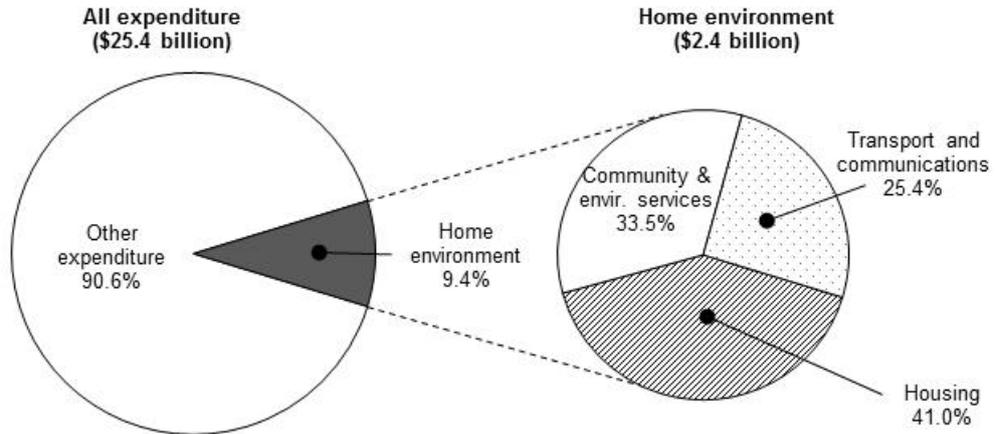
How does Indigenous and non-Indigenous expenditure per person compare?

Estimated government expenditure per person on all home environment services was \$4161 per Indigenous person and \$1930 per non-Indigenous person. That is, an estimated \$2.16 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population in 2010-11 (figure 7.1c). By high level expenditure category:

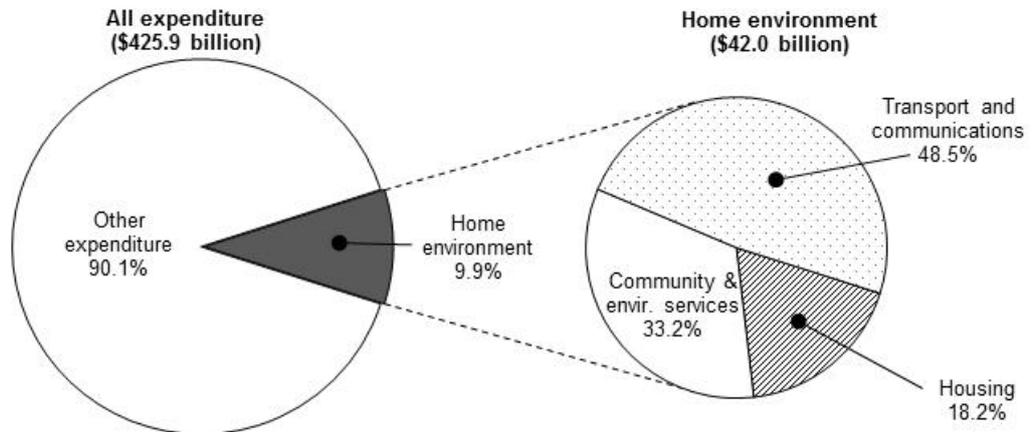
- *housing services* — \$4.85 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian
- *community and environment services* — \$2.18 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian
- *transport and communications services* — \$1.13 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian (attachment table 7.1).

Figure 7.1 **Australian Government *plus* State and Territory Government direct expenditure on home environment services, 2010-11**

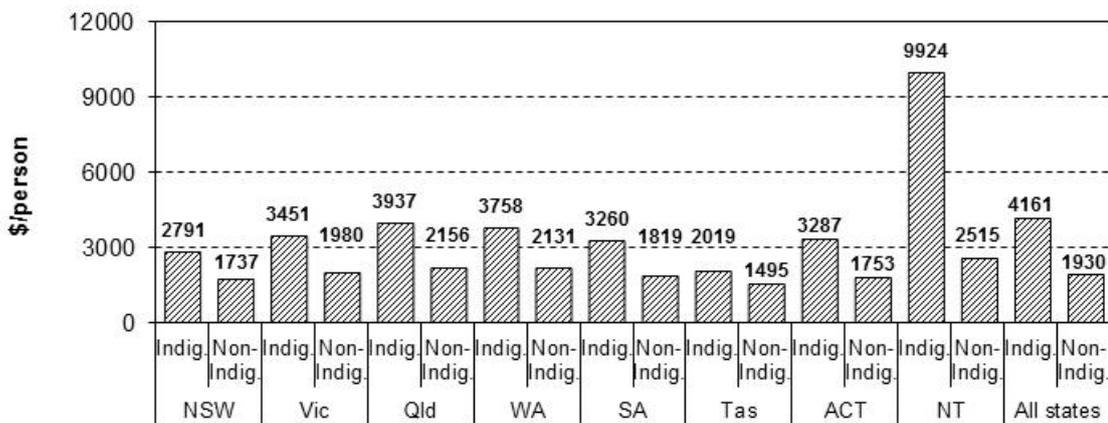
(a) Expenditure on Indigenous Australians



(b) Expenditure on non-Indigenous Australians



(c) Expenditure per person by Indigenous status



Source: attachment table 7.1.

How much do the different levels of government contribute directly?

State and Territory Government direct expenditure accounted for \$1.8 billion (76 per cent) of Indigenous and \$30.3 billion (72 per cent) of non-Indigenous home environment expenditure in 2010-11, with the remainder contributed by Australian Government direct expenditure (attachment table 7.1). The Australian Government also contributes significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 7.1).

Box 7.1 Australian Government indirect expenditure on home environment services in 2010-11^a

Australian Government indirect expenditures ‘to’ and ‘through’ State and Territory governments are reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure in 2010-11 included outlays related to the National Affordable Housing SPP, the Nation Building and Jobs Plan — Social Housing NP, and the Water for the Future NPs, which amounted to just under \$2.5 billion.

To avoid double counting, Australian Government indirect expenditure is not included in estimates reported elsewhere in this chapter. In summary:

- Australian Government indirect expenditure on home environment services was \$8.9 billion in 2010-11, of which \$1.1 billion related to services for Indigenous Australians
- the largest area of expenditure was transport and communications, which accounted for \$4.1 billion, of which \$135 million related to services for Indigenous Australians.

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments ‘to’ and ‘through’ other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure.

Source: web-table W-V.5.

How significant are Indigenous specific services in home environment expenditure?

Government home environment services for Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 7.2).

Box 7.2 Indigenous specific home environment services in 2010-11

The Australian Government, and State and Territory governments provided home environment services to some Indigenous Australians through a number of Indigenous specific (targeted) programs in 2010-11, including:

- *Remote Indigenous Housing (\$675 million)* — Australian Government outlays on the provision of housing for Indigenous people in remote communities and to address overcrowding, homelessness, poor housing conditions and severe housing shortages in remote communities
- *Community Development and Engagement Program (\$7.8 million)* — Victorian Government expenditure for the development of community infrastructure, leadership and governance capacity
- *Remote Area Essential Services Program (\$22.6 million)* — WA Government projects and contracts for power, water and wastewater system maintenance in several remote Indigenous communities
- *Indigenous Essential Services Program (\$28.6 million)* — NT Government funding for the delivery of water services in communities.

Examples of Indigenous specific housing services are provided in box 7.6.

Source: Australian Government, and State and Territory Government unpublished data.

Mainstream services accounted for \$1.5 billion (61 per cent) of direct Indigenous home environment expenditure (attachment table 7.2). By high level expenditure category:

- *housing services* — mainstream services accounted for \$481 million (49 per cent) of direct Indigenous housing services expenditure
- *community and environment services* — mainstream services accounted for \$384 million (48 per cent) of direct Indigenous community and environment services expenditure
- *transport and communications services* — mainstream services accounted for \$594 million (98 per cent) of direct Indigenous transport and communications services expenditure (attachment table 7.2).

Indigenous specific services can either be a substitute for, or a complement to, mainstream services:

- *substitute Indigenous specific services* — are an alternative to mainstream services (for example, Indigenous housing authorities). These services are an alternative way of meeting the needs of Indigenous Australians

-
- *complementary Indigenous specific services* — are provided in addition to mainstream services (for example, natural resource management training), adding to the cost of providing services to Indigenous Australians.

Indigenous specific expenditure accounted for the remaining \$936 million (39 per cent) of direct Indigenous home environment expenditure in 2010-11 (attachment table 7.2). Complementary services accounted for \$630 million (67 per cent) of Indigenous specific home environment expenditure, and substitute services accounted for \$306 million (33 per cent) of Indigenous specific home environment expenditure (web-table W-I.9). By high level expenditure category:

- *housing services* — Indigenous specific services accounted for \$501 million (51 per cent) of direct Indigenous housing expenditure
- *community and environment services* — Indigenous specific services accounted for \$419 million (52 per cent) of direct Indigenous community and environment expenditure
- *transport and communications services* — Indigenous specific services accounted for \$15.4 million (3.0 per cent) of direct Indigenous transport and communications expenditure (web-table W-I.9).

Why is Indigenous expenditure per person different?

Expenditure on Indigenous Australians can vary across jurisdictions and when compared with expenditure on non-Indigenous Australians. The Report method identifies several factors that drive these variations.

What can the method explain about differences in expenditure?

This report estimates direct expenditure on Indigenous Australians based on:

- *intensity of service use* — how much expenditure is driven by the use of services. Intensity of service use has two sub-components:
 - *Indigenous use of mainstream services* — the estimated Indigenous share of mainstream expenditure is proportional to Indigenous Australians' use of mainstream services.

The per capita intensity of service use is higher if, on average, Indigenous Australians use more services than non-Indigenous Australians — either because of greater individual need, or because a higher proportion of the Indigenous population belong to the age group likely to use those services.

-
- *Indigenous specific services that are a substitute for mainstream services* — these are services that Indigenous Australians use instead of a similar mainstream service.
 - *additional cost of service provision* — how much expenditure is driven by the additional cost of providing services to Indigenous Australians, compared with the cost of providing similar services to non-Indigenous Australians. This figure can be negative if it costs less to provide services to Indigenous Australians; for example, if Indigenous Australians tend to use less expensive services. The additional cost of service provision has two sub-components:
 - *mainstream services cost differentials* — any additional cost of providing mainstream services to Indigenous Australians, for reasons such as location, culture and language (chapter 3)
 - *Indigenous specific services that complement mainstream services* — these are services that Indigenous Australians use in addition to a mainstream service; for example, programs focussed on protecting Indigenous culture and heritage.

Conceptual issues associated with interpreting these components are discussed in chapter 2.

Variations in expenditure between Indigenous and non-Indigenous Australians

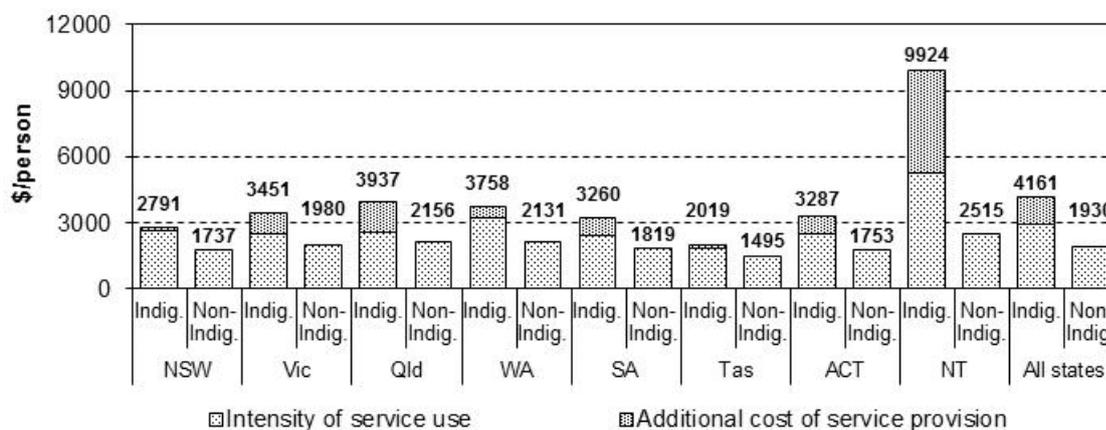
The variation in expenditure per capita between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, *plus* any additional cost of providing services to Indigenous Australians (figure 7.2 and box 7.3).

Estimated expenditure on home environment services per Indigenous person was \$2231 higher than per non-Indigenous person in 2010-11. Just under half of the difference \$1035 (46 per cent) was attributable to the greater intensity of service use, with the remaining \$1196 (54 per cent) attributable to the additional cost of service provision (attachment tables 7.1 and 7.3). The majority (92 per cent) of the additional cost of service provision related to complementary Indigenous specific services (web-table W-I.24).

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *housing services* — was \$1356 higher, which mainly related to a greater intensity of service use (\$908 or 67 per cent), with the remainder (\$447 or

Figure 7.2 **Australian Government *plus* State and Territory Government direct expenditure per person on home environment by driver of expenditure, 2010-11^a**



^a Refer to box 7.3 for guidelines on how to interpret this chart.

Source: attachment table 7.1 and 7.3.

33 per cent) attributable to the additional cost of service provision. The majority (89 per cent) of additional cost of service provision related to complementary Indigenous specific services

- *community and environment services* — was \$754 higher, which mainly related to the additional cost of service provision (\$676 or 90 per cent) which was almost exclusively accounted for by complementary Indigenous specific services. The remainder of the difference (\$78 or 10 per cent) was attributable to greater intensity of service use by Indigenous Australians
- *transport and communications* — was \$122 higher, which mainly related to the additional cost of service provision (\$72 or 59 per cent) of which 36 per cent was accounted for by complementary Indigenous specific services. The remainder of the difference (\$49 or 41 per cent) was attributable to greater intensity of service use by Indigenous Australians (web-table W-I.24).

What influences the intensity of service use and the cost of service provision?

The drivers of intensity of service use vary across services:

- *housing services* are provided to individuals and families. The higher intensity of service use for housing services reflects a greater reliance by Indigenous Australians on government housing services (section 7.3)

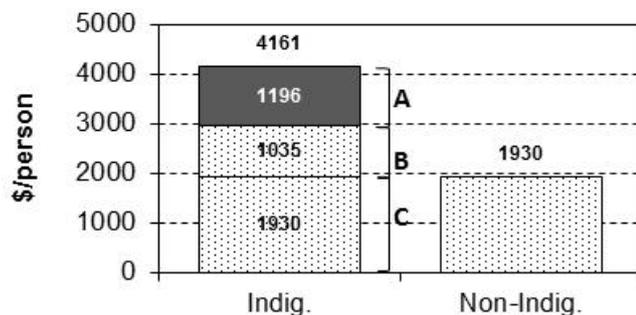
Box 7.3 Interpreting differences in expenditure per person^{a, b}

Total direct expenditure on home environment per Indigenous person was \$4161, compared with \$1930 per non-Indigenous person in 2010-11. That is, \$2.16 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian.

What can the method explain about differences in expenditure?

The Report method estimates direct expenditure on Indigenous home environment services based on the *intensity of service use* and the *additional cost of service provision* (chapter 2).

Intensity of service use accounted for \$2965 per person (71 per cent) of total direct expenditure on Indigenous Australians (area B plus area C in diagram). Additional cost of service provision accounted for the remaining \$1196 per person (29 per cent) (area A).



Variations between Indigenous and non-Indigenous Australians

The \$2231 difference in expenditure per person between Indigenous and non-Indigenous Australians is attributable to greater intensity of service use by Indigenous Australians and additional cost of mainstream service provision (area A plus area B in diagram).

^a Total direct expenditure includes Australian Government plus State and Territory Government direct expenditure. ^b Expenditure per person is not expenditure per user, and must not be interpreted as a proxy for unit cost.

Source: web-table W-M.5.

- *community and environment*, and *transport and communications services* are largely provided for the community as a whole. The Report method assumes that the Indigenous share of mainstream expenditure on these services is proportional to the Indigenous representation in the population (SCRGSP 2012c). Variations in the intensity of service use between Indigenous and non-Indigenous Australians within a jurisdiction reflect the availability of substitute Indigenous specific services. For example, the WA Remote Areas Licensing Program delivers accessible vehicle and driver licensing services to remote Aboriginal communities.

The costs of service provision are determined by the types of services and the context within which they are delivered:

- *transport and communications services* — the cost of service provision is primarily (64 per cent) driven by the additional cost of providing mainstream

services to Indigenous Australians. This includes the higher cost associated with providing these services to people living in remote communities

- *housing services* and *community and environment services* — the cost of service provision is driven predominantly by complementary Indigenous specific programs and services (89 per cent and 99 per cent, respectively) (web-table W-I.23).

Conceptual issues associated with interpreting these components are discussed in chapter 2. The service delivery context is discussed in chapter 3.

What other information is available?

This chapter provides an overview of the 2012 Report estimates of expenditure on home environment. Comprehensive expenditure estimates for 17 separate expenditure categories are available from the project website (box 7.4, appendix D).

7.3 A focus on housing services

This section focuses on estimates of Australian Government, and State and Territory Government expenditure on housing services in 2010-11.

The discussion in this section is provided both as a guide to the detailed estimates available online for 17 separate home environment expenditure categories, and because of the importance of these services for Indigenous outcomes. As noted in chapter 2, an understanding of the levels and patterns of government expenditure on services that support Indigenous Australians can be used to inform four key questions:

- How much did government spend on housing services?
- How much of this was spent on Indigenous Australians and how does this compare with non-Indigenous Australians?
- What were the patterns of service use by Indigenous Australians and how does this compare with non-Indigenous Australians?
- What drives the differences in expenditure between Indigenous and non-Indigenous Australians?

This report's estimates of expenditure on housing services show that in 2010-11:

- the proportion of home environment expenditure spent on housing services for Indigenous Australians was just over twice that for non-Indigenous Australians

Box 7.4 Home environment estimates available online

The web-based attachments (appendix D) include detailed estimates for 17 home environment sub-categories:

- housing services
 - housing (GPC 0711)
 - ... home purchase and home ownership assistance (GPC+ 0711.1)
 - ... social housing (GPC+ 0711.2)
 - ... rental market assistance (GPC+ 0711.3)
 - ... homelessness assistance
 - ... homeless persons' assistance for young people (GPC+ 0621.4)
 - ... homeless persons' assistance for people other than youth (GPC+ 0629.1)
- community and environment services
 - community development (GPC+ 0712.0)
 - community amenities (GPC+ 0790.0)
 - water supply (GPC+ 0720.0)
 - sanitation services and protection of the environment (GPC+ 0730.0)
 - fuel and energy (GPC 09)
- transport and communications services
 - road transport (GPC 121)
 - rail transport (GPC 123)
 - water transport (GPC 122)
 - air transport (GPC 124)
 - pipelines (GPC 1250)
 - other transport (GPC 128)
 - communications (GPC 1290).

- two main factors contributed to the higher level of expenditure on housing services for Indigenous Australians:
 - *Indigenous Australians used more services* — Indigenous Australians are proportionally higher users of housing services, which may reflect the overall lower levels of economic independence of Indigenous Australians
 - *some services for Indigenous Australians cost more to provide* — costs can be higher if mainstream services are more expensive to provide (for example, because of remoteness), or where Indigenous Australians receive additional Indigenous specific (targeted) services (for example, Aboriginal housing programs).

-
- Indigenous specific services accounted for just over half (51 per cent) of expenditure on housing services, with mainstream services accounting for the remaining 49 per cent
 - State and Territory governments provided 75 per cent of expenditure on Indigenous housing services in 2010-11, compared with 59 per cent of non-Indigenous housing services expenditure. The remainder was contributed by the Australian Government (attachment table 7.1)
 - Social housing expenditure on Indigenous Australians was the largest area (67 per cent) of Indigenous expenditure within the housing services categories. Of this, State and Territory governments contributed \$654 million (99 per cent) with the remainder contributed by the Australian Government
 - The Australian Government's largest area of Indigenous expenditure was on home purchase assistance (\$87.0 million or 98 per cent).

What are housing services?

Housing services expenditure in this report includes outlays on:

- *home purchase assistance* — financial support designed to assist low to moderate income households to purchase their first home, or provide help with mortgage repayments. Detailed discussion about home ownership is available in *Home Ownership in Australia — Data and Trends* (PAL 2009)
- *rental assistance* — financial support provided to people in the private rental market, which includes bond loans and assistance with rent payments. More detailed information about rental assistance is available in the *Rent Assistance* report (NS and ACOSS 2003)
- *social housing* — rental accommodation for low to moderate income or special needs households, which includes:
 - *public housing* — owned (or leased) and managed by State and Territory Government housing authorities including state owned and managed Indigenous housing²
 - *community housing* — services managed by Indigenous community housing organisations or mainstream community housing providers.
- *homelessness assistance* — providing support and accommodation for those who are homeless or at risk of homelessness.

² In some states and territories, social housing is also provided by local government. For example, in Queensland, social housing in 16 Indigenous communities is provided by local government. However, expenditure by local governments is currently not within the scope of this report.

Accommodation services for the aged and people with a disability are reported in chapter 8.

For a detailed description of the types of services recorded under the housing services expenditure categories, refer to the 2012 Report *Expenditure Data Manual* (SCRGPS 2012a, pp. 130–133, 116 and 122).

Why are housing services important to Indigenous outcomes?

Safe, stable and appropriate housing contributes to stronger families and communities and plays an important role in enabling participation in society and the economy. While most Australians own their own homes or can access accommodation in the private rental market, some households face challenges in accessing suitable private accommodation, for reasons of cost, discrimination, availability, location and/or adequacy (SCRGSP 2011b).

Indigenous Australians are more likely to use social housing and are over-represented in homelessness statistics, accounting for 9.0 per cent of the homelessness population but only 2.5 per cent of the total population in 2006 (AIHW 2011). Indigenous Australians are more likely than non-Indigenous Australians to experience a greater range of housing difficulties such as housing unaffordability, overcrowding and sub-standard accommodation (Flatau and Cooper 2005), with the level of need greatest in remote areas (Biddle 2008).

- *housing affordability* — 29 per cent of Indigenous Australians aged 18 years or over lived in a home owned, with or without a mortgage in 2008, compared to 65 per cent of non-Indigenous Australians — with Indigenous home ownership rates declining with remoteness (SCRGSP 2011, p. 8.28)
- *overcrowding* — 28 per cent of Indigenous Australians lived in accommodation requiring at least one additional bedroom in 2008 compared to 5.7 per cent of non-Indigenous Australians, with the overcrowding rates of Indigenous households increasing with remoteness (SCRGSP 2011, p. 9.4)
- *sub-standard accommodation* — a higher proportion of Indigenous households (26 per cent) than non-Indigenous households (16 per cent) lived in dwellings with major structural problems in 2008. The most common problems included major cracks in walls and floors, walls and windows not straight and sinking or moving foundations (SCRGSP 2011). The 2006 *Community Housing and Infrastructure Needs Survey* (ABS 2007), reported that in discrete Indigenous communities, 23 per cent of dwellings managed by Indigenous Housing Organisations required major repairs and 7.0 per cent were in need of replacement (AIH 2008).

The *National Affordable Housing Agreement* (COAG 2009a) details the responsibilities and objectives of the Australian Government, and State and Territory governments in terms of housing services for Indigenous and non-Indigenous Australians. The agreement is implemented through the National Affordable Housing SPP, the *National Partnership Agreement on Social Housing* (COAG 2009d) and the *National Partnership Agreement on Remote Indigenous Housing* (COAG 2009b).

What affects the comparison of housing services expenditure?

The *Report on Government Services Indigenous Compendium 2012* noted that the social factors driving the need for public housing services and assistance include:

... a shortage of affordable housing, family and relationship breakdown, unemployment and financial hardship, mental health problems, and drug and alcohol abuse (SCRGSP 2012b, p. 438)

These factors can be compounded for some Indigenous Australians because of:

- *cultural differences* — some Indigenous Australians place a lower priority on permanent accommodation (Memmott 2002). They can have high levels of mobility (Memmott 2004), particularly in remote and rural areas, and become ‘public place dwellers’, or use kinship obligations to find shelter in other households (Birdsall-Jones 2008)
- *disadvantage* — on average, Indigenous Australians have lower incomes and less economic independence than non-Indigenous Australians, which can add to the barriers to entering the private rental market (SCRGSP 2011)
- *demographics* — on average, Indigenous households (3.4 people) were larger than non-Indigenous households (2.6 people) in 2008, partly due to a higher proportion of multiple-family households, and partly due to the younger age profile (ABS 2010)
- *geography* — the most disadvantaged Indigenous households were in remote and rural areas (chapter 3 and SCRGSP 2011). In such locations, providing housing services can be associated with higher costs.

How much does government spend?

Nationally, government direct housing services expenditure was \$8.6 billion (20 per cent) of all direct home environment expenditure in 2010-11. The majority of this was on social housing (\$3.8 billion or 44 per cent), and rental market assistance (\$3.3 billion or 39 per cent) (web-table W-J.5).

Estimated expenditure on Indigenous housing services was \$982 million in 2010-11. This represented 41 per cent of all government direct Indigenous home environment expenditure (figure 7.3a). In comparison, expenditure on non-Indigenous housing services represented only 18 per cent of all government direct non-Indigenous home environment expenditure (figure 7.3b).

Housing services was the largest area of home environment expenditure for Indigenous Australians (41 per cent), followed by transport and communications services (25 per cent) and community and environment services (34 per cent) (figure 7.3a).

