

2014 Indigenous Expenditure Report

*Steering Committee
for the Review of
Government
Service Provision*

December 2014

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The Steering Committee welcomes enquiries and suggestions on the information contained in this report. Contact the Secretariat by phone: (03) 9653 2100 or email: gsp@pc.gov.au

Following feedback on previous editions of the report, this report generally uses the term 'Aboriginal and Torres Strait Islander Australians' to describe Australia's first peoples and 'non-Indigenous Australians' to refer to Australians of other backgrounds, except where quoting other sources. This Report uses the term Indigenous expenditure for government expenditure on services to Aboriginal and Torres Strait Islander Australians. Expenditure on services to non-Indigenous Australians is referred to as non-Indigenous expenditure.

Foreword

The *2014 Indigenous Expenditure Report* is the third 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 Australians. 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 Aboriginal and Torres Strait Islander Australians by providing information on the levels, patterns, composition and trends of government expenditure. Although the report itself does not attempt to assess the adequacy, effectiveness or efficiency of government expenditure, when combined with other data, the estimates can provide a better understanding 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 Aboriginal and Torres Strait Islander Australians.

While the estimates in this report represent the best collective effort of the jurisdictions, they should be interpreted with due consideration of the associated caveats. Identifying the Indigenous component of expenditure is not straightforward, with a number of data and methodological challenges that affect the quality of some of the estimates.

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 Patricia Scott. I am also very grateful for the efforts and commitment of Secretariat staff at the Productivity Commission.

Peter Harris
Chairman, Steering Committee
December 2014

Steering Committee

This Report was produced under the direction of the Steering Committee for the Review of Government Service Provision. The Steering Committee comprised the following members:

Mr Peter Harris	Chairman	Productivity Commission
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Mr David Kalisch		Australian Institute of Health and Welfare
Ms Patricia Scott		Productivity Commission
Mr Lawrence McDonald	Secretariat	Productivity Commission

People who also served on the Steering Committee during the production of this report include:

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Mr Peter Robinson	Aust. Govt.	Department of the Treasury
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Mr Leigh Eldridge	NT	Department of the Chief Minister
Mr Bruce Michael	NT	Department of Treasury and Finance
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Working Group

The Indigenous Expenditure Report Working Group undertakes the development and production of the Indigenous Expenditure Report under the auspice of the Steering Committee. The Working Group comprises the following members:

Ms Patricia Scott	Convenor	Productivity Commission
Ms Veronica Glanville	Aust. Govt.	Department of the Treasury
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Ms Nardia Harris	NT	NT Treasury
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Mr Tim Carlton		Commonwealth Grants Commission
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Mr Brendan Cullen	WA	Department of Treasury
Mr Steven Rech	SA	Department of Treasury and Finance
Mr Andrew Hutchinson	Tas	Department of Treasury and Finance
Mr Mark Wakefield	Tas	Department of Treasury and Finance
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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.

Key points

- This Report provides estimates of government expenditure across 159 expenditure categories, mapped to the COAG National Indigenous Reform Agreement building blocks. When combined with other information, the estimates contribute to a better understanding of the adequacy, effectiveness and efficiency of government expenditure on services to Aboriginal and Torres Strait Islander Australians.
- Some national level data are summarised below. There are significant variations across service categories and across states and territories — more information is available from the project website (www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014).
- Total direct expenditure on services for Aboriginal and Torres Strait Islander Australians in 2012-13 was estimated to be \$30.3 billion, accounting for 6.1 per cent of total direct general government expenditure. Aboriginal and Torres Strait Islander Australians made up 3.0 per cent of the population in 2013.
- Indigenous expenditure increased in real terms by \$5.0 billion (19.9 per cent) from 2008-09 to 2012-13, while non-Indigenous expenditure increased by 9.0 per cent. Expenditure per Aboriginal and Torres Strait Islander person increased by 10.3 per cent, and expenditure per non-Indigenous person increased by 2.2 per cent.
- Estimated expenditure per person in 2012-13 was \$43 449 for Aboriginal and Torres Strait Islander Australians, compared with \$20 900 for other Australians (a ratio of 2.08 to 1 — an increase from a ratio of 1.93 to 1 in 2008-09). The \$22 550 per person difference in 2012-13 reflected the combined effects of:
 - *greater intensity of service use* (\$15 438 or 68.5 per cent) — because of greater need, and because of the younger age profile of the population
 - *higher cost of providing services* (\$7112 or 31.5 per cent) — for example, because of location, or because targeted services are provided in addition to mainstream services (for example, Indigenous liaison officers in hospitals).
- Total direct expenditure on services for Aboriginal and Torres Strait Islander Australians in 2012-13 was made up of:
 - \$24.7 billion (or \$35 313 per person) on services where expenditure is directly related to service use (a proxy for ‘on the ground’ services)
 - \$5.7 billion (or \$8137 per person) on services where expenditure is attributed on the basis of their share of the population (expenditure in areas such as defence, foreign affairs and industry assistance, which benefits all Australians equally).
- The Australian Government accounted for \$14.1 billion (46.6 per cent) of direct Indigenous expenditure in 2012-13 (an increase of \$2.4 billion (20.3 per cent) in real terms from 2008-09) with the remaining \$16.2 billion (53.4 per cent) provided by State and Territory governments (an increase of \$2.6 billion (19.5 per cent) in real terms from 2008-09).
- Mainstream services accounted for \$24.7 billion (81.4 per cent) of direct Indigenous expenditure in 2012-13 (a real increase of \$5.1 billion (26.0 per cent) from 2008-09) with the remaining \$5.6 billion (18.6 per cent) provided through Indigenous specific (targeted) services (a real decrease of \$0.1 billion (1.2 per cent) from 2008-09).

Interpreting the results

This Report provides estimates of Commonwealth, State and Territory Government expenditure on Aboriginal and Torres Strait Islander Australians across 159 expenditure categories covering all government recurrent expenditure. The total estimates are much broader than the amount governments spend specifically on Aboriginal and Torres Strait Islander Affairs. Although the Report itself does not attempt to assess the adequacy, effectiveness or efficiency of government expenditure, when combined with other data, the estimates can provide a better understanding of such government expenditure.

The report presents expenditure on both mainstream services and Indigenous specific services designed specifically for Aboriginal and Torres Strait Islander Australians. Mainstream expenditure is apportioned using measures of Aboriginal and Torres Strait Islander and non-Indigenous service use. Where individuals have little direct impact on expenditure (for example in defence), Indigenous expenditure is estimated using the Aboriginal and Torres Strait Islander share of the total Australian population. A discussion of the reliability of data used in this report can be found on pages 9–10 and table 1 on page 35.

Service delivery context

The service delivery context can affect both demand for services and the cost of providing services. 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 age profile of the population and the incidence of disadvantage
- *the cost of service provision* — the cost of providing services can vary for reasons such as location (for example, remoteness), cultural differences and the compounding effects of multiple disadvantage.

Three main influences on demand and cost of service provision involve:

- the different age structures of the Aboriginal and Torres Strait Islander and non-Indigenous populations
 - In 2011, the median age of the Aboriginal and Torres Strait Islander population (21.8 years) was lower than the median age of the non-Indigenous population (37.6 years) (ABS 2013b). A lower median age is likely to increase demand for school education while a lower proportion of people over 65 is likely to reduce demand for the age pension
- the geographic distribution of Aboriginal and Torres Strait Islander and non-Indigenous populations
 - In 2011, 21.3 per cent of the Aboriginal and Torres Strait Islander population lived in remote and very remote areas, compared with only 1.7 per cent of the non-Indigenous population (ABS 2013b) The cost of service delivery to regional, remote and very remote locations is likely to be greater, due to reduced economies of scale, high transportation costs and higher wages or allowances to attract staff to remote locations

Interpreting the results (continued)

- Aboriginal and Torres Strait Islander Australian disadvantage compared to non-Indigenous Australians
 - On average poorer outcomes against a range of health, education, income and other indicators are likely to increase the demand for government program and services by Aboriginal and Torres Strait Islander Australians.
 - The Steering Committee’s companion report, *Overcoming Indigenous Disadvantage: Key Indicators 2014* (SCRGSP 2014b), provides extensive information on outcomes for Aboriginal and Torres Strait Islander Australians as well as a range of background, contextual and historical information that can help readers interpret the results in this Report.

Expenditure per head of population is not a unit cost measure

- Presenting estimated expenditure per person in the population allows comparison of expenditure between Aboriginal and Torres Strait Islander 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 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).

Further information

More detailed results are available in the remainder of this Report, and in fact sheets and a detailed database available from the Report website www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014.

The *2014 Indigenous Expenditure Report* is the third 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 Australians 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, 2010-11 and 2012-13.¹

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 Aboriginal and Torres Strait Islander Australians. It is best understood alongside information on outcomes for Aboriginal and Torres Strait Islander Australians, for example, in the Steering Committee's report on *Overcoming Indigenous Disadvantage: Key Indicators 2014* (SCRGSP 2014b).

Estimating the Aboriginal and Torres Strait Islander component of expenditure — especially for mainstream services — is a complex exercise. The *2010 and 2012 Indigenous Expenditure Reports* (IERSC 2010, SCRGSP 2012) established a reasonable method for estimating this expenditure. This report builds on that work with some 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 services are provided to Aboriginal and Torres Strait Islander Australians.

How does this report contribute to public policy?

The disparity in outcomes between Aboriginal and Torres Strait Islander Australians and other Australians has been an ongoing concern for governments. The *Overcoming Indigenous Disadvantage: Key Indicators 2014* report notes:

Outcomes are clearly improving in a number of key areas and against some of COAG's targets: ... the gap in life expectancy narrowed ... mortality rates for children improved significantly ... the proportion of young Aboriginal and Torres Strait Islander Australians completing year 12 or above increased ... the proportion aged 20–64 years with or working towards post school education and training increased [and] the proportion of adults whose main income was from employment increased ...

There has been little or no change for some indicators: ... there was virtually no change in the proportion of students achieving national minimum standards for reading, writing and numeracy ... the relatively high rates of family and community violence were unchanged ... and there has been little change in drug and substance use ... the relatively high rates of disability and chronic disease have not changed.

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.

Outcomes have got worse in some areas: ... the proportion of adults reporting high/very high levels of psychological distress increased ... and hospitalisations for intentional self-harm increased ... the adult imprisonment rate increased ... juvenile detention rates increased sharply ... (SCRGSP 2014b)

The Steering Committee's companion report, *Overcoming Indigenous Disadvantage: Key Indicators 2014* (SCRGSP 2014b), provides extensive information on outcomes for Indigenous people as well as range of background, contextual and historical information that can help readers interpret the results in this Report.

Box 1 Key improvements for the 2014 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 2014 Report include:

- *improvements to data 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 2014 Report Service Use Measure Definitions Manual (SCRGSP 2014c), which is available from the project website
- *publication of data for additional GPC/GPC+ categories* — data for some GPC/GPC+ codes that were not previously published are now available
- *data on changes over time* — the Report now includes data for three time periods and includes analysis of changes over time
- *focus on 'on-the-ground' services* — much of the analysis focuses on expenditure on service use that can be related to overcoming Indigenous disadvantage (for completeness, information is also available on expenditure that benefits all Australians equally).

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 Aboriginal and Torres Strait Islander Australians.

At its December 2007 meeting, COAG committed to transparent reporting on government expenditure on services related to Aboriginal and Torres Strait Islander Australians. The (then) Ministerial Council for Federal Financial Relations progressed this commitment by establishing the Indigenous Expenditure Report Steering Committee to develop the report. After the release of the 2010 Report, COAG transferred responsibility for 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.

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 Aboriginal and Torres Strait Islander 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 Aboriginal and Torres Strait Islander 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 reform agenda?

