

# Levels and patterns of government expenditures **3.0**

*This chapter provides estimates of expenditures on service delivery in Queensland's remote and discrete communities.*

## Key points

- Estimating government expenditures in remote and discrete Aboriginal and Torres Strait Islander communities is challenging—currently available data does not provide a complete or robust picture of total spending at the community level.
- To estimate the level of Queensland Government investment in remote and discrete communities, the Commission has drawn on a range of data sources to construct experimental estimates, supported by case study information for two communities.
- In 2015–16, we estimate the Queensland Government spent \$1.2 billion (or \$29,000 per person) on service delivery in remote and discrete communities. The majority (83 per cent) of expenditures are on mainstream services including schools, health care and policing. Per capita expenditure was highest in the discrete communities outside of the Torres Strait and lowest in non-discrete, remote communities.
- The Australian Government also made significant investments in Queensland's remote and discrete communities. In 2015-16, the Australian Government contributed around half of all expenditures on services for Aboriginal and Torres Strait Islander people in Queensland.
- Key drivers of expenditures in remote and discrete communities include higher service use intensity and higher costs associated with providing services in remote communities.
- Queensland Government expenditures in remote and discrete communities appear to be less than per-capita expenditures made in other jurisdictions.
- A high proportion of expenditures are reactive rather than preventative—addressing the underlying causes of high service use could yield benefits exceeding \$500 million per year.
- Large numbers of individual services are provided into communities with small populations. For example, in Hope Vale (with a population of just over 1000 people), 46 separate service providers provide at least 78 services, funded through 44 separate funding programs across 11 Queensland Government departments.
- Stakeholders indicated that a lack of public information, combined with the dispersed nature of service delivery has resulted in duplication of services and a lack of engagement with communities—a prerequisite to improve service delivery is for government to improve its collection and dissemination of expenditure information to enable better decision-making.

### 3.1 Background

#### There is limited data on government spending on service delivery in remote and discrete communities

A key step in assessing how well service delivery is performing is to understand how much is being spent, by whom, and how. However, there is little published information about government spending in remote and discrete Aboriginal and Torres Strait Islander communities. The information that does exist is often difficult to access from agencies' reporting systems.

At the whole-of-state level, the only comprehensive expenditure information available is the data constructed by the Australian Productivity Commission (PC) in the 2017 Indigenous Expenditure Report (SCRGSP 2017). No estimates were made for expenditures in remote or discrete communities.

The Queensland Government's Investment Portal is the only other publicly available dataset. It provides information on grants made to external-to-government organisations, making it difficult to isolate expenditures by geographic region.

The absence of expenditure and other data was a key issue raised by stakeholders, because there is insufficient information to provide a complete picture of the service provision in communities. There is also a perception that much expenditure does not reach the ground, with a large proportion of expenditures consumed by ancillary or indirect costs, rather than frontline service delivery.

The Local Government Association of Queensland (LGAQ) noted the frustration of Indigenous councils trying to understand the expenditures made in their communities:

*There appears to be an inherent inability or unwillingness by State and Commonwealth government agencies to provide a breakdown on their investment into each remote Indigenous community in Queensland. If this breakdown can't be provided then, how can the effectiveness of government funded programs be measured ... Further, Indigenous councils are concerned about the amount of 'leakage' that occurs between the time funding is allocated to the time the service is delivered in community. (LGAQ sub. 14, p. 5)*

The Centre of Independent Studies noted that the PC expenditure estimates are largely artificial constructs and do not consider effectiveness or how expenditures translate into services delivered on the ground.

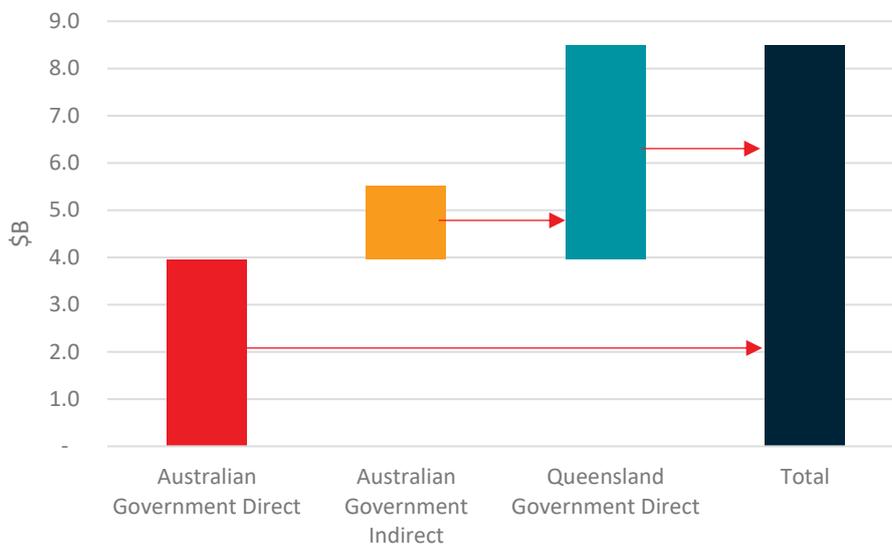
*We note that in the Queensland Productivity Commission (QPC) consultation paper, figures from the 2016 Overcoming Indigenous Disadvantage Report are used ... We would caution against using these figures as they help to perpetuate the perception that all this 'extra' money is going to Indigenous people ... Our analysis, for the 'Mapping the Indigenous Program and Funding Maze' report found that 54% of Indigenous Advancement Strategy (IAS) grants, worth approximately \$1.2 billion of the total \$2.1 billion of IAS funding, went to remote and very remote regions. However, many people working in these communities see little evidence of this funding. (CIS sub. 21, p. 3)*

#### Expenditures in Queensland

Expenditures on services for Aboriginal and Torres Strait Islander people comprised around 7.4 per cent of the \$114.5 billion spent on services by all levels of government across Queensland in 2015-16 (SCRGSP 2017).