Estimated expenditure on Indigenous housing services comprised:

- *home purchase assistance* — \$89.5 million (9.0 per cent) of direct Indigenous housing expenditure, compared with 14 per cent for direct non-Indigenous housing expenditure
- *social housing* — \$660 million (67 per cent) of direct Indigenous housing expenditure, compared with 41 per cent for direct non-Indigenous housing expenditure
- *rental market assistance* — \$154 million (16 per cent) of direct Indigenous housing expenditure, compared with 41 per cent for direct non-Indigenous housing expenditure
- *homelessness assistance* — \$79.4 million (8.0 per cent) of direct Indigenous housing expenditure, compared with 4.0 per cent for direct non-Indigenous housing expenditure (web-table W-J.5).

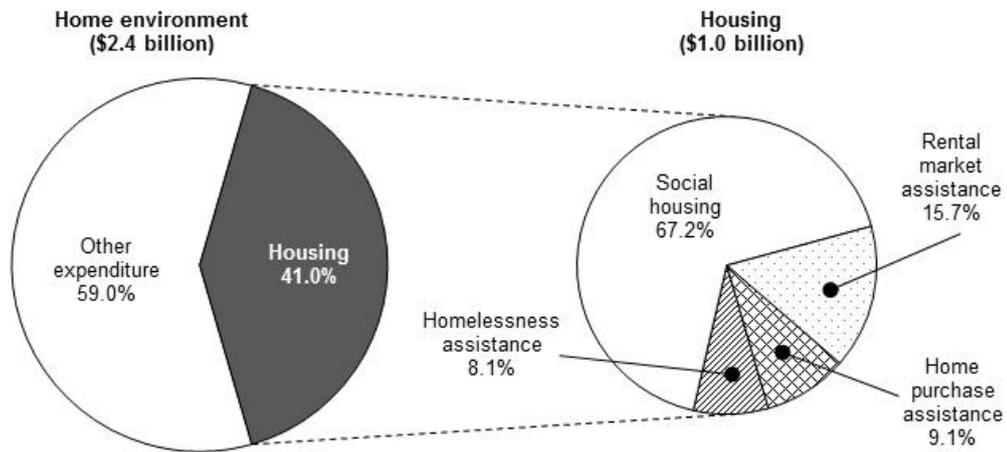
How does Indigenous and non-Indigenous expenditure per person compare?

Estimated total government direct expenditure per person on housing services was \$1708 per Indigenous person and \$352 per non-Indigenous person in 2010-11. That is, an estimated \$4.85 was spent per Indigenous person for every dollar spent per non-Indigenous person in the population in 2010-11 (figure 7.3c). This expenditure comprised:

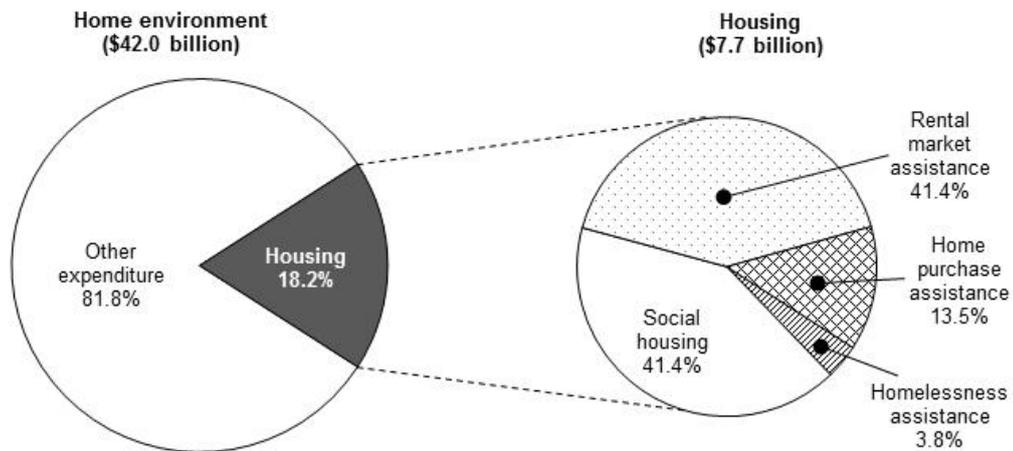
- *home purchase assistance* — \$156 was spent per Indigenous person and \$47 per non-Indigenous person. That is, an estimated \$3.28 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
- *social housing* — \$1147 was spent per Indigenous person and \$146 per non-Indigenous person. That is, an estimated \$7.87 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population

Figure 7.3 Australian Government *plus* State and Territory Government direct expenditure on housing, 2010-11

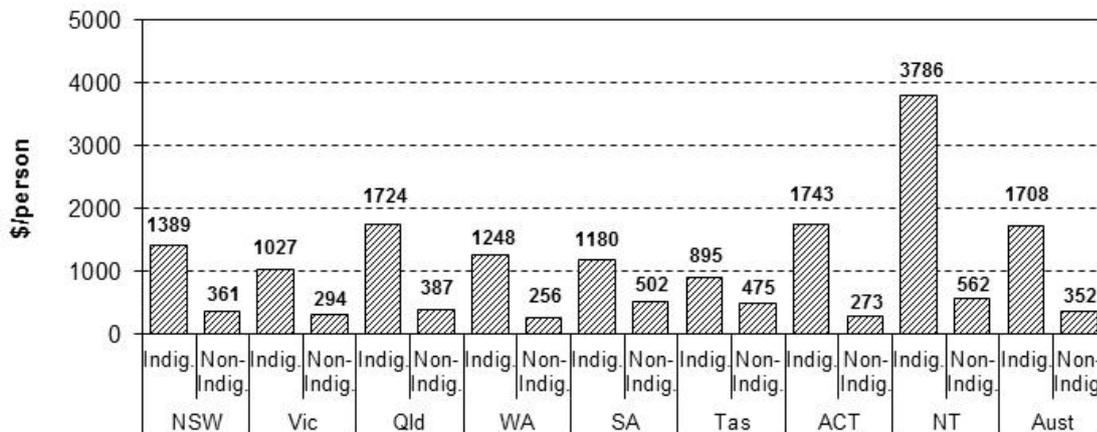
(a) Expenditure on Indigenous Australians



(b) Expenditure on non-Indigenous Australians



(c) Expenditure per person by Indigenous status



Source: attachment table 7.1.

-
- *rental market assistance* — \$267 was spent per Indigenous person and \$146 per non-Indigenous person. That is, an estimated \$1.83 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
 - *homelessness assistance* — \$138 was spent per Indigenous person and \$13 per non-Indigenous person. That is, an estimated \$10.44 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population (web-table W-K.5).

The average expenditure per Indigenous Australian varied more across jurisdictions than expenditure per non-Indigenous Australian (figure 7.3c), mainly due to differences in the intensity of use of housing services. Indigenous Australians used housing services more intensively than non-Indigenous Australians in all states and territories. However, states and territories with a higher proportion of Indigenous Australians living in remote and very remote locations (such as in WA and the NT) tended to have higher intensity of housing service use and therefore higher average expenditure per Indigenous person (figure 7.4).

How much do the different levels of governments contribute directly?

State and Territory Government direct expenditure accounted for \$738 million (75 per cent) of Indigenous and \$4.5 billion (59 per cent) of non-Indigenous housing expenditure in 2010-11. The remainder was contributed by the Australian Government (attachment table 7.1).

State and Territory Government direct expenditure:

- *home purchase assistance* — accounted for \$2.1 million (2.0 per cent) of Indigenous and \$1.0 billion (98 per cent) of non-Indigenous home purchase assistance expenditure
- *social housing* — accounted for \$654 million (99 per cent) of Indigenous and \$3.1 billion (98 per cent) of non-Indigenous social housing expenditure
- *rental market assistance* — accounted for \$12.4 million (8.0 per cent) of Indigenous and \$152 million (5.0 per cent) of non-Indigenous rental market assistance expenditure
- *homelessness assistance* — accounted for \$68.9 million (87 per cent) of Indigenous and \$235 million (82 per cent) of non-Indigenous homelessness assistance expenditure (web-table W-J.5).

The remaining direct expenditure was contributed by the Australian Government. The Australian Government also contributed significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 7.5).

Box 7.5 Australian Government indirect expenditure on housing services in 2010-11^a

Australian Government indirect expenditure 'to' and 'through' State and Territory governments is reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure in 2010-11 included outlays related to the National Affordable Housing Specific Purpose Payment (SPP), National Partnership payments for First Home Owners Boost, Homelessness, Nation Building and Jobs Plan — Social Housing, East Kimberley Development — Indigenous Housing and Remote Indigenous Housing.

To avoid double counting, indirect Australian Government expenditure is not reported in this chapter. In summary:

- Australian Government indirect expenditure on housing services was \$3.5 billion in 2010-11, of which \$942 million related to services for Indigenous Australians
- The largest area of expenditure was social housing, which accounted for \$3.2 billion with the remainder for home purchase assistance (\$177 million) and homelessness assistance (\$131 million).

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments 'to' and 'through' other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure.

Source: web-table W.V.5.

How significant are Indigenous specific services in housing services expenditure?

Government housing services for Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 7.6). Indigenous Australians have higher use of Indigenous specific home purchase assistance (mainly loans through Indigenous Business Australia's Home Ownership Program) and social housing (mainly State and Territory Government expenditure under the National Housing Affordability and Remote Indigenous Housing agreements). Expenditure for rental market assistance and homelessness assistance is largely through mainstream services.

Indigenous specific expenditure on housing services was \$501 million (51 per cent of total Indigenous expenditure on these services) in 2010-11. Mainstream services accounted for the remaining \$481 million (49 per cent) (attachment table 7.2). By expenditure category:

- *home purchase assistance* — Indigenous use of mainstream home purchase assistance accounted for \$2.2 million (2.5 per cent) of Indigenous expenditure in

this area, with Indigenous specific (targeted) services accounting for \$87.3 million (97.5 per cent)

- *social housing* — Indigenous use of mainstream social housing accounted for \$262 million (40 per cent) of Indigenous expenditure in this area, with Indigenous specific (targeted) services accounting for \$398 million (60 per cent)
- *rental market assistance* — Indigenous use of mainstream rental market assistance accounted for \$142 million (92 per cent) of Indigenous expenditure in this area with Indigenous specific (targeted) services accounting for \$12.0 million (8.0 per cent)
- *homelessness assistance* — Indigenous use of mainstream homelessness assistance accounted for \$75.4 million (95 per cent) of Indigenous expenditure in this area with Indigenous specific (targeted) services accounting for \$4.0 million (5.0 per cent) (web-table W-J.5).

Box 7.6 Indigenous specific housing services in 2010-11

The Australian Government, and State and Territory governments provided housing services to some Indigenous Australians through a number of Indigenous specific (targeted) programs in 2010-11, including:

- *Indigenous Business Australia Home Ownership Program (\$87 million)* — Australian Government agency, Indigenous Business Australia, provides concessional housing loans to eligible Indigenous Australians who wish to purchase an established residential property, purchase land and construct a new home, or make essential improvements to an existing home
- *Aboriginal Housing Office expenditure (\$74 million)* — this NSW Government service provides supported housing to Indigenous Australians including operating subsidies and targeted repairs
- *Rural and Remote Capital Grants (\$9.9 million)* — these Queensland Government grants aim to reduce overcrowding in existing properties and increase diversity of housing stock in the community
- *Kimberley Aboriginal Community Housing Project (\$130 000)* — this WA Government project funds the construction and management of 31 new houses in Fitzroy Crossing, Halls Creek and Kununurra. The housing will be made available for 25 years to Aboriginal people entering employment, providing an employment incentive and potentially enhancing Aboriginal socioeconomic outcomes
- *Aboriginal Housing Services (\$4.3 million)* — the Tasmanian Government provides funding for an Aboriginal housing services program, which is jointly managed by three Regional Aboriginal Tenancy Allocation Panels and Housing Tasmania.

Source: Australian Government, and State and Territory Government unpublished data.

Why is Indigenous expenditure per person different?

Expenditure on housing services per Indigenous person varied across jurisdictions and compared with expenditure per non-Indigenous person. The Report method separately identifies several factors that drive these variations (section 7.2).

Variation in expenditure between Indigenous and non-Indigenous Australians

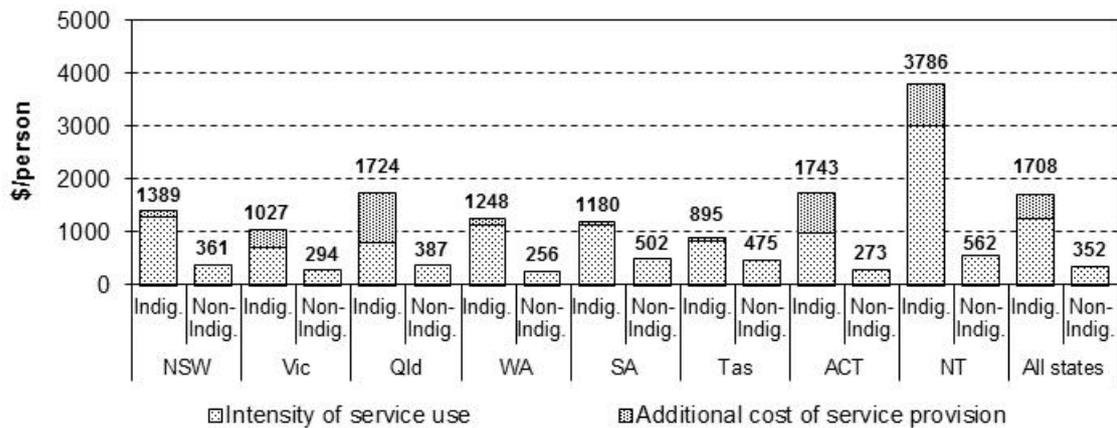
The variation in expenditure per person between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, plus any additional cost of providing services to Indigenous Australians (figure 7.4 and box 7.3).

Estimated direct expenditure on housing services per Indigenous person was \$1356 higher than per non-Indigenous person in 2010-11. The majority of the difference \$908 (67 per cent) was attributable to a greater intensity of service use, with the remaining \$447 (33 per cent) attributable to the additional cost of service provision (attachment tables 7.1 and 7.3). The majority (89 per cent) of additional cost of service provision related to complementary Indigenous specific services (services used in addition to mainstream services) (web-table W-I.24).

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *home purchase assistance* — was \$108 higher. The lower intensity of service use by Indigenous Australians (\$44 *lower*) was offset by the additional cost of service provision (\$152 higher), almost exclusively related to complementary Indigenous specific services
- *social housing* — was \$1001 higher, which mainly related to the greater intensity of service use (\$717 or 72 per cent), with the remainder attributable to the additional cost of service provision (\$284 or 28 per cent). The majority (85 per cent) of the additional cost of service provision related to complementary Indigenous specific services
- *rental market assistance* — was \$122 higher, which related almost exclusively to the greater intensity of mainstream services use (83 per cent), with the remainder accounted for by substitute Indigenous specific services
- *homelessness assistance* — was \$125 higher, which mainly related to greater intensity of service use (\$114 or 91 per cent), with the remainder (\$11 or 9.0 per cent) attributable to additional cost of service provision. The majority (63 per cent) of the additional cost of service provision related to complementary Indigenous specific services (web-table W-I.24).

Figure 7.4 **Australian Government *plus* State and Territory Government direct expenditure per person on housing services by driver of expenditure, 2010-11^a**



^a Refer to box 7.3 for guidelines on how to interpret this chart.

Source: attachment tables 7.1 and 7.3.

What influences the intensity of service use and cost of service provision?

Intensity of service use is determined by the different patterns of use by Indigenous and non-Indigenous Australians.

Indigenous Australians may live in households where the number of occupants fluctuates, for social or cultural reasons. Indigenous people often have high rates of temporary mobility, and sharing homes with visiting relations and kin is common (ABS 2004). Indigenous homes are therefore likely to accommodate more occupants than the average non-Indigenous household.

The Overcoming Indigenous Disadvantage report notes that overcrowded living conditions can lead to pressure on utilities that support health (such as sewerage systems and washing machines), can increase domestic tensions and contribute to domestic violence, and can affect the ability of children to study or rest (SCRGSP 2011). As a result, overcrowding can act as both a ‘hedge against primary homelessness and as a force which can impel people into the homeless state’ (Birdsall-Jones 2008).

7.4 References

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Attachment 7.A Summary data tables

Table 7.1 **Australian Government *plus* State and Territory Government direct expenditure on home environment, 2010-11^{a, b}**

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Housing services										
Total expenditure										
Indigenous										
Aust Govt	\$m	81	18	65	20	10	6	2	42	245
State Govt	\$m	153	21	219	77	26	12	6	223	738
Non-Indigenous										
Aust Govt	\$m	1 044	715	767	262	250	79	27	14	3 157
State Govt	\$m	1 498	897	936	305	563	153	68	76	4 497
Total	\$m	2 776	1 651	1 988	663	849	250	104	355	8 637
Indig. share	%	8.4	2.3	14.3	14.6	4.3	7.4	8.1	74.5	11.4
Expenditure per person ^c										
Indig.	\$/per	1 389	1 027	1 724	1 248	1 180	895	1 743	3 786	1 708
Non-Indig.	\$/per	361	294	387	256	502	475	273	562	352
Ratio ^d	ratio	3.84	3.49	4.45	4.88	2.35	1.88	6.39	6.74	4.85
Community and environment services										
Total expenditure										
Indigenous										
Aust Govt	\$m	60	14	72	30	14	8	2	76	277
State Govt	\$m	36	35	83	98	32	2	2	237	526
Non-Indigenous										
Aust Govt	\$m	2 391	1 863	1 495	753	550	166	119	55	7 392
State Govt	\$m	1 200	1 908	884	1 638	630	51	120	115	6 544
Total	\$m	3 686	3 819	2 534	2 519	1 227	227	243	483	14 739
Indig. share	%	2.6	1.3	6.1	5.1	3.8	4.7	1.5	64.8	5.4
Expenditure per person ^c										
Indig.	\$/per	564	1 307	943	1 655	1 502	516	744	4 484	1 395
Non-Indig.	\$/per	511	688	541	1 080	729	444	680	1 056	641
Ratio ^d	ratio	1.11	1.90	1.74	1.53	2.06	1.16	1.09	4.25	2.18

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Table 7.1 (continued)

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Transport and communications services										
Total expenditure										
Indigenous										
Aust Govt	\$m	13	2	20	10	3	2	0	11	62
State Govt	\$m	129	40	190	56	15	10	4	104	547
Non-Indigenous										
Aust Govt	\$m	323	238	267	126	93	42	13	13	1 114
State Govt	\$m	5 762	5 229	5 131	1 635	859	239	268	132	19 255
Total	\$m	6 226	5 509	5 607	1 828	970	293	285	260	20 978
Indig. share	%	2.3	0.8	3.7	3.6	1.8	4.3	1.4	44.5	2.9
Expenditure per person ^c										
Indig.	\$/per	837	1 118	1 269	856	577	608	800	1 654	1 058
Non-Indig.	\$/per	865	998	1 228	795	588	575	800	897	937
Ratio ^d	ratio	0.97	1.12	1.03	1.08	0.98	1.06	1.00	1.84	1.13
All home environment										
Total expenditure										
Indigenous										
Aust Govt	\$m	153	34	157	60	28	17	4	129	583
State Govt	\$m	318	96	492	232	73	25	12	564	1 811
Non-Indigenous										
Aust Govt	\$m	3 758	2 815	2 529	1 141	893	286	160	82	11 663
State Govt	\$m	8 460	8 034	6 951	3 578	2 052	443	456	323	30 297
Total	\$m	12 689	10 979	10 129	5 010	3 046	771	632	1 098	44 354
Indig. share	%	3.7	1.2	6.4	5.8	3.3	5.4	2.5	63.1	5.4
Expenditure per person ^c										
Indig.	\$/per	2 791	3 451	3 937	3 758	3 260	2 019	3 287	9 924	4 161
Non-Indig.	\$/per	1 737	1 980	2 156	2 131	1 819	1 495	1 753	2 515	1 930
Ratio ^d	ratio	1.61	1.74	1.83	1.76	1.79	1.35	1.87	3.95	2.16

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. ^d The ratio of total Indigenous expenditure per person to total non-Indigenous expenditure per person. This reflects the combined effects of differential use patterns and costs between Indigenous and non-Indigenous people (subject to the limitation of the data and methodology).

Source: web-tables W-J.1 and W-K.1.

Table 7.2 Australian Government *plus* State and Territory Government direct expenditure on Indigenous home environment by type of expenditure, 2010-11^{a, b}

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Housing services									
Total Indigenous expenditure (\$million)									
Mainstream ^c	136	26	134	68	15	13	5	85	481
Indig. specific ^d	99	13	150	29	22	6	4	179	501
Total Indig.	234	39	284	97	37	18	8	265	982
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	804	687	812	877	485	609	969	1 221	836
Indig. specific ^d	586	340	912	370	695	286	774	2 565	871
Total Indig.	1 389	1 027	1 724	1 248	1 180	895	1 743	3 786	1 708
Community and environment services									
Total Indigenous expenditure (\$million)									
Mainstream ^c	86	26	95	68	23	9	3	74	384
Indig. specific ^d	9	23	61	61	24	1	0	239	419
Total Indig.	95	49	156	129	47	11	4	313	803
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	511	688	575	873	729	444	680	1 056	667
Indig. specific ^d	54	618	368	782	773	72	64	3 427	728
Total Indig.	564	1 307	943	1 655	1 502	516	744	4 484	1 395
Transport and communications services									
Total Indigenous expenditure (\$million)									
Mainstream ^c	140	42	204	64	18	12	4	109	594
Indig. specific ^d	1	0	5	3	0	0	–	6	15
Total Indig.	141	42	209	66	18	13	4	116	609
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	832	1 114	1 238	820	569	599	800	1 567	1 032
Indig. specific ^d	5	3	31	35	8	9	–	87	27
Total Indig.	837	1 118	1 269	856	577	608	800	1 654	1 058
All home environment									
Total Indigenous expenditure (\$million)									
Mainstream ^c	362	94	433	200	55	34	12	269	1 458
Indig. specific ^d	109	36	216	92	46	8	4	425	936
Total Indig.	471	130	649	292	101	42	16	693	2 394

(Continued next page)

Table 7.2 (continued)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All states
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	2 146	2 490	2 625	2 571	1 784	1 652	2 450	3 844	2 535
Indig. specific ^d	645	962	1 311	1 188	1 476	367	837	6 080	1 626
Total Indig.	2 791	3 451	3 937	3 758	3 260	2 019	3 287	9 924	4 161

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c *Mainstream expenditure* includes outlays on programs, services and payments that are available to both Indigenous and non-Indigenous Australians on either a targeted or universal basis. Indigenous mainstream expenditure comprises a component estimated on the basis of service use and a component estimated on the basis of the difference in the cost of providing these services to Indigenous and non-Indigenous people. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d Indigenous specific expenditure includes outlays on programs, services and payments that are explicitly targeted to Indigenous Australians. These programs, services and payments can be either complementary (additional) to, or be substitute (alternative) for, mainstream services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. – Zero or rounded to zero.

Source: web-tables W-J.1 and W-K.1.

Table 7.3 Australian Government *plus* State and Territory Government direct expenditure on Indigenous home environment by driver of expenditure, 2010-11^{a, b}

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Housing services									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	214	27	130	88	35	17	5	210	725
Cost of provision ^d	20	12	154	9	1	2	4	54	257
Total Indig.	234	39	284	97	37	18	8	265	982
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	1 269	708	788	1 127	1 135	818	988	3 007	1 260
Cost of provision ^d	121	319	936	121	45	77	754	779	447
Total Indig.	1 389	1 027	1 724	1 248	1 180	895	1 743	3 786	1 708
Community and environment services									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	86	26	93	99	23	9	3	74	413
Cost of provision ^d	9	23	62	29	24	1	0	239	389
Total Indig.	95	49	156	129	47	11	4	313	803
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	511	688	565	1 276	733	444	680	1 056	719
Cost of provision ^d	54	618	378	379	769	72	64	3 427	676
Total Indig.	564	1 307	943	1 655	1 502	516	744	4 484	1 395
Transport and communications services									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	140	42	204	64	18	12	4	83	567
Cost of provision ^d	1	0	5	2	0	0	–	33	42
Total Indig.	141	42	209	66	18	13	4	116	609
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	832	1 114	1 238	828	569	599	800	1 184	986
Cost of provision ^d	5	3	31	28	8	9	–	470	72
Total Indig.	837	1 118	1 269	856	577	608	800	1 654	1 058
All home environment									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	441	95	427	251	76	38	12	367	1 706
Cost of provision ^d	30	35	222	41	26	3	4	327	688
Total Indig.	471	130	649	292	101	42	16	693	2 394

(Continued next page)

Table 7.3 (continued)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All states
Expenditure per Indigenous person (\$/person) ^d									
Intensity of use ^c	2 611	2 511	2 592	3 231	2 437	1 861	2 469	5 247	2 965
Cost of provision ^d	180	940	1 345	527	823	158	818	4 677	1 196
Total Indig.	2 791	3 451	3 937	3 758	3 260	2 019	3 287	9 924	4 161

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. A more detailed overview of the *2012 Indigenous Expenditure Report* method is provided in chapter 2. ^c *Intensity of service use* component includes the use of mainstream services *plus* substitute Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d *Cost of service provision* component includes any additional cost of providing mainstream services to Indigenous Australians *plus* complementary Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. – Zero or rounded to zero.

