

# Issues Paper

## Review of the Indigenous Expenditure Report and its relationship to the Overcoming Indigenous Disadvantage: Key Indicators report

The Steering Committee for the Review of Government Service Provision is seeking feedback on ways to enhance the policy relevance of the Indigenous Expenditure Report (IER) and the Overcoming Indigenous Disadvantage: Key Indicators (OID) report, including whether it would be beneficial to combine the two reports.

This paper canvasses a range of issues and options and seeks feedback from government agencies, Aboriginal and Torres Strait Islander organisations and other users or potential users on any or all of the questions in the paper.

The emphasis of the paper is on the IER but also addressing its relationship to the OID report. A major review of the OID report was conducted by the Australian Council for Educational Research in 2012. The current review does not seek to re-examine issues considered in the 2012 review (details of the ACER review and Steering Committee responses are available from the Productivity Commission (PC) website).

### Your feedback

Responses to the issues paper can be sent by email or post to the Productivity Commission. The opportunity to provide feedback on the issues paper is open from 14 December 2015 to 11 March 2016.

Email: [gsp.ier@pc.gov.au](mailto:gsp.ier@pc.gov.au)

By post:

IER review

Government Performance Reporting and Analysis branch

Productivity Commission

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Melbourne VIC 8003

### Q and A

If you would like any further information about the IER (or related reports produced by the Productivity Commission), or have questions about this review, please contact us at: [gsp.ier@pc.gov.au](mailto:gsp.ier@pc.gov.au)

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## Background

The OID report was commissioned by COAG in 2002 as a regular report on key indicators of Indigenous disadvantage. Six editions have been published in 2003, 2005, 2007, 2009, 2011 and 2014. The IER was commissioned by COAG in 2007 to provide information about the levels and patterns of government expenditure on services to Indigenous Australians.

Currently the IER:

- includes all Australian and State/Territory government recurrent expenditure disaggregated into 159 separate service areas — not just expenditure aimed at closing the gap in outcomes between Aboriginal and Torres Strait Islander and other Australians
- includes targeted Indigenous-specific expenditure (20 per cent) plus the Aboriginal and Torres Strait Islander share of mainstream expenditure (80 per cent) (three-quarters of mainstream expenditure is estimated based on Aboriginal and Torres Strait Islander peoples' use of services, the remainder is estimated using the Aboriginal and Torres Strait Islander share of the total Australian population)
- provides data nationally and disaggregated by state/territory — further disaggregation is not currently available
- does not assess the adequacy, effectiveness or efficiency of expenditure — to do so would require detailed policy and program evaluations.

Three editions of the IER have been published in 2010, 2012 and 2014. The original terms of reference for the IER is at **attachment A**, with the revised governance arrangements endorsed by COAG senior officials in February 2011 at **attachment B**.

The Australian Bureau of Statistics (ABS) is proposing to introduce significant changes to the classification of government expenditure from 2016-17 that will affect the way data are collected for the IER post 2017. The Steering Committee is working with the ABS on how the changes can be incorporated while maintaining comparability of IER data over time. These changes by the ABS are not the subject of this review.

## Issues for response

### (a) How the IER contributes to policy and program development

The IER terms of reference state that:

The Indigenous Expenditure Report aims to contribute to better policy making and improved outcomes for Indigenous Australians, by reporting on expenditure on services which support Indigenous Australians

The Indigenous Expenditure Report will provide governments with a better understanding of the level and patterns of expenditure on services which support Indigenous Australians, and

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provide policy makers with an additional tool to target policies to Close the Gap in Indigenous Disadvantage.

*Use of the IER is variable across jurisdictions and sectors — what could be done to further enhance its ability to contribute to answering important policy questions?*

### **(b) How the IER is used and how to increase use and awareness**

The Steering Committee is aware that several governments are using the IER to inform policy and program development. Recently, various data from the 2014 IER were cited in the report *Empowered Communities: Empowered Peoples — Design Report* (Empowered Communities 2015), prepared by Aboriginal and Torres Strait Islander leaders from eight regions across Australia, for consideration by the Australian Government.