The estimates in this report contribute to an understanding of the levels and patterns of government expenditure. Estimates are provided for 159 separate expenditure categories, mapped to six broad service areas 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 answer key questions such as:

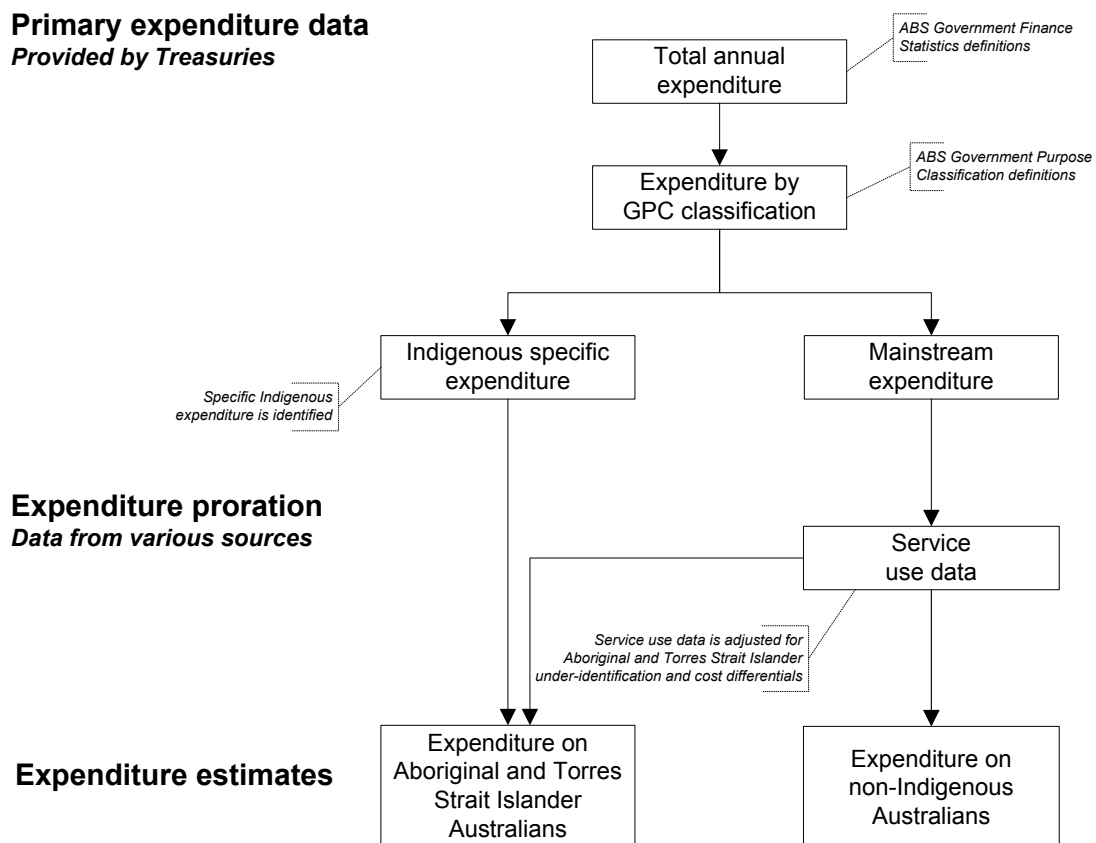
- How much did government spend on key services?
- How much was spent on Aboriginal and Torres Strait Islander Australians, and how does this compare with expenditure on other Australians?
- What were the patterns of service use by Aboriginal and Torres Strait Islander Australians, and how do these compare with service use by other Australians?
- What drove the differences in expenditure between Aboriginal and Torres Strait Islander Australians and other Australians?

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

How does the Report estimate Indigenous expenditure?

Figure 1 illustrates the Report's approach to estimating Indigenous expenditure. Government services for Aboriginal and Torres Strait Islander Australians are provided through a combination of Indigenous specific (targeted) and mainstream (available to all Australians) services.

Figure 1 **Estimating Indigenous expenditure^a**



^a More information on the Report method is provided in the 2014 Report *Expenditure Data Manual* (SCRGSP 2014a) and 2014 Report *Service Use Measure Definitions Manual* (SCRGSP 2014c) which are available from the project website.

For this report:

- expenditure on Indigenous specific services is assumed to relate exclusively to Aboriginal and Torres Strait Islander Australians
- the Aboriginal and Torres Strait Islander share of expenditure on mainstream services has been estimated using the best available proxies for the impact of Aboriginal and Torres Strait Islander 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 used²; for example, the proportion of Aboriginal or Torres Strait Islander mainstream school students is used to estimate the Aboriginal and Torres Strait Islander share of expenditure on school services. Where relevant, mainstream service use measures are adjusted for:
 - ... Indigenous under-identification (where service use measures are known to underestimate the number of Aboriginal and Torres Strait Islander service users)
 - ... the cost of service provision (where it costs more (or less) to provide a mainstream service to an Aboriginal or Torres Strait Islander Australian)
 - ... use of substitute Indigenous specific services (where Aboriginal and Torres Strait Islander Australians are provided with targeted services and programs as an alternative to mainstream programs)
 - where individuals have little direct impact on expenditure, a population based service use measure is used; for example, the proportion of the population who are Aboriginal and Torres Strait Islander is used to estimate the Aboriginal and Torres Strait Islander share of expenditure on defence.

Interpreting the estimates in this report

The *2014 Indigenous Expenditure Report* provides estimates of expenditure for 2008-09, 2010-11 and 2012-13 (box 2). Estimates are provided for 159 expenditure categories, based on the ABS Government Purpose Classification (ABS 2011), 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.
 - *indirect expenditure* — Australian Government expenditure ‘to’ and ‘through’ State and Territory Governments, including Specific Purpose Payments and Goods and Services Tax payments, by state and territory³

² Service use measures for health services are from unpublished data from the Australian Institute of Health and Welfare Aboriginal and Torres Strait Islander health expenditure collection (see AIHW 2013 for more information).

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- *total expenditure* — direct *plus* indirect expenditure for the Australian Government, and each State and Territory government.³ Australian Government total expenditure estimates are also available 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, 2011).

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(s): SCRGSP 2014a and ABS 2005, 2011.

This Report summarises Australian Government, and State and Territory government *direct* expenditure for 2012-12, with comparisons to 2010-11 and 2008-09. Direct expenditure by each level of government can be added together to obtain estimates of total (Australian Government plus State/Territory Government) expenditure in each jurisdiction. More information, including additional expenditure categories, and estimates of Australian Government indirect expenditure are available from the project website (www.pc.gov.au/ier).

How reliable are the estimates?

The estimates of Indigenous expenditure are made up of three components (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)
- *Aboriginal and Torres Strait Islander share of mainstream expenditure estimated on the basis of actual service use*. This approach is used when there is a close relationship between Aboriginal and Torres Strait Islander Australians (as service users) and the cost of providing services. These estimates are conceptually robust, but can have limitations where there are gaps in data or incomplete identification of Indigenous people in administrative data collections.

³ State and Territory Government indirect expenditure amounted to less than \$2 billion, compared with \$92 billion for the Australian Government in 2012-13 (2014 Indigenous Expenditure Report database — Australian Government and State Territory Government databases).

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- *Aboriginal and Torres Strait Islander share of mainstream expenditure estimated on the basis of share of population.* This approach is used when there is no direct relationship between individual Aboriginal and Torres Strait Islander 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.

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

- *data availability and quality.* The quality of the estimates depends 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.* The accuracy of the estimates is affected by how well a service use measure represents the link between the service use and costs. The 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 received payment according to the same eligibility criteria, 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 other expenditures may provide infrastructure that 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 table 1. Comprehensive data quality statements are provided in the 2014 Report *Service Use Measure Definitions Manual* (SCRGSP 2014c), available from the project website.

Expenditure estimates

This Report presents an overview of estimates of Australian Government, and State and Territory Government ‘direct’ expenditure across six broad areas that relate to the National Indigenous Reform Agreement and Overcoming Indigenous Disadvantage report building blocks:

-
- *early child development, and education and training*— expenditure related to the educational aspects of early child development, and education and training
 - *healthy lives*— expenditure related to health services
 - *economic participation* — 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* — 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* — 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* — government services that cannot be easily allocated to any of the building blocks.

Factsheets setting out expenditure estimates for each building block and detailed descriptions of the expenditure categories included in each building block are available from the Report web page (www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014).

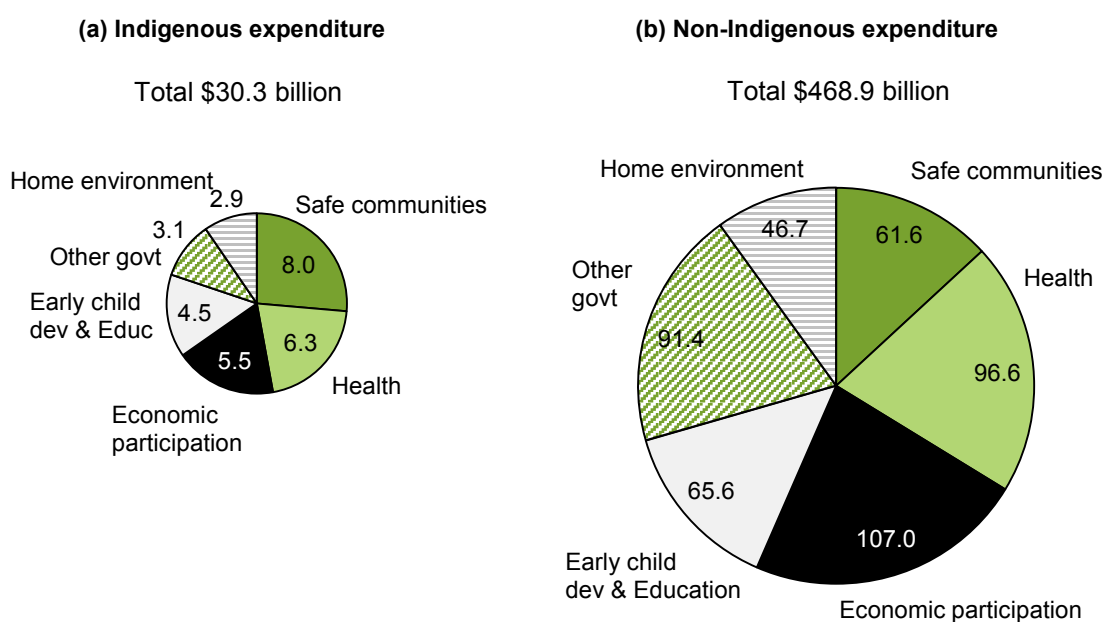
How much did governments spend on services to Aboriginal and Torres Strait Islander Australians?

Nationally, Australian Government *plus* State and Territory Government direct expenditure on services for Aboriginal and Torres Strait Islander Australians was \$30.3 billion or 6.1 per cent of all government direct expenditure in 2012-13 (figure 2, table 2). Aboriginal and Torres Strait Islander Australians made up 3.0 per cent of the Australian population in June 2011 (ABS 2013b). Across the six building blocks (figure 2):

- similar proportions of Indigenous and non-Indigenous expenditure were devoted to education and training (14.9 and 14.0 per cent), healthy lives (20.7 and 20.6 per cent), economic participation (18.2 and 22.8 per cent) and home environment (9.6 and 10.0 per cent)
- a greater proportion of Indigenous expenditure (26.4 per cent) than non-Indigenous expenditure (13.1 per cent) was devoted to safe and supportive communities. This mainly related to expenditure on:
 - *public order and safety* — which accounted for 11.2 per cent of direct total Indigenous expenditure, compared with 4.6 per cent of total direct non-Indigenous expenditure

- *community support and welfare* — which accounted for 13.6 per cent of total direct Indigenous expenditure compared with 6.8 per cent of direct non-Indigenous expenditure.
- a much lower proportion of Indigenous expenditure (10.3 per cent) than non-Indigenous expenditure (19.5 per cent) was devoted to other government services, which mainly related to services estimated on a per capita basis.

Figure 2 Australian Government plus State and Territory Government direct expenditure, 2012-13 (\$ billion)^{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 *Early child dev and Educ* —early child development and education and training; *Health* — healthy lives; *Home* — home environment; *Safe communities* — safe and supportive communities; and *Other govt* — other government services.

Source: Table 2.

More detailed data comparing expenditure per person by state and territory, by government, for mainstream and Indigenous specific expenditure and for more detailed expenditure categories are available in the 2014 Indigenous Expenditure Report standard tables and database available on the project website www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014.

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

Throughout this report, estimated expenditure is presented on an expenditure per person basis (that is, expenditure per head of population). This allows the comparison of the

relative level of expenditure between Aboriginal and Torres Strait Islander 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

Presenting estimated expenditure on an expenditure per head of population basis (that is, expenditure per capita) allows comparison of the relative amount of expenditure between Aboriginal and Torres Strait Islander 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. Population data used in calculating estimates of expenditure per person are shown in table 7. Expenditure estimates for 2008-09, 2010-11 and 2012-13 were derived using population data at 30 June 2009, 2011 and 2013, respectively.