Source: web-tables W-L.1 and W-M.1.

8 Safe and supportive communities

Key points

- Safe and supportive community services promote an environment in which Indigenous Australians can feel safe from violence, abuse and neglect, and are able to engage in the communities in which they live
 - law courts and legal services, including access to justice, is the focus area of expenditure for this chapter.
- Government direct expenditure on all safe and supportive community services was \$63.9 billion in 2010-11. Direct expenditure on services to Indigenous Australians made up \$6.8 billion (11 per cent) of the total
 - State and Territory governments provided \$4.8 billion (71 per cent) of direct Indigenous expenditure — the Australian Government provided the remaining 29 per cent, plus significant indirect payments ‘to’ and ‘through’ the State and Territory governments
 - most Indigenous expenditure related to mainstream services (\$5.4 billion, 79 per cent) — but Indigenous specific (targeted) expenditure accounted for \$1.4 billion (21 per cent) of safe and supportive community direct expenditure.
- Government direct expenditure per head of population on safe and supportive community services was \$11 814 per Indigenous person and \$2624 per non-Indigenous person in 2010-11, (a ratio of 4.5 to 1).
- Law courts and legal services accounted for \$5.3 billion (22 per cent) of total and \$736 million (23 per cent) of Indigenous direct expenditure on safe and supportive community services in 2010-11.
- Direct law courts and legal services expenditure per head of population was \$1280 per Indigenous Australian and \$209 per non-Indigenous Australian in 2010-11, (a ratio of 6.13 to 1). Expenditure per head of population is not expenditure per user, and must not be interpreted as a proxy for unit cost.
- The \$1017 difference in law courts and legal services expenditure per person was due to:
 - *greater intensity of service use (\$737 or 69 per cent)* — which relates to the overrepresentation of the Indigenous population in the justice system. However, care should be exercised in this area because of the relatively poor quality of the data and limited information on per-incident costs
 - *additional cost of service provision (\$334 or 31 per cent)* — related almost exclusively to complementary Indigenous specific services (services provided in addition to mainstream services).

This chapter presents estimates of Australian Government, and State and Territory Government direct expenditure in 2010-11 on services that contribute to safe and supportive communities for Indigenous Australians. This includes expenditure on public order and safety, community support and welfare, and recreation and culture.

Promoting an environment in which Indigenous Australians feel safe from violence, abuse and neglect, and are able to engage in the communities in which they live, is important. It provides a foundation for the physical and mental wellbeing of Indigenous Australians, as well as their non-Indigenous counterparts (Lawrence 2007, SCRGSP 2011).

Interpreting the estimates in this chapter requires an understanding of the strengths and limitations of the method and data (chapter 2), and the context within which Indigenous services are provided (chapter 3).

A description of safe and supportive community services included in these estimates and the links between expenditure on these services and Indigenous outcomes is discussed in section 8.1.

Section 8.2 presents an overview of total (Australian Government plus State and Territory Government) direct expenditure on safe and supportive community services. Comprehensive expenditure estimates for 20 safe and supportive community services expenditure categories are available from the project website (appendix D).

Section 8.3 analyses expenditure on law courts and legal services (including access to justice) — covering three of the 20 safe and supportive community services expenditure categories — as a guide to the more detailed estimates available online.

What is 'direct' expenditure?

Direct expenditure is government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments during the reference year.

Indirect expenditure is government payments 'to' and 'through' other governments. Such payments may not be spent by the recipient government in the reference year, and may be spent on capital rather than the provision of services. It is also difficult to categorise the area of expenditure of 'untied' indirect payments such as GST transfers.

A detailed discussion of expenditure concepts is provided in chapter 2 (section 2.2).

8.1 What are safe and supportive communities services and why are they important for Indigenous outcomes?

This section identifies the scope of services included in the safe and supportive community expenditure estimates presented in this report and summarises the links between safe and supportive communities services and Indigenous outcomes.

Safe and supportive communities services promote environments in which Australians can feel safe from violence, abuse and neglect. The National Indigenous Reform Agreement (COAG 2011) identifies the need to provide Indigenous Australians with safe and supportive communities as one of the seven building blocks for improving Indigenous outcomes. Such environments contribute to a resilient, caring and protective community, promoting a range of positive outcomes (SCRGSP 2011).

Public order and safety

Public order and safety services include the operation of institutions and agencies that support the rule of law, protect public safety in the event of emergencies, and aim to ensure a cohesive, safe and just society for all Australians. Indigenous Australians gain social, cultural and economic benefits from services that ensure a safe home environment and equitable access to the legal system and services. This helps enforce legal rights over land and cultural property, and fair representation in the criminal justice system (SCRGSP 2011).

Public order and safety services also aim to reduce the consequences of criminal activity, which can include problems with physical and mental health, employment and income prospects and re-offending (Graffam and Shinkfield 2012, Krieg 2006).

Public order and safety expenditure in this report includes outlays on:

- *police services* — expenditure on areas including crime and corruption commissions, criminal investigation, traffic and commuter services such as road safety and the safety of commuters using public transport, and community safety and support including crime prevention and responding to calls for assistance
- *law courts and legal services* — expenditure on areas including criminal court services, other courts and legal services such as civil courts and Native title, and access to justice including legal assistance services and policy and law reform. Expenditure on law courts and legal services is discussed in more detail in section 8.3

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- *prison and corrective services* — expenditure on areas including juvenile and adult community based and facility based detention and corrective services
 - *other public order* — expenditure on metropolitan and other fire protection services, and other public order and safety services such as maintenance of state emergency services, and lifesaving and beach patrols.

A detailed description of the public order and safety expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012c, pp. 47–57).

Community support and welfare

Community support and welfare services assist people who need help to meet the challenges that arise in their day-to-day lives — such as the aged, people with a disability, children at risk and families with young children. Governments provide a range of services and supports that aim to assist people and reduce barriers to participating in the community. This is particularly important for Indigenous Australians, who can be disproportionately represented among users of these services (SCRGSP 2011).

Community support and welfare expenditure in this report includes outlays on:

- *welfare for the aged* — expenditure on nursing homes for the aged, welfare services for the aged including support programs, and home and residential care services
- *welfare services for people with a disability* — expenditure on accommodation support, community support, community access and other disability support such as employment services
- *protection and support services* — expenditure on child protection and out-of-home care services
- *general family and support services* — expenditure on child support payments and family support, including intensive family support
- *other welfare services* — expenditure on social security and welfare services not elsewhere classified, such as superannuation support programs, Indigenous advancement programs and research into social security and welfare affairs and services.

A detailed description of the community support and welfare service expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012c, pp. 93–113).

Recreation and culture

Recreation and culture services include services for the general community, such as arts, language and cultural activities, national parks and sporting grounds, as well as specific initiatives to support and promote Indigenous identity (such as Indigenous film and television).

Taking part in sport, arts or community group activities can foster self-esteem, social interaction and the development of skills and teamwork (SCRGSP 2011). Furthermore, for Indigenous Australians participation in artistic and cultural activities helps to reinforce and preserve living culture, and maintains connection to family and traditional country. This in turn, develops identity, sense of place and self-esteem in the building of strong cultural foundations. These attributes can contribute to a decrease in abuse and neglect, the prison population, and overall displacement from Australian society (Read 2000). They can also provide a profitable source of employment (such as through the production of Indigenous art), which contributes to economic participation.

Recreation and culture services expenditure in this report includes outlays on:

- *national parks and wildlife* — expenditure on administration and the operation of national parks, including historic houses and sites that are part of national parks and wildlife services
- *recreation services* — expenditure on other recreation facilities and services such as playgrounds, sporting grounds and recreational parks and gardens, and administration and operation costs associated with recreational and cultural affairs and services.

A detailed description of all recreation and culture expenditure categories are provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012c, pp. 131–137).

There are strong links between the safe and supportive communities outcome areas and other building blocks. For example, some public order and safety services (such as substance abuse programs) can contribute to improved educational outcomes, good physical and mental health, and consequently, a greater level of economic participation. In contrast, community fragmentation arising from factors such as unstable home environments can contribute to substance misuse, increased family and community violence and crime and, consequently, an increased call on public order and safety agencies (SCRGSP 2011).

8.2 An overview of government expenditure on safe and supportive communities services

This section provides an overview of Australian Government, and State and Territory Government direct expenditure on safe and supportive communities services in 2010-11. It begins with a summary of the levels and patterns of expenditure, and then considers the main drivers of expenditure — as identified by the Indigenous Expenditure Report method (chapter 2).

How much does government spend?

Nationally, government direct expenditure on safe and supportive communities was \$63.9 billion in 2010-11, 14 per cent of all government direct expenditure. Half of this was on community support and welfare (\$32.0 billion, 50 per cent), with the remainder spent on public order and safety, and recreation and culture (web-table W-J.11).

Estimated expenditure on safe and supportive communities services provided to Indigenous Australians was \$6.8 billion in 2010-11. This represented 11 per cent of all government safe and supportive communities expenditure (web-table W-J.1), and 27 per cent of all government expenditure on services to Indigenous Australians (figure 8.1a).

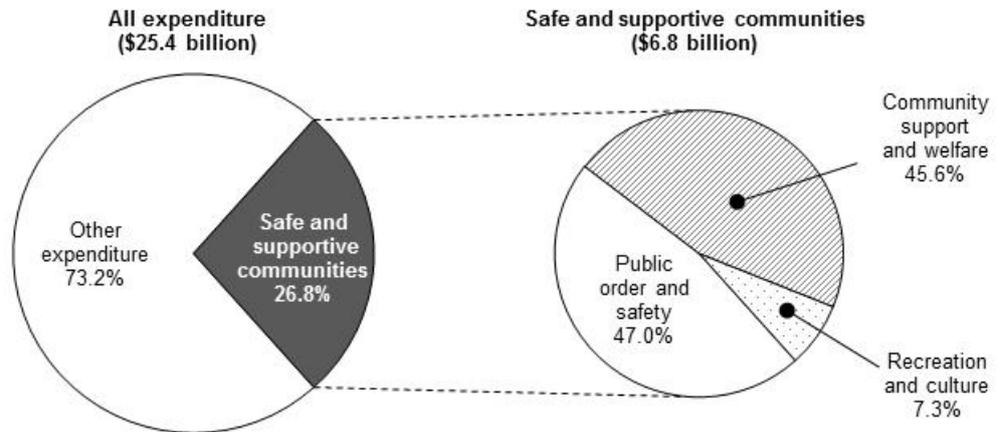
How does Indigenous and non-Indigenous expenditure per person compare?

Estimated government expenditure per head of population on safe and supportive communities was \$11 814 per Indigenous person and \$2624 per non-Indigenous person (figure 8.1c). That is, an estimated \$4.50 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in 2010-11. By high level expenditure category:

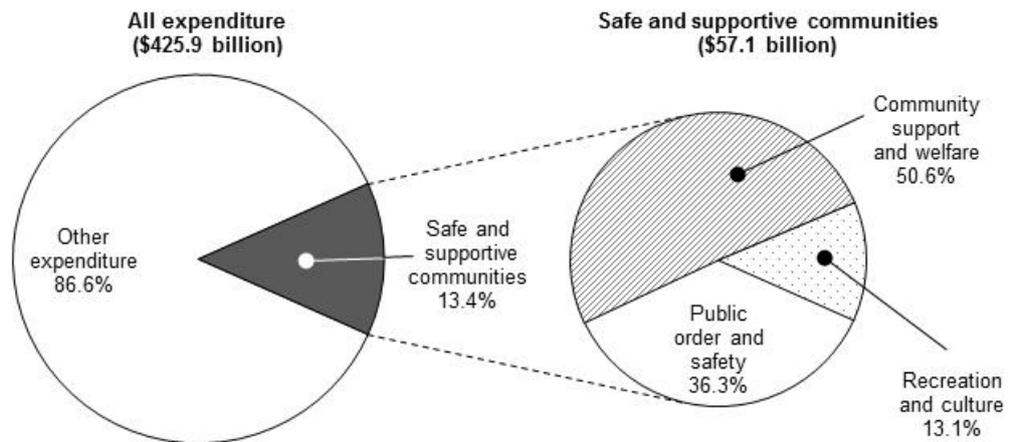
- *public order and safety* — \$5.83 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian
- *community support and welfare* — \$4.06 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian
- *recreation and culture* — \$2.52 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian (attachment table 8.1).

Figure 8.1 **Australian Government *plus* State and Territory Government direct expenditure on safe and supportive communities, 2010-11**

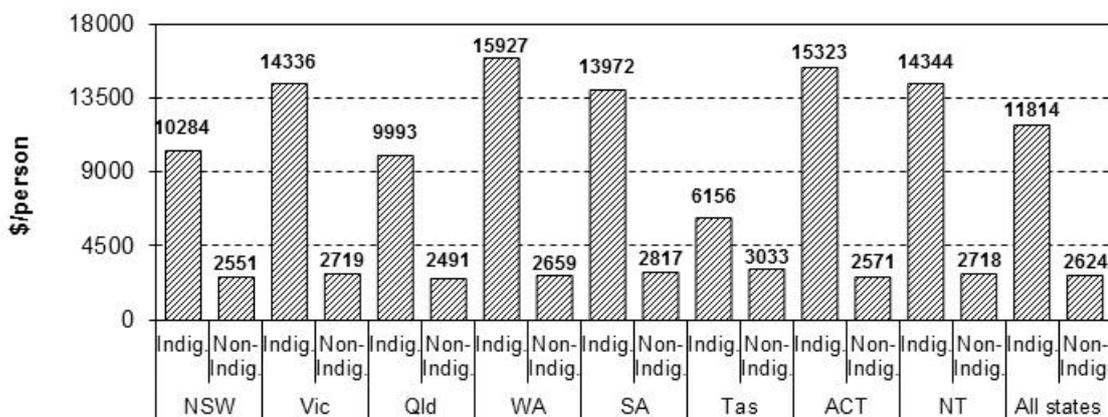
(a) Expenditure on Indigenous Australians



(b) Expenditure on non-Indigenous Australians



(c) Expenditure per person by Indigenous status



Source: attachment table 8.1.

How much do the different levels of government contribute?

State and Territory Government direct expenditure accounted for \$4.8 billion (71 per cent) of direct Indigenous safe and supportive communities expenditure and \$34.1 billion (60 per cent) of direct non-Indigenous safe and supportive communities expenditure in 2010-11, with the remainder contributed by the Australian Government (attachment table 8.1). The Australian Government also contributes significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 8.1).

Box 8.1 Australian Government indirect expenditure on safe and supportive communities in 2010-11^a

Australian Government indirect expenditures ‘to’ and ‘through’ State and Territory governments are reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure in 2010-11 included outlays related to Home and Community Care, National Disability Specific Purpose Payments (SPP), Concessions for Pensioners and Seniors Card Holders, Aged Care Assessment, and National Reciprocal Transport Concession.

To avoid double counting, Australian Government indirect expenditure is not included in estimates reported elsewhere in this chapter. In summary:

- Australian Government indirect expenditure on safe and supportive community services was \$3.0 billion in 2010-11, of which \$277 million related to services for Indigenous Australians
- The largest area of expenditure was community support and welfare, which accounted for \$2.7 billion, which included services such as Home and Community Care, and the National Disability SPP (box 8.3).

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments ‘to’ and ‘through’ other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure.

Source: web-table W-V.6.

How significant are Indigenous specific services in safe and supportive community expenditure?

Government safe and supportive community services for Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 8.2).

Mainstream services accounted for \$5.4 billion (79 per cent) of Indigenous direct expenditure on safe and supportive communities. Furthermore:

- *public order and safety services* — mainstream services accounted for \$2.8 billion (86 per cent) of direct public order and safety expenditure
- *community and welfare services* — mainstream services accounted for \$2.4 billion (77 per cent) of direct community and welfare services expenditure
- *recreation and culture services* — mainstream services accounted for \$239 million (48 per cent) of direct recreation and culture services expenditure (attachment table 8.2).

Box 8.2 Safe and supportive communities Indigenous specific programs and services

The Australian Government, and State and Territory governments provided safe and supportive community services to some Indigenous Australians through a number of targeted programs in 2010-11, including:

- *Aboriginal culture and community resilience funding (\$19 million)* — NSW Government expenditure to improve local outcomes and provide support for Aboriginal culture, by building community governance and resilience and strengthening and promoting Aboriginal culture. It comprises regional and support programs, administration of the *Aboriginal Land Rights Act 1983*, community engagement strategies and language services, housing and community housing related infrastructure projects under the Aboriginal Community Development Program
- *Regional Aboriginal Justice Advisory Committee (RAJAC) (\$1.4 million)* — The Victorian Government provides funding through the Victorian Aboriginal Justice Agreement to implement nine RAJACs across the state. The RAJAC network is the foundation of the justice system's relationship with the Koori community. It enables representatives from Koori communities and justice agencies to work in partnership to drive positive change at state, regional and local levels
- *Indigenous Community Sport and Recreation Officer Program (\$2.7 million)* — a Queensland Government partnership with the Qld Police Citizens Youth Welfare Association to deliver sport and recreation services. The program was funded to employ extra sport and recreation officers in communities across Queensland
- *Aboriginal Early Years Best Start Program (\$1.5 million)* — a WA Government program aimed at improving life opportunities for Aboriginal families with children aged 0–5 years (parents/carers must attend with their child). Key goals are to promote Indigenous culture and wellbeing, and improve school readiness.

Examples of Indigenous specific law courts and legal services are provided in box 8.6.

Source: Australian Government, and State and Territory Government unpublished data.

Indigenous specific services can either be a substitute for, or a complement to, mainstream services:

- *substitute Indigenous specific services* — are an alternative to mainstream services (for example, the legal aid for Indigenous Australians program). These services are a different way of meeting the service needs of Indigenous Australians
- *complementary Indigenous specific services* — are provided in addition to mainstream services (for example, Indigenous community sport and recreation officer program), which add to the cost of providing services to Indigenous Australians.

Indigenous specific services accounted for \$1.4 billion (21 per cent) of direct Indigenous safe and supportive communities expenditure in 2010-11 (attachment table 8.2). Substitute services accounted for \$157 million (11 per cent), and complementary services accounted for \$1.2 billion (89 per cent) of Indigenous specific safe and supportive communities expenditure (web-table W-I.11).

- *public order and safety services* — Indigenous specific services accounted for \$436 million (14 per cent) of Indigenous public order and safety expenditure
- *community support and welfare services* — Indigenous specific services accounted for \$707 million (23 per cent) of Indigenous community support and welfare expenditure
- *recreation and culture services* — Indigenous specific services accounted for \$259 million (52 per cent) of Indigenous recreation and culture expenditure (web-table W-I.11).

Why is Indigenous expenditure per person different?

Expenditure on Indigenous Australians can vary across jurisdictions and when compared with expenditure on non-Indigenous Australians. The Report method identifies several factors that drive these variations.

What can the method explain about differences in expenditure?

This report estimates direct expenditure on Indigenous Australians based on:

- *intensity of service use* — how much expenditure is driven by the use of services. Intensity of service use has two sub-components:
 - *Indigenous use of mainstream services* — the estimated Indigenous share of mainstream expenditure is proportional to Indigenous Australians' use of mainstream services.

-
- The per capita intensity of service use is higher if, on average, Indigenous Australians use more services than non-Indigenous Australians — either because of greater individual need, or because a higher proportion of the Indigenous population belong to the age group likely to use those services.
- *Indigenous specific services that are a substitute for mainstream services* — these are services that Indigenous Australians use instead of a similar mainstream service.
 - *additional cost of service provision* — how much expenditure is driven by the additional cost of providing services to Indigenous Australians, compared with the cost of providing similar services to non-Indigenous Australians. This figure can be negative if it costs less to provide services to Indigenous Australians; for example, if Indigenous Australians tend to use less expensive services. The additional cost of service provision has two sub-components:
 - *mainstream services cost differentials* — any additional cost of providing mainstream services to Indigenous Australians, for reasons such as location, culture and language (chapter 3)
 - *Indigenous specific services that complement mainstream services* — these are services that Indigenous Australians use in addition to a mainstream service; for example, the Victorian Regional Aboriginal Justice Advisory Committee (box 8.2).

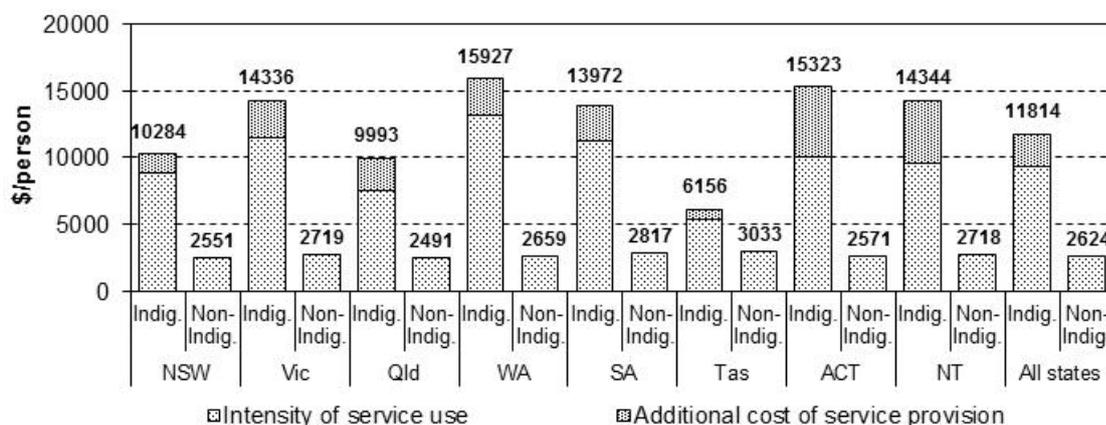
Conceptual issues associated with interpreting these components are discussed in chapter 2.

Variations in expenditure between Indigenous and non-Indigenous Australians

The variation in expenditure per capita between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, *plus* any additional cost of providing services to Indigenous Australians (figure 8.2 and box 8.3).

Estimated direct expenditure on safe and supportive community services per Indigenous person was \$9190 higher than per non-Indigenous person in 2010-11. The majority of the difference (\$6773 or 74 per cent) was attributable to a greater intensity of service use, with the remaining \$2417 (26 per cent) attributable to additional cost of service provision (attachment table 8.3 and box 8.3). The majority of the additional cost of service provision (81 per cent) related to complementary Indigenous specific services that were used in addition to mainstream services (web-table W-I.26).

Figure 8.2 Australian Government *plus* State and Territory Government direct expenditure per person on safe and supportive communities by driver of expenditure, 2010-11^a



^a Refer to box 8.3 for guidelines on how to interpret this chart.

Source: attachment table 8.1 and 8.3.

Compared with non-Indigenous Australians, expenditure per capita for Indigenous Australians was higher for:

- *public order and safety services* — \$4603 higher, which mainly related to the greater intensity of service use (\$3850 or 84 per cent), with the remainder (\$753 or 16 per cent) attributable to additional cost of service provision. The majority of additional cost of service provision (63 per cent) related to the higher cost of providing mainstream services
- *community support and welfare services* — \$4065 higher, which mainly related to the greater intensity of service use by Indigenous Australians (\$2847 or 70 per cent). The remainder was attributable to additional cost of service provision (\$1218 or 30 per cent). The majority of these additional costs related to complementary Indigenous specific services (91 per cent)
- *recreation and culture services* — \$522 higher, which mainly related to the additional cost of service provision (\$447 or 86 per cent) which all related to complementary Indigenous specific services. The remainder of the difference (\$76 or 14 per cent) was attributable to the greater intensity of service use by Indigenous Australians (web-table W-I.26).

What influences the intensity of service use and the cost of service provision?

The drivers of Indigenous intensity of service use vary across services:

- *public order and safety services* — the majority of services included under public order and safety services relate to the operation of the criminal and civil

justice systems — police, courts and corrective services. Indigenous intensity of service use is largely related to the over-representation of Indigenous Australians among offenders. The younger age profile of the Indigenous population accounts for part of this (as younger people are more likely than older people to be in custody), however age standardised imprisonment rates still indicate there is an over-representation of Indigenous Australians in custody (ABS 2011; SCRGSP 2011)

- *community support and welfare services* — Indigenous Australians use many of these services more intensively because of a higher underlying levels of need and socioeconomic disadvantage

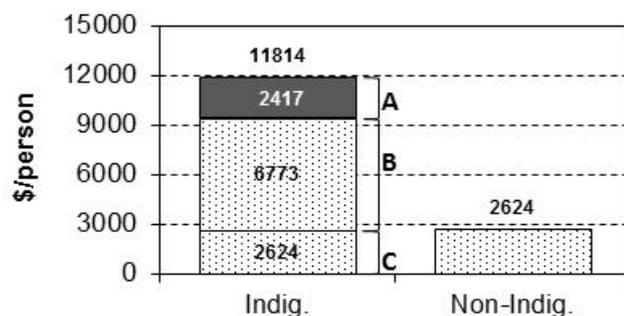
Box 8.3 Interpreting differences in expenditure per person^{a, b}

Total direct expenditure on safe and supportive communities per Indigenous person was \$11 814, compared with \$2624 per non-Indigenous person in 2010-11. That is, \$4.50 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian.

What can the method explain about differences in expenditure?

This report method estimates direct expenditure on Indigenous safe and supportive community services based on the *intensity of service use* and the *additional cost of service provision* (chapter 2).

Intensity of service use accounted for \$9397 per person (80 per cent) of total direct expenditure on Indigenous Australians (area B *plus* area C in diagram). Additional cost of service provision accounted for the remaining \$2417 per person (21 per cent) (area A).