Expenditures on services for Aboriginal and Torres Strait Islander people are shared by all levels of government (Figure 6). The Australian Government contributed 47 per cent (just under \$4 billion) to the direct expenditures made in Queensland in 2015-16. The Australian Government also contributed a further \$1.6 billion that the Queensland Government administered. Including the Australian Government's contribution, the Queensland Government's expenditure was \$4.5 billion in 2015-16 (SCRGSP 2017).

Figure 6 Indigenous expenditures in Queensland, 2015-16



Source: SCRGSP 2017

Most (83 per cent) services provided to Aboriginal and Torres strait Islander people funded by the Queensland Government were mainstream services (services that are generally available to all Queenslanders, such as school education). Indigenous-specific services (services that relate exclusively to Aboriginal and Torres Strait Islanders) accounted for 17 per cent of all expenditures.

Expenditure data show there are considerable overlaps in responsibility between the Australian and Queensland Governments—within most service categories, there are significant expenditures by both the Queensland and Australian Governments. Overlaps in State-Federal responsibilities is not unique to Indigenous affairs, however, the data show that these are more pronounced in relation to Indigenous expenditures, particularly for health and community safety.

It was not possible to estimate the extent to which overlaps in expenditures occur in remote and discrete communities and whether it differs from non-remote communities. However, this issue was raised consistently during consultation, particularly in relation to health.

## Expenditures by local government

Local governments also make significant expenditures in remote and discrete communities. The operating expenses of councils operating in remote regions are significant, although broadly in line with expenditures made in other regions, after accounting for the higher costs associated with delivering services in remote regions (LGAQ 2017).

Local government expenditure is predominantly on the delivery of essential services (including roads, rubbish collection and sewerage), planning and building and maintaining community facilities (QAO 2016).

It was not possible to apportion local government expenditures between Indigenous and non-Indigenous residents. However, Indigenous and non-Indigenous councils in remote regions generally have insufficient own-source revenue to operate sustainably and rely on external funding, predominantly from the Queensland Government. Grant funding provided by the Queensland Government is included in the expenditure estimates presented in this chapter.

### 3.2 Understanding expenditures

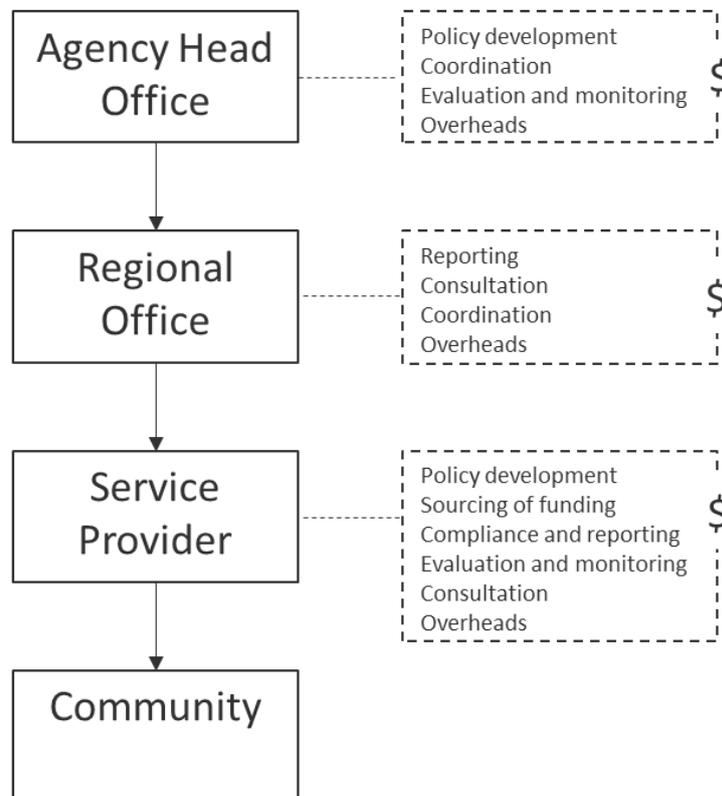
Expenditures on providing services to remote and discrete Aboriginal and Torres Strait Islander communities includes both direct expenditures and the indirect (or ancillary) expenditures that the agency head office, regional office or service provider may make to support service delivery.

Direct expenditures are directly related to the delivery of services to individuals in communities, including funds made available to service providers for the delivery of frontline services—such as health and policing—to community members. The services may be provided in the community or in regional centres nearby.