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 \$43 449 per Aboriginal and Torres Strait Islander person and \$20 900 per non-Indigenous person in 2012-13. That is, an estimated \$2.08 was spent per Aboriginal and Torres Strait Islander person for every dollar spent per non-Indigenous person in the population in 2012-13 (table 2).

However, estimating total expenditure per person across the whole of government has its limitations. In particular, it aggregates what may be termed ‘positive’ expenditures (such as education) with what may be termed ‘negative’ expenditures (such as corrective services). More detailed analysis of expenditure in particular areas can be more helpful.

Across broad areas of expenditure:

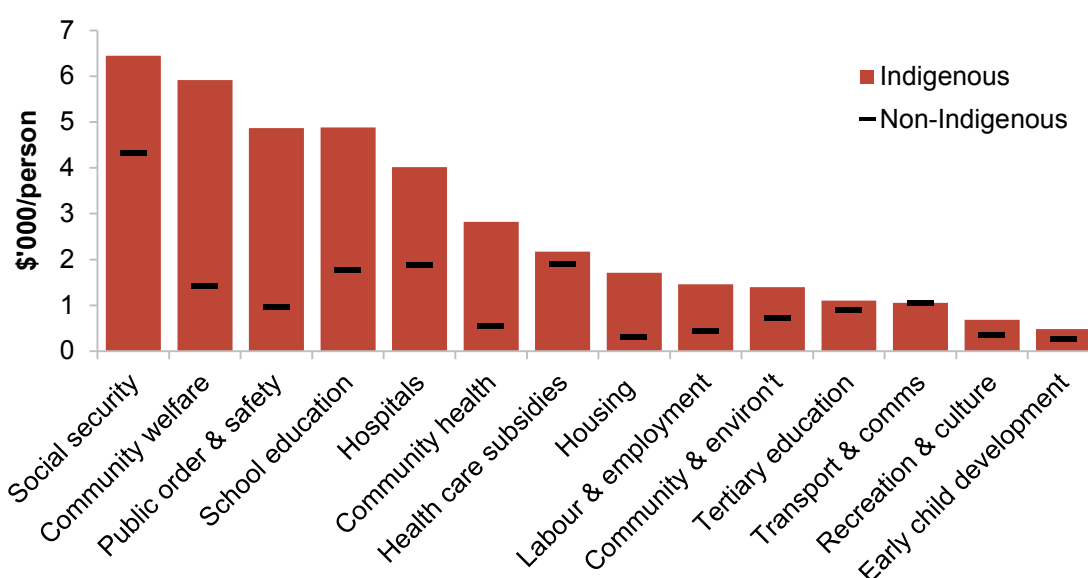
- *early child development, and education and training* — \$2.21 was spent per Aboriginal and Torres Strait Islander person in the population for every dollar spent per non-Indigenous person. The largest area of difference in expenditure per head of population was:

-
- *school education (a ratio of 2.75 to 1)* — which reflects the younger age profile of the Aboriginal and Torres Strait Islander population
 - *healthy lives* — \$2.09 was spent per Aboriginal and Torres Strait Islander person in the population for every dollar spent per non-Indigenous person. The difference in expenditure per person was:
 - *higher for public and community health services (a ratio of 5.24 to 1)* — which includes expenditure on Aboriginal Community Controlled Health Organisation services
 - *lower for health care subsidies and support (a ratio of 1.15 to 1)* — which includes expenditure on Medicare rebates, pharmaceutical benefits subsidies (such as the PBS) and private health insurance rebates
 - *economic participation* — \$1.66 was spent per Aboriginal and Torres Strait Islander 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 3.30 to 1)* — which was mainly related to Indigenous specific employment programs such as the Australian Government Indigenous Employment Program and Community Development Employment Projects and greater user of mainstream employment programs
 - *home environment* — \$2.00 was spent per Aboriginal and Torres Strait Islander 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 5.51 to 1)* — which reflects the higher per capita use by Aboriginal and Torres Strait Islander Australians of social housing and rental market assistance
 - *safe and supportive communities* — \$4.18 was spent per Aboriginal and Torres Strait Islander person in the population for every dollar spent per non-Indigenous person. The difference in expenditure per person was larger for Aboriginal and Torres Strait Islander Australians for both:
 - *public order and safety (a ratio of 5.03 to 1)* — which related to the over-representation of the Aboriginal and Torres Strait Islander 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
 - *community welfare and support (a ratio of 4.16 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.

- *other government services* — \$1.09 was spent per Aboriginal and Torres Strait Islander person in the population for every dollar spent per non-Indigenous person (table 2 and figure 3).

Figure 3 shows expenditure across a range of selected service areas. The highest expenditure per person for both Aboriginal and Torres Strait Islander and non-Indigenous Australians was in social security.

Figure 3 **Australian Government *plus* State and Territory Government direct expenditure on selected service areas, 2012-13^{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 Expenditure per head of population is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost.

Source: Table 2.

More detailed data comparing expenditure per person by state and territory, by government, for mainstream and Indigenous specific expenditure and for more detailed expenditure categories and for 2008-09, 2010-11 and 2012-13 are available in the 2014 Indigenous Expenditure Report standard tables and database available on the project website www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014.

How has expenditure changed over time?

This report presents data for 2012-13, 2010-11 and 2008-09. Caution should be exercised when comparing expenditure across these three periods, 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
- *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
- *the effects of inflation* — to determine actual movement in expenditure, the effect of inflation needs to be removed. This report removes the effect of inflation from time series data and expresses data in constant (or real) (2012-13) prices⁴. Detailed data on the website are available in either constant (real) or nominal (unadjusted) terms.
- *changes to the allocation of expenditure* — the 2014 Report *Expenditure Data Manual* (2014a) provides guidelines for allocating expenditure to appropriate 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).

Between 2008-09 and 2012-13, direct expenditure on services for Aboriginal and Torres Strait Islander Australians increased in real terms (constant 2012-13 dollars) by 19.9 per cent, from \$25.3 billion to \$30.3 billion, while expenditure for non-Indigenous Australians increased by 9.0 per cent, from \$430.3 billion to \$468.9 billion. Direct expenditure per person for Aboriginal and Torres Strait Islander Australians increased by 10.3 per cent, from \$39 379 to \$43 449 while expenditure for non-Indigenous Australians increased by 2.2 per cent, from \$20 445 to \$20 900 per person (table 6).

Figure 4 shows that changes in expenditure for Aboriginal and Torres Strait Islander Australians from 2008-09 to 2012-13 varied across areas of expenditure:

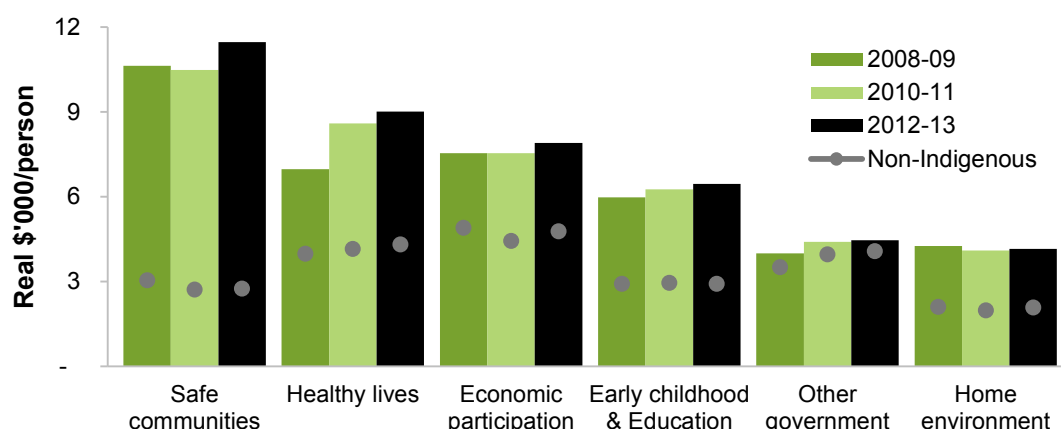
- *safe and supportive communities* — expenditure per Aboriginal and Torres Strait Islander Australian increased by 7.9 per cent, from \$10 627 to \$11 463:
 - expenditure per Aboriginal and Torres Strait Islander Australian increased by 19.5 per cent for community support and welfare (including support for the aged, people with disability and children), and decreased by 0.9 per cent for public order

⁴ To account for inflation, expenditure for 2008-09 and 2010-11 has been adjusted using the General Government Final Consumption Expenditure deflator (chain price index) (ABS 2013a) recommended by the Australian Bureau of Statistics and adopted by the Steering Committee for use in the Report on Government Services.

and safety (including the justice system) and by 11.1 per cent for recreation and culture

- *healthy lives* — expenditure per Aboriginal and Torres Strait Islander Australian increased by 29.2 per cent, from \$6972 to \$9008:
 - expenditure per Aboriginal and Torres Strait Islander Australian increased by 19.6 per cent for hospital services, by 5.8 per cent for public and community health services (which includes expenditure on Aboriginal Community Controlled Health Organisation services) and by 128.7 per cent for health care subsidies and support (includes Medicare, the Pharmaceutical Benefits Scheme and private health insurance subsidies)

Figure 4 **Australian Government *plus* State and Territory Government direct expenditure per person by service area, Australia, 2008-09, 2010-11 and 2012-13^{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 Expenditure per head of population is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost. ^c Expenditure for 2008-09 and 2010-11 has been expressed in real (constant 2012-13 dollars) terms using the General Government Final Consumption Expenditure deflator (chain price index) (ABS 2013a).

Source: Table 6.

- *economic participation* — expenditure per Aboriginal and Torres Strait Islander Australian increased by 4.8 per cent, from \$7539 to \$7904
 - expenditure per Aboriginal and Torres Strait Islander Australian decreased by 11.8 per cent for labour and employment services, and increased by 9.5 per cent for social security support
- *early child development, and education and training* — expenditure per Aboriginal and Torres Strait Islander Australian increased by 7.9 per cent, from \$5982 to \$6457. Specific changes in expenditure per head of population were:

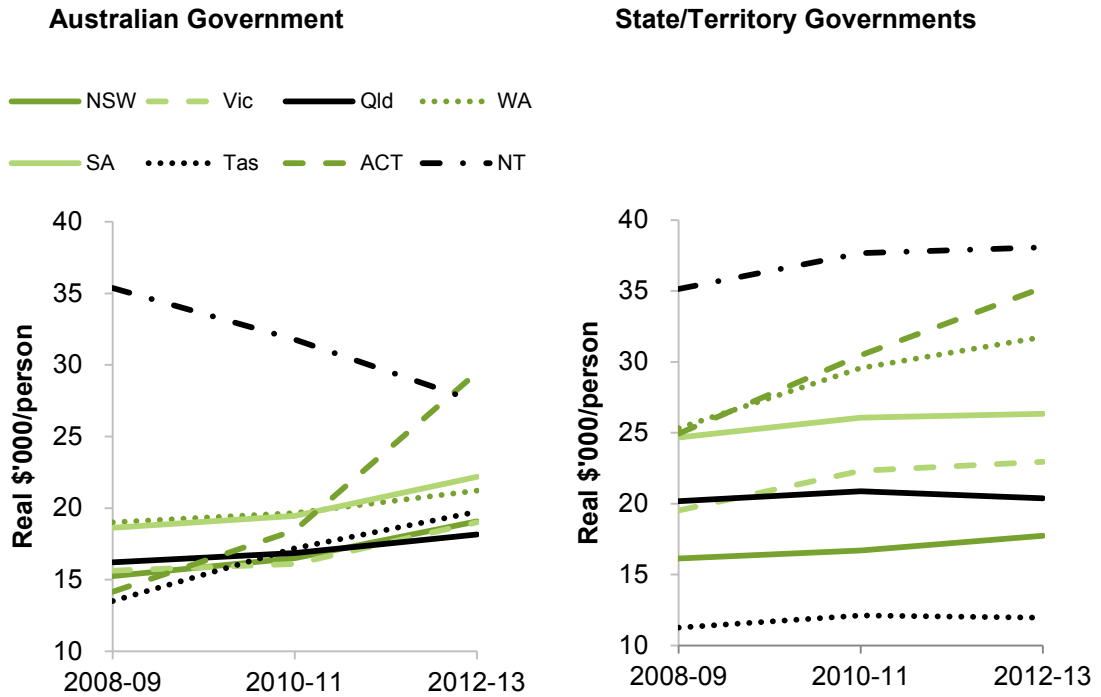
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- expenditure per Aboriginal and Torres Strait Islander Australian increased by 27.0 per cent for early child development, by 5.0 per cent for school education and by 14.7 per cent for tertiary education
 - *other government services* expenditure per Aboriginal and Torres Strait Islander Australian increased by 11.4 per cent, from \$4002 to \$4457:
 - expenditure per Aboriginal and Torres Strait Islander Australian increased by 12.6 per cent for general government services and defence and by 2.2 per cent for support to industry
 - *home environment* — expenditure decreased by 2.2 per cent from \$4257 to \$4161 per Aboriginal and Torres Strait Islander Australian:
 - expenditure per Aboriginal and Torres Strait Islander Australian increased by 5.5 per cent for housing, and decreased by 9.1 per cent for community and environment (including municipal) services and by 4.1 per cent for transport and communications (figure 4 and table 6).