*How are IER data used by governments in policy areas?*

*How are IER data being used by non-government organisations?*

*What impediments exist to your agency/organisation making more use of the IER data?*

*Is there potential for more use of the data? In what way?*

The first three editions of the IER have been published at two yearly intervals (with data collected on a biennial cycle).

*What is the optimal frequency for collecting/publishing IER data?*

*How could the Steering Committee increase awareness and accessibility of the IER?*

*Does the IER have the right mix of high level summary information and more detailed data?*

*Do you have any difficulty in accessing and using the IER and its supporting data tables? If yes, what would assist to improve access?*

*Which current IER outputs are most useful — report, fact sheets, data tables, pivot table database? Could they be improved and/or added to?*

### **(c) Relationship between the IER and the OID report**

The initial IER stocktake report in 2009 set out the IER method and noted that:

Governments have ... [contributed] significant levels of funding ... through both Indigenous-specific and community-wide programs. Yet information with which to assess the adequacy, effectiveness or efficiency of that expenditure is limited.

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The IER provides extensive information on government expenditure on services for Aboriginal and Torres Strait Islander Australians. The OID report provides information on the wellbeing of Aboriginal and Torres Strait Islander Australians. However, neither report on its own provides sufficient information to assess the adequacy, effectiveness or efficiency of government programs and expenditure.

Program evaluation is a third key requirement for improving outcomes. A roundtable conference hosted by the Productivity Commission in October 2012 highlighted the need for more extensive evaluation of programs and expenditure providing services for Aboriginal and Torres Strait Islander Australians (PC 2013). The Department of Finance and Deregulation's Strategic Review of Indigenous Expenditure also found a lack of robust evaluations of Indigenous programs (DoFD 2010).

*How could data from the IER and OID report be used to assess the adequacy and effectiveness of programs and expenditure?*

*Should the IER and OID report be combined? If so, in what way?*

*Should the IER and/or OID report examine access to mainstream and Indigenous-specific services by Indigenous people and associated outcomes, and identify which programmes are improving outcomes?*

*If the reports were not combined, would you value analysis drawing jointly on the IER and OID reports (e.g. fact sheets, topic sheets etc.)?*

*Are there particular topics where examining expenditure and outcomes could help inform prioritisation and reforms?*

The IER and the OID report both align with the National Indigenous Reform Agreement<sup>1</sup> but have distinct data collections and all three are published separately. Reference to the IER in the NIRA is at **attachment C**.

The IER contains data on expenditure in the most recent available financial year and comparisons with earlier years. The OID report contains the most recent outcome data available but outcomes may reflect the effects of government services, events and choices made many years earlier.

Possible options include:

- a combined IER and OID report
- identification by the IER and/or OID Working Groups of areas to look at in terms of outcomes compared with expenditure (i.e., more detailed analysis).

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<sup>1</sup> The OID terms of reference include alignment with NIRA indicators. Therefore, the NIRA is a subset of the OID indicators.

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*Do you support either of these options? How would they look? Can you suggest other options?*

**(d) Collection of additional or more disaggregated IER data**

Some participants in previous consultations have suggested collecting and publishing additional or more disaggregated data. Some could be potentially useful but many of the additional data are currently unavailable. However, given sufficient interest, the Steering Committee could examine whether additional disaggregation would be possible.

It is important that suggestions for additional data or changes to existing data include a rationale. This will help the review assess the relative importance of different feedback received.

