



# **COMMONWEALTH GRANTS COMMISSION**

**DISCUSSION PAPER CGC 2002/37**

## **SERVICES TO INDIGENOUS COMMUNITIES**

Prepared for the Commission's Staff Conference  
November 2002

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## INTRODUCTION

1. This paper presents State arguments outlined in the 2004 Review submissions on the Aboriginal Community Services assessments, and staff responses to those arguments. It also provides Commission staff proposals to change the assessment, and the recommendations they are inclined to make to the Commission, subject to the outcome of the Commission's Staff Conference in November.

### THE 1999 REVIEW ASSESSMENT APPROACH

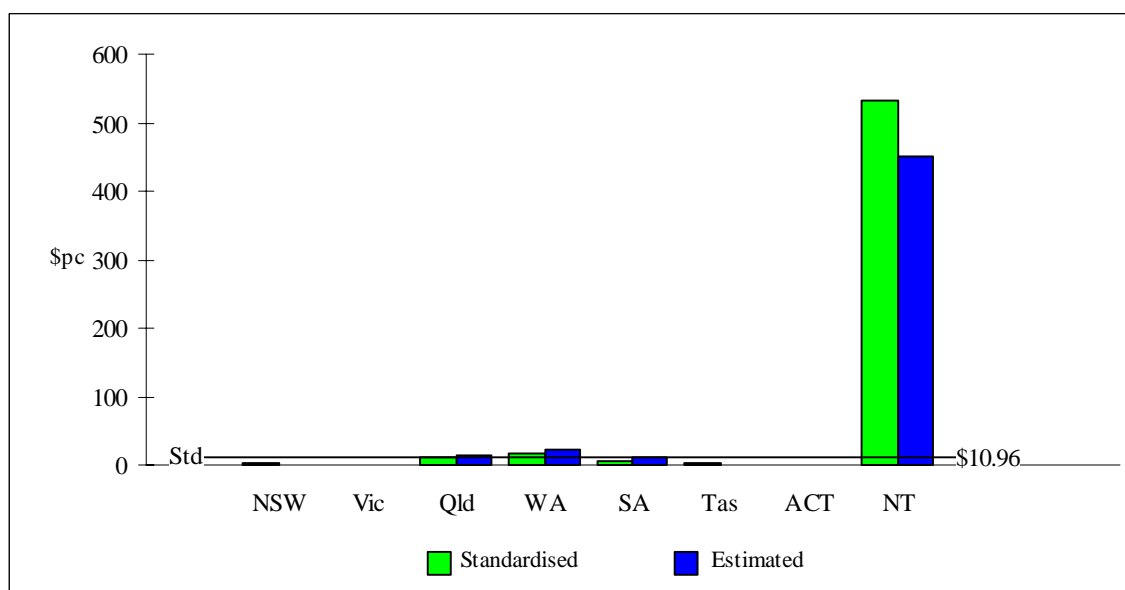
2. In the 1999 Review and subsequent updates, services to Indigenous communities have been assessed in the Aboriginal Community Services category. It comprised expenditure on:

- (i) the provision of community management, including services usually provided by local government;
- (ii) the development of, and planning for, community government;
- (iii) the operation, repairs and maintenance costs of essential services, including water, power, sewerage, ablution/toilet facilities, internal and access roads (not considered in the distribution of grants under Commonwealth Road Programs), airstrips, barge landings, telecommunications and cyclone shelters; and
- (iv) minor new works or the upgrading or purchase of assets relating to the above services, where the total estimated project cost was less than \$250 000 or the expected life of the asset was less than three years.

3. The category included some expenses funded by Commonwealth Own Purpose Outlays (COPOs) of the Aboriginal and Torres Strait Islander Commission (ATSIC), which were paid to State Governments or to non-government agencies providing the equivalent of State services. The Commission included only two thirds of the payments to non-government providers to account for the lack of flexibility States have in using these funds — the balance of expenses (one third), was not seen as substitutable for State expenditure as they did not necessarily follow State priorities.

4. While the gross standard expenses assessed in Aboriginal Community Services represented only 0.23 per cent of total gross standard expenses in 2000-01, the category had a significant impact on the distribution of untied assistance relative to an equal per capita distribution. This is illustrated by Figure 1.

**Figure 1** ABORIGINAL COMMUNITY SERVICES — GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2000-01



5. Table 1 summarises the expenditure assessment structure for Aboriginal Community Services. It shows that planning for and management of Indigenous communities in both remote and non-remote areas account for about 63 per cent of the category expenditure. In the 1999 Review, the Commission decided that differences between States in the cost of providing these services to depended on:

- (i) the Indigenous population in discrete communities<sup>1</sup>;
- (ii) the location of communities within each State; and
- (iii) the level of wages, accommodation and electricity costs faced by service providers in delivering those community government services.

6. Table 1 also indicates that 30 per cent of the category expenditure went towards providing essential services and maintaining internal access roads, airstrips and barge landings in remote communities. In the 1999 Review, the Commission decided that cost differences between States in providing these services were driven by:

- (i) the number and location of remote communities in each State; and
- (ii) the costs of wages, accommodation and electricity incurred by providers of these essential services.

<sup>1</sup> A discreet Indigenous community is defined by the ABS as a geographical location bounded by physical or cadastral (legal) boundaries, and inhabited or intended to be inhabited predominantly by Indigenous people, with housing or infrastructure that is either owned or managed on a community basis.