Data on expenditure over time for each of 2008-09, 2010-11 and 2012-13 and for Aboriginal and Torres Strait Islander and non-Indigenous Australians is in table 6.

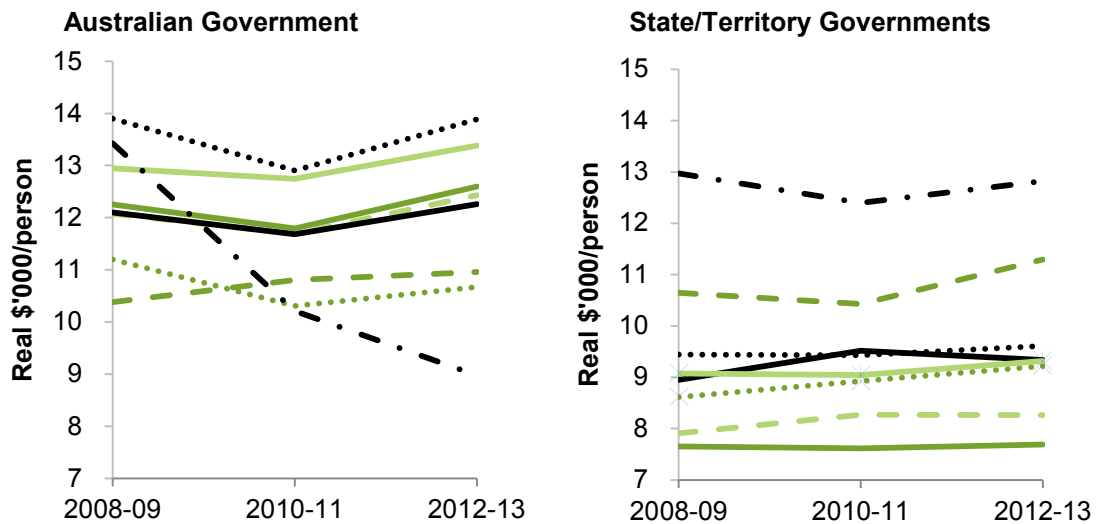
Figure 5 shows expenditure over time by state and territory and by government (Australian and State/Territory).

Figure 5 **Direct expenditure per person by state/territory, 2008-09, 2010-11 and 2012-13^{a,b,c}**

Indigenous



Non-Indigenous



^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 Expenditure per head of population is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost. ^c Expenditure for 2008-09 and 2010-11 has been expressed in real (constant 2012-13 dollars) terms using the General Government Final Consumption Expenditure deflator.
^c Different scales are used for Indigenous and non-Indigenous expenditure.

Source: tables W.20, W.22 and W.24.

More detailed data comparing expenditure per person by state and territory, by government, for mainstream and Indigenous specific expenditure and for more detailed expenditure categories and for 2008-09, 2010-11 and 2012-13 are available in the 2014 Indigenous Expenditure Report standard tables and database available on the project website www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014.

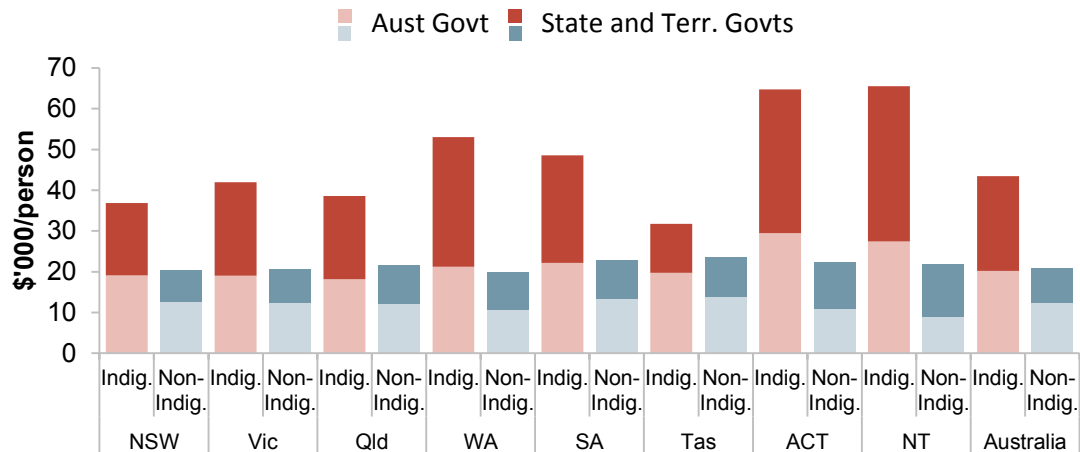
How much do the different levels of government contribute to direct expenditure?

Overall, the Australian Government, and State and Territory Governments accounted for varying proportions of total direct expenditure in 2012-13:

- the Australian Government accounted for \$14.1 billion or 46.6 per cent of direct Indigenous expenditure and \$276.2 billion or 58.9 per cent of direct non-Indigenous expenditure
- State and Territory governments accounted for \$16.2 billion or 53.4 per cent of direct Indigenous expenditure and \$192.7 billion or 41.1 per cent of direct non-Indigenous expenditure in 2012-13 (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 6).

Figure 6 **Australian Government and State and Territory Government direct expenditure per person by state and territory, 2012-13^{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.

Source: table W.20.

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* — \$3.6 billion (79.7 per cent) of direct Indigenous early child development and education and training expenditure and \$47.1 billion (71.8 per cent) of direct non-Indigenous early child development and education and training expenditure
- *healthy lives* — \$3.9 billion (61.9 per cent) of direct Indigenous healthy lives expenditure and \$52.8 billion (54.7 per cent) of direct non-Indigenous healthy lives expenditure
- *home environment* — \$2.1 billion (73.4 per cent) of direct Indigenous home environment expenditure and \$32.7 billion (69.9 per cent) of direct non-Indigenous home environment expenditure
- *safe and supportive communities* — \$5.6 billion (70.0 per cent) of direct Indigenous safe and supportive communities expenditure and \$36.1 billion (58.6 per cent) of direct non-Indigenous safe and supportive communities expenditure (table 3).

The Australian Government accounted for the majority of expenditure on:

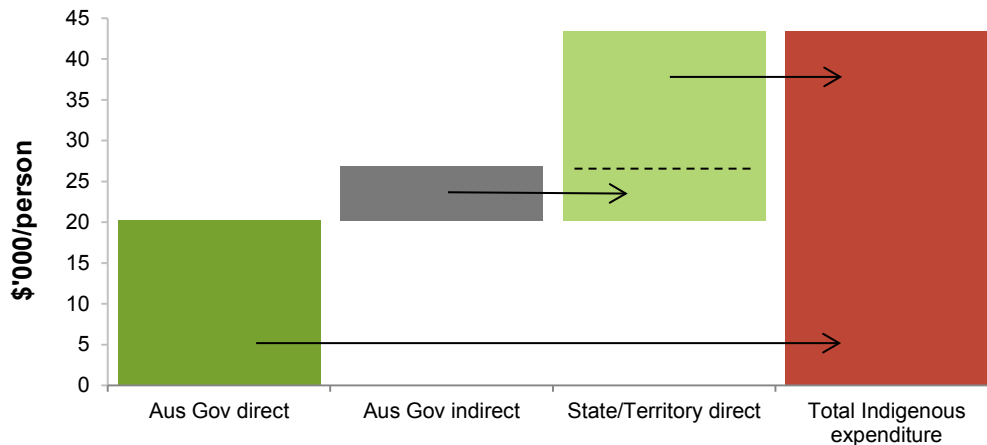
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- *economic participation (includes most social security payments)* — \$5.4 billion (98.1 per cent) of direct Indigenous economic participation expenditure and \$104.3 billion (97.5 per cent) of direct non-Indigenous economic participation expenditure
 - *other government services* — \$2.2 billion (71.9 per cent) of direct Indigenous other government expenditure and \$70.0 billion (76.6 per cent) of direct non-Indigenous other government expenditure (table 3).

The Australian Government also contributed significant indirect expenditure ‘to’ and ‘through’ State and Territory governments (box 4). Indirect expenditure is expenditure on transfers from one government to another. Figure 7 shows that, Australian Government indirect Indigenous expenditure is a source of State and Territory Government direct Indigenous expenditure, because transfers from the Australian Government become part of the revenue base for State/Territory Government expenditure. Indirect expenditure comprised 24.8 per cent of Australian Government Indigenous expenditure per person but only 3.2 per cent of State/Territory Government Indigenous expenditure per person in 2012-13.⁵ Direct and indirect expenditure are separately identified in this Report to avoid double counting of expenditure in national totals.

More detailed data comparing expenditure by state and territory, by government, for mainstream and Indigenous specific expenditure and for more detailed expenditure categories and for 2008-09, 2010-11 and 2012-13 are available in the 2014 Indigenous Expenditure Report standard tables and database at www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014.

⁵ Figure 7 shows Australian Government direct and indirect expenditure but only shows direct expenditure for State and Territory Governments.

Figure 7 **Australian Government direct and indirect, and State and Territory Government direct, Indigenous expenditure, 2012-13^{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. *Indirect expenditure* is expenditure on transfers from one government to another. ^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. ^c Direct expenditure data for this chart are from table W.8. Australian Government indirect expenditure (transfers from the Australian Government to State and Territory Governments was \$6673 per person).

Source: table W.8 and 2014 Indigenous Expenditure Report (Australian Government) database.

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 2012-13 related to:

- *National Specific Purpose Payments (SPP)* (\$29.2 billion) — payments to State and Territory governments to deliver services, including the National Health Reform Funding, National Schools SPP, National Skills and Workforce Development SPP, National Disability Services SPP and National Affordable Housing SPP
- *National Partnership Agreement payments* (\$13.9 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 2012-13, the Australian Government provided \$49.3 billion in general revenue assistance, nearly all (\$48.1 billion) in Goods and Services Tax payments.

Source: Aus Gov (2013).

How significant is expenditure on Indigenous specific services?

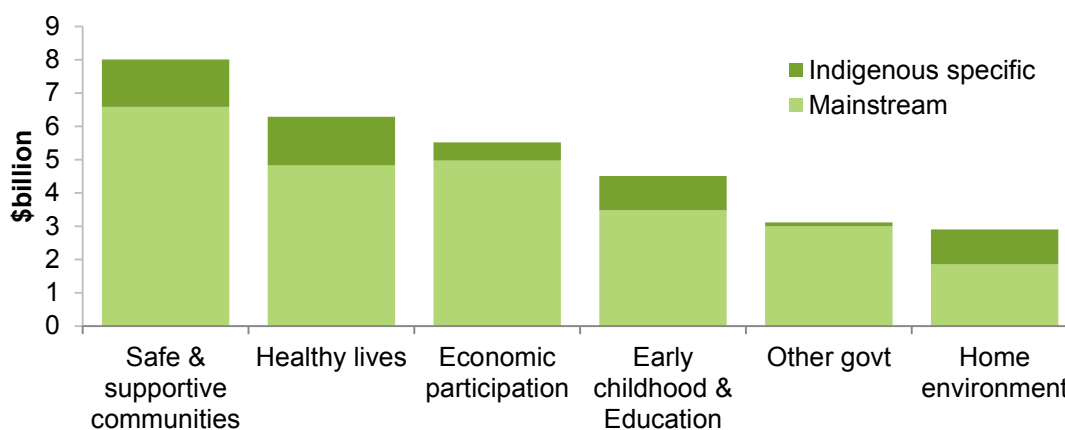
Government services are provided to Aboriginal and Torres Strait Islander Australians through a combination of mainstream and Indigenous specific (targeted) services.