Indirect expenditures are not directly related to frontline service delivery but are part of the overall cost (see Figure 7). These costs include:

- policy development
- coordination
- consultation costs
- compliance and reporting costs
- sourcing funding for program delivery
- overheads associated with these indirect activities.

**Figure 7 Indirect costs associated with service delivery in remote and discrete Aboriginal and Torres Strait Islander communities**



### 3.3 Constructing estimates of Queensland Government expenditure in remote and discrete Aboriginal and Torres Strait Islander communities

There is little published information on Queensland and Australian Government expenditures that relate to remote and discrete communities.

The fractured nature of funding and service delivery, a lack of identification of Indigenous-specific expenditures and challenges isolating expenditures by geographical location make identification of expenditures difficult at the state level. In particular:

- expenditures on services for communities are made across at least 19 separate agencies, with most having an Indigenous-specific policy and/or coordination function. The costs of these activities are not separately identified
- services are often provided through mainstream delivery with little or no identification of Indigenous clients
- where expenditures are provided through Indigenous-specific services, it is often difficult to identify the geographical region to which the expenditures relate.

At the national level, information on grants provided through the Indigenous Advancement Strategy (IAS) is available (DPMC 2016a). However, it is difficult to identify the geographical region to which the expenditure relates. Other expenditures are difficult to identify, particularly those relating to health expenditures. While much of this data is publicly available, it is not presented in a form that makes it easy to concord expenditures to regions or communities. Within the timeframe and resources available to this inquiry, it has not been possible to construct estimates of Australian government expenditures.

To overcome these difficulties, we used two approaches to provide broad estimates of Queensland Government expenditures in remote and discrete communities:

- **Headline estimates** use a tops-down method—taking known estimates of expenditure at the whole-of-state level, and disaggregating them to the regions of interest for this inquiry.
- **Community level estimates** use agency and other data to build a picture of the services provided in selected communities and attempt to identify the funding provided for each service. Two case studies illustrate these estimates (section 3.8).

## Box 3.1 Data sources

We have used five main data sources to estimate and examine expenditures by the Queensland Government on service delivery in remote and discrete communities.

The **2017 Indigenous Expenditure Report** (SCRGSP 2017)—provides information on expenditure by 116 service categories for Indigenous and non-Indigenous populations in Queensland for 2015–16.

The **Queensland Government Investment Portal** (Queensland Government 2017a)—provides information on grants provided by the state government by LGA from 2012–13 to 2015–16. The data do not include services provided or procured by agencies and exclude head office costs. The data also do not distinguish between expenditures on Indigenous and non-Indigenous persons.

The **Department of Aboriginal and Torres Strait Islander (DATSIP) annual report** (DATSIP 2016a)—provides expenditure information on specific programs, policies and coordination activities managed by the department.

**Service mappings** undertaken by DATSIP regional offices (DATSIP 2016b) and Indigenous councils—provide details about services provided in communities.

The **Schedule of Investment in Queensland’s discrete Aboriginal and Torres Strait Islander communities** (QTC 2016)—unpublished data collated by the Queensland Treasury Corporation (QTC) for DATSIP, which provides expenditure levels occurring in each of the discrete Indigenous communities for 2014–15 and 2015–16. The data are incomplete, do not distinguish between capital and non-capital expenditures and do not include expenses related to service delivery that occurs outside the discrete communities (such as court costs and outside-of-community hospital costs).