**Table 1** ABORIGINAL AND COMMUNITY SERVICES EXPENDITURE ASSESSMENT STRUCTURE, 2002 UPDATE

Expenditure component	Component weight	Factors	Basis of calculation
Scale-affected expenditure	4.84	Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
		Administrative scale	General method.
Non-remote community government	20.00	Dispersion	General method but using the Aboriginal population rather than the general population.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
		Socio-demographic composition	Based on the Indigenous population of non-remote communities.
Remote community government	42.93	Dispersion	General method but using the Aboriginal population rather than the general population.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
		Socio-demographic composition	Based on Indigenous population of remote communities.
Remote essential services	30.00	Service delivery scale	Based on the number of locations in remote areas. Includes disability assessments for dispersion and input costs.
Land rights	0.08	Land rights	The additional costs in the Northern Territory arising from the Commonwealth <i>Aboriginal Land Rights (Northern Territory) Act 1976</i> .
Isolation	2.15	Isolation	General method.

7. Head office type expenses accounted for about 5 per cent of the category expenditure and small amounts of expenditure were taken up in isolation-related costs and additional costs incurred by the Northern Territory in the administration of the Commonwealth *Aboriginal Land Rights (Northern Territory) Act 1976*.

8. ***User charges assessment.*** A differential assessment of user charges associated with Aboriginal Community Services was also made in the 2002 Update. It was based on the remote area population used in the assessment of socio-demographic composition in the Remote Community Government component, discounted by 50 per cent to recognise the difficulties with user charges collection in the small and remote communities.

## NATURE OF THE CATEGORY, COMMUNITY GOVERNMENT AND SERVICES

9. The types of programs the Commission included in its Aboriginal Community Services assessment focused on:

- (i) *Community infrastructure* — provision of water and power supply, sewerage and waste water systems, transport facilities and the ongoing support for operation and maintenance of these facilities;
- (ii) *Municipal type services* — planning, regulation and building control, rubbish disposal, maintenance of local roads and drainage; and
- (iii) *Community Management* — building the capacity for communities to plan and manage infrastructure and municipal services.

10. The 1999 Community Housing and Infrastructure Survey (CHINS) surveyed 1 291 discrete Indigenous communities throughout Australia. The survey showed that most communities were small — about 75 per cent of those surveyed had a usual population of 50 persons or less. Most were located in the remote northern parts of Australia. Table 2 sets out summary data from the survey.

**Table 2** DISCRETE INDIGENOUS COMMUNITIES, 1999

	NSW <sup>(a)</sup>	Vic	Qld	WA	SA	Tas	NT	Total
Total number of communities	67	2	149	285	106	1	681	1 291
Usual population <sup>(b)</sup>	9 103	250	29 440	17 161	5 254	70	48 716	109 994
Average population per community	136	125	198	60	50	70	72	85.2
Number of communities with less than 50 people	9	0	105	200	79	0	550	943
Proportion of communities with less than 50 people (per cent)	13.4	0.0	68.5	70.2	74.5	0.0	80.8	73.0

(a) ACT is included in NSW.

(b) Covers the population of discrete Indigenous communities, where clear boundaries could be drawn. It does not include Indigenous people living within predominantly non-Indigenous communities in towns and cities.

Source: ATSIIC *Community Housing and Infrastructure Survey, 1999* (produced by the ABS).

11. The Commission's *Report on Indigenous Funding 2001* found it common for Indigenous communities to have inadequate infrastructure. Apart from Tasmania, which has only one Indigenous community with a population larger than 50, communities in Queensland, South Australia and Western Australia had sewerage system failure rates of 75, 72 and 68 per cent. Fifty per cent of communities in Queensland experienced 10 or more power interruptions during 2000 and 57 per cent of communities in Queensland experienced water restrictions in that year. Western Australia had 40 per cent of its communities with inadequate water supplies.

12. Initiatives underway in the States indicate that governments are improving the planning and co-ordination of services, and are increasing funding for capital and recurrent

expenditure on infrastructure and associated services. Many programs are provided in partnership with the Commonwealth, through ATSIC or the Office for Aboriginal and Torres Strait Islander Health (OATSIH). ATSIC has developed joint government approaches to the provision of water, power and other services to Indigenous communities through Essential Services Agreements with several State governments.

13. Under current arrangements, States primarily fund operating expenses relating to infrastructure and associated services, while Commonwealth funding, through ATSIC, focuses more on capital expenditure. Current ATSIC programs are directed at:

- (i) *Community Government* — recurrent funding is provided for Indigenous community planning and management, and community and local government type services.
- (ii) *Infrastructure* — capital funding is provided for essential services such as water, roads, sewerage and power to rural and remote communities to accelerate the provision of essential and municipal services to severely disadvantaged rural and remote communities.
- (iii) *National Aboriginal Health Strategy (NAHS)* — capital funding is provided for housing and related infrastructure (power, water, sewerage, drainage and dust control) to improve environmental living conditions, generally in rural and remote Aboriginal and Torres Strait Islander communities. Stringent eligibility criteria and rigorous assessment of priorities, including Health Impact Statements, ensure that the communities in highest need are funded. The scheme is administered on a State-wide basis by external program managers.
- (iv) *Municipal services* — recurrent funding is provided for maintenance of community power, water and sewerage services, garbage collection, internal road maintenance, dog health programs, operational costs associated with the administration and functions of organisations which provide infrastructure and municipal services.