Indigenous specific services accounted for \$5.6 billion (18.6 per cent) of direct Indigenous expenditure in 2012-13 (table 4). In 2008-09, in real (inflation adjusted) terms, Indigenous specific services accounted for \$5.7 billion (22.5 per cent) of direct Indigenous expenditure (table W.5).

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

- *substitute Indigenous specific services* — are alternatives to mainstream services (for example, ABSTUDY). These services are an alternative way of meeting the service needs of Aboriginal and Torres Strait Islander Australians. Substitute services accounted for \$1.8 billion (32.2 per cent) of Indigenous specific services in 2012-13
- *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 Aboriginal and Torres Strait Islander Australians. Complementary services accounted for \$3.8 billion (67.8 per cent) of Indigenous specific expenditure in 2012-13 (2014 Indigenous Expenditure Report (All Governments) database, table P.2).

Figure 8 **Australian Government plus State and Territory Government direct expenditure on services to Indigenous Australians by type of expenditure, 2012-13^{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 Aboriginal and Torres Strait Islander 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 Aboriginal and Torres Strait Islander and non-Indigenous people. ^c *Indigenous specific expenditure* includes outlays on programs, services and payments that are explicitly targeted to Aboriginal and Torres Strait Islander Australians. These programs, services and payments can be either complementary (additional) to, or be substitutes (alternatives) for, mainstream services.

Source: Table 4.

Mainstream services accounted for \$24.7 billion (81.4 per cent) of direct Indigenous expenditure in 2012-13 (table 4). In 2008-09, in real (inflation adjusted) terms, mainstream services accounted for \$19.6 billion (77.5 per cent) of direct Indigenous expenditure (table W.5).

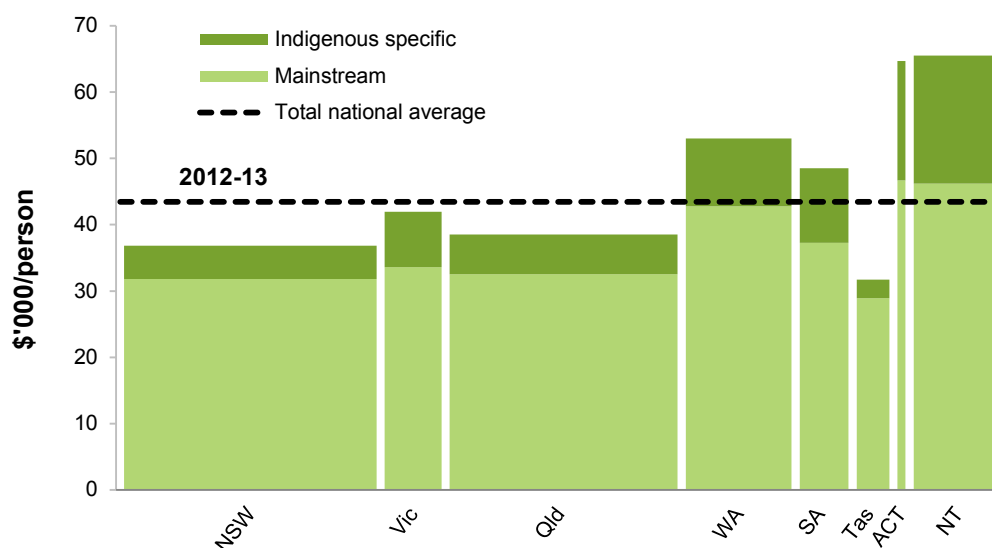
By broad area of expenditure in 2012-13:

- *safe and supportive communities* — mainstream services accounted for \$6.6 billion (82.2 per cent) of direct Indigenous safe and supportive communities expenditure
- *healthy lives* — mainstream services accounted for \$4.8 billion (76.8 per cent) of direct Indigenous healthy lives expenditure
- *economic participation* — mainstream services accounted for \$5.0 billion (90.0 per cent) of direct Indigenous economic participation expenditure
- *early child development, and education and training* — mainstream services accounted for \$3.5 billion (77.0 per cent) of direct Indigenous early child development, and education and training expenditure

- *other government services* — mainstream services accounted for \$3.0 billion (96.4 per cent) of direct Indigenous other government services expenditure
- *home environment* — mainstream services accounted for \$1.9 billion (63.9 per cent) of direct Indigenous home environment expenditure (figure 8 and table 4).

Figure 9 shows mainstream and Indigenous specific expenditure across states and territories weighted horizontally by state/territory Aboriginal and Torres Strait Islander population.

Figure 9 Direct Indigenous specific and mainstream expenditure by state/territory, by state/territory Aboriginal and Torres Strait Islander population, 2012-13^{a,b,c,d}



^a Column widths represent each state and territory's share of the national Aboriginal and Torres Strait Islander population. ^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. ^c *Mainstream expenditure* includes outlays on programs, services and payments that are available to both Aboriginal and Torres Strait Islander 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 Aboriginal and Torres Strait Islander and non-Indigenous people. ^d *Indigenous specific expenditure* includes outlays on programs, services and payments that are explicitly targeted to Aboriginal and Torres Strait Islander Australians. These programs, services and payments can be either complementary (additional) to, or be substitutes (alternatives) for, mainstream services.

Source: table W.2

More detailed data comparing expenditure by state and territory, by government, for mainstream and Indigenous specific expenditure and for more detailed expenditure categories and for 2008-09, 2010-11 and 2012-13 are available in the 2014 Indigenous

Expenditure Report standard tables and database available on the project website www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014.

Why is Indigenous expenditure per capita different?

Expenditure on Aboriginal and Torres Strait Islander 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 Aboriginal and Torres Strait Islander Australians based on:

- *intensity of service use* — expenditure driven by the use of services. Intensity of service use has two sub-components:

- *Use of mainstream services* by Aboriginal and Torres Strait Islander Australians — the estimated Indigenous share of mainstream expenditure is proportional to the use of mainstream services by Aboriginal and Torres Strait Islander Australians.

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

- *Indigenous specific services that substitute for mainstream services* — these are services that Aboriginal and Torres Strait Islander Australians use instead of a similar mainstream service.

- *higher cost of service provision* — expenditure driven by the higher cost of providing services to Aboriginal and Torres Strait Islander Australians, compared with the cost of providing similar services to non-Indigenous Australians and targeted services that are provided in addition to mainstream services. (This figure is sometimes negative where it costs less to provide services to Aboriginal and Torres Strait Islander Australians; for example, where they use less expensive services or receive lower average payments.) The higher cost of service provision has two sub-components:

- *mainstream service cost differential* — any higher cost of providing mainstream services to Aboriginal and Torres Strait Islander Australians, for reasons such as location, culture and language. For social security payments, mainstream services cost differentials reflect differences in the average payment to Aboriginal and Torres Strait Islander and non-Indigenous recipients when assessed against eligibility criteria

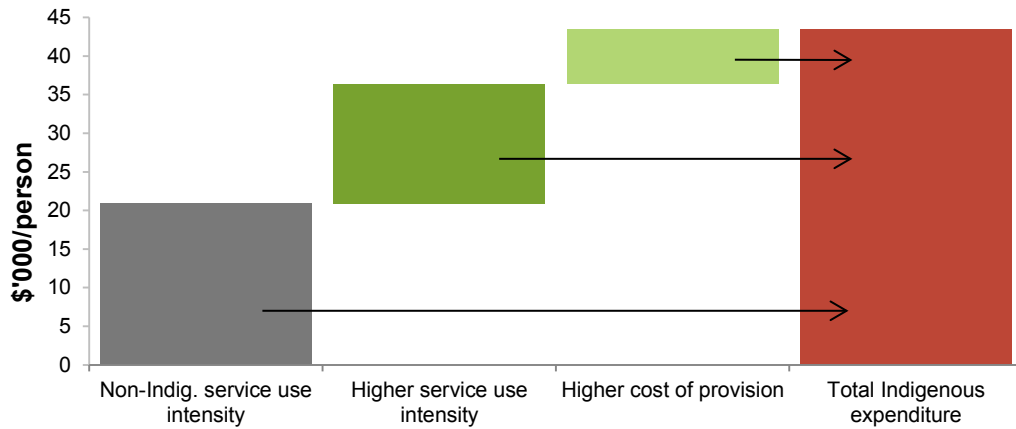
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- *Indigenous specific services that Aboriginal and Torres Strait Islander Australians use in addition to mainstream services* — for example, Indigenous student counsellors in schools.

Variations in expenditure between Aboriginal and Torres Strait Islander Australians and other Australians

Under the Report's model, the variation in expenditure per person between Aboriginal and Torres Strait Islander Australians and non-Indigenous Australians can be explained by differences in the intensity of service use, *plus* any higher cost of providing services to Aboriginal and Torres Strait Islander Australians. However, the Report makes no assessment as to whether the resulting variations in expenditure are adequate given differences in need, or reflect effective or efficient delivery of services.

Estimated total direct expenditure per Aboriginal and Torres Strait Islander Australian (\$43 449) was \$22 550 higher than direct expenditure per non-Indigenous Australian in 2012-13. The majority of the difference \$15 438 (68.5 per cent) was attributable to greater intensity of service use, with the remaining \$7112 (31.5 per cent) attributable to higher cost of service provision (figure 10 and table 5). The majority of higher cost of service provision (\$5467 or 76.9 per cent) related to complementary Indigenous specific services that were used in addition to mainstream services (2014 Indigenous Expenditure Report (All Governments) database, table P.2).

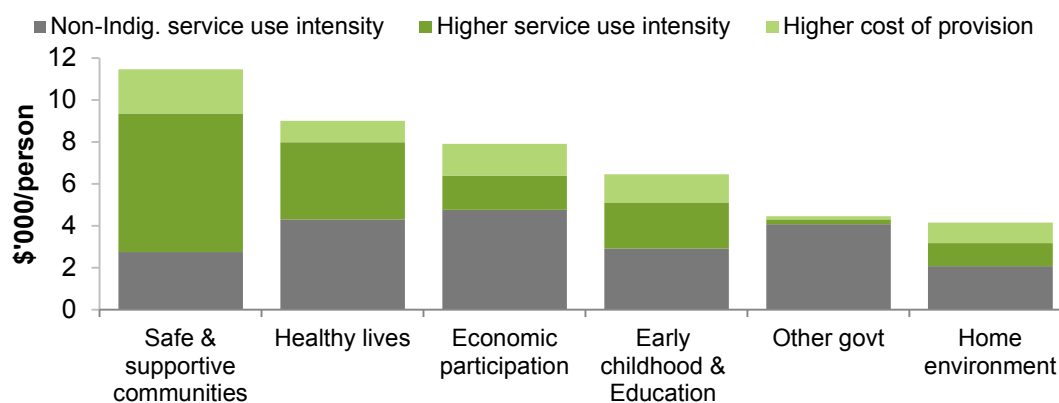
Figure 10 **Australian Government *plus* State and Territory Government direct expenditure per person by driver of expenditure, 2012-13^{a, b, c, d}**



^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. ^c *Higher cost of service provision* includes higher cost of providing mainstream services to Aboriginal and Torres Strait Islander Australians *plus* complementary Indigenous specific services (those provided in addition to mainstream services). ^d *Higher service use intensity* includes the use of mainstream services by Aboriginal and Torres Strait Islander Australians *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 higher Indigenous expenditure is total Indigenous expenditure less non-Indigenous expenditure.

Source: Table 5.

Figure 11 **Australian Government *plus* State and Territory Government direct expenditure per person by driver of expenditure, by service area, 2012-13^{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. ^c *Higher cost of service provision* includes higher cost of providing mainstream services to Aboriginal and Torres Strait Islander Australians *plus* complementary Indigenous specific services (those provided in addition to mainstream services). ^d *Higher service use intensity* includes the use of mainstream services by Aboriginal and Torres Strait Islander Australians *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 higher Indigenous expenditure is total Indigenous expenditure less non-Indigenous expenditure.

Source: Table 5.