## Methodology for headline estimates

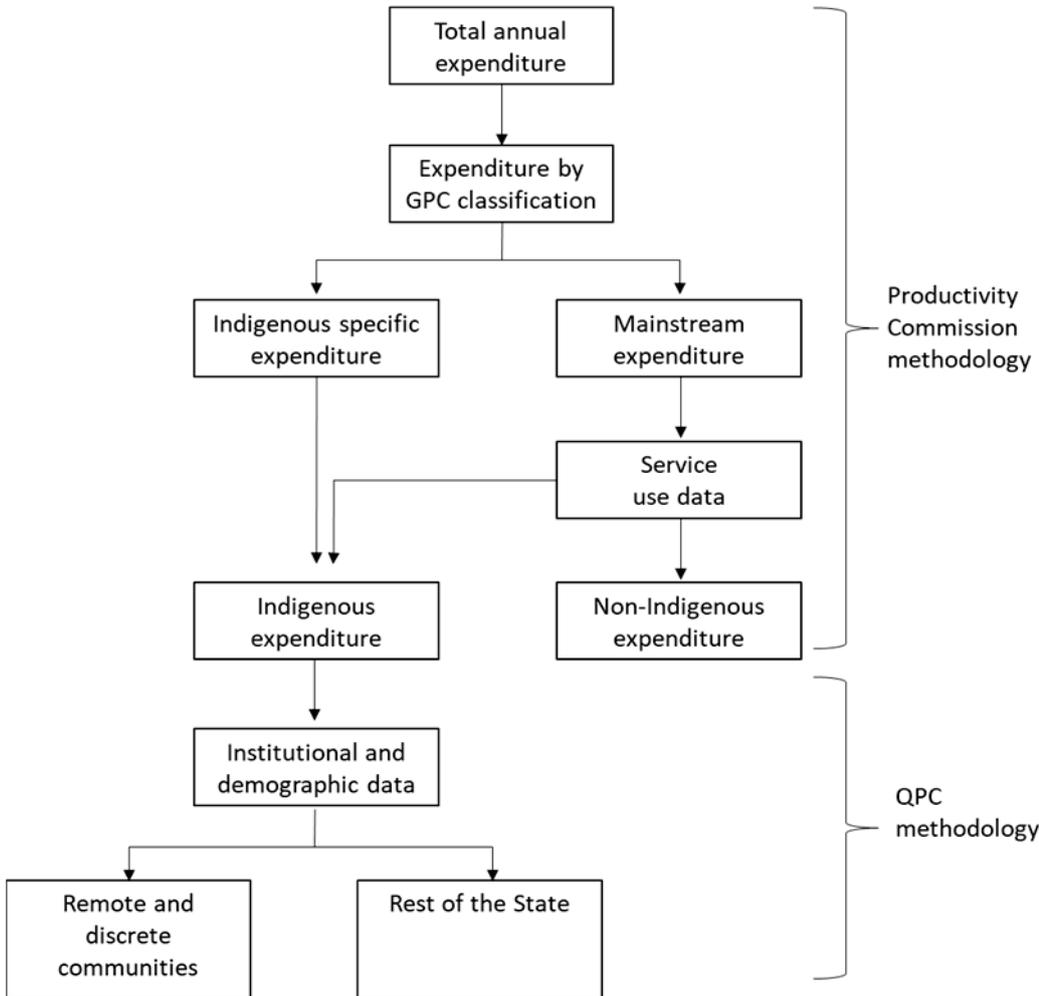
The headline estimates use the PC's estimates of expenditures on providing Indigenous-specific and mainstream services to Aboriginal and Torres Strait Islander people in Queensland (SCRGSP 2017). This data is disaggregated to regions of interest using a combination of demographic and institutional data (such as school enrolments data and crime statistics), and information pertaining to the relative costs of service delivery in remote and discrete communities. Figure 8 provides an overview of the methodology.

The methodology uses information from the PC's Expenditure Data Manual (SCRGSP 2014b) and Service Use Definitions Manual (SCRGSP 2014c) to ensure that our headline regional estimates are consistent with the Queensland level estimates constructed by the PC.

The estimates are disaggregated to account for:

- the higher cost of delivering services in remote communities—these costs are estimated using service cost differential information for hospital and health services (AIHW 2013), and for police, education and general service delivery (Commonwealth Grants Commission 2015)
- the drivers of demand for service delivery, including school enrolments and attendance (DET 2016), custodial data (DJAG 2017), offence rates (QGSO 2016b), substantiations of child safety (QGSO 2016c) and age-specific demographic data (ABS 2011).

Figure 8 Overview of methodology for headline estimates



These estimates are cross-checked (and adjusted where required) with known Queensland Government expenditures in remote and discrete communities (mainly for Indigenous-specific expenditures, which account for a small proportion of the total expenditures in remote and discrete communities).

Where individuals have little influence over expenditure (as for agricultural subsidies and medical research), expenditures are allocated using population shares. These expenditures make up a small proportion of the total expenditures in remote and discrete Aboriginal and Torres Strait Islander communities (less than 5 per cent).

### Interpreting the results

The headline expenditure estimates are intended to provide an overview of the total quantum of funds spent by the Queensland Government on service provision for remote and discrete communities. Given the dearth of base information and data, they should be considered as experimental.

The headline estimate includes expenditures on:

- administration and other central office costs
- services that are used by residents of discrete communities that are provided in other regions (such as hospital services provided in regional centres)

- services that are provided to the entire Queensland population, such as research and development funding—allocated to regions based on their population shares
- mainstream services provided to Aboriginal and Torres Strait Islander people living in remote and discrete communities
- Indigenous-specific services provided to people living in remote and discrete communities
- Queensland government funding provided to other parties who provide services to Aboriginal and Torres Strait Islander people living in remote and discrete communities.

The headline expenditure estimates are presented in a way that allows comparison with other known datasets, particularly the PC's *Indigenous Expenditure* reports. This allows the headline expenditure estimates to be compared with expenditure in other jurisdictions and the rest of the state, as well as with non-Indigenous expenditure.

The estimates do not measure the efficiency or effectiveness of service delivery in remote and discrete Aboriginal and Torres Strait Islander communities. They describe the quantum of expenditure made on behalf of the residents in these communities.

The estimates **include only Queensland Government expenditures**.

While the headline expenditure estimates represent our best efforts to quantify the total expenditures made by the Queensland Government on remote and discrete communities, they should be interpreted with due consideration for the experimental nature of the method used. Estimating the components of expenditure associated with discrete and remote communities is not straightforward, and the Commission has made many assumptions in deriving these estimates.

### 3.4 Headline estimates—how much does the Queensland Government spend on service delivery to remote and discrete communities?

We estimate that around \$1.2 billion was spent by the Queensland Government in 2015–16 on service delivery to Queensland's remote and discrete Aboriginal and Torres Strait Islander communities (Table 2). This expenditure was 2.5 per cent of the \$49 billion spent on all service delivery across the state in that year.