Variations between Indigenous and non-Indigenous Australians

The \$9190 difference in expenditure per person between Indigenous and non-Indigenous Australians is attributable to greater intensity of service use by Indigenous Australians and additional cost of mainstream service provision (area A plus area B in diagram).

^a Total direct expenditure includes Australian Government plus State and Territory Government direct expenditure. ^b Expenditure per person is not expenditure per user, and must not be interpreted as a proxy for unit cost.

Source: web-table W-I.26.

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- *recreation and culture services* — the Report assumes that mainstream recreation and culture services are provided for the benefit of the community as a whole, and estimates the Indigenous share of expenditure on these services based on the resident population share of Indigenous Australians, plus the cost of any substitute Indigenous specific services.

Differences in the cost of service provision between Indigenous and non-Indigenous Australians relate to additional cost of providing mainstream services, and the costs of complementary Indigenous specific services.

What other information is available?

This chapter provides an overview of the 2012 Report estimates of expenditure on safe and supportive communities. Comprehensive expenditure estimates for 20 separate expenditure categories are available from the project website (box 8.4, appendix D).

8.3 A focus on law courts and legal services (including access to justice)

This section focuses on estimates of direct Australian Government, and State and Territory Government expenditure on law courts and legal services (which includes access to justice) in 2010-11.

The discussion in this section is provided both as a guide to the more detailed estimates available online for 20 separate public order and safety expenditure categories, and because of the importance of these services for Indigenous outcomes. As noted in chapter 2, an understanding of the levels and patterns of government expenditure on services that support Indigenous Australians can be used to inform four key questions:

- How much did government spend on law courts and legal services (including access to justice)?
- How much of this was for Indigenous Australians and how does this compare with non-Indigenous Australians?
- What were the patterns of service use by Indigenous Australians and how does this compare with non-Indigenous Australians?
- What drives the differences in expenditure between Indigenous and non-Indigenous Australians?

Box 8.4 Safe and supportive communities estimates available online

The web-based attachments (appendix D) include detailed estimates for 20 safe and supportive communities expenditure sub-categories:

- public order and safety
 - police services (GPC 0311)
 - law courts and legal services
 - ... criminal courts and legal services (GPC+ 0320.1)
 - ... other courts and legal services (GPC+ 0320.2)
 - ... access to justice services (GPC+ 0320.3)
 - prisons and other corrective services
 - ... juvenile corrective services (GPC+ 0330.1)
 - ... other prisons and corrective services (GPC+ 0330.2)
 - other public order
 - ... fire protection services (GPC 0312)
 - ... other public order and safety not elsewhere classified (nec) (GPC 0390)
- community support and welfare
 - welfare for the aged
 - ... nursing homes for the aged (GPC 0530)
 - ... welfare services for the aged (GPC 0622)
 - welfare services for people with a disability (GPC 0623)
 - child protection and out-of-home care services (GPC+ 0621.2)
 - general family and youth support services (GPC+ 0621.3)
 - other welfare services nec (GPC 0629.2)
 - social security and welfare nec (GPC 0690)
- recreation and culture
 - national parks and wildlife (GPC 0811)
 - recreation facilities and services nec (GPC 0819)
 - recreation and culture nec (GPC 0890)
 - cultural facilities and services (GPC 0820)
 - broadcasting and film production (GPC 0830).

This report's estimates of expenditure on law courts and legal services show that in 2010-11:

- the proportion of Indigenous expenditure on safe and supportive communities spent on law courts and legal services was about four times as high as the proportion for non-Indigenous Australians.

-
- two main factors contributed to the greater proportion of expenditure on law courts and legal service for Indigenous Australians:
 - *some services for Indigenous Australians cost more to provide* — costs can be higher if mainstream services are more expensive to provide (for example, because of remoteness), or where Indigenous Australians receive additional Indigenous specific services (for example, Victorian Koori Courts)
 - *Indigenous Australians used more services* — Indigenous Australians are proportionally higher users of law courts and legal services. They have proportionally more use of access to justice services (such as legal aid), which may be influenced by their socioeconomic disadvantage and their representation in the criminal system.
 - mainstream services were important for Indigenous Australians in the area of law courts and legal services, accounting for 66 per cent of Indigenous expenditure, with the remainder accounted for by Indigenous specific services (34 per cent).
 - State and Territory governments provided 63 per cent of Indigenous law courts and legal services expenditure in 2010-11, compared with 86 per cent of non-Indigenous expenditure in the same category. The remainder was contributed by the Australian Government (web-table W-I.11):
 - The largest component of State and Territory Government Indigenous expenditure was on criminal courts and legal services (\$303 million)
 - The largest component of Australian Government expenditure was on other courts and legal services (\$140 million).

What are law courts and legal services?

Law courts and legal services expenditure in this report includes outlays on:

- *criminal courts and legal services* — the operation of the criminal justice system, including legal representation and advice, and costs of criminal prosecutions
- *other courts and legal services* — the operation of the civil justice system, including legal representation and advice, and the costs of civil crown prosecutions, native title and registrations of births, deaths and marriages
- *access to justice* — services and programs that facilitate access to justice through formal and informal dispute resolution processes, services that assist people to resolve disputes (including alternative dispute resolution), and services that

enhance the justice of people's social, civic and economic relations (including counselling, advocacy, information and education services).

For a more detailed description of the types of services recorded under law courts and legal services expenditure categories, refer to the 2012 Report *Expenditure Data Manual* (SCRGSP 2012c, pp. 50–52).

Why are law courts and legal services important to Indigenous outcomes?

Law courts and legal services contribute to the COAG National Indigenous Reform Agreement safe communities building block objective of improving family and community safety through an effective and accessible justice system (COAG 2011).

Although law courts and legal services are important for all Australians, they are particularly significant for Indigenous Australians, because:

- *Indigenous Australians are over-represented in the criminal justice system* — as at June 2011, just over one in four (26 per cent) of the total prisoner population was Indigenous (ABS 2011). This could reflect disadvantage such as poverty, unemployment, low levels of education and lack of access to social services (SCRGSP 2012a)
- *access to justice is important for Indigenous Australians* — legal representation is important for equitable justice outcomes. Many Indigenous Australians have poorer socioeconomic outcomes than non-Indigenous Australians and could have limited economic resources to independently fund legal representation
- *recognition of Indigenous culture* — initiatives such as Indigenous sentencing courts involve Indigenous Elders and Respected Persons in the process of sentencing Indigenous offenders. These courts do not apply traditional Indigenous laws, but involve Indigenous communities in the operation of the same law as other Australian courts, to make the justice system more relevant to Indigenous Australians (Aquilina et al. 2009, Marchetti 2009, SCRGSP 2012a).

The recognition of native title acknowledges the rights of Indigenous Australians to traditional lands and waters. These rights provide Indigenous Australians with access to their traditional country, which in turn allows the practice and maintenance of Indigenous culture through ceremonies and rituals, and the passing on of history (SCRGSP 2012a).

What affects the comparison of law courts and legal services expenditure?

When comparing Indigenous expenditure estimates across states and territories and with non-Indigenous expenditure estimates, it is important to consider the structure of the judicial system across Australia, and the different profiles of Indigenous and non-Indigenous offenders and offences.

The structure of the judicial system across Australia

The hierarchy of courts within each State and Territory generally comprises:

- *magistrates (or local) courts* — which deal with summary offences and small civil claims
- *district (or county) courts* — which generally hear serious indictable offences except murder and treason
- *supreme courts* — which hear disputes more serious than those heard in the other courts, such as murder or treason and unlimited civil claims.

A number of specialist courts operate to deal with specific issues or population groups, including children's courts, Indigenous and circle sentencing courts, drug courts, probate registries, electronic infringement and enforcement systems, and coroner's courts.

The Australian Commonwealth courts (High Court, Federal Court, Family Law Court and Federal Magistrates Court) hear matters of federal law and matters that have been transferred by State courts, such as appeals to decisions.

For more information about the courts system in Australia please see the *Report on Government Services 2012* (SCRGSP 2012a, chapter 7).

Profiles of Indigenous and non-Indigenous offenders

About one-third of Indigenous expenditure on law courts and legal services relates to the criminal justice system. Therefore, understanding the characteristics of Indigenous and non-Indigenous Australians involved in the criminal justice system is important for interpreting estimates of law courts and legal services expenditure.

The following factors can influence law courts and legal services expenditure:

- *demographics* — younger people are more likely to be involved in the criminal justice system than older people (ABS 2011; SCRGSP 2011). As the Indigenous

population has a younger age profile than the non-Indigenous population, the offender rate would be expected to be higher for Indigenous Australians than non-Indigenous Australians

- *socioeconomic disadvantage* — risk factors for offending include lower levels of education (chapter 4), unemployment (chapter 6), living in an overcrowded household (chapter 7), and disconnection from the community (chapter 8). However, risk factors for offending are not the same as causes of offending (Allard 2010)
- *type of offence* — Indigenous Australian offenders have different patterns of offending to their non-Indigenous counterparts. Data from corrective services indicate that Indigenous offenders are more likely to have committed offences related to threatening or inflicting injury and public order offences, but less likely to have committed drug crimes, theft and fraud (SCRGSP 2011). The different offence patterns can have implications for the average cost of legal aid and adjudication.

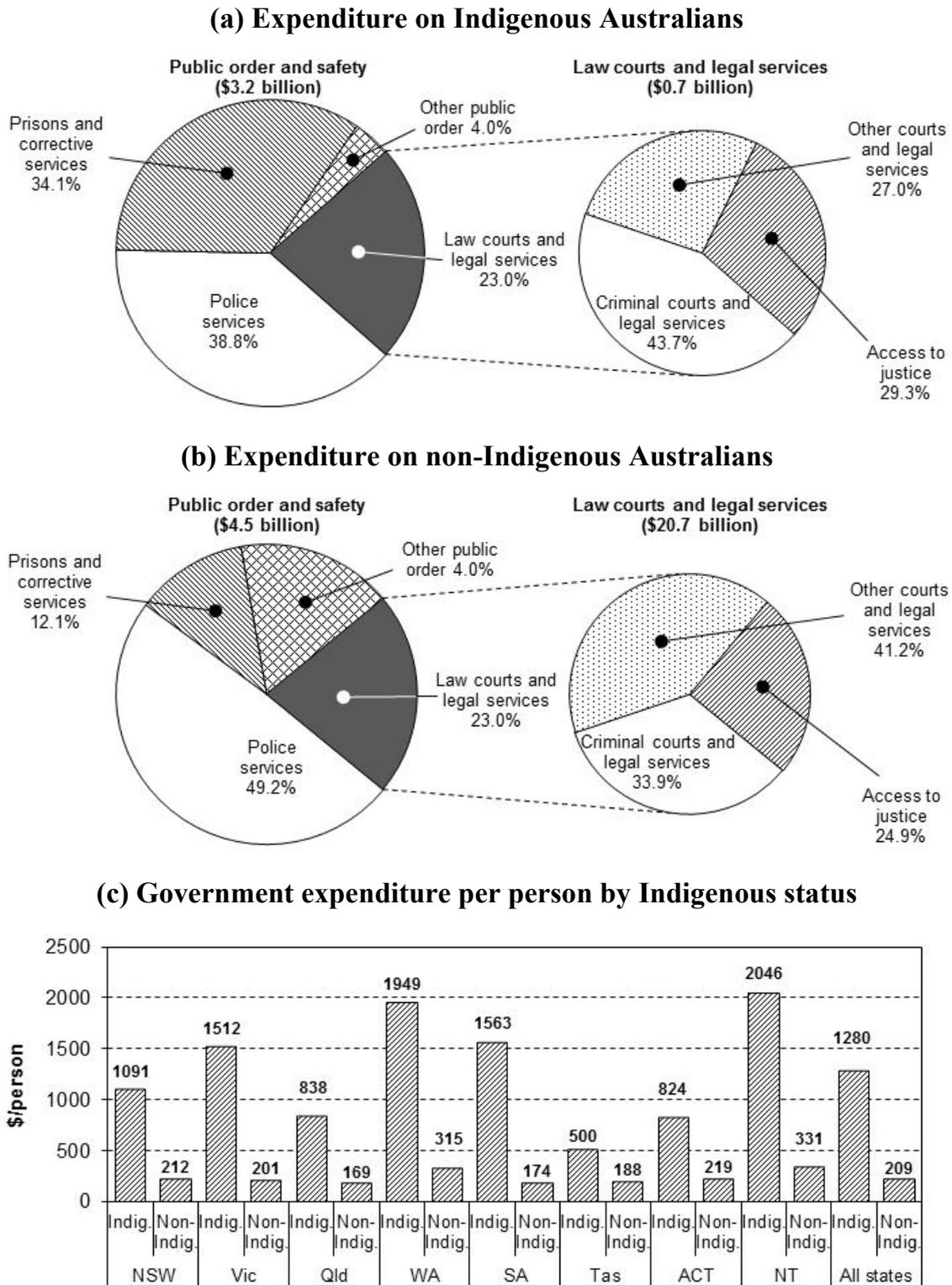
How much do governments spend?

Law courts and legal services are one component of public order and safety services (section 8.1). Government direct expenditure on public order and safety services was \$23.9 billion which comprised \$11.4 billion for police services (48 per cent), \$5.3 billion for law courts and legal services (22 per cent), and \$3.6 billion each for prisons and corrective services and other public order (15 per cent respectively) in 2010-11 (web-table W-J.6).

As noted above, government direct expenditure on law courts and legal services was \$5.3 billion in 2010-11. The largest proportion of this expenditure was related to other court services (\$2.1 billion or 39 per cent) and the remainder related to criminal court services (\$1.9 billion or 35 per cent) and access to justice (\$1.3 billion or 26 per cent) (web-table W-J.6).

Estimated expenditure on law courts and legal services for Indigenous Australians was \$736 million in 2010-11. This represented 23 per cent of all government direct Indigenous public order and safety expenditure (figure 8.3a). The proportion was similar for non-Indigenous law courts and legal services expenditure (22 per cent of all government direct non-Indigenous public order and safety expenditure) (figure 8.3b).

Figure 8.3 Australian Government *plus* State and Territory Government direct expenditure on law courts and legal services, 2010-11



Source: web- tables W-J.6 and W-K.6.

Law courts and legal services was the third largest area of Indigenous public order and safety expenditure, after police services (\$1.2 billion, 39 per cent) and prisons and corrective services (\$1.1 billion or 34 per cent) (web-table W-I.11). Estimated expenditure on law courts and legal services for Indigenous Australians comprised:

- *criminal courts and legal services* — \$322 million (44 per cent) of direct Indigenous law courts and legal services expenditure, compared with 34 per cent of non-Indigenous law courts and legal services expenditure
- *other courts and legal services* — \$199 million (27 per cent) of direct Indigenous other courts and legal services expenditure, compared with 41 per cent of non-Indigenous other courts and legal services expenditure
- *access to justice* — \$216 million (29 per cent) of direct access to justice expenditure, compared with 25 per cent of non-Indigenous access to justice expenditure.

How does Indigenous and non-Indigenous expenditure per person compare?

The largest component of law courts and legal services expenditure per Indigenous person was criminal court and legal services, and for non-Indigenous person was other courts and legal services. However, expenditure per Indigenous person was higher than per non-Indigenous person across all law courts and legal services expenditure sub-categories (web-table W-K.6).

Estimated total government expenditure per person on law courts and legal services was \$1280 per Indigenous person and \$209 per non-Indigenous person in 2010-11. That is, an estimated \$6.13 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population in 2010-11 (figure 8.3c). This expenditure comprised:

- *criminal courts and legal services* — \$559 per Indigenous person and \$71 per non-Indigenous person. That is, an estimated \$7.91 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
- *other courts and legal services* — \$346 per Indigenous person and \$86 per non-Indigenous person. That is, an estimated \$4.02 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population
- *access to justice* — \$375 per Indigenous person and \$52 per non-Indigenous person. That is, an estimated \$7.22 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population (web-table W-K.6).

Indigenous Australians used law courts and legal services more intensively than non-Indigenous Australians in all states and territories (figure 8.4). However, the

average expenditure per Indigenous Australian varied more significantly across jurisdictions than expenditure per non-Indigenous Australian (figure 8.3c). This reflected differences in the Indigenous intensity of service use and the average costs of delivering law courts and legal services to Indigenous Australians across states and territories. States and territories with a higher proportion of Indigenous Australians living in remote and very remote locations (such as the NT and WA) tended to have higher service delivery costs and therefore higher average expenditure per Indigenous Australian.

How much do the different levels of governments contribute directly?

State and Territory Government expenditure accounted for \$463 million (63 per cent) of Indigenous and \$3.9 billion (86 per cent) of non-Indigenous law courts and legal services expenditure in 2010-11. The remainder was contributed by the Australian Government (web- table W-J.6).

State and Territory Government direct expenditure comprised:

- *criminal courts and legal services* — \$303 million (94 per cent) of Indigenous and \$1.5 billion (95 per cent) of non-Indigenous criminal courts and legal services expenditure
- *other courts and legal services* — \$59 million (30 per cent) of Indigenous and \$1.6 billion (86 per cent) of non-Indigenous other courts and legal services expenditure
- *access to justice* — \$101 million (47 per cent) of Indigenous and \$819 million (73 per cent) of non-Indigenous on access to justice expenditure (web-table W-J.6).

The remaining direct expenditure was contributed by the Australian Government. The Australian Government also contributed significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 8.5).

How significant are Indigenous specific services in law courts and legal services expenditure?

Government law courts and legal services to Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 8.6). Indigenous specific (targeted) are more important in other courts and legal services (which mainly relates to Australian Government complementary programs for Indigenous justice and native title), and access to justice services

Box 8.5 Australian Government indirect expenditure on law courts and legal services in 2010-11^a

Australian Government indirect expenditure 'to' and 'through' State and Territory governments are reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure in 2010-11 included \$191 million related to Legal Aid, of which \$23 million related to Indigenous Australians.

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments 'to' and 'through' other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure.

Source: web-table W-V.6.

(which mainly relates to Australian Government substitute Indigenous legal aid, and complementary programs to address domestic violence).

Indigenous specific expenditure on law courts and legal services was \$253 million (34 per cent of total expenditure on these services) in 2010-11. Mainstream services accounted for the remaining \$483 million (66 per cent) (web-table W-J.6). By expenditure category:

- *criminal courts and legal services* — Indigenous use of mainstream services accounted for \$309 million (96 per cent) of Indigenous expenditure in this area, with Indigenous specific (targeted) services accounting for \$12 million (3.9 per cent)
- *other courts and legal services* — Indigenous use of mainstream services accounted for \$59 million (29 per cent) of Indigenous expenditure in this area, with Indigenous specific (targeted) services accounting for \$141 million (71 per cent)
- *access to justice* — Indigenous use of mainstream services accounted for \$116 million (54 per cent) of Indigenous expenditure in this area with Indigenous specific (targeted) services accounting for \$100 million (46 per cent)

Why is Indigenous expenditure per person different?

Expenditure on law courts and legal services per Indigenous person varied across jurisdictions and compared with expenditure per non-Indigenous person. The Report method identifies several factors that drive these variations (section 8.2).

Variation in expenditure between Indigenous and non-Indigenous Australians

As previously noted, the variation in expenditure per person between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, plus any additional cost of providing services to Indigenous Australians (figure 8.4 and box 8.3).

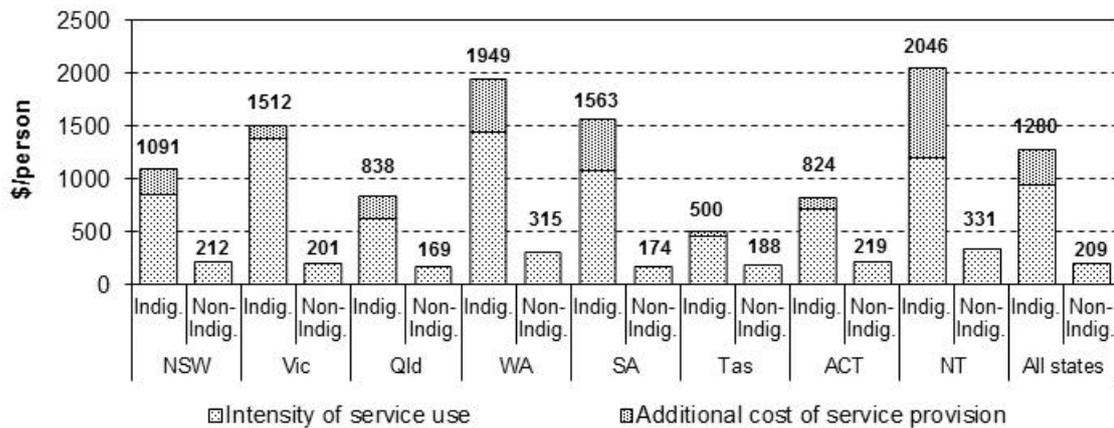
Box 8.6 Law courts and legal services Indigenous specific programs and services in 2010-11

The Australian Government and State and Territory governments provided law courts and legal services to some Indigenous Australians through a number of Indigenous specific (targeted) programs in 2010-11, including:

- *Indigenous Legal Aid and Policy Reform Program* (\$65 million) — this Australian Government program involves working collaboratively with other service providers to deliver appropriate, accessible, equitable, efficient and effective legal assistance and related services to Indigenous Australians
- *Native Title and Land Rights* (\$77 million) and *National Native Title Tribunal* (\$31 million) — Australian Government funding to support Indigenous rights to land recognised or provided for through Commonwealth land rights legislation and facilitate the representation and assistance of native title claimants and holders in the pursuit and exercise of native title rights
- *Aboriginal Client Service Specialist Program* (\$1.3 million) — NSW Government funding for 18 Aboriginal Court Client Specialists operating in courts throughout the State. These specialists provide support for Aboriginal victims, defendants and families to increase understanding of court outcomes, processes and procedures. They also aim to improve the relationship between the Aboriginal community and the court system through community awareness and usage of justice services and advising the court on bail and post sentence options for Aboriginal defendants
- *Koori Courts* (\$2.5 million) — Victorian Government program developed from the Victorian Aboriginal Justice Agreement. There are ten Koori Courts incorporated into mainstream courts in Victoria. They are sentencing courts, that hear cases where the accused has pleaded guilty to the offence(s) and, ideally, has shown an intention to take responsibility for their actions. As in other courts, the Magistrate/Judicial Officer makes the final sentencing decision. The Koori Court hears all offences that can be presented at a Magistrates', Children's and County Court, excluding family violence, and all sexual assault offences. It operates in an informal atmosphere to allow greater participation by the accused and the Koori community
- *Aboriginal Justice Agreement* (\$4.1 million) — WA Government program to provide an engagement and consultative mechanism to enable Aboriginal people at local, regional and state level to discuss and prioritise justice related issues with the Aboriginal community, government agencies and non-government organisations.

Source: Australian Government, and State and Territory Government unpublished data.

Figure 8.4 **Australian Government *plus* State and Territory Government direct expenditure per person on law courts and legal services by driver of expenditure, 2010-11^a**



^a Refer to box 8.3 for guidelines on how to interpret this chart.

Source: web-table W-I.26.

Estimated expenditure on law courts and legal services per Indigenous person was \$1071 higher than per non-Indigenous person in 2010-11. The majority of the difference (\$737 or 69 per cent) was attributable to a greater intensity of service use, with the remainder (\$334 or 31 per cent) attributable to the additional cost of service provision. The additional cost of service provision related almost exclusively to complementary Indigenous specific services (services used in addition to mainstream services) (web-table W-I.26).

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *criminal courts and legal services* — was \$488 higher, which mainly related to a greater intensity of service use (\$462 or 95 per cent of the difference), with the remainder (\$26 or 5 per cent) attributable to the additional cost of service provision
- *other courts and legal services* — was \$260 higher, which mainly related to the additional cost of service provision (\$246 or 95 per cent of the difference), with the remainder (\$14 or 5.3 per cent) attributable to a greater intensity of service use
- *access to justice* — was \$323 higher, which mainly related to a greater intensity of service use (\$261 or 81 per cent of the difference), with the remainder (\$62 or 19 per cent) attributable to the additional cost of service provision (web-table W-I.26.).

The additional cost of service provision for criminal courts and legal services related mainly to complementary Indigenous specific services (66 per cent). The additional cost of service provision for other courts and legal services and access to justice related almost exclusively to complementary Indigenous specific services (99 per cent and 95 per cent, respectively) (web-table W-I.26.).

What influences the intensity of service use and the cost of service provision?

Empirical data on Indigenous and non-Indigenous use of criminal courts and legal services and other courts and legal services are not currently available. The estimates of Indigenous mainstream expenditure in this report assume that use of criminal court services can be approximated using the Indigenous share of police offenders data, and that use of other courts and legal services is related to the Indigenous share of the resident population. The Indigenous intensity of service use of access to justice services is based on information provided by National Legal Aid on the Indigenous share of approved legal aid applications.

More detailed information on service use measures for law courts and legal services is available from the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b).

The additional cost of providing law courts and legal services relate to complementary Indigenous specific services (such as Indigenous legal aid and funding for court client specialists, native title and language interpreter services).

8.4 References

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- 2012c, *Expenditure Data Manual*, 2012 Indigenous Expenditure Report, Productivity Commission, Canberra.