Figure 11 shows drivers of direct Indigenous expenditure by service area:

- *safe and supportive communities* — expenditure per Aboriginal and Torres Strait Islander person was \$8717 higher than expenditure per non-Indigenous person, with the majority (\$6611 or 75.8 per cent) attributable to greater intensity of service use
- *healthy lives* — expenditure per Aboriginal and Torres Strait Islander person was \$4701 higher than expenditure per non-Indigenous person, with the majority (\$3682 or 78.3 per cent) attributable to greater intensity of service use
- *economic participation* — expenditure per Aboriginal and Torres Strait Islander person was \$3136 higher than expenditure per non-Indigenous person, with \$1622 (or 51.7 per cent) attributable to greater intensity of service use
- *early child development, and education and training* — expenditure per Aboriginal and Torres Strait Islander person was \$3534 higher than expenditure per non-Indigenous person, with the majority (\$2196 or 62.1 per cent) attributable to greater intensity of service use

-
- *other government services* — expenditure per Aboriginal and Torres Strait Islander person was \$382 higher than expenditure per non-Indigenous person, with the majority (\$235 or 61.5 per cent) attributable to higher cost of service provision
 - *home environment* — expenditure per Aboriginal and Torres Strait Islander person was \$2080 higher than expenditure per non-Indigenous person, with \$1091 (or 52.5 per cent) attributable to higher cost of service provision (table 5).

More detailed data comparing expenditure by state and territory, by government, for mainstream and Indigenous specific expenditure and for more detailed expenditure categories and for 2008-09, 2010-11 and 2012-13 are available in the 2014 Indigenous Expenditure Report standard tables and database available on the project website www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014.

What other information is available?

Summary data tables

Summary data tables are included at the back of this Report. These tables are the basis for the results and charts presented in the Report.

Fact sheets and frequently asked questions

A media release, fact sheets and frequently asked questions allow readers to quickly find information on key results and topics (available on the Indigenous Expenditure Report web page (www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014)).

A series of fact sheets covers:

- All states and territories
- New South Wales
- Victoria
- Queensland
- Western Australia
- South Australia
- Tasmania
- Australian Capital Territory
- Northern Territory
- Early child development, and education and training

-
- Healthy lives
 - Economic participation
 - Home environment
 - Safe and supportive communities
 - Other government services
 - Description of expenditure categories

Additional fact sheets may be prepared and published on the website after the Report is published.

The website also contains answers to a range of frequently asked questions:

- What is the purpose of the Indigenous Expenditure Report?
- How will the Indigenous Expenditure Report make a difference to Aboriginal and Torres Strait Islander Australians?
- How does the Report estimate Indigenous expenditure?
- What does the Report tell us about government expenditure on Aboriginal and Torres Strait Islander Australians?
- Why can it cost more to provide services to Aboriginal and Torres Strait Islander Australians?
- Why do Aboriginal and Torres Strait Islander Australians use some services more intensively?
- How reliable are the estimates?
- Why is it difficult to compare expenditure across jurisdictions?
- How is the Indigenous Expenditure Report different from other Indigenous-focused reports, such as the Overcoming Indigenous Disadvantage report?
- Why are estimates different to those published in other expenditure reports?
- What needs to be considered when comparing expenditure over time?

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 2014a)

-
- *Service Use Measure Definitions Manual* — documents the agreed measures used to prorate mainstream expenditure between Aboriginal and Torres Strait Islander and non-Indigenous Australians (SCRGSP 2014c).

Additional estimates in web-attachments

This report should be viewed as an introduction and guide to the full suite of information available in the *2014 Indigenous Expenditure Report*. The Steering Committee has prepared a range of standard tables and an interactive database that enables users to create tables to suit their own needs (see www.pc.gov.au/research/recurring/ier/indigenous-expenditure-report-2014).

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- 2014a, *Expenditure Data Manual*, 2014 Indigenous Expenditure Report, Productivity Commission, Canberra.

—— 2014b, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, Canberra.

—— 2014c, *Service Use Measure Definitions Manual*, 2014 Indigenous Expenditure Report, Productivity Commission, Canberra.

Table 1 Estimation method and reliability of model parameters, 2012-13 estimates

	Estimation method			Information quality ^a			
	Directly identified ^b	Service use ^c	Pop. share ^d	Direct Indig. exp	Appr. ^e	Qual. ^f	Cost diff. ^g
	%	%	%	\$m			
Early child development, and Education and training							
Early childhood	33.1	66.9	0.0	335	A	B	C
School education	18.9	77.6	3.5	3 406	A	B	B
Tertiary education	36.6	63.4	0.0	768	A	B	C
Total	23.0	74.5	2.5	4 509	A	B	C
Healthy lives							
Hospital services ^h	5.2	94.8	0.0	2 805	A	A	A
Public and community health	62.8	37.2	0.0	1 970	A	A	B
Health care subsidies & support	5.2	90.9	3.9	1 516	A	A	B
Total	23.2	76.0	0.8	6 290	A	A	B
Economic participation							
Labour and employment	54.1	27.4	18.5	1 020	B	B	C
Social security support	0.0	100.0	0.0	4 500	A	A	B
Total	10.0	83.3	6.7	5 519	A	A	B
Home environment							
Housing	47.8	52.2	0.0	1 193	A	B	C
Community and environment	46.9	0.0	53.1	976	A	A	C
Transport and communications	2.7	0.0	97.3	737	A	A	C
Total	36.1	26.2	37.7	2 906	A	A	C
Safe and supportive communities							
Public order and safety	12.4	66.8	20.8	3 399	C	B	C
Community support and welfare	20.0	80.0	0.0	4 129	B	A	C
Recreation and culture	37.5	0.0	62.5	477	A	A	C
Total	17.8	69.0	13.2	8 004	B	B	C
Other government services							
General government and defence	3.7	0.0	96.3	2 774	A	A	C
Support to industry	3.2	0.0	96.8	339	A	A	C
Total	3.6	0.0	96.4	3 112	A	A	C
TOTAL EXPENDITURE	18.6	62.7	18.7	30 341	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 population share (pop. share). ^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 Aboriginal and non-Indigenous Australians. ^h **Expenditure estimates on 'Hospital services'** for Aboriginal and Torres Strait Islander Australians in ACT and NSW should be interpreted with care on account of cross border flows between these two states. – Zero or rounded to zero.

Source: 2014 Indigenous Expenditure Report database.

Table 2 Australian Government *plus* State and Territory Government direct expenditure, Australia, 2012-13^{a,b}

	Total expenditure				Expenditure per head of population ^c		
	Indig.	Non-Indig.	Total	Indig. share	Indig.	Non-Indig.	Ratio ^d
	\$m	\$m	\$m	%	\$/pers	\$/pers	ratio
Early child development, and Education and training							
Early childhood	335	5 730	6 065	5.5	479	255	1.88
School education	3 406	39 791	43 197	7.9	4 878	1 774	2.75
Tertiary education	768	20 053	20 821	3.7	1 099	894	1.23
Total	4 509	65 575	70 083	6.4	6 457	2 923	2.21
Healthy lives							
Hospital services	2 805	42 190	44 995	6.2	4 016	1 881	2.14
Public & community health	1 970	12 074	14 044	14.0	2 821	538	5.24
Health care subsidies & support	1 516	42 364	43 880	3.5	2 170	1 888	1.15
Total	6 290	96 629	102 919	6.1	9 008	4 307	2.09
Economic participation							
Labour & employment	1 020	9 940	10 960	9.3	1 460	443	3.30
Social security support	4 500	97 021	101 520	4.4	6 443	4 325	1.49
Total	5 519	106 961	112 480	4.9	7 904	4 768	1.66
Home environment							
Housing	1 193	6 959	8 152	14.6	1 708	310	5.51
Community & environment	976	15 981	16 957	5.8	1 398	712	1.96
Transport & communications	737	23 753	24 490	3.0	1 055	1 059	1.00
Total	2 906	46 693	49 599	5.9	4 161	2 081	2.00
Safe and supportive communities							
Public order & safety	3 399	21 698	25 097	13.5	4 868	967	5.03
Community support & welfare	4 129	31 875	36 003	11.5	5 912	1 421	4.16
Recreation & culture	477	8 011	8 488	5.6	683	357	1.91
Total	8 004	61 584	69 589	11.5	11 463	2 745	4.18
Other government services							
General government & defence	2 774	82 250	85 024	3.3	3 972	3 666	1.08
Support to industry	339	9 170	9 509	3.6	485	409	1.19
Total	3 112	91 420	94 532	3.3	4 457	4 075	1.09
TOTAL EXPENDITURE	30 341	468 861	499 202	6.1	43 449	20 900	2.08

^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 Totals may not add due to rounding. ^c Per head of population expenditure is not the same as expenditure per user, and should not be interpreted as a proxy for unit cost. ^d The ratio of total Indigenous expenditure per person to total non-Indigenous expenditure per person.

Source: 2014 Indigenous Expenditure Report database

Table 3 Australian Government *plus* State and Territory Government direct expenditure by state and territory, 2012-13^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									
Indigenous (\$million)									
Aust Govt	292	71	257	96	56	29	11	101	913
State Govt	975	242	906	568	244	98	35	527	3 595
Non-Indigenous (\$million)									
Aust Govt	5 867	4 914	3 624	1 720	1 375	403	451	124	18 478
State Govt	12 513	12 420	9 870	5 845	3 851	1 156	950	493	47 097
Total	19 647	17 647	14 657	8 229	5 525	1 686	1 448	1 245	70 083
Healthy lives									
Indigenous (\$million)									
Aust Govt	822	187	466	273	146	155	35	312	2 397
State Govt	709	306	1 002	750	289	56	97	683	3 893
Non-Indigenous (\$million)									
Aust Govt	14 952	11 128	8 474	3 991	3 328	870	823	233	43 800
State Govt	15 753	12 330	10 931	6 001	4 798	1 419	1 118	478	52 829
Total	32 237	23 951	20 874	11 016	8 561	2 500	2 073	1 707	102 919
Economic participation									
Indigenous (\$million)									
Aust Govt	1 549	330	1 455	842	343	150	39	705	5 412
State Govt	25	18	21	15	7	4	0	17	107
Non-Indigenous (\$million)									
Aust Govt	34 445	26 869	20 783	8 815	8 854	3 017	1 127	413	104 322
State Govt	883	747	261	325	280	77	20	47	2 639
Total	36 903	27 964	22 520	9 996	9 484	3 247	1 186	1 182	112 480
Home environment									
Indigenous (\$million)									
Aust Govt	192	48	195	130	59	19	25	106	773
State Govt	375	133	595	332	86	31	12	569	2 133
Non-Indigenous (\$million)									
Aust Govt	4 529	3 483	2 956	1 408	1 039	318	191	109	14 033
State Govt	9 162	8 265	8 134	3 730	2 042	441	508	379	32 660
Total	14 258	11 928	11 879	5 600	3 226	808	736	1 163	49 599

(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									
Indigenous (\$million)									
Aust Govt	597	153	592	320	139	67	35	497	2 399
State Govt	1 559	412	1 250	1 136	360	78	69	741	5 605
Non-Indigenous (\$million)									
Aust Govt	8 373	6 573	4 920	2 387	2 152	643	348	114	25 509
State Govt	10 723	9 838	6 465	4 468	2 564	921	719	378	36 075
Total	21 252	16 976	13 226	8 311	5 214	1 709	1 170	1 730	69 589
Other government services									
Indigenous (\$million)									
Aust Govt	682	155	633	290	124	79	47	229	2 239
State Govt	196	31	266	118	41	36	16	171	873
Non-Indigenous (\$million)									
Aust Govt	22 461	17 765	13 921	7 579	5 095	1 523	1 171	530	70 046
State Govt	6 301	3 422	5 977	2 011	1 668	676	919	400	21 374
Total	29 640	21 373	20 797	9 998	6 928	2 314	2 154	1 329	94 532
TOTAL EXPENDITURE									
Indigenous (\$million)									
Aust Govt	4 133	945	3 599	1 951	865	499	192	1 950	14 134
State Govt	3 841	1 141	4 040	2 919	1 027	302	230	2 708	16 207
Non-Indigenous (\$million)									
Aust Govt	90 628	70 732	54 678	25 900	21 843	6 774	4 111	1 523	276 187
State Govt	55 335	47 022	41 637	22 379	15 203	4 690	4 234	2 175	192 674
Total	153 937	119 840	103 953	53 149	38 937	12 265	8 766	8 356	499 202

^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: 2014 Indigenous Expenditure Report database.