*Would there be value in including additional disaggregations below the state/territory level (e.g. by remoteness)? How would you use geographically disaggregated data for policy development?*

*Would it be useful to distinguish between service provision and administrative/overhead expenditure? How would ‘on-the-ground service provision’ and administrative/overhead expenditure be defined? How would you use this type of data for policy development?*

*If disaggregated data could be included, would they be useful for all expenditure categories or would it be sufficient to provide disaggregated data for only some service areas? If only some areas, which ones and why?*

*Would it be appropriate or useful to report additional detailed data in the IER for selected jurisdictions?*

*Would it be appropriate or useful to include jurisdictional reporting of evaluations linked to expenditure data from the IER — a measure of cost effectiveness (i.e., case studies on cost effectiveness)?*

*Would there be value in including data on expenditure by local government? Would the likely collection burden on local governments outweigh the benefits? How would you use this type of data for policy development?*

*For any of the above additional or more disaggregated data that you would like added to the IER collection:*

- *how would you use the data and in what way would they be valuable to you?*
- *are data required for every edition of the IER, or on an occasional basis only (for example just one service area or disaggregation in a particular edition of the IER)?*

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**(e) Feasibility of possible additional analysis in the IER**

There may be scope to provide further analysis based on existing IER data (i.e. without the expansion to the data collection raised in section (d)). There is a potential tradeoff between additional analysis and the desire for a concise report identified during consultations in 2013.

*Would there be value in including more information on what is driving expenditure and intensity of use, and changes over time?*

*Would it be appropriate to distinguish between expenditure in preventative/transformative (e.g. education) and reactive service areas (e.g. corrective services)?*

*Should the IER include information on expenditure per user (in addition to expenditure per person in the population), noting that information on expenditure per user is unlikely to be possible for all service areas?*

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## References

- DoFD (Department of Finance and Deregulation) 2010, *Strategic Review of Indigenous Expenditure*, Commonwealth of Australia, Canberra, [http://www.finance.gov.au/sites/default/files/foi\\_10-27\\_strategic\\_review\\_indigenous\\_expenditure.pdf](http://www.finance.gov.au/sites/default/files/foi_10-27_strategic_review_indigenous_expenditure.pdf)
- Empowered Communities 2015, *Empowered Communities: Empowered Peoples — Design Report*, Canberra, <http://www.dpmc.gov.au/pmc-indigenous-affairs/publication/empowered-communities-report>
- Productivity Commission 2013, *Better Indigenous Policies: The Role of Evaluation*, Roundtable Proceedings, Canberra, <http://www.pc.gov.au/research/completed/better-indigenous-policies> .

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## Attachment A: IER 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.



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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.

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## **Attachment B: IER revised governance arrangements — February 2011**

New governance and timing arrangements for future Indigenous Expenditure Reports were endorsed by COAG Senior Officials in February 2011. The new arrangements were:

- the Steering Committee for the Review of Government Service Provision to assume responsibility for future development and production of the Indigenous Expenditure Report on a basis similar to other reports produced under the auspice of the Steering Committee
- future reports to be on a biennial basis .
- annual reporting to Heads of Treasuries on progress in implementing data improvements.

The Steering Committee retained the former Indigenous Expenditure Report Steering Committee as an expert working group to provide advice on Indigenous Expenditure Report matters.

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## **Attachment C: Reference to IER in the National Indigenous Reform Agreement**

15. In addition, COAG has agreed to a National Framework for Reporting Expenditure on Services to Indigenous Australians. Annual national Indigenous Expenditure Reports based on this framework will provide governments with a better understanding of the level and patterns of expenditure on services to Indigenous Australians, and assist policy makers to target policies to Close the Gap in Indigenous Disadvantage.

16. The National Framework will enable the reporting of estimates of government expenditure on services to Indigenous people that will be comparable, relevant, reliable, cost effective and timely. The Framework will allow reporting on expenditure in a manner consistent with the COAG Building Blocks.

[http://www.federalfinancialrelations.gov.au/content/npa/health\\_indigenous/indigeno-us-reform/national-agreement\\_sept\\_12.pdf](http://www.federalfinancialrelations.gov.au/content/npa/health_indigenous/indigeno-us-reform/national-agreement_sept_12.pdf)