Attachment 8.A Summary data tables

Table 8.1 **Australian Government *plus* State and Territory Government direct expenditure on safe and supportive communities, 2010-11^{a, b}**

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Public order and safety										
Total expenditure										
Indigenous										
Aust Govt	\$m	92	21	75	62	27	6	2	106	392
State Govt	\$m	703	204	622	663	179	45	22	366	2 804
Non-Indigenous										
Aust Govt	\$m	1 163	926	743	367	279	86	58	29	3 652
State Govt	\$m	5 396	4 461	3 056	2 047	1 233	385	320	154	17 051
Total	\$m	7 355	5 612	4 496	3 139	1 718	522	402	656	23 899
Indig. share	%	10.8	4.0	15.5	23.1	12.0	9.8	6.0	14.7	13.4
Expenditure per person ^c										
Indig.	\$/per	4 713	5 987	4 225	9 330	6 623	2 483	5 020	6 768	5 555
Non-Indig.	\$/per	933	983	864	1 090	934	964	1 075	1 137	952
Ratio ^d	ratio	5.05	6.09	4.89	8.56	7.09	2.57	4.67	5.95	5.83
Community support and welfare										
Total expenditure										
Indigenous										
Aust Govt	\$m	337	91	365	148	98	35	20	206	1 300
State Govt	\$m	512	197	459	282	107	25	20	200	1 802
Non-Indigenous										
Aust Govt	\$m	5 360	4 253	3 136	1 259	1 703	434	197	58	16 401
State Govt	\$m	3 812	3 712	2 341	1 224	805	334	176	64	12 469
Total	\$m	10 021	8 253	6 302	2 914	2 714	828	414	528	31 973
Indig. share	%	8.5	3.5	13.1	14.8	7.6	7.2	9.8	76.9	9.7
Expenditure per person ^c										
Indig.	\$/per	5 027	7 642	4 999	5 541	6 607	2 896	8 427	5 815	5 393
Non-Indig.	\$/per	1 304	1 454	1 246	1 121	1 550	1 574	1 062	758	1 328
Ratio ^d	ratio	3.85	5.26	4.01	4.94	4.26	1.84	7.93	7.68	4.06

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Table 8.1 (continued)

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Recreation and culture										
Total expenditure										
Indigenous										
Aust Govt	\$m	61	18	70	37	14	7	7	63	277
State Govt	\$m	31	8	57	45	9	9	2	60	221
Non-Indigenous										
Aust Govt	\$m	946	737	592	298	218	66	47	22	2 926
State Govt	\$m	1 260	803	10 86	692	321	176	105	111	4 555
Total	\$m	2 299	1 567	1 805	1 072	562	258	161	256	7 979
Indig. share	%	4.0	1.7	7.0	7.7	4.1	6.2	5.6	48.1	6.2
Expenditure per person ^c										
Indig.	\$/per	545	706	768	1 057	742	777	1 876	1 761	866
Non-Indig.	\$/per	314	281	382	447	333	495	433	824	344
Ratio ^d	ratio	1.74	2.51	2.01	2.36	2.23	1.57	4.33	2.14	2.52
All safe and supportive communities										
Total expenditure										
Indigenous										
Aust Govt	\$m	490	130	510	247	139	48	30	376	1 970
State Govt	\$m	1 246	409	1 138	991	295	78	44	626	4 827
Non-Indigenous										
Aust Govt	\$m	7 470	5 916	4 472	1 924	2 201	586	303	109	22 979
State Govt	\$m	10 469	8 977	6 484	3 964	2 359	895	601	329	34 076
Total	\$m	19 674	15 432	12 603	7 125	4 993	1 607	977	1 439	63 851
Indig. share	%	8.8	3.5	13.1	17.4	8.7	7.9	7.6	69.6	10.6
Expenditure per person ^c										
Indig.	\$/per	10 284	14 336	9 993	15 927	13 972	6 156	15 323	14 344	11 814
Non-Indig.	\$/per	2 551	2 719	2 491	2 659	2 817	3 033	2 571	2 718	2 624
Ratio ^d	ratio	4.03	5.27	4.01	5.99	4.96	2.03	5.96	5.28	4.50

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. ^d The ratio of total Indigenous expenditure per person to total non-Indigenous expenditure per person. This reflects the combined effects of differential use patterns and costs between Indigenous and non-Indigenous people (subject to the limitation of the data and methodology).

Source: web-tables W-J.1 and W-K.1.

Table 8.2 Australian Government *plus* State and Territory Government direct expenditure on Indigenous safe and supportive communities by type of expenditure, 2010-11^{a, b}

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All states
Public order and safety									
Total Indigenous expenditure (\$million)									
Mainstream ^c	706	197	606	661	171	49	22	348	2 760
Indig. specific ^d	89	29	91	64	34	2	2	125	436
Total Indig.	795	225	697	725	206	51	24	473	3 196
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	4 184	5 227	3 676	8 507	5 521	2 376	4 508	4 980	4 797
Indig. specific ^d	528	760	550	823	1 101	107	512	1 787	758
Total Indig.	4 713	5 987	4 225	9 330	6 623	2 483	5 020	6 768	5 555
Community support and welfare									
Total Indigenous expenditure (\$million)									
Mainstream ^c	717	216	603	363	157	49	24	266	2 395
Indig. specific ^d	132	72	221	67	48	10	17	141	707
Total Indig.	848	288	824	430	205	60	41	406	3 102
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	4 247	5 734	3 657	4 678	5 070	2 390	5 006	3 802	4 164
Indig. specific ^d	780	1 908	1 342	862	1 537	505	3 421	2 014	1 229
Total Indig.	5 027	7 642	4 999	5 541	6 608	2 896	8 427	5 815	5 393
Recreation and culture									
Total Indigenous expenditure (\$million)									
Mainstream ^c	53	11	61	35	10	10	2	58	239
Indig. specific ^d	39	16	66	47	13	6	7	65	259
Total Indig.	92	27	127	82	23	16	9	123	498
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	314	281	368	447	333	495	433	824	416
Indig. specific ^d	231	425	400	609	409	282	1 443	937	451
Total Indig.	545	706	768	1 057	742	777	1 876	1 761	866
All safe and supportive communities									
Total Indigenous expenditure (\$million)									
Mainstream ^c	1 476	423	1 270	1 059	339	108	48	671	5 394
Indig. specific ^d	260	116	378	178	95	18	26	331	1 402
Total Indig.	1 736	540	1 648	1 237	434	127	74	1 002	6 797

(Continued next page)

Table 8.2 (continued)

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	8 745	11 243	7 700	13 632	10 925	5 261	9 947	9 606	9 377
Indig. specific ^d	1 539	3 093	2 292	2 295	3 047	894	5 376	4 738	2 438
Total Indig.	10 284	14 336	9 993	15 927	13 972	6 156	15 323	14 344	11 814

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c *Mainstream expenditure* includes outlays on programs, services and payments that are available to both Indigenous and non-Indigenous Australians on either a targeted or universal basis. Indigenous mainstream expenditure comprises a component estimated on the basis of service use and a component estimated on the basis of the difference in the cost of providing these services to Indigenous and non-Indigenous people. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d Indigenous specific expenditure includes outlays on programs, services and payments that are explicitly targeted to Indigenous Australians. These programs, services and payments can be either complementary (additional) to, or be substitute (alternative) for, mainstream services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1.

Source: web-tables W-J.6 and W-K.6.

Table 8.3 Australian Government *plus* State and Territory Government direct expenditure on Indigenous safe and supportive communities by driver of expenditure, 2010-11^{a, b}

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
Public order and safety									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	726	207	597	640	179	50	23	341	2 763
Cost of provision ^d	69	19	100	85	26	1	2	132	433
Total Indig.	795	225	697	725	206	51	24	473	3 196
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	4 304	5 490	3 619	8 238	5 776	2 439	4 675	4 881	4 802
Cost of provision ^d	408	497	607	1 092	846	44	345	1 886	753
Total Indig.	4 713	5 987	4 225	9 330	6 623	2 483	5 020	6 768	5 555
Community support and welfare									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	724	219	596	356	162	49	24	272	2 402
Cost of provision ^d	125	69	228	75	43	10	17	134	700
Total Indig.	848	288	824	430	205	60	41	406	3 102
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	4 287	5 809	3 614	4 580	5 226	2 401	4 996	3 897	4 175
Cost of provision ^d	739	1 833	1 385	960	1 382	494	3 431	1 918	1 218
Total Indig.	5 027	7 642	4 999	5 541	6 608	2 896	8 427	5 815	5 393
Recreation and culture									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	53	11	63	35	10	10	2	58	241
Cost of provision ^d	39	16	64	47	13	6	7	65	257
Total Indig.	92	27	127	82	23	16	9	123	498
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	314	281	382	447	333	495	433	824	420
Cost of provision ^d	231	425	386	609	409	282	1 443	937	447
Total Indig.	545	706	768	1 057	742	777	1 876	1 761	866
All safe and supportive communities									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	1 503	436	1 255	1 031	352	110	49	671	5 406
Cost of provision ^d	233	104	392	207	82	17	25	331	1 391
Total Indig.	1 736	540	1 648	1 237	434	127	74	1 002	6 797

(Continued next page)

Table 8.3 (continued)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All states
Expenditure per person (\$/person) ^e									
Intensity of use ^c	8 906	11 580	7 614	13 265	11 335	5 335	10 104	9 602	9 397
Cost of provision ^d	1 379	2 755	2 379	2 662	2 637	821	5 219	4 742	2 417
Total Indig.	10 284	14 336	9 993	15 927	13 972	6 156	15 323	14 344	11 814

^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^b *Intensity of service use* component includes the use of mainstream services plus substitute Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^c *Cost of service provision* component includes any additional cost of providing mainstream services to Indigenous Australians plus complementary Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1.

Source: web-tables W-L.1 and W-M.1.

9 Other government services

Key points

- Most other government services do not explicitly relate to the COAG National Indigenous Reform Agreement building blocks, however they can affect Indigenous outcomes through Indigenous specific expenditure and the machinery of government
- Government direct expenditure on all other government services was \$85.9 billion in 2010-11. Direct expenditure on services to Indigenous Australians made up \$2.6 billion (3.1 per cent) of the total.
 - State and Territory governments provided \$773 million (29 per cent) of direct Indigenous expenditure — the Australian Government provided the remaining \$1.9 billion (71 per cent), plus significant indirect payments ‘to’ and ‘through’ the State and Territory governments
 - Most Indigenous expenditure related to mainstream services (\$2.4 billion, 89 per cent) — but Indigenous specific expenditure (such as the Defence Indigenous Development Program), accounted for \$278 million (11 per cent) of other government direct expenditure.
- Government direct expenditure per person on other government services was \$4568 per Indigenous person and \$3829 per non-Indigenous person in 2010-11, (a ratio of 1.19 to 1).

This chapter presents an overview of estimates of Australian Government, and State and Territory Government direct expenditure on other government services in 2010-11. This includes expenditure on general government (operations of legislative and executive affairs, financial and fiscal affairs, external affairs and shared services) and defence services (including defence housing); and support to industry (administration, regulation and support of industry, such as mining and fisheries management).

Other government services do not directly relate to any of the Council of Australian Governments’ (COAG) National Indigenous Reform Agreement (COAG 2011) building blocks. However, some of the expenditure is specifically related to Indigenous Australians, or to Indigenous policy and services. There are also many activities undertaken by government on behalf of all Australians.

Interpreting the estimates in this chapter requires an understanding of the strengths and limitations of the method and data (chapter 2), and the context within which Indigenous services are provided (chapter 3).

A description of other government services included in these estimates, and the links between expenditure on these services and Indigenous outcomes is presented in section 9.1.

Section 9.2 presents an overview of total (Australian Government *plus* State and Territory Government) direct expenditure on other government services. Comprehensive expenditure estimates for eight other government services categories are available from the project website (appendix D).

What is 'direct' expenditure

Direct expenditure is government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments during the reference year.

Indirect expenditure is government payments 'to' and 'through' other governments. Such payments may not be spent by the recipient government in the reference year, and may be spent on capital rather than the provision of services. It is also difficult to categorise the area of expenditure of 'untied' indirect payments such as GST transfers.

A detailed discussion of expenditure concepts is provided in chapter 2 (section 2.2).

9.1 What are other government services and why are they important for Indigenous outcomes?

This section identifies the scope of services activities in other government services estimates presented in this report and summarises the link between these services and Indigenous outcomes.

General government and defence services

General government and defence services represent a diverse range of activities that governments undertake to ensure effective financial management and operation of the machinery of government and the political system, and to ensure the integrity of Australia's national security. These activities aim to provide a secure and stable political environment, within which all Australians live and work. Indigenous

Australians, as members of the Australian community, are affected by these services.

General government and defence services expenditure in this report includes outlays on:

- *general public services* — centralised activities that support the operations of the executive and the planning and coordination of services on a whole-of-government basis. They include central policy agencies that develop, monitor and coordinate policy related to Indigenous affairs. They also include services related to legislative and executive affairs, financial and fiscal affairs, external affairs, foreign aid, general research, and government superannuation expenditure that can not be appropriately allocated to a specific service area
- *defence* — including activities related to administration, supervision, and support of civil defence and foreign defence affairs, as well as military research. Defence housing is also included in this category and provides housing for serving members of the Australian Defence Force and their families
- *other purpose services* — general government transactions such as public debt transactions (underwriting and floating of government loans and interest payments), natural disaster relief (immediate relief to victims of droughts, fires, floods, cyclones and other natural disasters in Australia), and general purpose inter-government transactions (general purpose transfers to other governments such as Australian Government GST revenue grants to the State and Territory governments).

These activities may be particularly important for responses to issues such as Indigenous disadvantage, as they determine the institutions for developing strategic responses to need, for collecting and managing the resources necessary to implement responses, and coordinating the delivery and monitoring of services.

A detailed description of all of the other government services expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012, pp. 37–44, 134).

Support to industry

Support to industry expenditure in this report includes the operation of services and provision for administration, regulation, planning and support (such as research, marketing, trade and financial assistance, and business development) for the following industries: agriculture, forestry, fishing and hunting, mining and mineral

resources (other than fuel), manufacturing and construction, storage, saleyards and markets, and tourism and area promotion.

Governments engage in a range of activities that facilitate the operation of the economy. This support focuses on promoting transparent and equitable markets that meet community standards and values. Governments also provide industries with support to manage their resources and take advantage of economic opportunities. This is designed to improve the efficiency and competitiveness of Australian industry, and encourage economic growth (DIISR 2010).

All Australians can benefit from a stronger economy. Economic growth provides a greater choice of goods and services at lower prices. It also provides employment to people with appropriate skills, and a broad base for raising government revenue, which can be directed towards services for those in need. These services might indirectly influence Indigenous Australians' economic participation where government expenditure facilitates a stronger economy. The extent of this impact will depend on the location of industry support. Remote Indigenous communities might be less likely to benefit from economic growth that provides consumption choices and employment opportunities in metropolitan areas.

A detailed description of other government services expenditure categories is provided in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012, pp. 163–171, 195–196).

Why are other government services important to Indigenous outcomes?

Although most other government services do not explicitly relate to the COAG National Indigenous Reform Agreement (COAG 2011) building blocks, they can affect Indigenous outcomes through:

- *Indigenous specific (targeted) expenditure* — about one fifth of expenditure on other government services is for programs and services targeted explicitly to Indigenous Australians (section 9.2)
- *the machinery of government* — the efficient and effective operation of government can contribute to the support and planning of service delivery in other expenditure areas; the general cohesiveness of society; and the strength of the economy. This could affect outcome areas such as economic participation (chapter 6).

9.2 An overview of government expenditure on other government services

This section provides an overview of Australian Government, and State and Territory Government direct expenditure on other government services in 2010-11. It begins with a summary of the levels and patterns of expenditure, and then considers the main drivers of expenditure — as revealed by the Indigenous Expenditure Report method (chapter 2).

How much does government spend?

Nationally, government direct expenditure on other government services was \$85.9 billion, 19 per cent of all government direct expenditure in 2010-11. The majority of this was on general government and defence services (\$79.1 billion or 92 per cent), with the remainder spent on support to industry services (attachment table 9.1).

Estimated expenditure on other government services provided to Indigenous Australians was \$2.6 billion in 2010-11. This represented 3.1 per cent of all other government services expenditure (web-table W-J.1), and 10 per cent of all government expenditure on services to Indigenous Australians (figure 9.1a).

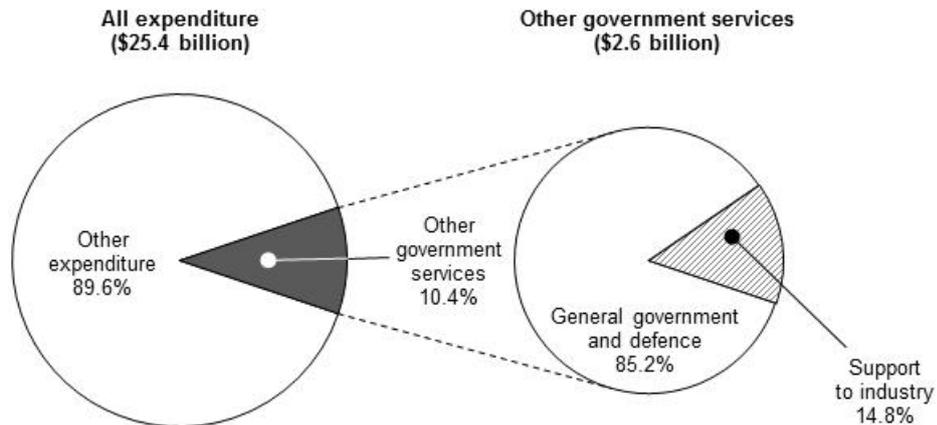
How does Indigenous and non-Indigenous expenditure per person compare?

Estimated government expenditure per person on all other government services was \$4568 per Indigenous person and \$3829 per non-Indigenous person. That is, an estimated \$1.19 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian in the population in 2010-11 (figure 9.1c).

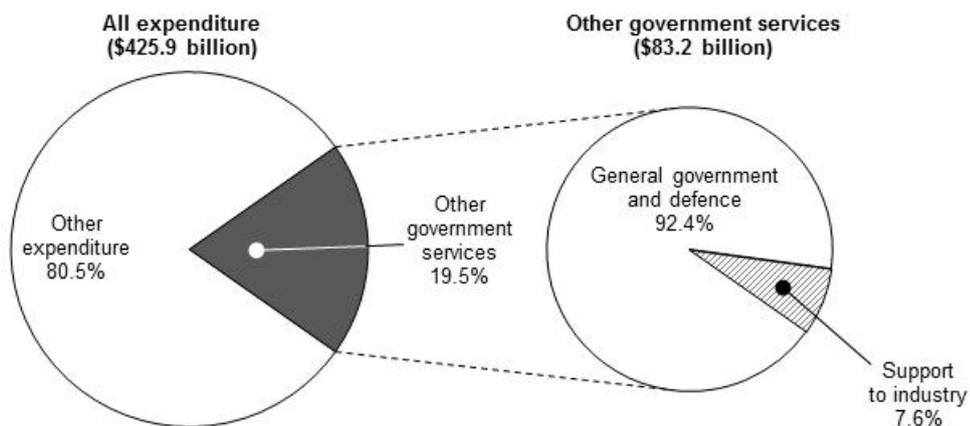
- *general government services and defence*— \$1.10 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian
- *support for industry* — \$2.31 was spent per Indigenous Australian in the population for every dollar spent per non-Indigenous Australian (attachment table 9.1).

Figure 9.1 Australian Government *plus* State and Territory Government direct expenditure on other government services, 2010-11

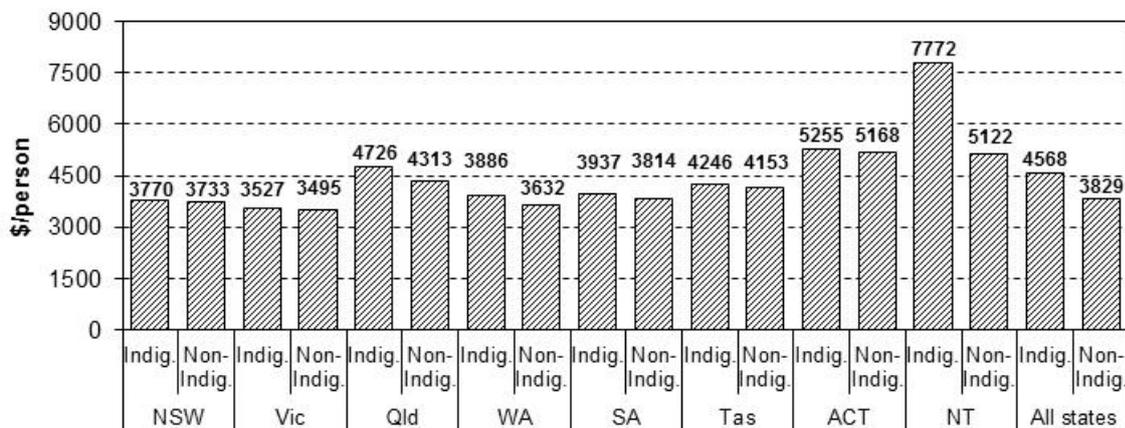
(a) Expenditure on Indigenous Australians



(b) Expenditure on non-Indigenous Australians



(c) Expenditure per person by Indigenous status



Source: attachment table 9.1.

How much do the different levels of government contribute directly?

State and Territory Government expenditure accounted for \$773 million (29 per cent) of direct Indigenous expenditure other government services and \$20.4 billion (25 per cent) of direct non-Indigenous expenditure on other government services in 2010-11, with the remainder contributed by the Australian Government (attachment table 9.1). The Australian Government also contributes indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 9.1).

Box 9.1 Australian Government indirect expenditure on other government services in 2010-11^a

Australian Government indirect expenditure ‘to’ and ‘through’ State and Territory governments is reflected in State and Territory Government direct expenditure when relevant services are provided. Australian Government indirect expenditure in 2010-11 included outlays related to general revenue assistance through the GST, and natural disaster relief payments to the State and Territory governments.

To avoid double counting, Australian Government indirect expenditure is not included in estimates reported elsewhere in this chapter. In summary:

- Australian Government indirect expenditure on other government services was \$77.0 billion in 2010-11, of which almost \$2.6 billion related to services for Indigenous Australians.
- The largest area of expenditure was general government services and defence, which accounted for \$76.8 billion.

More information on the treatment of direct and indirect expenditure in this report and how this affects the comparison of expenditure with other published estimates is provided in chapter 2 (section 2.2).

^a Although State and Territory governments also make payments ‘to’ and ‘through’ other jurisdictions, these are small by comparison. To avoid double counting, such payments are excluded from State and Territory Government expenditure.

Source: web-table W-V.7.

How significant are Indigenous specific services in other government services expenditure?

Other government services for Indigenous Australians are provided through a combination of mainstream and Indigenous specific (targeted) services (box 9.2).

Mainstream services accounted for \$2.4 billion (89 per cent) of direct expenditure on Indigenous other government services in 2010-11 (attachment table 9.2):

- *general government services and defence* — mainstream services accounted for \$2.1 billion (96 per cent) of direct Indigenous general government services and defence expenditure

Box 9.2 Indigenous specific other government services in 2010-11

The Australian Government, and State and Territory governments provided other government services to some Indigenous Australians through a number of Indigenous specific (targeted) programs in 2010-11, including:

- *Defence Indigenous Development Program (\$6.1 million)* — this Australian Government program provides the opportunity for Indigenous people from remote communities to acquire skills that are transferable back to their community
- *Aboriginal Tourism (\$150 000)* — this Victorian Government program aims to share Aboriginal culture through tourism
- *Revenue Replacement Program (\$3.4 million)* — Queensland Government program provides assistance to Indigenous councils to replace profits from alcohol sales to maintain vital community services
- *West Arnhem Fire Management Agreement (\$1.2 million)* — this NT Government program implements strategic early dry season fire management over Western Arnhem Land to reduce the size and extent of unmanaged wildfire.

Source: Australian Government, and State and Territory Government unpublished data.

- *support to industry* — mainstream services accounted for \$208 million (54 per cent) of direct Indigenous support to industry expenditure (attachment table 9.2).

Indigenous specific services can either substitute for, or complement, mainstream services:

- *substitute Indigenous specific services* — are an alternative to mainstream services (for example, the Defence Indigenous Development Program). These services are an alternative way of meeting the service needs of Indigenous Australians
- *complementary Indigenous specific services* — are provided in addition to mainstream services (for example, Indigenous student counsellors in schools). These services add to the cost of providing services to Indigenous Australians.

Indigenous specific services accounted for \$277.9 million (11 per cent) of direct expenditure on Indigenous other government services in 2010-11 (attachment table 9.2). These were almost entirely complementary services (\$277.5 million) (web-table W-I.7). By high level expenditure category:

- *general government services and defence* — Indigenous specific services accounted for \$98 million (4.4 per cent) of direct Indigenous general government services and defence expenditure

-
- *support to industry* — Indigenous specific services accounted for \$180 million (46 per cent) of direct Indigenous support to industry expenditure (web-table W-I.7).

Why is Indigenous expenditure per person different?

Expenditure on Indigenous Australians can vary across jurisdictions and when compared with expenditure on non-Indigenous Australians. The Report method identifies several factors that drive these variations.

What can the method explain about differences in expenditure?

This report estimates direct expenditure on Indigenous Australians based on:

- *intensity of service use* — how much expenditure is driven by the use of services. Intensity of service use has two sub-components:
 - *Indigenous use of mainstream services* — the estimated Indigenous share of mainstream expenditure is proportional to Indigenous Australians' use of mainstream services.