14. Some services provided in Indigenous communities, especially those under the municipal services heading, are provided by people working under the Community Development Employment Program (CDEP). This is an Indigenous specific program that has many similarities with the mainstream Work for the Dole program and which has been important in enabling municipal type services to be provided in Indigenous communities.

15. A summary of State and State/Commonwealth services to Indigenous Communities follows. A more detailed description is provided in Attachment A — The Role of Government.

### ***Community Government***

16. In New South Wales and Western Australia, most discrete communities lie within incorporated areas and are therefore the responsibility of the relevant local government authority.

However, in the Northern Territory and Queensland many Indigenous communities have local government status and are incorporated under local government legislation.

17. The Northern Territory has a two stream system of local government that differs from other jurisdictions:

- (i) municipal governments operate in the six major population centres that cover approximately 5 per cent of the Northern Territory; and
- (ii) community governments provide for the local administration of small remote communities in the other 95 per cent of the Northern Territory. Because many of these communities are located on Indigenous land, with freehold title to the land vested in Indigenous trusts, there is limited opportunity to raise own-source general revenue.

18. The lack of significant commercial activity in many communities results in governments providing services they would otherwise not be involved with. For example, functions undertaken by some Indigenous community local government entities include social security administration, banking services, management of housing stock and health control. The functions of community councils in the Northern Territory, and thus the extent and nature of support provided to them, appears to be different from that found in other jurisdictions. However, Commission staff seek further information on what happens in remote communities in Queensland, Western Australia and South Australia to confirm this impression.

### ***Remote Essential Services***

19. The precise arrangements for essential services differ from State to State.

20. The *New South Wales* Government has established the *Aboriginal Community Development Program* (ACDP) to address environmental health issues in disadvantaged Indigenous communities. The program targets Aboriginal communities that have a major identified health need. The objectives of the program are to provide essential infrastructure and, through skills development, ensure community involvement in identifying appropriate and affordable solutions.

21. The *Queensland* Government's Aboriginal and Torres Strait Islander Infrastructure Program (ATSIIIP) aims to meet the shortfall in basic services and environmental health infrastructure — mainly upgrading sewerage and water supply facilities in selected remote communities.

22. In 1984, the Queensland Government established a system of community level land trusts, to own and administer former reserves under a special form of title called a Deed of Grant in Trust (DOGIT). Each trust area is now a local government area. The fifteen incorporated Aboriginal Councils elect representatives every three years, manage the community's affairs, are able to make bi-laws, appoint community police and are responsible for maintaining housing, infrastructure, CDEP licenses, and hunting and camping permits.

23. The Torres Strait Regional Authority (TSRA) signed an agreement with the Commonwealth and Queensland Governments covering major infrastructure developments in the

Torres Strait,. The intention is that all the Torres Strait Islands will have adequate water and sewerage facilities by 2007.

24. The *Western Australian* Government and ATSIC signed the *Agreement for the Provision of Essential Services to Indigenous Communities* in September 2000. It provides for repair and maintenance services for power, water and waste water infrastructure and capital works and upgrading of essential services infrastructure in 72 remote Indigenous communities. For these large, permanent remote communities (those with a population greater than 50), the parties agreed that ATSIC would contribute funding for capital works and upgrading of essential services infrastructure, while the State Government would be responsible for planned maintenance and repairs to communal power, water and waste water systems.

25. ATSIC funds operating costs, including fuel for power plants, for the smaller remote communities with populations of between 40 and 49 persons. It also provides funding for maintenance and repair of essential services to emerging communities.

26. Western Australia has some other programs covering Indigenous communities, including the *Remote Areas Essential Services Program*, the *Aboriginal Communities Strategic Investment Program* and the *Environmental Health Package* (see Attachment A).

27. The *South Australian* Department of State Aboriginal Affairs and ATSIC signed the *Agreement for the Provision of Essential Services Infrastructure in Aboriginal Communities in South Australia* to provide essential services infrastructure in 18 Indigenous communities. These communities are all within landholding authorities areas<sup>2</sup>.

28. The essential services provided under the Agreement include the management, operation and maintenance of power, water, waste disposal, roads and other facilities within a community. As in Western Australia, the initial provision of the infrastructure required to provide these services was generally funded by ATSIC.

### **Summary**

29. State governments provide for the local administration of many discrete Indigenous communities, some of which have local government status, but others are the responsibility of local government. Due to the lack of commercial activity in many Indigenous communities, governments or the Commonwealth are often obliged to provide services that would otherwise be provided by local government or private service providers.

30. ATSIC provides major capital and upgrading of essential services infrastructure for Indigenous communities. However, New South Wales, Queensland, South Australia, Western Australia and the Northern Territory supplement these grants. Responsibility for the repairs and maintenance of essential services rests largely with the States, although ATSIC provides supplementation to maintenance costs and seems, in most States, to be primarily responsible for communities of less than 50 people.

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<sup>2</sup> South Australia has three statutory landholding authorities areas, Anangu Pitjantjatara, Maralinga Tjarutja and the Aboriginal Land Trust.

31. The operation of CDEPs, which are fully funded by ATSIC, also enables many Indigenous communities to provide basic services for themselves. However, in recent years the aim of CDEP has been re-oriented towards its role as an employment program.