Table 4 Australian Government *plus* State and Territory direct expenditure on Aboriginal and Torres Strait Islander Australians, Australia, 2012-13^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					
Early childhood	224	111	335	33.1	1.1
School education	2 763	643	3 406	18.9	11.2
Tertiary education	487	281	768	36.6	2.5
Total	3 474	1 035	4 509	23.0	14.8
Healthy lives					
Hospital services	2 659	145	2 805	5.2	9.2
Public & community health	733	1 237	1 970	62.8	6.5
Health care subsidies & support	1 436	80	1 516	5.2	5.0
Total	4 828	1 462	6 290	23.2	20.7
Economic participation					
Labour & employment	468	552	1 020	54.1	3.4
Social security support	4 500	0	4 500	0.0	14.8
Total	4 967	552	5 519	10.0	18.2
Home environment					
Housing	622	571	1 193	47.8	3.9
Community & environment	518	458	976	46.9	3.2
Transport & communications	717	20	737	2.7	2.4
Total	1 857	1 049	2 906	36.1	9.6
Safe and supportive communities					
Public order & safety	2 979	421	3 399	12.4	11.2
Community support & welfare	3 304	825	4 129	20.0	13.6
Recreation & culture	298	179	477	37.5	1.6
Total	6 580	1 424	8 004	17.8	26.4
Other government services					
General government & defence	2 672	101	2 774	3.7	9.1
Support to industry	328	11	339	3.2	1.1
Total	3 000	112	3 112	3.6	10.3
Total expenditure	24 707	5 634	30 341	18.6	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: 2014 Indigenous Expenditure Report database.

Table 5 Australian Government *plus* State and Territory direct expenditure per person on Aboriginal and Torres Strait Islander and non-Indigenous Australians by source of difference, Australia, 2012-13^{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							
Early childhood	302	177	479	255	47	177	224
School education	3 963	915	4 878	1 774	2 189	915	3 104
Tertiary education	854	245	1 099	894	- 40	245	205
Total	5 119	1 338	6 457	2 923	2 196	1 338	3 534
Healthy lives							
Hospital services	3 753	263	4 016	1 881	1 872	263	2 136
Public & community health	2 133	688	2 821	538	1 595	688	2 283
Health care subsidies & support	2 102	68	2 170	1 888	214	68	282
Total	7 989	1 019	9 008	4 307	3 682	1 019	4 701
Economic participation							
Labour & employment	710	750	1 460	443	267	750	1 017
Social security support	5 680	763	6 443	4 325	1 356	763	2 119
Total	6 390	1 514	7 904	4 768	1 622	1 514	3 136
Home environment							
Housing	1 268	440	1 708	310	958	440	1 398
Community & environment	914	484	1 398	712	202	484	685
Transport & communications ^f	990	65	1 055	1 059	- 69	65	- 3
Total	3 173	989	4 161	2 081	1 091	989	2 080
Safe and supportive communities							
Public order and safety	4 300	568	4 868	967	3 333	568	3 900
Community support & welfare	4 614	1 298	5 912	1 421	3 193	1 298	4 492
Recreation & culture	442	240	683	357	85	240	325
Total	9 357	2 106	11 463	2 745	6 611	2 106	8 717
Other government services							
General government & defence	3 839	133	3 972	3 666	173	133	306
Support to industry	471	14	485	409	62	14	77
Total	4 310	147	4 457	4 075	235	147	382
Total expenditure	36 338	7 112	43 449	20 900	15 438	7 112	22 550

^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. ^c The source of the difference between Aboriginal and Torres Strait Islander 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 Aboriginal and Torres Strait Islander Australians have a lower intensity of service use than non-Indigenous Australians.

Source: 2014 Indigenous Expenditure Report database.

Table 6 Real Australian Government plus State/Territory Government direct Indigenous expenditure, 2008-09, 2010-11, 2012-13 (2012-13 dollars)^a

	<i>Expenditure (\$ million)</i>			<i>Expenditure (\$/person)^b</i>		
	<i>2008-09</i>	<i>2010-11</i>	<i>2012-13</i>	<i>2008-09</i>	<i>2010-11</i>	<i>2012-13</i>
Early child development, and Education and training						
Early childhood						
Indigenous	243	242	335	378	362	479
Non-Indigenous	4 878	5 097	5 730	232	235	255
All Australians	5 120	5 339	6 065	236	239	262
School education						
Indigenous	2 987	3 239	3 406	4 646	4 837	4 878
Non-Indigenous	38 145	40 035	39 791	1 812	1 848	1 774
All Australians	41 132	43 274	43 197	1 896	1 937	1 867
Tertiary education						
Indigenous	616	712	768	959	1 064	1 099
Non-Indigenous	18 328	18 769	20 053	871	866	894
All Australians	18 945	19 482	20 821	873	872	900
Total Early child development, and Education and training						
Indigenous	3 845	4 194	4 509	5 982	6 263	6 457
Non-Indigenous	61 352	63 901	65 575	2 915	2 949	2 923
All Australians	65 197	68 095	70 083	3 006	3 049	3 030
Healthy lives						
Hospital services						
Indigenous	2 158	2 567	2 805	3 357	3 834	4 016
Non-Indigenous	37 275	39 887	42 190	1 771	1 841	1 881
All Australians	39 433	42 454	44 995	1 818	1 901	1 945
Public & community health						
Indigenous	1 713	1 910	1 970	2 665	2 853	2 821
Non-Indigenous	13 421	14 366	12 074	638	663	538
All Australians	15 134	16 276	14 044	698	729	607
Health care subsidies & support						
Indigenous	610	1 273	1 516	949	1 902	2 170
Non-Indigenous	33 069	35 716	42 364	1 571	1 648	1 888
All Australians	33 679	36 990	43 880	1 553	1 656	1 897
Total Healthy lives						
Indigenous	4 481	5 751	6 290	6 972	8 588	9 008
Non-Indigenous	83 765	89 969	96 629	3 980	4 152	4 307
All Australians	88 246	95 720	102 919	4 069	4 285	4 449
Economic participation						
Labour & employment						
Indigenous	1 065	1 156	1 020	1 656	1 727	1 460
Non-Indigenous	7 217	8 159	9 940	343	377	443
All Australians	8 282	9 315	10 960	382	417	474

(Continued next page)

Table 6 (continued)

	<i>Expenditure (\$ million)</i>			<i>Expenditure (\$/person)^b</i>		
	<i>2008-09</i>	<i>2010-11</i>	<i>2012-13</i>	<i>2008-09</i>	<i>2010-11</i>	<i>2012-13</i>
Social security support						
Indigenous	3 781	3 895	4 500	5 883	5 816	6 443
Non-Indigenous	95 941	87 927	97 021	4 559	4 058	4 325
All Australians	99 722	91 821	101 520	4 598	4 111	4 389
Total Economic participation						
Indigenous	4 846	5 051	5 519	7 539	7 543	7 904
Non-Indigenous	103 158	96 086	106 961	4 902	4 435	4 768
All Australians	108 004	101 136	112 480	4 980	4 528	4 863
Home environment						
Housing						
Indigenous	1 041	1 189	1 193	1 619	1 775	1 708
Non-Indigenous	8 350	7 707	6 959	397	356	310
All Australians	9 391	8 895	8 152	433	398	352
Community & environment						
Indigenous	988	904	976	1 537	1 350	1 398
Non-Indigenous	15 497	14 281	15 981	736	659	712
All Australians	16 485	15 185	16 957	760	680	733
Transport & communications						
Indigenous	707	656	737	1 100	980	1 055
Non-Indigenous	20 493	20 951	23 753	974	967	1 059
All Australians	21 200	21 607	24 490	977	967	1 059
Total Home environment						
Indigenous	2 736	2 748	2 906	4 257	4 104	4 161
Non-Indigenous	44 340	42 938	46 693	2 107	1 982	2 081
All Australians	47 076	45 687	49 599	2 171	2 045	2 144
Safe and supportive communities						
Public order & safety						
Indigenous	3 158	3 304	3 399	4 914	4 934	4 868
Non-Indigenous	20 440	21 311	21 698	971	984	967
All Australians	23 599	24 615	25 097	1 088	1 102	1 085
Community support & welfare						
Indigenous	3 179	3 162	4 129	4 946	4 722	5 912
Non-Indigenous	35 806	29 751	31 875	1 701	1 373	1 421
All Australians	38 985	32 913	36 003	1 797	1 473	1 556
Recreation & culture						
Indigenous	493	550	477	767	821	683
Non-Indigenous	7 711	7 683	8 011	366	355	357
All Australians	8 205	8 233	8 488	378	369	367
Total Safe and supportive communities						
Indigenous	6 831	7 015	8 004	10 627	10 476	11 463
Non-Indigenous	63 957	58 746	61 584	3 039	2 711	2 745
All Australians	70 788	65 761	69 589	3 264	2 944	3 008

(Continued next page)

Table 6 (continued)

	Expenditure (\$ million)			Expenditure (\$/person) ^b		
	2008-09	2010-11	2012-13	2008-09	2010-11	2012-13
Other government services						
General government & defence						
Indigenous	2 268	2 689	2 774	3 528	4 015	3 972
Non-Indigenous	65 726	78 976	82 250	3 123	3 645	3 666
All Australians	67 994	81 665	85 024	3 135	3 656	3 676
Support to industry						
Indigenous	305	262	339	475	391	485
Non-Indigenous	7 983	6 689	9 170	379	309	409
All Australians	8 288	6 951	9 509	382	311	411
Total Other government services						
Indigenous	2 573	2 951	3 112	4 002	4 407	4 457
Non-Indigenous	73 709	85 665	91 420	3 502	3 954	4 075
All Australians	76 282	88 616	94 532	3 517	3 967	4 087
TOTAL EXPENDITURE						
Indigenous	25 312	27 709	30 341	39 379	41 381	43 449
Non-Indigenous	430 281	437 305	468 861	20 445	20 183	20 900
All Australians	455 593	465 015	499 202	21 006	20 818	21 581

^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.

Source: 2014 Indigenous Expenditure Report database.

Table 7 Aboriginal and Torres Strait Islander, non-Indigenous and total resident population

	<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^a</i>
30 June 2009									
Aboriginal and Torres Strait Islander ^b	200 673	44 642	179 957	85 214	35 687	23 215	5 696	67 711	642 795
Non-Indigenous ^c	6 853 082	5 327 292	4 148 814	2 155 036	1 573 215	481 138	349 089	158 316	21 045 982
Total	7 053 755	5 371 934	4 328 771	2 240 250	1 608 902	504 353	354 785	226 027	21 688 777
30 June 2011									
Aboriginal and Torres Strait Islander ^b	208 476	47 333	188 954	88 270	37 408	24 165	6 160	68 850	669 616
Non-Indigenous ^c	7 010 053	5 490 484	4 287 824	2 265 139	1 602 206	487 318	361 825	162 442	21 667 291
Total	7 218 529	5 537 817	4 476 778	2 353 409	1 639 614	511 483	367 985	231 292	22 336 907
30 June 2013									
Aboriginal and Torres Strait Islander ^b	216 612	49 715	198 206	91 898	38 981	25 269	6 517	71 111	698 309
Non-Indigenous ^c	7 193 787	5 689 626	4 458 597	2 427 423	1 631 846	487 890	374 971	169 648	22 433 788
Total	7 410 399	5 739 341	4 656 803	2 519 321	1 670 827	513 159	381 488	240 759	23 132 097

^a Australian totals are the sum of state and territory data and exclude other territories. ^b The ABS uses the Aboriginal and Torres Strait Islander population of Australia as at 30 June 2011 is used as the base for the projection series for other years. Using assumptions about future fertility, paternity, life expectancy at birth and migration, the 2014 publication provided three main sets of projections. The ABS suggested that series B (moderate growth) would be the most appropriate choice for most users and, in this Report, series B projections have been used. ^c The ABS only publishes official non-Indigenous population data for Census years. For other years, non-Indigenous population data are derived by subtracting Aboriginal and Torres Strait Islander population data from total population data. (Based on ABS advice, this Report derives the non-Indigenous population by subtracting Aboriginal and Torres Strait Islander population projections from the total estimated resident population). Such figures have a degree of uncertainty and should be used with caution.

Source: ABS 2014b, *Estimates and Projections, Aboriginal and Torres Strait Islander Australians, 2001 to 2026*, cat. no. 3238.0, Canberra.; ABS 2014a, *Australian Demographic Statistics, Dec 2013*, cat. no. 3101.0.

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.

Australian Government comments

To create a better future for Indigenous Australians requires a collaborative effort shared between all levels of government. The estimates of government Indigenous expenditure in the Report highlight the important role of State and Territory governments in achieving this outcome. The Australian Government provides significant levels of expenditure to and through the States and Territories. When these transfers are considered, the Australian Government funded 62 per cent of total expenditure on Indigenous Australians in 2012-13.