**Table 2 Headline estimates of Queensland Government expenditures, comparisons with the rest of the state, 2015–16**

	Total expenditures (\$ billion)	Per capita expenditure (\$)
Indigenous—all remote and discrete communities	1.2	29,000
Indigenous—rest of the state	3.3	19,000
Non-indigenous—Queensland	44.8	10,000

Source: QPC experimental estimates.

While Table 3 shows that per capita expenditure is higher on services provided to Indigenous communities, it costs more to deliver services to them.

The cost of service delivery in remote regions is higher than in other areas owing to:

- the small scale, higher transportation costs and higher wages and allowances required to attract staff to remote locations (SCRGSP 2014a)

- differences in age structure—a community with a younger age demographic would have higher demand for education services and lower demand for aged-care services, all other things being equal
- services provided to different communities may require additional costs—for example, services provided to Aboriginal and Torres Strait Islander populations might include language translation services or other Indigenous-specific service delivery
- Aboriginal and Torres Strait Islanders living in remote communities tend to suffer from poorer health, have lower education levels and have less income than their counterparts in the rest of the state. This level of disadvantage increases the need for government programs and services
- there is limited choice in remote and discrete communities. For example, until very recently, it was not possible for Aboriginal and Torres Strait Islander people living in discrete communities to own their own home, meaning that people in these communities were totally reliant on government-funded housing.

Higher expenditure in a community, therefore, does not mean that there are more or better services in these communities. It may simply reflect that service provision is considerably more costly (including that service provision may be less efficient than it could be):

*[The Indigenous Expenditure report] makes no assessment as to whether the resulting variations in expenditure [between Indigenous and non-Indigenous Australians] are adequate given differences in need, or reflect effective or efficient delivery of service. (SCRGSP 2014a, p. 28)*

Differences in the per capita costs of service delivery between remote and non-remote regions can be attributed to differences in the intensity of service use and to differences in the unit cost of service delivery.

*The per person 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 (and evidence shows that, on average, Aboriginal and Torres Strait Islander Australians experience higher levels of disadvantage than other Australians) or because a higher proportion of the Aboriginal and Torres Strait Islander population belongs to the age group likely to use those services. (SCRGSP 2017, p. 14)*

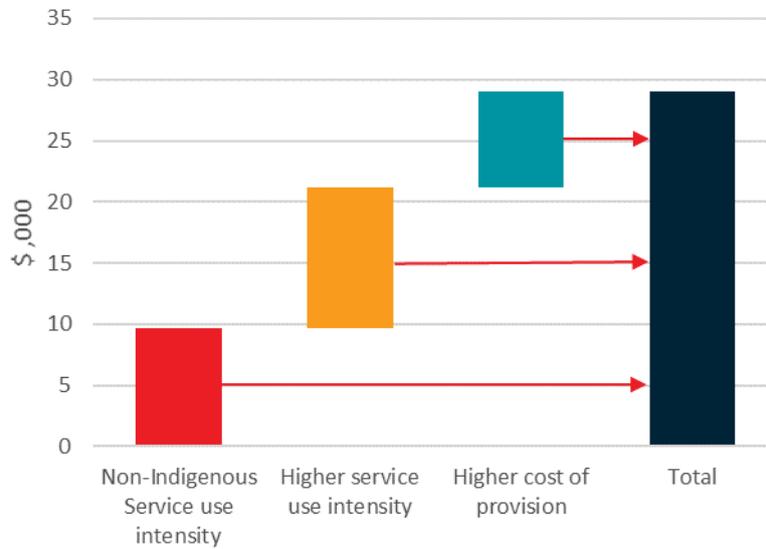
Figure 9 and Figure 10 depict these differences. They compare the per capita expenditure on service delivery for Indigenous communities against a benchmark per capita cost for non-Indigenous communities in Queensland.

The figures illustrate that the higher costs in remote and discrete Aboriginal and Torres Strait Islander communities are attributable to both a higher service use intensity (over \$11,000 of per capita expenditure) and higher cost of provision (around \$8,000).

In the rest of the state, per capita expenditures are closer to the non-Indigenous level of expenditure, with the difference mainly due to a higher intensity of service use (around \$8,000).

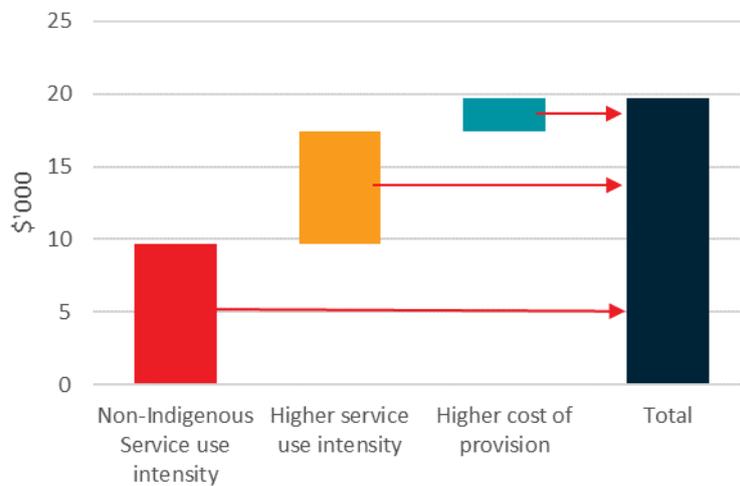
We estimate that over \$500 million could have been saved in 2015–16 if the gap in outcomes between remote and discrete communities and the rest of the state had been closed (Box 3.2).