## **ISSUES FOR THE 2004 REVIEW**

32. The following issues arise in relation to the assessment of Indigenous community services expenses.

- (i) The scope of expenses to be subject to assessments, which includes:
  - whether expenditure on minor capital works, valued at less than \$250 000 or with a life of less than three years, should be included in the assessments; and
  - whether Commonwealth own-purpose outlays should continue to be treated as notional SPPs and included in the assessments.
- (ii) Should expenses relating to Indigenous community services be identified and assessed in the general categories relating to the type of services, or in a single Aboriginal Community Services category as in the 1999 Review?
- (iii) What disability factors should be assessed, and how?

## **THE SCOPE OF ABORIGINAL COMMUNITY SERVICES**

### ***The Treatment of Expenditure on Minor Works***

33. In the 1999 Review, the Aboriginal Community Services category included expenditure on minor new works or the upgrading or purchase of assets where the total estimated project cost was less than \$250 000 or the expected life of the asset was less than three years. The Commission did so because it considered the harsh environment in which the services were provided resulted in short useful lives for the assets. It was also sometimes the case that any assets created by the expenditure were given to the communities and thus did not create State assets. The necessary data were specially obtained from the States and the Commonwealth<sup>3</sup>.

34. Since then, States have generally adopted accrual accounting, accrual concepts have been adopted in the preparation of the ABS GFS data and the Commission has decided to use the ABS GFS collection as the source of data (including data on depreciation expenses) for its equalisation budget. In these circumstances, the continued use of special data collections to include minor new works in the equalisation budget may lead to double counting. This would

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<sup>3</sup> At the time of the 1999 Review, the Commission did its own analysis of State budgets to arrive at the levels of expenditure in each category.

happen if the coding for the ABS GFS collection does not recognise the special circumstances of these short-lived, minor new works<sup>4</sup>.

35. Staff ask States to advise how they account, in the GFS data, for expenditure on works in Indigenous communities which have a value of less than \$250, 000 and an expected life of less than three years. Future data requests may also have to seek separate details for minor works that create assets for the State, and those where the assets are given to Indigenous communities.

36. Subject to further discussion at the November conference, Commission staff are inclined to recommend to the Commission that, for reasons of simplicity and transparency, it use figures that are consistent with ABS GFS.

### ***The Treatment of Commonwealth Own Purpose Outlays***

37. In the 1999 Review and subsequent updates, the Aboriginal Community Services category included expenditure incurred under some ATSIIC programs. These Commonwealth Own Purpose Outlays (COPOs) were treated as notional Specific Purpose Payments because they funded services which were considered to be substitutable for services funded by States (they funded State-type services). It was also relevant that the allocation of funds among the States was not consistent with the Commission's interpretation of needs, and that the Commonwealth paid money to the States in some cases but to non-government bodies in others.

38. The COPOs included in the Aboriginal Community services category were payments under the National Aboriginal Health Strategy (NAHS) and on-costs associated with the CDEP. Some NAHS funds were also included in the Housing category, along with funds under the Community Housing Infrastructure Program (CHIP). Table 3 presents the distribution of Commonwealth Own Purpose grants to each State, and the program proportion of these funds.

39. ***CDEP on-costs*** are an adjunct to the CDEP wage payments<sup>5</sup>. The on-cost amounts are paid to provide materials and assist the administration of the CDEPs, and are allocated among States on the basis of CDEP participant numbers.

40. In the 1999 Review, these payments were included in the equalisation budget, in part because the emphasis of CDEP was on community development. That is, the Commission considered the funds to be substitutable for expenses States might otherwise incur in providing services to the communities. However, after the 1997 Spicer Review of CDEP, ATSIIC re-oriented the program to focus more on its purpose as an employment initiative aimed at assisting Indigenous people gain employment. While Indigenous people engaged on CDEP may still perform tasks that provide basic services in their communities, the on-cost amounts are now more appropriately seen as Indigenous specific equivalents of the similar on-costs associated with the mainstream Work for the Dole program — a program which has aims similar to the CDEP and which the Commission treats as a Commonwealth program.

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<sup>4</sup> Including the likelihood that any assets created by the expenditure become the community's property and do not result in a State asset.

<sup>5</sup> CDEP wage payments were excluded from the Commission's assessments because they represented social security payments to individuals, which are a Commonwealth function

**Table 3** 2002 COMMONWEALTH OWN PURPOSE OUTLAYS TREATED AS SPECIFIC PURPOSE PAYMENTS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Commonwealth Grants	6015	1139	11581	14453	4115	156	0	14691	52151
	%	%	%	%	%	%	%	%	%
Employment and Training CDEP Operational <sup>(a)</sup>	97.36	84.31	70.50	74.10	72.01	86.00	0.00	61.83	72.62
CDEP – Operational <sup>(b)</sup>	0.00	0.00	12.36	0.00	0.00	0.00	0.00	0.00	2.74
NAHS National Program - Improvements to Social and Physical Wellbeing <sup>(a)</sup>	1.52	15.16	16.62	24.74	25.87	0.00	0.00	37.71	23.72
NAHS National Program - Economic Development <sup>(a)</sup>	1.12	0.53	0.53	1.16	2.12	14.00	0.00	0.46	0.92

(a) ATSIIC administered grants

(b) Torres Strait Regional Authority administered grant operates only in Queensland.