The Report also indicates the importance of mainstream programmes with these services providing 81.4 per cent of overall Indigenous direct expenditure in 2012-13. The Australian Government is committed to ensuring that mainstream Commonwealth agencies deliver programmes that cater for, and respond to, the needs of Indigenous people to maximise effort in achieving the Government's priorities in Indigenous Affairs.

With the Report estimating that expenditure on Indigenous Australians increased in real terms by \$4071 per person (10.3 per cent) from 2008-09 to 2012-13 it is important to not always equate increased expenditure with getting results. Spending more is not always a measure of success, especially if funds are spent on coping with the consequences of poor outcomes, instead of preventing them from occurring in the first place. If outcomes improve spending will fall.

The Government's Indigenous Affairs priorities are clear — getting children to school, adults into work and making communities safer; through a new engagement with Indigenous Australians. To achieve real results in these priority areas, Indigenous specific expenditure from eight departments has been centralised into the Department of the Prime Minister and Cabinet (PM&C). This will increase flexibility, reduce red tape, promote local innovative approaches and strengthen the coordination of Government efforts, with a sole focus on achieving results.

The Government also reaffirms its commitment to Aboriginal and Torres Strait Islander health with the establishment of the Indigenous Australians' Health Programme which will consolidate four existing funding streams. This will provide flexibility to ensure investments are directed to areas of need and deliver the most effective health outcomes.

In place of the National Partnership on Remote Service Delivery, the PM&C Regional Network is being refocussed. The Network will move to a regional model and will have a clearer role of working in partnership with Indigenous communities to tailor action and long-term strategies to achieve tangible progress in the Government's priority areas of schooling, jobs and community safety. PM&C Regional Managers will have a leadership role across all Commonwealth effort within their regions, including the scope to ensure that Commonwealth funding decisions are complementary.

New South Wales Government comments

The largest share of Australia's Indigenous population is in New South Wales — around 216 612 people in 2013 or 31 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 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's plan for Aboriginal Affairs: Opportunity, Choice, Healing, Responsibility and Empowerment (OCHRE) arose from significant consultation with Aboriginal people throughout NSW. The plan's four pillars are: linking education and employment, language and culture, local decision making and accountability. Key initiatives under the plan include the establishment of *Language and Culture Nests* to preserve and revitalise Aboriginal languages, *Opportunity Hubs* to connect Aboriginal people to real and sustainable jobs and *Local Decision Making* which seeks to empower Aboriginal Communities by recognising local leadership and by ensuring communities have an increasing say in how government services are designed and delivered.

In addition, 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.

Victorian Government comments

Victoria is committed to closing the gap between Aboriginal and non-Aboriginal Victorians, working in partnership with the Commonwealth, Victoria's Aboriginal community, service agencies and the private sector. An essential part of this is ensuring our actions and priorities are informed by a strong evidence base and clear directions.

On its own, this Indigenous Expenditure Report does not evaluate the effectiveness or appropriateness of government expenditure or the contribution it makes to closing the gap. Instead the report provides an estimate of expenditure that may be directed towards Aboriginal people across the state and nation. This includes estimated expenditure on mandated statutory systems, broad-based services available to all Victorians and a discrete number of Aboriginal specific programs.

As such, care should be taken when interpreting the data. In particular, the per head of population expenditure data is provided only to allow comparison between jurisdictions, and is not an indication of the cost of service provision or a measure of 'value for money'. The differences in demography between Aboriginal and non-Aboriginal Victorians has a significant effect on the per person expenditure results, and this should be considered when interpreting the data. Victoria notes the Report does not adjust for this.

Victoria has a unique suite of programs that are part of our broader service systems and are designed to address the specific needs of Aboriginal Victorians. Victoria's Aboriginal population is not geographically concentrated and significant under-identification is known to occur. The considerable rise in Victoria's Aboriginal population in recent years is a very positive step forward, representing both an increase in birth rates and importantly a greater confidence by Aboriginal people to identify. Stronger identification is essential for ensuring services better respond to the needs of people who need them most.

In this Report, expenditure estimates for the Victorian Government's Aboriginal specific programs are robust, however the accuracy of attributed expenditure for mainstream services is limited due to the assumptions necessary under the Report method.

Victoria will continue to provide evidence based initiatives that assist in further closing the gaps between Aboriginal and non-Aboriginal Australians.

Queensland Government comments

In 2013, the estimated Aboriginal and Torres Strait Islander population represented 4.3 per cent (198 206) of the total Queensland population. Latest available data (June 2011) indicates that around 80 per cent of Queensland's Aboriginal and Torres Strait Islander population lived in urban and regional areas, with the balance living in remote and very remote areas.

The Queensland Plan — a 30-year vision developed by Queenslanders — highlighted the need to reduce intergenerational disadvantage for Aboriginal and Torres Strait Islander Queenslanders. In its response to The Queensland Plan, the Queensland Government outlined its commitment and actions to work toward better health outcomes, increase economic independence and improve community outcomes via education, jobs, business development, affordable home ownership and tenure reform for the Queensland Aboriginal and Torres Strait Islander population.

Government services related to Aboriginal and Torres Strait Islander Queenslanders are provided through both targeted and mainstream services. Providing quality, consistent expenditure data on this basis was again challenging for Queensland, particularly at a disaggregated level. In recognition of the importance of continuing to improve its data quality, Queensland will review its collection strategies in the lead up to the preparation of the 2016 Indigenous Expenditure Report.

The Report applies a cost differential in recognition of additional costs of providing mainstream services to Aboriginal and Torres Strait Islanders, for reasons such as location. Given the number of rural, remote and very remote communities in Queensland and the high cost of service provision in such locations, Queensland's estimates of this differential may be understated. Queensland will review these differentials in the collection of its data for the next Indigenous Expenditure Report.

It should be noted that the Indigenous Expenditure Report does not seek to comment on the appropriateness or effectiveness of the level of Aboriginal and Torres Strait Islander expenditure; but rather this Report needs to be read in conjunction with reports that focus on outcomes, effectiveness and efficiency measures. The Report will provide an additional reference tool to enable users to gain a better understanding of expenditure levels, patterns and trends of government expenditure. It will provide an additional resource to inform the development and evaluation of policy impacting on Aboriginal and Torres Strait Islander Queenslanders.

Western Australian Government comments

Western Australia's estimated Indigenous population is the third largest in Australia, totalling 91 898 as at June 2013 and 93 778 as at April 2014. Based on ABS data, the Indigenous population in WA is expected to grow to 119 431 by 2026.

Estimated State Government expenditure per Indigenous person in WA was \$31 766 in 2012-13, 3.45 times the estimated expenditure per non-Indigenous person of \$9 219. For each of the three IER data years (2008-09, 2010-11 and 2012-13) this ratio has been higher in WA than for any other State or Territory.

The high expenditure on Indigenous persons in WA partly reflects the higher cost of delivering services in regional and remote areas (based on ABS data, 62 per cent of the Indigenous population in WA resided outside the metropolitan area as at June 2011). However, Indigenous expenditure is also reflective of a much greater intensity of use by Indigenous persons across nearly all service areas, including health, education and law and order.

There are numerous complex challenges for the Government to design and deliver services to 'close the gap' on Indigenous disadvantage. Reducing overlap and duplication is one of these challenges. In April 2013 the WA Government established the Aboriginal Affairs Cabinet Sub-Committee (AACSC) to drive better coordination of investment and services across government, and improve collaboration with Indigenous leaders and the non-government sector. The membership of the AACSC includes the Minister for Aboriginal Affairs, the Deputy Premier, the Minister for Regional Development, the Minister for Mental Health, and the Minister for Police.

While this update of the Indigenous Expenditure Report provides an overall picture of government recurrent expenditure on services in 2012-13, the data is still under development and the following contextual information should also be noted:

- Expenditure on Indigenous Australians from outside the general government sector is excluded. This means that any expenditure undertaken by local government and government trading enterprises, such as housing, power and water (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) which may not meet the agreed criteria for defining Indigenous specific programs.
- 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 Australian Government comments

South Australia's Aboriginal and Torres Strait Islander 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 \$206 million of Indigenous specific expenditure, with around 90 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 7 targets specifically aimed at Aboriginal and Torres Strait Islander people that reflect the focus of the plan on improving the wellbeing of all Aboriginal and Torres Strait Islander 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.
- 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.

Tasmanian Government comments

Tasmania has a relatively small Indigenous population. Though small, the Tasmanian Indigenous population accounts for around 5 per cent of the total State population. This proportion is the second highest compared to all states and territories.

Tasmania is also geographically small, relative to other states and territories, but its population is the most decentralised, with the majority of the population living outside the capital city. A large proportion of Tasmania's Indigenous population live in regional areas. There is only one discrete remote Indigenous community in Tasmania being Cape Barren Island. Furthermore, Tasmania is characterised by a higher than average proportion of disadvantaged persons (as measured by a wide range of economic and social indicators), who are both Indigenous and non-Indigenous.

Tasmania has several Indigenous specific programs in place across a range of areas. These include programs across the Education, Health, Housing, Welfare, Recreation and Culture sectors. The programs in place aim to provide tailored and targeted outcomes for Tasmania's Indigenous population.

Because of Tasmania's specific circumstances, the most efficient and effective approach to meeting the needs of Tasmania's Indigenous community is through mainstream services designed to address disadvantage in the wider community. Mainstream services are continuing to adopt practices that consider cultural appropriateness – such as cultural competency training, cultural awareness training and the establishment of Indigenous advisory committees and groups. Mainstream services are complemented by Indigenous specific programs and services in some areas, as noted above.

The following caveats should be taken into account when interpreting and using expenditure estimates for Tasmania:

- *Indigenous under-identification* — under-identification of Indigenous service users continues to be an issue for Tasmania. This issue is particularly relevant to hospitals, where estimates show Indigenous service use to be below the Indigenous population share. This is in 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.

Australian Capital Territory Government comments

As at June 2013, Indigenous Australians living in the ACT accounted for approximately 1.7 per cent of the total ACT population. The ACT has the lowest proportion of Indigenous people in Australia, relative to population.

The involvement of the local Indigenous population is in key frontline service use areas such as the justice system, health care and community support. These services are also used by Indigenous people from New South Wales.

Total expenditure on Indigenous services of \$422 million was estimated in 2013-14 with \$230 million expended by the ACT Government and \$192 million by the Australian Government.

Over half of this expenditure (\$236 million) was attributed to the key service use areas of healthcare and safe and supportive communities. Of this amount, \$166 million was expended by the ACT Government and \$70 million by the Australian Government. Other areas of expenditure were attributed to:

- Other Government expenditure — 15 per cent including Indigenous traineeship programs in the ACT Public Service and the Conduct Board Election for Aboriginal Justice Centre Inc.
- Early Child Development and Education and Training expenditure — 11 per cent including Koori Preschools.
- Economic Participation — 9 per cent including secretariat and administrative support, the Narrabundah House Indigenous Supported Accommodation Service and the Gugan Gulwan service model and family support services.
- Home Environment — 9 per cent including the Caring for the Cotter program and the Natural Resource Management Indigenous Facilitator.

Northern Territory Government comments

The Northern Territory welcomes the release of the third edition of the Indigenous Expenditure Report (IER). The IER supports greater transparency of expenditure on services for Indigenous purposes and accountability of governments.

The challenges faced by the Territory in delivering services to its population are very different to those of other states. The Territory has a relatively small and remote population, which is dispersed across a large geographic area, with a high proportion of Indigenous people. There are over 600 discrete Indigenous communities across the Territory, many of which are far away from a major centre — 90 per cent of which are located in very remote areas while 50 per cent have a population of less than 500. Around 80 per cent of Indigenous Territorians reside in remote or very remote locations.

Across virtually all services areas, the Territory's Indigenous people are the main users of government services. Due to the relative size of the Indigenous population these services are generally delivered through mainstream programs, with the cost of delivering these services being relatively higher than delivering services to our non-Indigenous population. Not only is the Indigenous population highly dispersed, it is also younger and very mobile which makes delivering mainstream services more complex.

The Territory provides Indigenous specific services to address areas of Indigenous need for services that are not available through mainstream service provision channels or where Indigenous specific services can produce a superior outcome. These services supplement or in some cases replace mainstream services in for example health and education and are relatively more expensive to deliver due to lack of scale, the unique needs of the Indigenous population and more intensive service use.

While this report provides comprehensive analysis of estimates of government expenditure on all services, it is limited to recurrent expenditure and therefore excludes government infrastructure expenditure. Consequently, the IER does not report on the Northern Territory's significant investment in housing, education, roads and bridges and other essential infrastructure in remote and very 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.