**Figure 9 Breakdown of per capita Queensland Government expenditures on Aboriginal and Torres Strait Islander persons—remote and discrete communities**



Source: QPC experimental estimates.

**Figure 10 Breakdown of per capita Queensland Government expenditures on Aboriginal and Torres Strait Islander persons—rest of the state**



Source: QPC experimental estimates.

### Box 3.2 Potential benefits from closing the gap in disadvantage

Aboriginal and Torres Strait Islander people living in remote and discrete communities experience significantly worse outcomes than both their Indigenous and non-Indigenous counterparts in the rest of the state (see Chapter 4). This high level of need is reflected in a higher service use intensity, and correspondingly, a higher per capita level of expenditure in the remote and discrete communities.

Improving the effectiveness of service delivery, particularly for those services that address the underlying causes of disadvantage, can improve outcomes for Aboriginal and Torres Strait Islander people and result in large gains.

We estimate that over \$500 million could have been saved in 2015–16 if the gap in outcomes between remote and discrete communities and the rest of the state had been closed.

This cost saving is calculated as the difference between expenditures on services that actually occurred in 2015–16, less the amount that would have been spent if the rate of service use intensity in remote and discrete communities was the same as the Queensland non-Indigenous rate. However, services would still cost more to deliver in remote communities.

Potential cost savings predominantly relate to health (just under \$150 million) and community safety (over \$300 million).

## Expenditure in other jurisdictions

Making a direct comparison between expenditures in Queensland's remote and discrete communities and remote and discrete communities in other jurisdictions is difficult because:

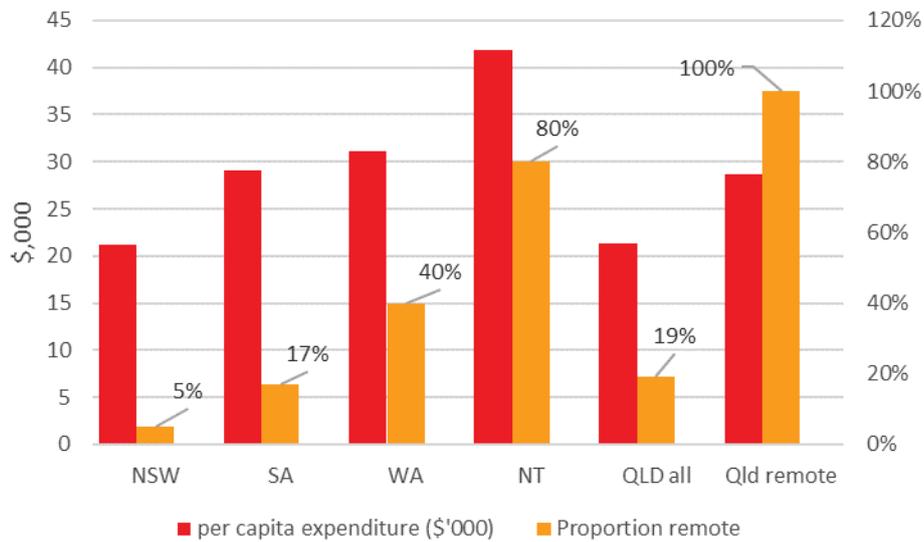
- data are not published or easily estimated from publicly available information
- a complete comparison would require a comparison of the underlying need and any other factors that impact on the costs of service delivery (such as extent to which populations are dispersed).

Nevertheless, some comparisons can be made with all-jurisdiction expenditures for states and territories where a large proportion of the Indigenous population lives in remote regions. For example, the Northern Territory, where 80 per cent of the Indigenous population lives in remote or very remote regions, per capita expenditures are around \$42,000.

Figure 11 provides a comparison of expenditures on service delivery to Indigenous populations in each jurisdiction, and the proportion of the Indigenous population that live in remote or very remote regions. It shows that expenditures are highest in states with a larger proportion of indigenous people living in remote parts of the state. Queensland's per capita expenditure on service delivery in remote and discrete communities are less than expenditures in other states and territories with similar levels of remoteness and approximately the same as New South Wales despite having a significantly larger remote indigenous population.

However, this does not necessarily reflect differences in the adequacy, effectiveness or efficiency of government expenditures between states and no assessment of this has been made.

**Figure 11 State Government per capita Indigenous expenditures and the proportion of Indigenous population living in remote regions**



Source: SCRGSP 2017; ABS 2011a.

### 3.5 Estimates of expenditure by region

By allocating the \$1.2 billion estimated to be spent in Queensland's remote and discrete indigenous communities into regions using the same method described in section 3.3, we estimate that per capita expenditure was highest in the discrete communities outside of the Torres Strait and lowest in non-discrete remote communities (Table 3).

**Table 3 Headline estimates of Queensland Government expenditures by region, 2015–16**

	Total expenditures (\$ million)	Per capita expenditure (\$)
Cape York	480	33,000
Torres Strait	200	27,000
Other discrete	270	33,000
Non-discrete remote	280	23,000

Source: QPC experimental estimates.