The per capita intensity of service use is higher if, on average, Indigenous Australians use more services than non-Indigenous Australians — either because of greater individual need, or because a higher proportion of the Indigenous population belong to the age group likely to use those services.
 - *Indigenous specific services that are a substitute for mainstream services* — these are services that Indigenous Australians use instead of a similar mainstream service.
- *additional cost of service provision* — how much expenditure is driven by the additional cost of providing services to Indigenous Australians, compared with the cost of providing similar services to non-Indigenous Australians. This figure can be negative if it costs less to provide services to Indigenous Australians; for example, if Indigenous Australians tend to use less expensive services. The additional cost of service provision has two sub-components:
 - *mainstream services cost differentials* — any additional cost of providing mainstream services to Indigenous Australians, for reasons such as location, culture and language (chapter 3)
 - *Indigenous specific services that complement mainstream services* — these are services that Indigenous Australians use in addition to a mainstream service; for example, Indigenous student counsellors in schools.

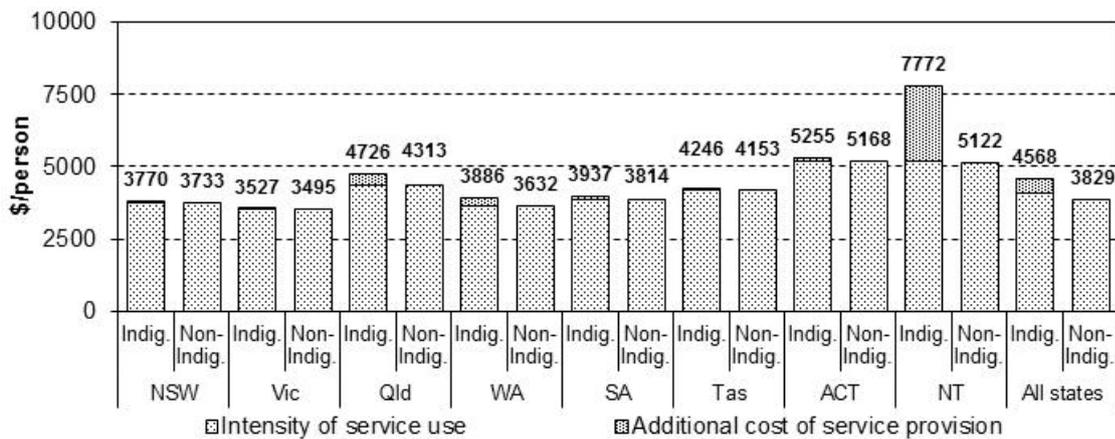
Conceptual issues associated with interpreting these components are discussed in chapter 2.

Variations in expenditure between Indigenous and non-Indigenous Australians

The variation in expenditure per capita between Indigenous and non-Indigenous Australians can be explained by differences in the intensity of service use, *plus* any additional cost of providing services to Indigenous Australians (figure 9.2 and box 9.3).

Estimated direct other government services expenditure per Indigenous person was \$739 higher than per non-Indigenous person in 2010-11. The majority of the difference \$493 (67 per cent) was attributable to the additional cost of service provision, with the remainder \$246 (33 per cent) attributable to the intensity of service use. The additional cost of service provision were mainly due to complementary Indigenous specific services that were used in addition to mainstream services (web-table W-I.28).

Figure 9.2 Australian Government *plus* State and Territory Government direct expenditure per person on other government services by driver of expenditure, 2010-11^a



^a Refer to box 9.3 for guidelines on how to interpret this chart.

Source: attachment tables 9.1 and 9.3.

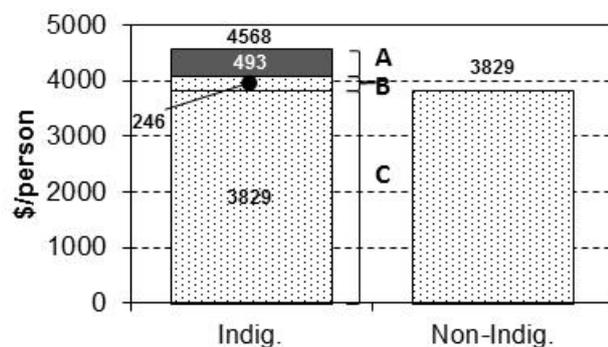
Box 9.3 Interpreting differences in expenditure per person^{a, b}

Total direct expenditure on other government services per Indigenous person was \$4568, compared with \$3829 per non-Indigenous person in 2010-11. That is, \$1.19 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian.

What can the method explain about differences in expenditure?

The Report estimates direct expenditure on Indigenous other government services based on the *intensity of service use* and the *additional cost of service provision* (chapter 2).

Intensity of service use accounted for \$4075 per person (89 per cent) (area B plus area C in diagram) of total direct expenditure on Indigenous Australians. Additional cost of service provision accounted for the remaining \$493 per person (11 per cent) (area A).



Variations between Indigenous and non-Indigenous Australians

The \$739 difference in expenditure per person between Indigenous and non-Indigenous Australians is attributable to a greater intensity of service use by Indigenous Australians and the additional cost of mainstream service provision (area A plus area B in diagram).

^a Total direct expenditure includes Australian Government plus State and Territory Government direct expenditure. ^b Expenditure per person is not expenditure per user, and must not be interpreted as a proxy for unit cost.

Source: web-table W-M.7.

Compared with non-Indigenous Australians, expenditure per person for Indigenous Australians on:

- *general government services and defence* — was \$357 higher, which mainly related to the additional cost of service provision (\$181 or 51 per cent), with the remainder attributable to the a greater intensity of service use by Indigenous Australians (\$176 or 49 per cent). The majority (94 per cent) of the additional cost of service provision related to complementary Indigenous specific services
- *support to industry* — was \$382 higher, which mainly related to the additional cost of service provision (\$312 or 82 per cent), all related to complementary Indigenous specific services. The greater intensity of service use by Indigenous Australians accounted for \$70 (18 per cent) (web-table W-I.28).

What other information is available?

This chapter provides an overview of the 2012 Report estimates of expenditure on other government services. More comprehensive expenditure estimates for eight separate expenditure categories are available from the project website (box 9.4, appendix D).

Box 9.4 Other government services estimates available online

The web-based attachments (appendix D) include detailed estimates for eight other government services sub-categories:

- general government services and defence
 - general public services
 - ... government superannuation benefits (GPC 0110)
 - ... other general public services (GPC 0190)
 - defence (including defence housing)
 - ... defence (GPC 0200)
 - ... defence housing (GPC+ 0711.4)
 - other purposes (GPC 1410, GPC 1420, GPC 1430, GPC 1490)
- support to industry
 - agriculture, forestry, fishing and hunting (GPC 1010, GPC 1020)
 - mining and mineral resources other than fuel; manufacturing; and construction (GPC 1110, GPC 1120, GPC 1130)
 - tourism and other (GPC 1310, GPC 1320).

9.3 References

COAG (Council of Australian Governments) 2011, National Indigenous Reform Agreement, Canberra www.federalfinancialrelations.gov.au/content/national_agreements.aspx (accessed 24 April 2012).

DIISR (Department of Innovation, Industry, Science and Research) 2010, *Programs and Services for Industry*, www.innovation.gov.au/Section/Industry/Pages/SpecificindustriesandsectorsforIndustry.aspx (accessed 20 June 2010).

SCRGSP (Steering Committee for the Review of Government Service Provision) 2012, *Expenditure Data Manual*, 2012 Indigenous Expenditure Report, Productivity Commission, Canberra.

Attachment 9.A Summary data tables

Table 9.1 **Australian Government *plus* State and Territory Government direct expenditure on other government services, 2010-11^{a, b}**

<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
General government services and defence									
Total expenditure									
Indigenous									
Aust Govt \$m	475	106	466	218	90	58	14	199	1 626
State Govt \$m	117	18	249	51	23	23	10	123	614
Non-Indigenous									
Aust Govt \$m	19 596	15 264	12 252	6 170	4 509	1 360	979	448	60 579
State Govt \$m	4 822	2 628	5 138	1 021	1 192	510	749	261	16 322
Total \$m	25 010	18 016	18 106	7 460	5 814	1 950	1 752	1 032	79 141
Indig. share %	2.4	0.7	4.0	3.6	1.9	4.1	1.4	31.2	2.8
Expenditure per person ^c									
Indig. \$/per	3 505	3 291	4 342	3 462	3 642	3 919	5 001	4 611	3 894
Non-Indig. \$/per	3 472	3 266	3 955	3 247	3 523	3 830	4 918	4 411	3 537
Ratio ^d ratio	1.01	1.01	1.10	1.07	1.03	1.02	1.02	1.05	1.10
Support to industry									
Total expenditure									
Indigenous									
Aust Govt \$m	18	4	18	8	3	2	1	175	229
State Govt \$m	27	5	45	25	6	5	1	46	159
Non-Indigenous									
Aust Govt \$m	722	562	451	227	166	50	36	17	2 232
State Govt \$m	1 116	690	1 124	623	305	108	52	98	4 117
Total \$m	1 883	1 262	1 639	884	480	164	89	335	6 736
Indig. share %	2.4	0.7	3.9	3.7	1.9	4.1	1.4	66.9	5.8
Expenditure per person ^c									
Indig. \$/per	265	237	384	424	295	327	254	3 161	674
Non-Indig. \$/per	261	229	358	384	291	323	250	711	292
Ratio ^d ratio	1.02	1.04	1.07	1.10	1.01	1.01	1.02	4.45	2.31

(Continued next page)

Table 9.1 (continued)

	<i>Unit</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
All other government services										
Total expenditure										
Indigenous										
Aust Govt	\$m	493	110	485	227	93	60	14	374	1 855
State Govt	\$m	144	23	295	75	29	27	11	169	773
Non-Indigenous										
Aust Govt	\$m	20 318	15 826	12 704	6 397	4 675	1 410	1 015	465	62 810
State Govt	\$m	5 939	3 319	6 263	1 644	1 497	617	801	359	20 439
Total	\$m	26 893	19 278	19 746	8 343	6 295	2 114	1 841	1 367	85 877
Indig. share	%	2.4	0.7	3.9	3.6	1.9	4.1	1.4	39.7	3.1
Expenditure per person ^c										
Indig.	\$/per	3 770	3 527	4 726	3 886	3 937	4 246	5 255	7 772	4 568
Non-Indig.	\$/per	3 733	3 495	4 313	3 632	3 814	4 153	5 168	5 122	3 829
Ratio ^d	ratio	1.01	1.01	1.10	1.07	1.03	1.02	1.02	1.52	1.19

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. ^d The ratio of total Indigenous expenditure per person to total non-Indigenous expenditure per person. This reflects the combined effects of differential use patterns and costs between Indigenous and non-Indigenous people (subject to the limitation of the data and methodology).

Source: web-tables W-J.7 and W-K.7.

Table 9.2 Australian Government *plus* State and Territory Government direct expenditure on Indigenous other government services by type of expenditure, 2010-11^{a, b}

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All states
General government services and defence									
Total Indigenous expenditure (\$million)									
Mainstream ^c	586	123	652	252	109	79	24	317	2 142
Indig. specific ^d	6	1	64	17	4	2	–	5	98
Total Indig.	592	124	716	269	113	81	24	322	2 240
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	3 471	3 265	3 954	3 247	3 522	3 830	4 917	4 541	3 723
Indig. specific ^d	34	25	388	215	120	89	84	70	171
Total Indig.	3 505	3 291	4 342	3 462	3 642	3 919	5 001	4 111	3 894
Support to industry									
Total Indigenous expenditure (\$million)									
Mainstream ^c	44	9	59	30	9	7	1	50	208
Indig. specific ^d	1	–	4	3	–	–	–	171	180
Total Indig.	45	9	63	33	9	7	1	221	388
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	261	229	358	384	291	323	250	711	362
Indig. specific ^d	4	8	26	40	4	4	4	2 450	312
Total Indig.	265	237	384	424	295	327	254	3 161	674
All other government services									
Total Indigenous expenditure (\$million)									
Mainstream ^c	630	132	711	282	118	85	25	367	2 350
Indig. specific ^d	6	1	68	20	4	2	–	176	278
Total Indig.	636	133	779	302	122	87	25	543	2 628
Indigenous expenditure per person (\$/person) ^e									
Mainstream ^c	3 733	3 494	4 313	3 631	3 813	4 153	5 167	5 252	4 085
Indig. specific ^d	38	33	414	255	124	93	88	2 520	483
Total Indig.	3 770	3 527	4 726	3 886	3 937	4 246	5 255	7 772	4 568

^a Totals may not sum due to rounding. ^b *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^c *Mainstream expenditure* includes outlays on programs, services and payments that are available to both Indigenous and non-Indigenous Australians on either a targeted or universal basis. Indigenous mainstream expenditure comprises a component estimated on the basis of service use and a component estimated on the basis of the difference in the cost of providing these services to Indigenous and non-Indigenous people. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d Indigenous specific expenditure includes outlays on programs, services and payments that are explicitly targeted to Indigenous Australians. These programs, services and payments can be either complementary (additional) to, or be substitute (alternative) for, mainstream services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^e Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. – Zero or rounded to zero.

Source: web-tables W-J.1 and W-K.1.

Table 9.3 Australian Government *plus* State and Territory Government direct expenditure on Indigenous other government services by driver of expenditure, 2010-11^{a, b}

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>All states</i>
General government services and defence									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	586	123	652	252	109	79	24	311	2 136
Cost of provision ^d	6	1	64	17	4	2	–	11	104
Total Indig.	592	124	716	269	113	81	24	322	2 240
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	3 472	3 266	3 955	3 247	3 523	3 830	4 918	4 451	3 713
Cost of provision ^d	33	24	387	215	119	88	83	160	181
Total Indig.	3 505	3 291	4 342	3 462	3 642	3 919	5 001	4 611	3 894
Support to industry									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	44	9	59	30	9	7	1	50	208
Cost of provision ^d	1	–	4	3	–	–	–	171	180
Total Indig.	45	9	63	33	9	7	1	221	388
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	261	229	358	384	291	323	250	711	362
Cost of provision ^d	4	8	26	40	4	4	4	2 450	312
Total Indig.	265	237	384	424	295	327	254	3 161	674
All other government services									
Total Indigenous expenditure (\$million)									
Intensity of use ^c	630	132	711	282	118	85	25	361	2 344
Cost of provision ^d	6	1	68	20	4	2	–	182	284
Total Indig.	636	133	779	302	122	87	25	543	2 628
Indigenous expenditure per person (\$/person) ^e									
Intensity of use ^c	3 733	3 495	4 313	3 632	3 814	4 153	5 168	5 162	4 075
Cost of provision ^d	37	32	413	255	123	92	87	2 610	493
Total Indig.	3 770	3 527	4 726	3 886	3 937	4 246	5 255	7 772	4 568

^a *Direct expenditure* includes government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments. An overview of the 2012 *Indigenous Expenditure Report* method is provided in chapter 2. ^b *Intensity of service use* component includes the use of mainstream services plus substitute Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^c *Cost of service provision* component includes any additional cost of providing mainstream services to Indigenous Australians plus complementary Indigenous specific services. Estimates for these sub-components are available in the detailed web-based tables (appendix D). ^d Expenditure per person is expenditure divided by the relevant total population. The population data used for these calculations are provided in appendix C, table C.1. – Zero or rounded to zero.

Source: web-tables W-L.1 and W-M.1.

PART C

APPENDIXES

A Overview of method

The *2012 Indigenous Expenditure Report* approach to identifying government expenditure on services related to Indigenous Australians is based on an approach used in similar exercises (for example, the Australian Institute of Health and Welfare (AIHW) estimates of expenditures on health services for Aboriginal and Torres Strait Islander people, and the NT Indigenous Expenditure Reviews).

The concepts, methods and data sources for this method are documented in detail in two companion manuals available from the project website (appendix D):

- *Expenditure Data Manual* — provides a consistent set of agreed definitions, methods and guidelines for jurisdictions to follow when providing expenditure data (SCRGSP 2012a)
- *Service Use Measure Definitions Manual* — documents the agreed measures used to prorate mainstream expenditure between Indigenous and non-Indigenous Australians (SCRGSP 2012b).

A.1 Expenditure definition and scope

Expenditure data for the Indigenous Expenditure Report are provided by the Australian Government, State and Territory governments following the guidelines in the 2012 Report *Expenditure Data Manual* (SCRGSP 2012a). This manual provides:

- *the definitions and scope of expenditure* — the Indigenous Expenditure Report defines expenditure as outlays by the general government sector on services to Indigenous and non-Indigenous Australians (SCRGSP 2012a, chapter 2).

Further to this, government expenditure is a combination of:

- *direct expenditure* — expenditure on services and programs that are paid directly to individuals, non-government service providers, or local governments. For example, unemployment benefits that are paid by the Australian Government directly to eligible recipients, or expenditure on school education services by the States and Territories
- *indirect expenditure* — payments or transfers made between jurisdictions, or between different levels of government. A large proportion of Australian

Government expenditure is indirect, which includes Australian Government general revenue assistance (such as GST payments) to State and Territory governments which they then allocate to different areas.

- *what expenditure should be classified as Indigenous specific* — services to Indigenous Australians are provided through a combination of Indigenous specific and mainstream services. Expenditure on Indigenous specific services (for example, the Australian Government Indigenous Employment Program) can generally be assumed to be exclusively for Indigenous Australians (SCRGSP 2012a, chapter 3)¹
- *what expenditure is classified as mainstream* — Mainstream services are provided on behalf of the entire community and are defined as expenditure on programs, services and payments that are available to both Indigenous and non-Indigenous Australians on either a targeted or universal basis. Expenditure on mainstream services calculated as the residual of total expenditure less any identified expenditure on Indigenous specific services (SCRGSP 2012a, chapter 3)
- *the allocation of expenditure to the ABS Government Purpose Classification (GPC) service area* — the Indigenous Expenditure Report uses the ABS GPC to categorise expenditure by service area. In some cases, the GPC does not provide sufficient disaggregation to map to the National Indigenous Reform Agreement and Overcoming Indigenous Disadvantage report building blocks, so additional sub-categories have been included.² The categories used in this report are outlined in appendix D, section D.3 (SCRGSP 2012a, chapter 4).

A.2 Identifying expenditure on services related to Indigenous Australians

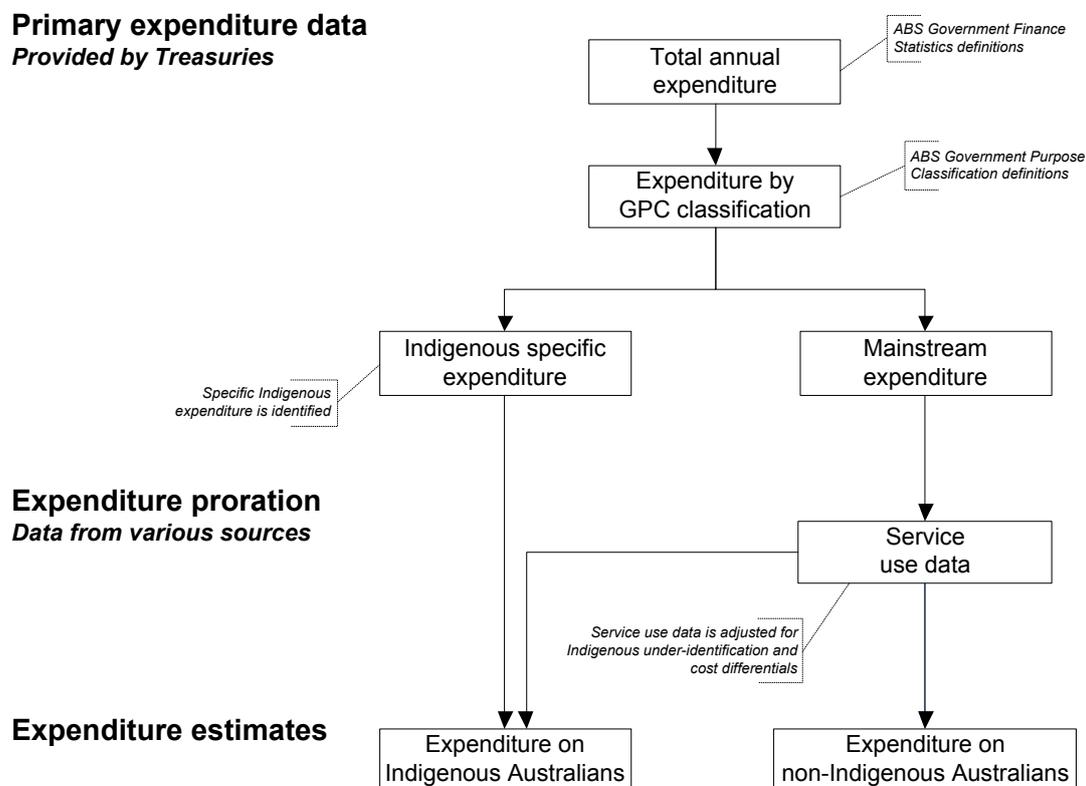
Identifying government expenditure on services related to Indigenous Australians is complex, and involves a process of estimation rather than aggregation, and comprises two stages (figure A.1):

1. Identifying total expenditure by service area, and where applicable, total expenditure for Indigenous specific services and programs.

¹ There can be some use of these services and programs by non-Indigenous Australians in particular locations (for example, health services in remote communities).

² For example, the National Indigenous Reform Agreement defines ‘child care services’ and ‘child protection and support services’ as separate outcome areas, whereas the GPC groups these into one category, *family and child welfare services* (GPC 0621).

Figure A.1 Data collection and proration process



2. Prorating mainstream (that is, non-Indigenous specific) expenditure between Indigenous and non-Indigenous Australians.
3. For each service area, Australian, and State and Territory governments provide total expenditure and Indigenous specific expenditure. Mainstream expenditure is derived as a residual.

$$\text{Total mainstream expenditure} = \text{Total expenditure} - \text{Indigenous specific expenditure} \quad [1]$$

To estimate the Indigenous expenditure by geographical state or territory, the Australian Government expenditure needs to be split between the state or territory where the expenditure was made, and added to the State or Territory government direct expenditure.

$$\text{Geographical state or territory total expenditure} = \text{Australian Government direct expenditure} + \text{State or territory direct expenditure} \quad [2]$$

A.3 Prorating mainstream expenditure

The Indigenous share of mainstream expenditure is rarely explicitly recorded, and must be estimated. The Indigenous Expenditure Report estimates the proportion of expenditure on mainstream services that is attributed to Indigenous Australians. This is based on the impact that Indigenous Australians have on total expenditure (not the benefit that service users receive). This requires an understanding of three important aspects of service delivery and consumption:

- *service cost drivers* — how Indigenous Australians influence expenditure on services requires an understanding of the key service cost drivers. For many services, the number of service users will be a key cost driver (for example, the number of patients for each type of procedure treated in a hospital). For other services, the major cost driver might not be closely related to the number of service users at all (for example, expenditure on foreign aid is not directly related to the characteristics of any population group in Australia)
- *Indigenous service use* — how service use is defined and measured. Service use is defined differently for different services. It could be based on the proportion of users that are Indigenous Australians, for example:
 - actual use of service (number of students in schools, or hours of Technical and Further Education study)
 - potential use of service (all individuals in a given location are able to access fire protection services when they need them)
 - service provided to the community (some services, such as the operation of parliament, are provided to all Australians).
- *link between cost and service use* — the extent to which service use drives costs. The previous two points highlight the fact that not all costs can be directly associated with individuals. As a consequence, it is important to understand the strength of the link between cost and service use.

The Indigenous Expenditure Report employs the concept of a service use measure, which attempts to incorporate these three pieces of information to identify the Indigenous share of mainstream expenditure:

$$\begin{array}{l} \textit{Indigenous share of} \\ \textit{mainstream} \\ \textit{expenditure} \end{array} = \begin{array}{l} \textit{Total mainstream} \\ \textit{expenditure} \end{array} \times \begin{array}{l} \textit{Service use} \\ \textit{measure} \end{array} \quad [3]$$

Where possible, the service use measures are adjusted for:

- *under-identification* — the degree to which service users do not identify as Indigenous. For example, a person's Indigenous status might not always be

asked as part of the service process. Alternatively, there might be a disincentive for service users to identify their Indigenous status

- *cost differential* — the extent to which the cost of providing services to Indigenous and non-Indigenous Australians varies. The provision of services to Indigenous Australians might be more costly ‘on average’ if Indigenous Australians are disproportionately located in remote areas, or if Indigenous service users have additional service needs regardless of their location
- *Indigenous specific service use adjustment factor* — the nature of a substitute Indigenous specific service is that it is given instead of a mainstream service. Because of this, it is necessary to remove the associated service use population if it is included in the mainstream population in order to avoid double counting.

$$\begin{array}{l} \text{Indigenous} \\ \text{share of} \\ \text{mainstream} \\ \text{expenditure} \end{array} = \begin{array}{l} \text{Mainstream} \\ \text{expenditure} \end{array} \times \begin{array}{l} \text{Service} \\ \text{use} \\ \text{measure} \end{array} \times \begin{array}{l} \text{Under} \\ \text{-identification} \end{array} \times \begin{array}{l} \text{Cost} \\ \text{differential} \end{array} \times \begin{array}{l} \text{Indigenous} \\ \text{specific} \\ \text{service use} \\ \text{adjustment} \\ \text{factor} \end{array} \quad [4]$$

The concepts and issues associated with the selection and application of service use measures, data for under-identification, and cost differential factors, are discussed in chapters 3 to 5 of the 2012 Report *Service Use Measure Definitions Manual* (SCRGSP 2012b).