Source: CGC Assessment System

41. *NAHS* is an ATSIIC program which targets acute housing and infrastructure needs in Indigenous communities. It is predominantly a capital program and was included in the Aboriginal Community Services category in previous reviews because the scope of the category included minor new works and upgrading, where the project had a value of less than \$250 000 or an expected life of less than three years, and expenses were substitutable for State expenses.

42. The NAHS payments are distributed among ATSIIC State offices on the basis of the need for additional infrastructure (based on the 1992 Housing and Infrastructure Needs Survey) and the cost of providing services in remote areas. Within each State, NAHS funding targets those communities where greatest need exists, as identified by: housing needs surveys; organisations' waiting lists; Census data; Health Impact Assessments; and reports by project managers. That is, NAHS is a Commonwealth program designed to improve the basic level of infrastructure in the most disadvantaged communities.

43. As such, NAHS funding might not be regarded as substitutable for State expenditure as it does not necessarily follow State priorities or policies, or allow the States budgetary flexibilities. It is also arguable whether the interpretation of 'needs' that applies to the distribution of NAHS funding is different from that which applies to Horizontal Fiscal Equalisation. It would appear that they are different because the former applies to the most disadvantaged remote communities, whereas the latter applies to 'fiscal' needs based on a standard level of service that would apply to the total Indigenous population in remote areas. Hence, one could establish a case for excluding the expenses from the equalisation budget.

44. In practice, with the growing number of Commonwealth/State collaborative decision making arrangements, particularly through formal partnerships, one might view NAHS funding as complementary to State priorities which could prevail if the States adjusted their funding using NAHS as a context. That is, it might also be argued that NAHS and State priorities are increasing aligned.

45. Only a small per cent of the NAHS payments was included in the Commission's Aboriginal Community Services category, the majority was in the Housing category.

46. **Conclusion.** Commission staff seek comment from States regarding the treatment of COPOs distributed by ATSIC for operating expenses associated with CDEP and NAHS on-costs. Should each of these COPOs be included or excluded from the equalisation budget for the 2004 Review?

## STRUCTURE OF ASSESSMENTS

47. In the 1999 Review and subsequent updates, the Aboriginal Community Services category was essentially defined in terms of the characteristics of the people served rather than the nature of the services provided.

48. A consequence of this approach was that the data were not identifiable in the GFS<sup>6</sup> collection. The Commission had to collect data from the States and the Commonwealth to build the category.

49. In *Discussion Paper CGC 2001/12, Scope and Structure of the Standard Budget*, the Commission proposed abolishing the Aboriginal Community Services category and including expenses incurred in providing services to the Indigenous population as components of relevant services categories. In effect, this meant that new expenditure components to substitute for the essential services and community government services assessment in Aboriginal Community Services, would be assessed in:

- (i) Electricity and Gas;
- (ii) Water, Sanitation and Protection of the Environment;
- (iii) Non-urban Transport; and
- (iv) Community Development (a proposed new category).

### *State Views*

50. New South Wales did not support the proposal that, for both the concession and general subsidies components of the categories covering payments to authorities providing essential services, a different set of standard policies may be appropriate for the assessment of relevant services to Indigenous communities in remote areas. It believed that such a standard would be unreliable and susceptible to manipulation because it would be based on information from only one or two States.

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<sup>6</sup> This was notwithstanding the existence of specific classifications for expenses in Aboriginal communities at the four digit level in the GFS purpose classification system..

51. Victoria argued that the expenses incurred in the provision of essential services to Indigenous communities should continue to be measured in a separate Aboriginal Community Services category. It submitted that this area of expenditure was satisfactorily picked up in the Aboriginal Community Services category. Victoria also expressed concern that including such expenditure in economic activities categories would:

- (i) increase the complexity of those assessments, requiring the development of different standard policies and cost disabilities; and
- (ii) lead to a substantially greater risk of double counting.

52. Queensland was concerned that the disabilities faced in providing services to Indigenous communities might not be fully recognised if assessed as part of the economic activities categories. It argued that the disabilities applicable to Community Service Obligation type expenses for Indigenous communities are significantly more complex than those applicable to the community in general. It planned to comment further once detail regarding the proposed assessment was available.

53. The Northern Territory strongly opposed this proposal, saying that the Aboriginal Community Services category contained expenditure driven by the same key disabilities irrespective of the function involved and that this was sufficient justification to retain the category. It argued that relocating the expenditure will not result in a better assessment of the cost and demand disabilities. It expressed fears that if these expenses were not correctly identified, it might be too difficult for staff to apply the existing disabilities to them.

### *Options for Assessment*

54. The two options that might be considered for assessing services to Indigenous communities are to maintain a single category or assess expenditure on supporting Indigenous communities within categories that assess similar types of services for the general community. If the Commission were to assess expenditure on Indigenous communities within general essential services categories, transparency would be increased because:

- (i) the expenses figures the Commission would use for each category would be the same as those prepared by the ABS; and
- (ii) expenditure on each essential service would be assessed in one place.

55. However, such a change would reduce simplicity within these categories because a differentiation would need to be made between services for the general community and services for Indigenous communities. Commission staff argue that the overall accuracy of assessing disabilities for services to Indigenous communities in either a single Aboriginal Community Services category or as a component in other relevant categories would remain about the same — and in both cases, equalisation would be achieved.