The differences in expenditure between the regions relate primarily to differences in expenditure on community safety and housing. For instance, we estimate the large per capita expenditure on community safety was around one third lower in the Torres Strait and non-discrete remote communities than in the Cape York and other discrete communities.

Similarly, we estimate that per capita expenditure on housing was much lower in the non-discrete remote communities.

Because of the reliance on institutional and demographic data in allocating expenditure into regions, the small populations and a lack of comprehensive community level information means these estimates should be interpreted with caution. It has not been possible to produce reliable estimates of expenditure in individual communities.

NSW Treasury has also developed a regional expenditure model to support its implementation of Local Decision Making in partnership with Aboriginal communities (SCRGSP 2017). However, it has not published regional estimates. The NSW model is used only to contextualise regional spend for communities that might otherwise have limited information on public investment in their local communities.

The Western Australian Government has also constructed estimates of service provision expenditure on Indigenous people in the Kimberly and the Pilbara in 2015–16, as part of its "Resilient Families, Strong Communities: Mapping service expenditure and outcomes in the Pilbara and the Kimberley" report. (WA Government 2017)

### **3.6 Where do the expenditures go?**

Table 4 provides a breakdown of expenditures by purpose for remote and discrete communities and for the rest of Queensland. It shows that almost 75 per cent of expenditures in remote and discrete communities are on school education, hospital services, public order (mainly police services, justice services and detention) and community support and welfare.

**Table 4 Headline estimates of expenditures on services for Aboriginal and Torres Strait islander people, Queensland Government, by purpose, 2015–16**

	All remote and discrete communities		Rest of Queensland	
	\$ million	%	\$ million	%
Education				
Early child development	7	0.6	20	0.6
School education	234	19.1	752	22.7
Tertiary education	4	0.3	75	2.3
Health				
Hospital services (including mental health institutions)	248	20.2	712	21.5
Public and community health services (excluding subsidies)	46	3.7	129	3.9
Health care subsidies and support services	3	0.2	12	0.4
Economic participation		-		-
Labour and employment services	1	0.1	5	0.1
Social security support	0	-	0	-
Home environment				
Housing	125	10.2	172	5.2
Community and environment services	22	1.8	19	0.6
Transport and communications	30	2.5	174	5.2
Safe communities				
Public order and safety	252	20.6	544	16.4
Community support and welfare	181	14.8	407	12.3
Recreation and culture	13	1.0	54	1.6
Other				
General government services and defence	49	4.0	206	6.2
Support to industry	9	0.7	38	1.2
<b>Total</b>	<b>1,223</b>		<b>3,319</b>	

Source: QPC experimental estimates.

## How much expenditure is Indigenous-specific?

Government funded services for Indigenous people are provided through a combination of mainstream and Indigenous-specific services (Table 5).

Indigenous specific expenditure is expenditure on services that are provided to the Aboriginal and Torres Strait Islander community specifically (and that can be directly identified, and do not need to be estimated).

**Table 5 Headline estimates of expenditures, Queensland Government, by mainstream and Indigenous specific service delivery, 2015-16**

	Mainstream services (\$ million)	Indigenous-specific services (\$ million)	Total (\$ million)
Education	233	12	244
Health	273	23	296
Economic participation	1	0	1
Home environment	73	103	177
Safe communities	386	61	447
Other	51	7	58
<b>Total</b>	<b>1,018</b>	<b>206</b>	<b>1,223</b>

*Note: Totals may not sum due to rounding.*

*Source: QPC experimental estimates.*

The majority (83 per cent) of expenditure in communities occurs through mainstream services—that is, services that are not specifically aimed at Aboriginal and Torres Strait Islander people. For example, education services are delivered, in the main, through the Department of Education, with mainstream schools located in the remote and discrete communities or in regional centres.

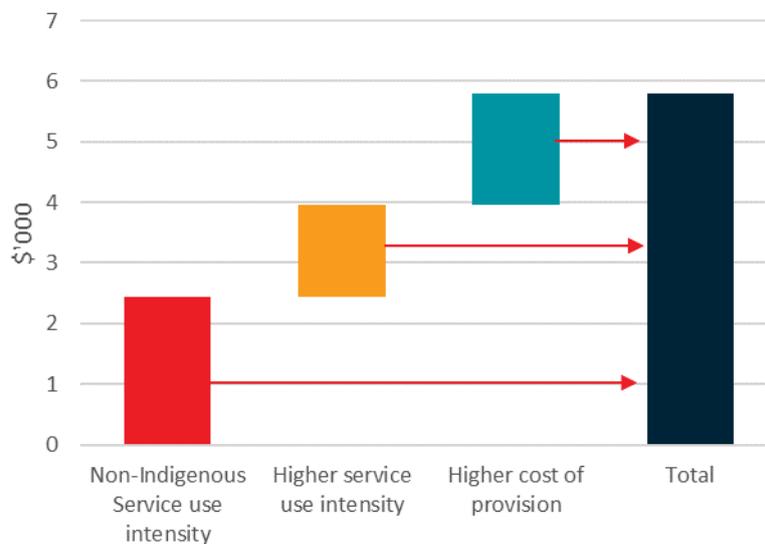
Seventeen per cent of expenditure in communities was for Indigenous-specific service delivery. Of the estimated \$206 million spent on Indigenous-specific services in 2015–16, around \$100 million was expenditure on social housing—the majority of which has been mainstreamed by the Department of Housing and Public Works (DHPW 2017; Habibis et al. 2016).