A.4 Total Indigenous share of expenditure

Total government expenditure on services related to Indigenous Australians is the sum of Indigenous specific expenditure and the Indigenous share of mainstream expenditure:

$$\begin{array}{l} \text{Total Indigenous} \\ \text{share of} \\ \text{expenditure} \end{array} = \begin{array}{l} \text{Indigenous share of} \\ \text{mainstream} \\ \text{expenditure} \end{array} + \begin{array}{l} \text{Indigenous specific} \\ \text{expenditure} \end{array} \quad [5]$$

A.5 References

SCRGSP (Steering Committee for the Review of Government Service Provision) 2012a, *Expenditure Data Manual*, 2012 Indigenous Expenditure Report, Productivity Commission, Canberra.

— 2012b, *Service Use Measure Definitions Manual*, 2012 Indigenous Expenditure Report, Productivity Commission, Canberra.

B Estimate reliability

To consider the reliability of the method, quality assessments of the data are important. The framework for assessing the reliability of the service use measures and data quality statements across GPC/GPC+ categories includes:

- *appropriateness of service use measure* — if the measure of service use provide a proxy of the distribution of costs (expenditure) among service users (mainly Indigenous and non-Indigenous users), these ratings have been applied:
 - *A. Good* — service use measure is a good proxy for the cost drivers of expenditure in the category
 - *B. Fair* — service use measure accounts for the major cost drivers of expenditure in the category but some aspects — such as location or service mix — may not be accounted for
 - *C. Poor* — service use measure is only a partial proxy for the cost drivers of expenditure in the category, or is not a direct measure of the cost drivers. Some major influence on cost might not be reflected in the measure (for example, intensity of service use)
 - *D. Very Poor* — service use measure is poorly related to the cost drivers of expenditure in the category.
- *quality of service use measure data* — whether the data provide good quality estimates of the service use measure in the context of the dimensions of the ABS Data Quality Framework, including Indigenous identification. These ratings have been applied to each service use measure data source:
 - *A. Good* — assessed to perform well against each of the seven dimensions of data quality
 - *B. Fair* — assessed to perform well against most of the seven dimensions of data quality. This must include strong assessments against the ‘relevance’ and ‘accuracy’ criteria
 - *C. Poor* — assessed as not performing well against most of the seven dimensions of data quality. This includes weak assessments against either the ‘relevance’ or ‘accuracy’ criteria
 - *D. Very Poor* — assessed as not performing well against any of the seven dimensions of data quality.

Table B.1 Reliability of model parameters, 2010-11 estimates

	<i>Estimated</i>			<i>Information quality^a</i>			
	<i>Directly identified^b</i>	<i>Service use^c</i>	<i>Comm. rep^d</i>	<i>Total exp</i>	<i>Appr.^e</i>	<i>Qual.^f</i>	<i>Cost diff.^g</i>
	%	%	%	\$m			
Early child development, and Education and training (chapter 4)							
Early childhood	33.5	66.5	–	5 191	A	B	C
School education	22.9	75.1	2.0	42 041	A	B	B
Tertiary education	35.7	62.5	1.9	18 878	A	B	C
Total	25.7	72.4	1.9	66 109	A	B	C
Healthy lives (chapter 5)							
Hospital services ^h	6.3	93.7	–	41 101	A	A	A
Public and community health	60.9	39.1	–	15 820	A	A	B
Health care subsidies & support	12.7	87.3	–	35 928	A	A	B
Total	27.0	73.0	–	92 849	A	A	B
Economic participation (chapter 6)							
Labour and employment	59.2	29.0	11.9	9 054	B	B	C
Social security support	–	100.0	–	89 193	A	A	B
Total	13.4	83.9	2.7	98 247	A	A	B
Home environment (chapter 7)							
Housing	51.0	49.0	–	8 637	A	B	C
Community and environment	52.2	–	47.8	14 739	A	A	C
Transport and communications	5.0	–	95.0	20 978	A	A	C
Total	39.7	20.1	40.2	44 354	A	A	C
Safe and supportive communities (chapter 8)							
Public order and safety	13.6	76.4	10.0	23 899	C	B	C
Community support and welfare	34.1	64.6	1.4	31 973	B	A	C
Recreation and culture	52.0	–	48.0	7 979	A	A	C
Total	25.8	65.4	8.8	63 851	B	B	C
Other government services (chapter 9)							
General government and defence	4.4	–	95.6	79 141	A	A	C
Support to industry	46.3	–	53.7	6 736	A	A	C
Total	10.6	–	89.4	85 877	A	A	C
TOTAL EXPENDITURE	23.2	60.6	16.2	451 287	B	B	C

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b Expenditure directly identified as Indigenous specific (targeted) programs. ^c Expenditure estimated on the basis of actual service use. ^d Expenditure estimated on the basis of **community representation** (comm. rep). ^e **Appropriateness** (appr.) — a subjective assessment of how well the service use measure represents the link between service use and cost. ^f **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. ^g **Cost differential** (cost diff.) — a subjective assessment of the reliability of the information on the difference in the cost of providing the same service to Indigenous and non-Indigenous Australians. ^h Expenditure estimates on 'Hospital services' for Indigenous Australians in some jurisdictions should be interpreted with care; in Tas, due to concerns regarding recording of Indigenous status in Tasmanian hospitals, and in ACT and NSW, on account of cross border flows between these two states. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

Table B.2 Subjective assessment of the reliability of model parameters for early child development, and education and training (chapter 4), 2010-11

	<i>Basis of estimation</i>				<i>Information quality^a</i>	
	<i>Directly identified^b</i>	<i>Service use^c</i>	<i>Comm. rep^d</i>	<i>Total exp</i>	<i>Appr.^e</i>	<i>Qual.^f</i>
	%	%	%	\$m		
Early child development						
Preschool education	23.5	76.5	–	898	A	B
Child care services	40.5	59.5	–	4 293	A	B
Total early child development	33.5	66.5	–	5 191	A	B
School education						
Primary education	15.6	84.4	–	18 477	A	B
Secondary education	11.8	88.2	–	16 246	A	B
<i>Other school education</i>						
Primary & secondary education nec	87.0	13.0	–	1 745	A	B
Special education	–	100.0	–	2 593	A	D
Transport for school students	6.0	–	94.0	1 381	D	A
Assistance for school education	90.5	7.5	2.0	1 599	B	A
Total other school education	51.1	40.4	8.5	7 318	B	C
Total school education	22.9	75.1	2.0	42 041	A	B
Tertiary education						
University education	46.0	54.0	–	7 493	A	B
<i>TAFE and VET</i>						
Technical and further education	18.4	81.6	–	5 965	A	B
Vocational training	31.4	68.6	–	2 616	B	A
Total TAFE And VET	22.5	77.5	–	8 581	A	B
<i>Other tertiary education</i>						
Tertiary education nec	90.0	10.0	–	94	B	D
Transport for tertiary students	–	–	100.0	63	D	A
Other ed. related to tertiary	11.4	–	88.6	204	D	A
Assistance for tertiary education	75.1	23.0	2.0	2 443	B	A
Total other tertiary education	71.9	18.4	9.8	2 805	B	A
Total tertiary education	35.7	62.5	1.9	18 878	A	B
All early child devel. & education	25.7	72.4	1.9	66 109	A	B

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b Expenditure directly identified as Indigenous specific (targeted) programs. ^c Expenditure estimated on the basis of actual service use. ^d Expenditure estimated on the basis of **community representation** (comm. rep). ^e **Appropriateness** (appr.) — a subjective assessment of how well the service use measure represents the link between service use and cost. ^f **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

Table B.3 Subjective assessment of the reliability of model parameters for healthy lives (chapter 5), 2010-11

	<i>Basis of estimation</i>				<i>Information quality^{a, b}</i>	
	<i>Directly identified^c</i>	<i>Service use^d</i>	<i>Comm. rep^e</i>	<i>Total exp</i>	<i>Appr.^f</i>	<i>Qual.^g</i>
	%	%	%	\$m		
Hospital services (excluding subsidies)^h						
Admitted patient services	4.8	95.2	–	33 052	A	A
Non-admitted patient services	11.9	88.1	–	7 405	A	A
Mental health institutions	3.0	97.0	–	644	A	A
Total hospital services	6.3	93.7	–	41 101	A	A
Public and community health (excluding subsidies)						
Public health services	45.2	54.8	–	2 354	A	A
<i>Community health services</i>						
Community mental health services	26.2	73.8	–	2 378	A	A
Patient transport	100.0	–	–	2 491	A	A
<i>Other community health services</i>						
Other health practitioners	14.3	85.7	–	1 375	A	A
Community Health	68.3	31.7	–	6 263	A	A
Dental services	42.3	57.7	–	960	A	A
Total other community health	65.5	34.5	–	8 597	A	A
Total community health services	62.5	37.5	–	13 466	A	A
Total public & community health	60.9	39.1	–	15 820	A	A
Health care subsidies and support						
<i>Health service subsidies</i>						
Medical service sub. (incl. Medicare)	8.2	91.8	–	16 749	A	A
Private Health Insurance	–	100.0	–	5 343	A	A
Total health service subsidies	7.6	92.4	–	22 092	A	A
<i>Pharmaceuticals, medical aids and appliances</i>						
Benefit-paid pharmaceuticals	23.2	76.8	–	10 003	A	A
Other medications	–	100.0	–	699	A	A
Aids and appliances	–	100.0	–	1 047	A	A
Total pharm., aids & appliances	15.9	84.1	–	11 749	A	A

(Continued next page)

Table B.3 continued

	<i>Basis of estimation</i>				<i>Information quality^{a, b}</i>	
	<i>Directly identified^c</i>	<i>Service use^d</i>	<i>Comm. rep^e</i>	<i>Total exp</i>	<i>Appr.^f</i>	<i>Qual.^g</i>
	%	%	%	\$m		
Research and administration						
Health research	0.1	99.9	–	1 352	A	A
General health administration	81.1	18.9	–	734	A	A
Total Research and administration	21.6	78.4	–	2 087	A	A
Total health service subsidies	12.7	87.3	–	35 928	A	A
All healthy lives	27.0	73.0	–	92 849	A	A

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b The 2008-9 and 2010-11 estimates in this report are based on 2008-09 service use data. ^c Expenditure directly identified as Indigenous specific (targeted) programs. ^d Expenditure estimated on the basis of actual service use. ^e Expenditure estimated on the basis of **community representation** (comm. rep). ^f **Appropriateness** (appr.) — a subjective assessment of how well the service use measure represents the link between service use and cost. ^g **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. ^h Expenditure estimates on 'Hospital services' for Indigenous Australians in some jurisdictions should be interpreted with care; in Tas, due to concerns regarding recording of Indigenous status in Tasmanian hospitals, and in ACT and NSW, on account of cross border flows between these two states. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

Table B.4 Subjective assessment of the reliability of model parameters for economic participation (chapter 6), 2010-11

	Basis of estimation			Total exp	Information quality ^a	
	Directly identified ^b	Service use ^c	Comm. rep ^d		Appr. ^e	Qual. ^f
	%	%	%	\$m		
Labour and employment services						
Other labour & employment affairs	59.8	39.1	1.2	4 727	B	B
Other economic affairs nec	57.4	–	42.6	4 327	A	A
Total labour & employment services	59.2	29.0	11.9	9 054	B	B
Social security support						
Income assistance to:						
Veterans and dependants	–	100.0	–	4 755	A	C
People with a disability	–	100.0	–	19 682	A	A
The aged	–	100.0	–	31 929	A	A
Widows, deserted wives & orphan	–	100.0	–	394	A	A
The unemployed	–	100.0	–	6 654	A	A
Families and children	–	100.0	–	24 213	A	A
The vulnerable & people in special cir.	–	100.0	–	1 072	A	A
All income assistance	–	100.0	–	88 700	A	A
Concessions and allowances	–	100.0	–	493	B	A
Total social security support	–	100.0	–	89 193	A	A
All economic participation	13.4	83.9	2.7	98 247	A	A

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b Expenditure directly identified as Indigenous specific (targeted) programs. ^c Expenditure estimated on the basis of actual service use. ^d Expenditure estimated on the basis of **community representation** (comm. rep). ^e **Appropriateness** (appr.)— a subjective assessment of how well the service use measure represents the link between service use and cost. ^f **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

Table B.5 Subjective assessment of the reliability of model parameters for home environment (chapter 7), 2010-11

	<i>Basis of estimation</i>				<i>Information quality^a</i>	
	<i>Directly identified^b</i>	<i>Service use^c</i>	<i>Comm. rep^d</i>	<i>Total exp</i>	<i>Appr.^e</i>	<i>Qual.^f</i>
	%	%	%	\$m		
Housing						
Home purchase assistance	97.5	2.5	–	1 121	D	B
Social housing	60.3	39.7	–	3 826	B	B
Rental market assistance	7.8	92.2	–	3 324	A	C
Homelessness persons' assistance for						
Young people	–	100.0	–	130	A	A
Other than youth people	7.1	92.9	–	237	A	A
Total homelessness assistance	5.0	95.0	–	367	A	A
Total housing	51.0	49.0	–	8 637	A	B
Community and environment services						
Community development	77.9	–	22.1	2 460	B	A
Community amenities	71.3	–	28.7	237	B	A
Water supply	53.9	–	46.1	1 881	A	A
Sanitation & prot. of the environment	59.2	–	40.8	3 120	A	A
Fuel and Energy	25.4	–	74.6	7 041	A	A
Total community & environment	52.2	–	47.8	14 739	A	A
Transport and communications						
Road transport	4.9	–	95.1	9 926	A	A
Rail Transport	–	–	100.0	5 759	A	A
Other transport	6.5	–	93.5	4 807	A	A
Communications	26.8	–	73.2	485	A	A
Total transport & communications	5.0	–	95.0	20 978	A	A
All home environment	39.7	20.1	40.2	44 354	A	A

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b Expenditure directly identified as Indigenous specific (targeted) programs. ^c Expenditure estimated on the basis of actual service use. ^d Expenditure estimated on the basis of **community representation** (comm. rep). ^e **Appropriateness** (appr.)— a subjective assessment of how well the service use measure represents the link between service use and cost. ^f **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

Table B.6 Subjective assessment of the reliability of model parameters for safe and supportive communities (chapter 8), 2010-11

	<i>Basis of estimation</i>				<i>Information quality^a</i>	
	<i>Directly identified^b</i>	<i>Service use^c</i>	<i>Comm. rep^d</i>	<i>Total exp</i>	<i>Appr.^e</i>	<i>Qual.^f</i>
	%	%	%	\$m		
Public order and safety						
Police services	10.3	78.8	10.9	11 430	C	C
Law courts and legal services						
Criminal courts and legal services	4.0	96.0	–	1 859	B	D
Other courts and legal services	70.6	–	29.4	2 069	B	A
Access to justice	46.2	50.5	3.3	1 345	A	B
Total law courts & legal services	34.4	56.7	8.9	5 272	B	A
Prisons and corrective services						
Juvenile corrective services	0.7	99.3	–	470	A	B
Other prisons and corrective	5.1	94.9	–	3 124	A	B
Total prisons and corrective services	4.2	95.8	–	3 593	A	B
Other public order						
Fire protection services	0.4	–	99.6	2 846	A	A
Other public order and safety	35.6	–	64.4	757	B	A
Total other public order	7.2	–	92.8	3 604	A	A
Total public order and safety	13.6	76.4	10.0	23 899	C	B
Community support and welfare						
Welfare for the aged						
Nursing homes for the aged	11.4	88.6	–	887	A	A
Welfare services for the aged	25.8	67.5	6.7	12 308	A	A
Total welfare for the aged	25.5	67.9	6.6	13 195	A	A
Welfare for people with a disability	1.7	98.3	–	7 220	A	A
Child protection & out-of-home care	6.8	93.2	–	2 890	A	A
General family & youth support services	22.6	77.4	–	2 537	A	A
Other welfare						
Welfare services nec	93.1	3.4	3.5	2 562	C	B
Social security and welfare nec	53.7	46.3	–	3 568	B	A
Total other welfare	81.3	16.2	2.4	6 130	C	B
Total community support & welfare	34.1	64.6	1.4	31 973	B	A

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Table B.6 continued

	Basis of estimation			Total exp	Information quality ^a	
	Directly identified ^b	Service use ^c	Comm. rep ^d		Appr. ^e	Qual. ^f
	%	%	%		\$m	
Recreation and culture						
National parks and wildlife	32.0	–	68.0	1 311	A	A
Recreation services						
Recreation facilities and services	36.8	–	63.2	1 865	A	A
Recreation and culture nec	17.2	–	82.8	378	A	A
Total recreation services	33.7	–	66.3	2 243	A	A
Cultural facilities and broadcasting						
Cultural facilities and services	64.7	–	35.3	2 842	A	A
Broadcasting and film production	54.3	–	45.7	1 583	A	A
Total cultural facilities & broadcasting	61.9	–	38.1	4 425	A	A
Total recreation and culture	52.0	–	48.0	7 979	A	A
All safe and supportive communities	25.8	65.4	8.8	63 851	B	B

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b Expenditure directly identified as Indigenous specific (targeted) programs. ^c Expenditure estimated on the basis of actual service use. ^d Expenditure estimated on the basis of **community representation** (comm. rep). ^e **Appropriateness** (appr.)— a subjective assessment of how well the service use measure represents the link between service use and cost. ^f **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

Table B.7 Subjective assessment of the reliability of model parameters for other government services (chapter 9), 2010-11

	Basis of estimation			Total exp	Information quality ^a	
	Directly identified ^b	Service use ^c	Comm. rep ^d		Appr. ^e	Qual. ^f
	%	%	%	\$m		
General government services and defence						
General public services						
Government superannuation benefits	1.5	–	98.5	3 399	A	A
Other general public services	4.2	–	95.8	24 900	A	A
Total general public services	3.9	–	96.1	28 299	A	A
Defence (incl. defence housing)						
Defence	1.7	–	98.3	24 340	A	A
Defence housing	–	–	100.0	742	A	A
Total defence (incl. defence housing)	1.7	–	98.3	25 081	A	A
Other purposes	7.1	–	92.9	25 761	A	A
Total general govt services & defence	4.4	–	95.6	79 141	A	A
Support to industry						
Agriculture, forestry, fishing and hunting	6.6	–	93.4	4 101	A	A
Mining (sans fuels), manuf, & construction	77.6	–	22.4	1 713	A	A
Tourism and other	5.4	–	94.6	923	A	A
Total support to industry	46.3	–	53.7	6 736	A	A
All other government services	10.6	–	89.4	85 877	A	A

^a A subjective assessment of the reliability of service use measure and data: 'A' implies good; 'B' implies fair; 'C' implies poor and 'D' implies very poor. ^b Expenditure directly identified as Indigenous specific (targeted) programs. ^c Expenditure estimated on the basis of actual service use. ^d Expenditure estimated on the basis of **community representation** (comm. rep). ^e **Appropriateness** (appr.)— a subjective assessment of how well the service use measure represents the link between service use and cost. ^f **Quality** (qual.) — a subjective assessment of the reliability of the service use measure data, including Indigenous identification. – Zero or rounded to zero.

Source: Steering Committee for the Review of Government Service Provision analysis.

C General statistics

This appendix contains general statistics to assist in the interpretation of the estimates of government expenditure presented in this report. This appendix contains the following tables:

- Table C.1 Indigenous and non-Indigenous population, June 2011
- Table C.2 Indigenous and non-Indigenous population, by remoteness, June 2011
- Table C.3 Indigenous population, by age and sex, June 2006
- Table C.4 Non-Indigenous population, by age and sex, June 2006
- Table C.5 Main language spoken at home by Indigenous people, by age, 2006
- Table C.6 Language spoken at home by Indigenous people, by remoteness and English proficiency, 2006

Table C.1 Indigenous and non-Indigenous population, June 2011^a

	Unit	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
<i>Total Population</i>										
Indigenous	no.	168 773	37 647	164 883	77 694	31 040	20 580	4 825	69 855	575 297
Non-Indigenous	no.	7 032 840	5 478 201	4 397 270	2 214 314	1 618 322	488 078	351 400	160 871	21 741 296
All Australians	no.	7 201 613	5 515 848	4 562 153	2 292 008	1 649 362	508 658	356 225	230 726	22 316 593
<i>Share of total population</i>										
Indigenous	%	2.3	0.7	3.6	3.4	1.9	4.0	1.4	30.3	2.6
Non-Indigenous	%	97.7	99.3	96.4	96.6	98.1	96.0	98.6	69.7	97.4

^a Indigenous population estimates are available for census years only. In the intervening years, Indigenous population projections are derived from assumptions about past and future levels of fertility, mortality and migration. In the absence of non-Indigenous population projections for these years, the non-Indigenous population is derived by subtracting the Indigenous population from the total population. Such figures have a degree of uncertainty and should be used with caution, particularly as the time from the base year of the projection series increases.

Source: *Experimental Estimates and Projections, Indigenous Australians, 1991 to 2021* (cat. no. 3238.0) & *Population Projections, Australia, 2006 to 2101* (cat. no. 3222.0)

Table C.2 Indigenous and non-Indigenous population, by remoteness, June 2011^{a, b, c}

Unit	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
<i>Indigenous population</i>									
Major Cities	no. 73 029	18 678	46 301	26 745	15 173	..	4 825	..	184 571
Inner Regional	no. 56 048	13 135	33 948	6 252	2 841	11 084	122 924
Outer Regional	no. 31 001	5 834	47 979	11 606	7 229	9 496	..	14 135	126 882
Remote	no. 7 313	..	14 123	13 312	1 328	np	..	16 355	52 731
Very remote	no. 1 382	..	22 532	19 779	4 469	np	..	39 366	88 189
Total	no. 168 773	37 647	164 883	77 694	31 040	20 580	4 825	69 855	575 297
<i>Non-Indigenous population</i>									
Major Cities	no. 5 153 089	4 106 736	2 672 935	1 609 866	1 183 222	..	351 400	..	15 087 571
Inner Regional	no. 1 408 943	1 102 778	966 433	281 526	195 729	317 817	4 281 950
Outer Regional	no. 439 273	268 687	644 690	201 589	182 963	170 261	..	112 261	2 010 637
Remote	no. 28 112	..	80 274	89 913	46 262	np	..	34 634	273 690
Very remote	no. 3 422	..	32 938	31 421	10 146	np	..	13 976	87 448
Total	no. 7 032 840	5 478 201	4 397 270	2 214 314	1 618 322	488 078	351 400	160 871	21 741 296
<i>Total population</i>									
Major Cities	no. 5 226 118	4 125 414	2 719 236	1 636 611	1 198 395	..	356 225	..	15 272 142
Inner Regional	no. 1 464 991	1 115 913	1 000 382	287 778	198 570	328 901	4 404 874
Outer Regional	no. 470 274	274 521	692 669	213 195	190 192	179 757	..	126 396	2 137 520
Remote	no. 35 425	..	94 397	103 225	47 590	np	..	50 989	326 420
Very remote	no. 4 804	..	55 470	51 199	14 615	np	..	53 342	175 636
Total	no. 7 201 613	5 515 848	4 562 153	2 292 008	1 649 362	508 658	356 225	230 726	22 316 593

^a As defined by ABS 2011. Australian standard geographical classification (ASGC), July 2011. ABS cat. no. 1216.0. Canberra: ABS. ^b Indigenous population estimates are available for census years only. In the intervening years, Indigenous population projections are derived from assumptions about past and future levels of fertility, mortality and migration. In the absence of non-Indigenous population projections for these years, the non-Indigenous population is derived by subtracting the Indigenous population from the total population. Such figures have a degree of uncertainty and should be used with caution, particularly as the time from the base year of the projection series increases. ^c State and territory totals are from ABS projections. The remoteness breakdown was not available from these projections, and were estimated by applying 2006 ABS Population Census remoteness proportions to the projections. **np** not published but included in totals. .. not applicable.

Source: Steering Committee for the Review of Government Service Provision estimates based on *Experimental Estimates and Projections, Indigenous Australians, 1991 to 2021* (cat. no. 3238.0) & *Population Projections, Australia, 2006 to 2101* (cat. no. 3222).