56. In either case it will be necessary to collect details from States on the expenses they incur in providing essential services, community management, planning and other local government-type services in Indigenous communities. Such data would be required to enable:

- (i) expenses to be excluded from the ABS GFS categories to create a separate Aboriginal Community Services category if the existing approach is retained; or
- (ii) the identification of the Indigenous community components of expenses classified to the Community Development; Electricity and Gas; Water, Sanitation and Protection of the Environment; and Non-urban Transport categories if the alternative approach is adopted.

57. On balance, and subject to any discussion on the topic at the November conference, Commission staff are inclined to recommend that expenditure on supporting Indigenous communities be assessed within categories that describe similar types of services for the general community, as is the case for Education, Health and Housing.

## **WHAT NEEDS SHOULD BE ASSESSED?**

### ***A Single Category Assessment***

58. If the single Aboriginal Community Services Category were to be maintained, staff would be inclined to recommend that the current assessment method be largely retained. There would, however, be some refinements to aspects of the assessment and to some disability factors.

59. For example, staff consider that the Non-remote Community Government and Remote Community Government components should be combined into a single Indigenous Community Government component. The dispersion and input costs factors in the two current components were similar, and amalgamation would simplify the assessment. Moreover, a single socio-demographic composition factor could be applied because the assessments of these factors in the current Community Government components were complementary.

60. Staff also consider that some of the disability factors require reconsideration because the 2002 Update assessments do not appear to fully reflect staff's current understanding of the relative circumstances of the States. We look forward to State input on these ideas.

61. ***Administrative Scale.*** Some reconsideration of the existence and size of fixed scale-affected costs for this category seems to be necessary, especially where States have only one or two discrete Indigenous communities.

62. ***Isolation.*** This factor reflects the impact on costs incurred in some States because they are isolated from the main markets and points of supply in the south-eastern part of Australia. It is assessed by a general method with total standard isolation affected costs allocated across all expenditure categories in proportion to category size. The 2002 Update isolation factors appear to sit oddly within the Aboriginal Community Services category, primarily because some elements of total isolation affected costs do not apply to the services in the category. Staff are therefore inclined to recommend that the Isolation factor be deleted from the

category, which under the general method for the factor might have consequential and offsetting effects in other categories. We invite States to comment.

63. If a single Aboriginal Community Services category were to be retained, the weights or size of the expenditure components within it would be reviewed as a matter of course in the light of the latest data on expenses in the category.

### *A Distributed Assessment*

64. If the Commission were to decide that relevant disabilities should be applied to the GFS classified expenses, expenditure on services in Indigenous communities would be spread over the categories of:

- (i) Electricity and Gas
  - Indigenous Community Electricity and Gas Services component;
- (ii) Water, Sanitation and Protection of the Environment
  - Indigenous Community Water, Sanitation and Protection of the Environment component;
- (iii) Non-urban Transport
  - Indigenous Community Non-urban Transport component;
- (iv) Community Development
  - Indigenous Community Government component (between 60 and 70 per cent of the current Aboriginal Community Services category, including the current isolation and land rights components, would be in this component).

65. Under this approach, the scale-affected expenditure component from the 1999 Review would be spread across the Electricity and Gas; Water, Sanitation and Protection of the Environment; Non-urban Transport; and Community Development categories. The scale-affected expenditure proportion for each of these categories may therefore need to be reviewed.

66. For the Indigenous Community component in each of the essential services categories, staff would expect that the service delivery scale, dispersion and input costs disabilities would apply. Subject to the outcomes of the November conference, staff would be inclined to recommend these three disabilities be combined into a service delivery scale factor for each category, along the lines of the service delivery scale factor currently assessed in the essential services component of Aboriginal Community Services category.

67. Such a factor would allow for both:

- (i) the higher costs per unit of service in small communities compared with larger centres, principally arising from higher staff to client ratios; and

- (ii) differences in States' patterns of Indigenous settlement on the number of small communities.

68. Staff propose that any such service delivery scale factor for the 2004 Review would be based on the number of Indigenous locations counted in the derivation of the relevant population as defined by the Accessibility/Remoteness Index of Australia (ARIA) classification of remote, and on the national average cost of essential services per Indigenous location. This approach, like that developed for the 1999 Review, would be policy neutral because it would apply consistent criteria to the identification of discrete Indigenous communities across all States. Because it would be based on average costs per Indigenous location, the factor would encompass the high unit costs normally covered by dispersion and input costs factors. Separate dispersion and input costs factors would therefore not be needed.

69. ***Indigenous Community Government Component.*** The proposed Indigenous Community Government component of the Community Development category would comprise expenditure on:

- (i) planning and management of Indigenous communities; and
- (ii) the provision and funding of community and local government type services.

The proposed component would include expenditure currently assessed in the Non-Remote Community Government component and the Remote Community Government component of the Aboriginal Community Services category. As suggested previously, these two components would be combined because, under the 1999 Review approach, their assessments were complementary.

70. The factors that staff propose to be assessed in the Indigenous Community Government component of the proposed Community Development category are dispersion, input costs and socio-demographic composition. This implies an assessment approach that is much the same as that undertaken in the 1999 Review. Issues raised relating to these disabilities for a single category assessment would also apply to the factors for this component.

# ATTACHMENT A

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## THE ROLE OF GOVERNMENTS

### *Community Government*

1. In the Northern Territory and Queensland, a significant number of Indigenous communities have local government status and are incorporated under local government legislation. In New South Wales and Western Australia, most discrete communities lie within incorporated areas and are therefore the responsibility of the relevant local government.

2. ***Local Government in the Northern Territory.*** The Northern Territory has a system of local government that differs from other jurisdictions (Queensland<sup>7</sup> and South Australia<sup>8</sup> also have a unique Indigenous system of local community government). There are two streams of local government in the Northern Territory:

- (iii) municipal government, which applies to the six major population centres that cover approximately 5 per cent of the Northern Territory; and
- (iv) community government, which provides for the local administration of small remote communities in the other 95 per cent of the Northern Territory, and is predominantly funded by the Territory government.

Funding and assistance is also provided to a number of other entities such as association councils, special purpose towns, Indigenous urban living areas, minor communities and other organisations providing local government services.

3. There is limited opportunity for cost recovery mechanisms to be put into place in remote communities. Traditional municipal councils rely heavily on rate revenue whereas the main source of revenue for Indigenous community councils in remote areas comes from government grants. Indigenous communities are located on Indigenous land, with freehold title to the land vested in Indigenous trusts and not individual landholders. For this reason

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<sup>7</sup> Queensland has 32 Deed of Grant in Trust (DOGIT) communities and 2 Aboriginal Shires. ATSIIC funds are delivered to these communities via Regional Councils.

<sup>8</sup> South Australia has 18 Indigenous communities within its three statutory landholding authorities areas (Anangu Pitjantjatara, Maralinga Tjarutja and Aboriginal Land Trust).

there is no rating base available, although some Indigenous communities have instituted service charges on each household.

4. The *Northern Territory Operational Subsidy* is the main form of State financial support to non-municipal governing bodies to assist them in the provision of local government services. There are 93 organisations receiving funding from the Northern Territory Government in this way and, in 2000-01, \$14.9 million was provided to non-municipal governments in Operational Subsidies. The vast majority of Northern Territory non-municipal governments manage Indigenous communities or communities that are predominantly Indigenous.

5. The lack of significant commercial activity results in governments providing services with which they would not otherwise be involved. For example, functions undertaken by some Indigenous community local government entities include social security administration, banking services, management of housing stock and health control. The revenue raising capacity of local Indigenous governments is extremely limited. The Northern Territory Government is therefore a major contributor to local community councils and its per capita expenditure is further inflated because of the lack of economies of scale in administration and service delivery, and a recognised need to develop the skills and resources of Indigenous councils in the Territory. The functions of community councils in the Northern Territory and thus the extent and nature of support provided to them, are clearly different from those found in other jurisdictions.

6. Local Government Financial Assistance Grants are distributed on an equal per capita basis by the Commonwealth. The Northern Territory claims that this base level of funding fails to address existing levels of relative need. As a shortfall created by this funding arrangement exists, the Northern Territory claims that its expenditure on Aboriginal Community Services continues to be significant. For example, in 2000-01, community councils across the Northern Territory received \$19 million in Financial Assistance Grants and Roads Funding from the Commonwealth. A further \$23 million was provided by the Northern Territory Government to community councils in the form of grants, the most significant of these being the \$15 million Operational Subsidy<sup>9</sup>.

### ***Remote Essential Services***

7. The *New South Wales* Government has established the *Aboriginal Community Development Program* (ACDP) to address environmental health issues in disadvantaged Indigenous communities. The program targets Indigenous communities that have a major identified health need.

8. The ACDP is being implemented in stages following the identification of Indigenous communities that are in most need of housing and infrastructure development. It commenced in July 1998 and \$200 million will be spent over a seven-year period. A forward program of eight priority communities was approved by 2000, with an expected budget of \$55 million.

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<sup>9</sup> Department of Local Government, *Local Government Grant Program, Report for 2000-01*.

9. The objectives of the program are:

- to provide essential infrastructure which targets high levels of need in housing; water; sewerage; roads; and sporting, recreational and cultural facilities;
- to ensure community involvement through Community working parties;
- to provide appropriate and affordable solutions;
- to target select communities;
- to provide opportunities for progressive community development; and
- to focus on skills development.

10. The *Queensland* Government's Aboriginal and Torres Strait Islander Infrastructure Program (ATSIIP) commenced in 1995-96 to meet a shortfall in basic services and environmental health infrastructure. In 1999-2000, \$16.1 million was provided through ATSIIP, mainly for upgrading water supply and sewerage facilities in selected remote communities.

11. In 1984, the Queensland Government established a system of community-based land trusts, to own and administer former reserves under a special form of title called a Deed of Grant in Trust (DOGIT). In 1986 the community of Hope Vale became the first to receive a DOGIT and formed the Hope Vale Aboriginal Council. Each trust area became a local government area. The fifteen incorporated Aboriginal Councils elect representatives every three years manage the community's affairs, are able to make bi-laws and appoint community police. They are responsible for maintaining housing, infrastructure, CDEP licenses, and hunting and camping permits.

12. In 1997, the Torres Strait Regional Authority (TSRA) signed an agreement, covering major infrastructure developments in the Torres Strait, with the Commonwealth and Queensland Governments. It was renewed in January 2000. The agreement covers joint funding of \$10 million in the first three years of a ten-year plan. The estimated total cost is \$60 million. The intention is that all the Torres Strait Islands will have adequate water and sewerage facilities at the end of the period.