Table C.3 Indigenous population, by age and sex, June 2006

Years	NSW	Vic	Q/d	WA	SA	Tas	ACT	NT	Australia
Males									
0-4	9 853	2 023	9 577	4 261	1 703	1 117	224	3 982	32 753
5-9	9 965	2 074	9 535	4 680	1 777	1 154	265	3 874	33 335
10-14	10 173	2 137	9 621	4 431	1 716	1 199	294	3 673	33 254
15-19	8 589	1 753	7 786	3 828	1 563	1 184	241	3 374	28 329
20-24	6 500	1 513	6 184	3 170	1 269	786	235	2 994	22 657
25-29	4 872	1 170	5 163	2 791	947	574	170	2 546	18 246
30-34	4 810	1 092	5 027	2 669	988	500	166	2 478	17 737
35-39	4 674	1 079	4 661	2 382	894	564	140	2 223	16 624
40-44	4 190	959	4 002	2 086	806	491	124	1 854	14 517
45-49	3 652	779	3 195	1 745	641	463	85	1 491	12 062
50-54	2 969	667	2 516	1 322	535	398	98	1 104	9 616
55-59	2 215	489	1 847	906	341	304	51	711	6 869
60-64	1 545	312	1 156	578	235	206	28	508	4 574
65-69	991	227	691	403	152	106	15	311	2 901
70-74	659	123	481	235	93	85	6	178	1 861
75 and over	572	184	508	288	130	73	5	213	1 974
75-79	330	92	275	144	67	np	np	107	1 059
80-84	149	42	140	77	34	np	np	60	523
85 and over	93	50	93	67	29	np	np	46	392
All ages	76 229	16 581	71 950	35 775	13 790	9 204	2 147	31 514	257 309

(Continued next page)

Table C.3 (continued)

Years	NSW	Vic	Q/d	WA	SA	Tas	ACT	NT	Australia
Females									
0-4	9 252	2 057	9 403	4 200	1 626	1 049	284	3 792	31 673
5-9	9 402	2 152	9 260	4 300	1 716	1 054	259	3 645	31 801
10-14	9 712	2 013	9 000	4 108	1 710	1 188	229	3 466	31 433
15-19	7 809	1 784	7 360	3 639	1 559	1 026	220	3 207	26 614
20-24	6 123	1 414	6 117	3 070	1 264	837	202	3 083	22 122
25-29	5 003	1 199	5 201	2 646	1 037	594	167	2 763	18 620
30-34	5 241	1 146	5 256	2 504	1 008	588	156	2 638	18 546
35-39	5 247	1 134	5 049	2 515	977	644	180	2 382	18 136
40-44	4 803	990	4 312	2 107	886	589	133	1 911	15 734
45-49	3 980	804	3 442	1 794	724	528	113	1 617	13 011
50-54	3 091	654	2 777	1 413	538	344	82	1 292	10 196
55-59	2 385	517	2 061	1 000	382	289	46	865	7 554
60-64	1 567	356	1 363	674	283	164	29	673	5 115
65-69	1 128	260	944	457	204	132	15	435	3 576
70-74	777	157	595	318	146	76	9	351	2 430
75 and over	936	299	795	446	205	109	11	371	3 173
75-79	503	142	384	204	106	np	np	175	1 575
80-84	230	87	229	124	50	np	np	109	871
85 and over	203	70	182	118	49	np	np	87	727
All ages	76 456	16 936	72 935	35 191	14 265	9 211	2 135	32 491	259 734

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Table C.3 (continued)

Years	NSW	Vic	Q/d	WA	SA	Tas	ACT	NT	Australia
Persons									
0-4	19 105	4 080	18 980	8 461	3 329	2 166	508	7 774	64 426
5-9	19 367	4 226	18 795	8 980	3 493	2 208	524	7 519	65 136
10-14	19 885	4 150	18 621	8 539	3 426	2 387	523	7 139	64 687
15-19	16 398	3 537	15 146	7 467	3 122	2 210	461	6 581	54 943
20-24	12 623	2 927	12 301	6 240	2 533	1 623	437	6 077	44 779
25-29	9 875	2 369	10 364	5 437	1 984	1 168	337	5 309	36 866
30-34	10 051	2 238	10 283	5 173	1 996	1 088	322	5 116	36 283
35-39	9 921	2 213	9 710	4 897	1 871	1 208	320	4 605	34 760
40-44	8 993	1 949	8 314	4 193	1 692	1 080	257	3 765	30 251
45-49	7 632	1 583	6 637	3 539	1 365	991	198	3 108	25 073
50-54	6 060	1 321	5 293	2 735	1 073	742	180	2 396	19 812
55-59	4 600	1 006	3 908	1 906	723	593	97	1 576	14 423
60-64	3 112	668	2 519	1 252	518	370	57	1 181	9 689
65-69	2 119	487	1 635	860	356	238	30	746	6 477
70-74	1 436	280	1 076	553	239	161	15	529	4 291
75 and over	1 508	483	1 303	734	335	182	16	584	5 147
75-79	833	234	659	348	173	96	8	282	2 634
80-84	379	129	369	201	84	58	5	169	1 394
85 and over	296	120	275	185	78	28	3	133	1 119
All ages	152 685	33 517	144 885	70 966	28 055	18 415	4 282	64 005	517 043

np not published but included in totals.

Source: Australian Demographic Statistics Sep 2011, cat no. 3101.0.

Table C.4 Non-Indigenous population, by age and sex, June 2006

Years	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
Males									
0-4	214 133	160 149	128 320	62 862	44 279	14 455	10 367	5 061	639 681
5-9	215 966	163 100	131 855	65 502	46 894	15 275	10 061	4 969	653 717
10-14	223 343	170 548	139 314	69 834	50 465	16 439	10 647	4 986	685 661
15-19	225 898	176 711	137 278	72 143	52 338	16 263	12 410	4 746	697 843
20-24	232 788	185 509	143 276	74 297	54 049	14 857	15 017	5 786	725 670
25-29	228 922	178 288	133 059	67 833	48 409	12 879	13 438	6 321	689 224
30-34	241 762	185 489	140 998	71 265	50 553	14 202	12 937	6 699	723 977
35-39	239 765	191 061	144 098	76 139	55 022	15 813	12 513	6 792	741 295
40-44	245 856	186 766	144 972	76 558	56 592	16 868	11 969	6 745	746 447
45-49	238 398	180 206	141 644	74 642	56 613	17 629	11 658	6 420	727 302
50-54	216 952	164 297	131 341	69 219	52 417	16 734	10 794	5 887	667 740
55-59	204 327	151 747	126 349	64 539	50 008	16 201	10 090	5 401	628 774
60-64	161 986	119 326	99 722	48 071	38 940	12 976	6 992	3 527	491 602
65-69	127 616	94 910	75 733	36 894	30 732	10 280	4 849	2 178	383 234
70-74	102 518	76 265	56 878	27 905	25 443	8 019	3 570	1 086	301 705
75 and over	179 041	134 115	94 504	45 567	47 509	13 462	5 844	1 197	521 252
75-79	86 256	64 710	45 570	22 525	22 473	np	np	743	251 619
80-84	57 155	42 676	29 753	14 281	15 256	np	np	312	165 650
85 and over	35 630	26 729	19 181	8 761	9 780	np	np	142	103 983
All ages	3 299 271	2 518 487	1 969 341	1 003 270	760 263	232 352	163 156	77 801	10 025 124

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Table C.4 (continued)

Years	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
Females									
0-4	202 943	152 342	121 125	58 984	42 270	13 542	9 833	4 854	605 975
5-9	206 040	154 103	125 388	61 508	45 170	14 550	9 936	4 574	621 356
10-14	212 417	161 653	132 284	64 986	47 961	15 443	10 324	4 650	649 806
15-19	215 377	167 930	131 098	67 310	49 325	15 471	11 654	4 205	662 419
20-24	226 737	180 197	139 501	68 947	51 857	14 640	14 271	5 199	701 409
25-29	227 919	175 286	130 651	64 694	46 391	13 241	13 501	6 099	677 840
30-34	245 486	188 621	141 888	69 595	49 801	14 855	12 960	6 272	729 544
35-39	243 850	195 511	146 117	73 799	54 282	16 410	12 548	6 184	748 801
40-44	247 743	190 905	148 790	75 645	56 978	17 333	12 489	5 879	755 856
45-49	243 213	184 566	144 721	74 220	57 772	18 217	12 502	5 760	741 055
50-54	220 000	167 254	131 415	68 451	53 816	17 041	11 529	5 162	674 751
55-59	203 978	156 327	123 834	61 677	51 567	16 338	10 439	4 098	628 297
60-64	162 054	120 838	96 603	45 459	40 433	13 007	7 160	2 466	488 051
65-69	132 112	98 919	73 959	36 551	33 009	10 540	5 164	1 433	391 708
70-74	111 643	84 077	58 251	29 444	28 055	8 610	3 988	756	324 834
75 and over	262 619	196 007	131 057	63 875	70 883	19 946	8 383	1 230	754 011
75-79	103 800	77 515	52 346	25 690	27 287	np	np	606	298 296
80-84	83 466	62 125	41 035	19 659	22 830	np	np	363	238 704
85 and over	75 353	56 367	37 676	18 526	20 766	np	np	261	217 011
All ages	3 364 131	2 574 536	1 976 682	985 145	779 570	239 184	166 681	68 821	10 155 713

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Table C.4 (continued)

Years	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
Persons									
0-4	417 076	312 491	249 445	121 846	86 549	27 997	20 200	9 915	1 245 656
5-9	422 006	317 203	257 243	127 010	92 064	29 825	19 997	9 543	1 275 073
10-14	435 760	332 201	271 598	134 820	98 426	31 882	20 971	9 636	1 335 467
15-19	441 275	344 641	268 376	139 453	101 663	31 734	24 064	8 951	1 360 262
20-24	459 525	365 706	282 777	143 244	105 906	29 497	29 288	10 985	1 427 079
25-29	456 841	353 574	263 710	132 527	94 800	26 120	26 939	12 420	1 367 064
30-34	487 248	374 110	282 886	140 860	100 354	29 057	25 897	12 971	1 453 521
35-39	483 615	386 572	290 215	149 938	109 304	32 223	25 061	12 976	1 490 096
40-44	493 599	377 671	293 762	152 203	113 570	34 201	24 458	12 624	1 502 303
45-49	481 611	364 772	286 365	148 862	114 385	35 846	24 160	12 180	1 468 357
50-54	436 952	331 551	262 756	137 670	106 233	33 775	22 323	11 049	1 342 491
55-59	408 305	308 074	250 183	126 216	101 575	32 539	20 529	9 499	1 257 071
60-64	324 040	240 164	196 325	93 530	79 373	25 983	14 152	5 993	979 653
65-69	259 728	193 829	149 692	73 445	63 741	20 820	10 013	3 611	774 942
70-74	214 161	160 342	115 129	57 349	53 498	16 629	7 558	1 842	626 539
75 and over	441 660	330 122	225 561	109 442	118 392	33 408	14 227	2 427	1 275 263
75-79	190 056	142 225	97 916	48 215	49 760	14 250	6 133	1 349	549 915
80-84	140 621	104 801	70 788	33 940	38 086	10 714	4 725	675	404 354
85 and over	110 983	83 096	56 857	27 287	30 546	8 444	3 369	403	320 994
All ages	6 663 402	5 093 023	3 946 023	1 988 415	1 539 833	471 536	329 837	146 622	20 180 837

np not published but included in totals.

Source: Australian Demographic Statistics Sep 2011 cat no. 3101.0

Table C.5 Main language spoken at home by Indigenous people, by age^a, 2006

	Unit	3 to 14 years	15 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 years and over	Total
English	%	90.3	89.5	84.6	87.8	88.0	84.5	88.2
Australian Aboriginal language	%	6.8	7.3	12.4	9.5	10.1	11.3	8.8
Torres Strait Islander language	%	1.5	1.6	1.6	1.2	1.6	3.3	1.7
Other language	%	1.3	1.6	1.5	1.6	0.4	0.8	1.3

^a Does not include the category 'doesn't speak yet (3-5 years old)'.
Source: ABS (unpublished) National Aboriginal and Torres Strait Islander Social Survey 2008, cat. no. 4714.0.

Table C.6 Language spoken at home by Indigenous people, by remoteness and English proficiency, 2006

	Major cities	Inner regional	Outer regional	Remote	Very remote	Total
Speakers of an Australian Indigenous language at home by English proficiency						
speaks English well or very well	90.4	90.6	89.9	82.6	76.0	78.6
does not speak English well or at all	6.4	5.8	7.4	15.1	21.7	19.0
English proficiency not stated ^a	3.2	3.6	2.6	2.3	2.3	2.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

^a Includes persons whose language spoken at home was inadequately described.

Source: ABS (unpublished) National Aboriginal and Torres Strait Islander Social Survey 2008, cat. no. 4714.0.

D Internet-based information

The printed report provides an introduction and guide to the *2012 Indigenous Expenditure Report* method and estimates. However, the project website provides more detailed:

- information on the method and data sources (section D.1)
- expenditure estimates for 86 separate expenditure categories (section D.2).

The Indigenous Expenditure Report website can be accessed from:

www.pc.gov.au/gsp/ier

If you have difficulty accessing this information please feel free to contact the Secretariat:

Indigenous Expenditure Report Secretariat
Locked Bag 2 Collins Street East
Melbourne VIC 8003

Phone: (03) 9653 2391
Fax: (03) 9653 2199
Email: gsp.ier@pc.gov.au

D.1 Information on the method and data sources

Two key manuals document the nationally agreed definitions, concepts, methods and data sources used to estimate Indigenous expenditure for the *2012 Indigenous Expenditure Report*:

- *Expenditure Data Manual* — provides a consistent set of agreed definitions, methods and guidelines for jurisdictions to follow when providing expenditure data
- *Service Use Measure Definitions Manual* — documents the measures used to prorate mainstream expenditure between Indigenous and non-Indigenous Australians.

These manuals are revised for each report, reflecting the Steering Committee's commitment to continual development. Readers should ensure that the manuals they are referencing correspond to the reported data.

D.2 Web-based attachments and tables

All web-based attachments include separate tables for:

- each of the high-level expenditure areas that have been mapped to the COAG National Indigenous Reform Agreement building blocks (section D.3), and summary table that provides an overview of all expenditure high-level expenditure areas
- expenditure estimates by type of program (Indigenous specific and mainstream)
- expenditure estimates by driver of expenditure (service use intensity and cost of service provision)
- expenditure estimates in dollar (\$) and expenditure per person (\$/person)
- expenditure estimates for 2008-09 and 2010-11.

An example of the table of contents for a web-attachment is provided in box D.1.

Single state and territory direct expenditure

These attachments provide estimates of Australian Government, and State and Territory government direct expenditure by state and territory.¹

Direct expenditure is government outlays on services and programs (including income support) that are paid directly to individuals, non-government service providers, or local governments during the reference year. It excludes indirect expenditure (payments 'to' and 'through' other governments). This allows Australian Government, and State and Territory governments in a state and territory to be combined without double counting (chapter 2). The separate attachments available are:

- Attachment W-A — government direct expenditure in NSW
- Attachment W-B — government direct expenditure in Victoria
- Attachment W-C — government direct expenditure in Queensland

¹ In this report lower case state and territory refers to the geographical boundaries of jurisdictions, and upper case State and Territory refers to the jurisdictional governments.

Box D.1 Table of contents for web-attachment W-I

Part A — Expenditure by type of program, 2010-11

Table W-I.1	All expenditure areas (\$'000)
Table W-I.2	All expenditure areas (\$/person)
Table W-I.3	Education and development (\$'000)
Table W-I.4	Education and development (\$/person)
Table W-I.5	Healthy lives (\$'000)
Table W-I.6	Healthy lives (\$/person)
Table W-I.7	Economic participation (\$'000)
Table W-I.8	Economic participation (\$/person)
Table W-I.9	Home environment (\$'000)
Table W-I.10	Home environment (\$/person)
Table W-I.11	Safe communities (\$'000)
Table W-I.12	Safe communities (\$/person)
Table W-I.13	Other government (\$'000)
Table W-I.14	Other government (\$/person)

Part B — Expenditure by driver of expenditure, 2010-11

Table W-I.15	All expenditure areas (\$'000)
Table W-I.16	All expenditure areas (\$/person)
Table W-I.17	Education and development (\$'000)
Table W-I.18	Education and development (\$/person)
Table W-I.19	Healthy lives (\$'000)
Table W-I.20	Healthy lives (\$/person)
Table W-I.21	Economic participation (\$'000)
Table W-I.22	Economic participation (\$/person)
Table W-I.23	Home environment (\$'000)
Table W-I.24	Home environment (\$/person)
Table W-I.25	Safe communities (\$'000)
Table W-I.26	Safe communities (\$/person)
Table W-I.27	Other government (\$'000)
Table W-I.28	Other government (\$/person)

(Continued next page)

Box D.1 (continued)

Part C — Expenditure by type of program, 2008-09

Table W-I.29 All expenditure areas (\$'000)
Table W-I.30 All expenditure areas (\$/person)
Table W-I.31 Education and development (\$'000)
Table W-I.32 Education and development (\$/person)
Table W-I.33 Healthy lives (\$'000)
Table W-I.34 Healthy lives (\$/person)
Table W-I.35 Economic participation (\$'000)
Table W-I.36 Economic participation (\$/person)
Table W-I.37 Home environment (\$'000)
Table W-I.38 Home environment (\$/person)
Table W-I.39 Safe communities (\$'000)
Table W-I.40 Safe communities (\$/person)
Table W-I.41 Other government (\$'000)
Table W-I.42 Other government (\$/person)

Part D — Expenditure by driver of expenditure, 2008-09

Table W-I.43 All expenditure areas (\$'000)
Table W-I.44 All expenditure areas (\$/person)
Table W-I.45 Education and development (\$'000)
Table W-I.46 Education and development (\$/person)
Table W-I.47 Healthy lives (\$'000)
Table W-I.48 Healthy lives (\$/person)
Table W-I.49 Economic participation (\$'000)
Table W-I.50 Economic participation (\$/person)
Table W-I.51 Home environment (\$'000)
Table W-I.52 Home environment (\$/person)
Table W-I.53 Safe communities (\$'000)
Table W-I.54 Safe communities (\$/person)
Table W-I.55 Other government (\$'000)
Table W-I.56 Other government (\$/person)

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- Attachment W-D — government direct expenditure in WA
 - Attachment W-E — government direct expenditure in SA
 - Attachment W-F — government direct expenditure in Tasmania
 - Attachment W-G — government direct expenditure in ACT
 - Attachment W-H — government direct expenditure in NT
 - Attachment W-I — government direct expenditure in Australia.

All state and territory direct expenditure

These attachments provide estimates of Australian Government, and State and Territory government direct expenditure for all states and territories side-by-side, but do not provide as much detail as attachments W-A to W-I. The separate attachment available are:

- Attachment W-J — government direct expenditure in all states, by type of program (\$'000)
- Attachment W-K — government direct expenditure in all states, by type of program (\$/person)
- Attachment W-L — government direct expenditure in all states, by driver of expenditure (\$'000)
- Attachment W-M — government direct expenditure in all states, by driver of expenditure (\$/person).

Total (direct plus indirect) expenditure for each government

These attachments provide estimates of expenditure for individual governments. The estimates in these tables are reconcilable to governments' end of year financial reports. Australian Government expenditure is disaggregated by state and territory. The separate attachments available are:

- Attachment W-N — NSW Government total, direct and indirect expenditure
- Attachment W-O — Victorian Government total, direct and indirect expenditure
- Attachment W-P — Qld Government total, direct and indirect expenditure
- Attachment W-Q — WA Government total, direct and indirect expenditure
- Attachment W-R — SA Government total, direct and indirect expenditure

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- Attachment W-S — Tasmanian Government total, direct and indirect expenditure
 - Attachment W-T — ACT Government total, direct and indirect expenditure
 - Attachment W-U — NT Government total, direct and indirect expenditure
 - Attachment W-V — Australian Government total, direct and indirect expenditure, by state, by type of program (\$'000)
 - Attachment W-W — Australian Government total, direct and indirect expenditure, by state, by type of program (\$/person)
 - Attachment W-X — Australian Government total, direct and indirect expenditure, by state, by driver of expenditure (\$'000)
 - Attachment W-Y — Australian Government total, direct and indirect expenditure, by state, by driver of expenditure (\$/person).

D.3 GPC expenditure categories

Information on the services and expenditure related to each of the expenditure categories listed below is provided in the 2012 Report *Expenditure Data Manual*, which is also available from the project website.

Early child development, and Education and training

Early child development, and Education and training expenditure is summarised in chapter 4. The web-based attachments include detailed estimates for 15 expenditure categories that are included in this expenditure area:

- *early child development*
 - preschool education (GPC 0431)
 - child care services (GPC +0621.1)
- *school education*
 - primary education (GPC 0411)
 - secondary education (GPC 0412)
 - other school education
 - ... primary and secondary education not elsewhere classified (GPC 0419)
 - ... special education (GPC 0432)
 - ... transport for school students (GPC 0441 and GPC+ 0449.1)

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- ... assistance for school education (GPC+ 0490.1)
 - *tertiary education*
 - university education (GPC 0421)
 - TAFE and VET
 - ... technical and further education (GPC 0422)
 - ... vocational training (GPC 1331)
 - other tertiary education
 - ... tertiary education not elsewhere classified (GPC 0429)
 - ... transport for tertiary students (GPC+ 0449.2)
 - ... other education not definable by level (GPC 0439)
 - ... assistance for tertiary education (GPC+ 0490.2)

Healthy lives

Healthy lives expenditure is summarised in chapter 5. The web-based attachments include detailed estimates for 16 categories that are included in this expenditure area:

- *hospital services*
 - admitted patient services in acute care institutions (GPC 0511)
 - non-admitted patient services in acute care institutions (GPC 0512)
 - mental health institutions (GPC 0520)
- *public and community health services (excluding subsidies)*
 - public health services (GPC 0550)
 - community health services
 - ... community mental health services (GPC 0541)
 - ... patient transport (GPC 0542)
 - ... other community health services
 - ... other health practitioners (GPC+ 0549.2)
 - ... community health (GPC+ 0549.3)
 - ... dental services (GPC+ 0549.4)
- *health care subsidies and support*
 - health service subsidies

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- ... medical services subsidies (including Medicare) (GPC+ 0549.1)
 - ... private health insurance subsidies (GPC+ 0590.1)
 - pharmaceuticals, medical aids and appliances
 - ... benefit-paid pharmaceuticals (GPC+ 0560.1)
 - ... other medications (GPC+ 0560.2)
 - ... aids and appliances (GPC+ 0560.3)
 - research and administration
 - ... health research (GPC 0570)
 - ... general health administration (GPC+ 0590.2).

Economic participation

Economic participation expenditure is summarised in chapter 6. The web-based attachments include detailed estimates for 10 categories that are included in this expenditure area:

- *labour and employment services*
 - other labour and employment affairs (GPC 1339)
 - other economic affairs not elsewhere classified (GPC 1390).
- *social security support services*
 - Income assistance to
 - ... people with a disability (GPC+ 0610.2)
 - ... the aged (GPC+ 0610.3)
 - ... the unemployed (GPC+ 0610.4)
 - ... families and children (GPC+ 0610.5)
 - ... other social security support
 - ... assistance to veterans and dependants (GPC+ 0610.1)
 - ... concessions and allowances to low-income earners (GPC+ 0610.6).
 - ... widows, deserted wives, divorcees and orphan benefits (GPC 0610.7)
 - ... assistance to the vulnerable and people in special circumstances (GPC+ 0610.8)

Home environment

Home environment expenditure is summarised in chapter 7. The web-based attachments include detailed estimates for 17 categories that are included in this expenditure area:

- *housing services*
 - housing (GPC 0711)
 - ... home purchase and home ownership assistance (GPC+ 0711.1)
 - ... social housing (GPC+ 0711.2)
 - ... rental market assistance (GPC+ 0711.3)
 - ... homelessness assistance
 - ... homeless persons' assistance for young people (GPC+ 0621.4)
 - ... homeless persons' assistance for people other than youth (GPC+ 0629.1)
- *community and environment services*
 - community development (GPC+ 0712.0)
 - community amenities (GPC+ 0790.0)
 - water supply (GPC+ 0720.0)
 - sanitation services and protection of the environment (GPC+ 0730.0)
 - fuel and energy (GPC 09)
- *transport and communications*
 - road transport (GPC 121)
 - rail transport (GPC 123)
 - water transport (GPC 122)
 - air transport (GPC 124)
 - pipelines (GPC 1250)
 - other transport (GPC 128)
 - communications (GPC 1290).

Safe and supportive communities

Safe and supportive communities expenditure is summarised in chapter 8. The

web-based attachments include detailed estimates for 20 categories that are included in this expenditure area:

- *public order and safety*
 - police services (GPC 0311)
 - law courts and legal services
 - ... criminal courts and legal services (GPC+ 0320.1)
 - ... other courts and legal services (GPC+ 0320.2)
 - ... access to justice (GPC+ 0320.3)
 - prisons and other corrective services
 - ... juvenile corrective services (GPC+ 0330.1)
 - ... other prisons and corrective services (GPC+ 0330.2)
 - other public order
 - ... fire protection services (GPC 0312)
 - ... other public order and safety not elsewhere classified (GPC 0390).
- *community support and welfare*
 - welfare for the aged
 - ... nursing homes for the aged (GPC 0530)
 - ... welfare services for the aged (GPC 0622)
 - welfare services for people with a disability (GPC 0623)
 - child protection and out-of-home care services (GPC+ 0621.2)
 - general family and youth support services (GPC+ 0621.3)
 - other welfare services not elsewhere classified (GPC 0629)
 - social security and welfare not elsewhere classified (GPC 0690).
- *recreation and culture*
 - national parks and wildlife (GPC 0811)
 - recreation facilities and services not elsewhere classified (GPC 0819)
 - recreation and culture not elsewhere classified (GPC 0890)
 - cultural facilities and services (GPC 0820)
 - broadcasting and film production (GPC 0830).

Other government expenditure

Other government expenditure is summarised in chapter 9. The web-based attachments include detailed estimates for eight categories that are included in this expenditure area:

- *general government services and defence*
 - general public services
 - ... government superannuation benefits (GPC 0110)
 - ... other general public services (GPC 0190)
 - defence (including defence housing)
 - ... defence (GPC 0200)
 - ... defence housing (GPC+ 0711.4)
 - other purposes (GPC 1410, GPC 1420, GPC 1430, GPC 1490)
- *support to industry*
 - ... agriculture, forestry, fishing and hunting (GPC 1010, GPC 1020)
 - ... mining and mineral resources other than fuel; manufacturing; and construction (GPC 1110, GPC 1120, GPC 1130)
 - ... tourism and other (GPC 1310, GPC 1320).