13. The *Western Australian* Government and ATSIC signed the *Agreement for the Provision of Essential Services to Indigenous Communities* in September 2000. It provides for repair and maintenance services for power, water and waste water infrastructure and capital works, and upgrading of essential services infrastructure in 72 remote Indigenous communities in Western Australia. The Western Australian Government committed \$9.55 million in 2000-01, and ATSIC \$9.1 million.

14. For the 67 large permanently established remote communities recognised under the agreement — communities with a population of more than 50 — the parties agreed that:

- the State Government is responsible for planned maintenance and repairs to community power, water and waste water systems;

- community eligibility for funding is based on the Environmental Health Survey or its updates, with eligibility to be reviewed every three years; and
- ATSIC will contribute funding for capital works and upgrading of essential services infrastructure.

For the smaller remote communities, ATSIC has agreed:

- to continue to fund operating costs in communities, including fuel for power plants; and
- to provide funding for maintenance and repair of essential services to emerging communities with populations of between 40 and 49 persons.

15. The parties also agreed to collaborate on programs providing major infrastructure and essential services, including the:

- National Aboriginal Health Strategy (ATSIC);
- Remote Area Essential Services Program – Capital Works (ATSIC);
- Army Community Assistance Program (ATSIC);
- Remote Area Essential Services Program – Repairs and Maintenance (Ministry of Housing);
- Aboriginal Community Strategic Investment Program (Ministry of Housing); and
- Environmental Health Package (Ministry of Housing).

16. For town-based communities, the parties agreed to provide:

- or upgrade power, water and waste water services to equal those of residents of mainstream towns;
- meters and levy charges, and a metering education program; and
- communal facilities and street lighting through local government.

17. *Remote Area Essential Services Program* service providers visit the communities every 6-8 weeks to service water, power and waste water services and to rectify problems. They also provide an emergency call-out service for breakdowns, and undertake water quality testing regularly.

18. *Aboriginal Communities Strategic Investment Program (ACSIP)*. This program commenced in 1996, with Jigalong in the East Pilbara and Oombulgurri in the East Kimberley selected as trials. It seeks to achieve sustainable improvements in the health, living standards and quality of life of people in remote Aboriginal communities. Initiatives include road sealing, housing construction, drainage improvements and other community facilities being upgraded or replaced, with community members involved in all aspects of the projects.

19. The Western Australian Government has committed \$25 million to ACSIP over seven years from 1996-97, and continues to draw in additional communities each year. In 2000-01, major projects included:

- constructing a new barge landing at Oombulgurri (\$400 000);
- upgrading administration office facilities at Jigalong and Mugarinya (\$300 000);
- upgrading the environmental health manager's house at Jigalong (\$400 000);
- upgrading the airstrip, refuse disposal area and staff housing at Jigalong (\$140 000);
- improving community management, structures and systems at Kalumburu, Wirramanu and Bidadanga (\$300 000); and
- upgrading the power station at Burringurrah (\$20 000).

20. Selection of communities for inclusion in ACSIP is on the basis that the community:

- must be remote and relatively large, with a permanent population exceeding 200;
- accepts that the objective of the program is normalisation of service delivery (this may include local government involvement, training, support in management, etc).
- has a high level of needs in environmental health, social or community development problems;
- is already targeted by ATSIC's infrastructure program which ACSIP can complement;
- is endorsed by the regional ATSIC Council and key Commonwealth and State organisations;
- has secure land tenure; and
- has the management ability to successfully drive the program.

21. *Environmental Health Package.* This initiative, launched early in 1999 under the auspices of ACSIP, is designed to help combat health problems in remote Aboriginal communities.

22. Key initiatives include sealing internal roads for dust abatement, the greening of communities, and the provision of recreational facilities including swimming pools and basketball courts. The focus on recreation is intended to provide a practical alternative to boredom, despair and substance abuse among Indigenous youth. It will also provide training and employment opportunities during construction and in the ongoing management and maintenance of facilities.

23. The *South Australian* Department of State Aboriginal Affairs (DoSAA) and ATSIC signed an *Agreement for the Provision of Essential Services Infrastructure in Aboriginal Communities in South Australia* in 1997. It covers the provision of essential services infrastructure in 18 Indigenous communities.

24. These communities are all within Land Holding Authorities areas (Anangu Pitjantjatara, Maralinga Tjarutja and Aboriginal Lands Trust). The essential services provided under the agreement include the management, operation and maintenance of power, water, waste disposal, roads for dwellings and other facilities within a community.

25. The agreement includes a triennial funding program. ATSIC and DoSAA initially agreed to provide matching amounts of at least \$2.7 million annually, with these funding levels to be subject to a review on completion of the triennium. A Triennial Plan was developed to identify projects requiring capital works and to establish a program for funds allocation.

26. In 1999-2000, the State and Commonwealth contributions were reduced to \$1.4 million and a committee was established to oversee and provide advice on the programs being funded under the agreement. The committee comprises a representative from each of Anangu Pitjantjatara, Maralinga Tjarutja, Aboriginal Lands Trust areas, and the South Australian Aboriginal Housing Authority Council, DoSAA and ATSIC.