## Education

In 2015–16, around \$244 million was spent on education services by the Queensland Government in remote and discrete Aboriginal and Torres Strait Islander communities. The majority (95 per cent) of these expenditures occurred through mainstream education services<sup>4</sup>, predominantly through government-run primary and secondary schools.

The higher cost per capita of delivering education in communities is largely due to a higher service use intensity (because the Indigenous population has a higher proportion of school-aged children than the non-Indigenous population) and because of the high cost of service provision.

**Figure 12 Breakdown of per capita Queensland Government expenditures on Aboriginal and Torres Strait Islander persons—education services**



Source: QPC experimental estimates.

<sup>4</sup> Education services include early childhood, primary, secondary and tertiary education.

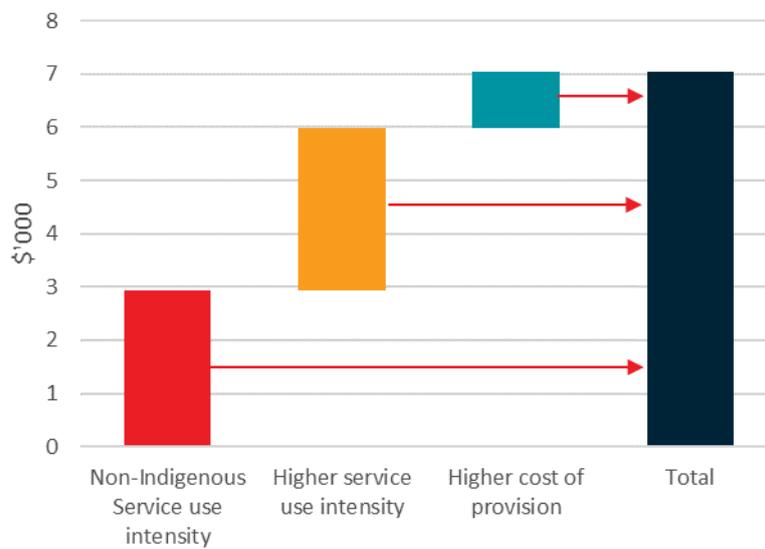
## Health

Health expenditures in remote and discrete Aboriginal and Torres Strait Islander communities in 2015–16 was almost \$300 million.<sup>5</sup> Around 8 per cent of expenditures were on Indigenous-specific health services.

Health has a relatively higher share of expenditure contracted out to non-government organisations, including to Aboriginal Community Controlled Health Organisations.

The data suggest that, although significantly more is spent on health in remote regions, the additional expenditure reflects a higher service use intensity rather than a higher cost of provision.

**Figure 13 Breakdown of differences in per capita Queensland Government expenditures on Aboriginal and Torres Strait Islander persons—health services**



Source: QPC experimental estimates.

The high proportion of costs associated with higher service use intensity, suggests significant benefits could be realised from early intervention and prevention. For example, Queensland Health estimates that, if the hospitalisation rate for Indigenous Queenslanders was the same as non-Indigenous Queenslanders, the public inpatient hospital system would have saved \$621 million between 2012–13 and 2014–15 (Aboriginal and Torres Strait Islander Health Unit 2015).

<sup>5</sup> Health services include hospital services, public and community health services and health care subsidies and support. It excludes GP services, which are funded by the Australian Government.

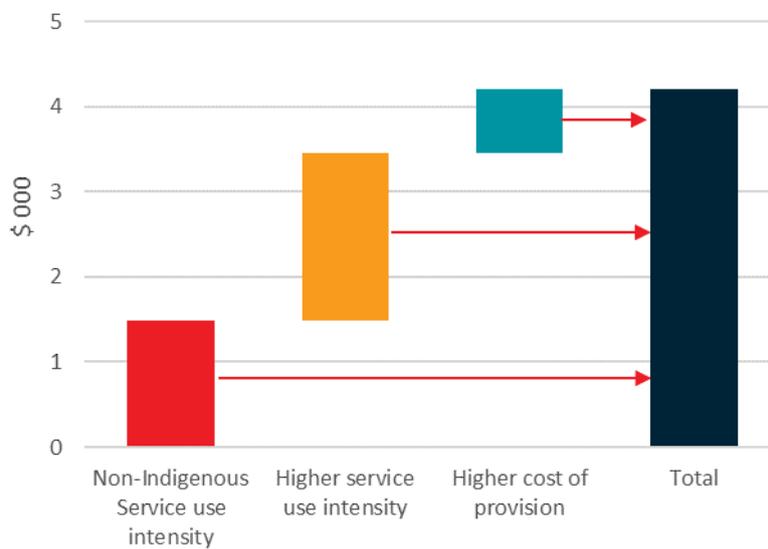
## Home environment

In 2015–16, almost 60 per cent of services relating to the home environment<sup>6</sup> were delivered as Indigenous-specific services. These services were mainly in the form of social housing providers operating across all remote and discrete Aboriginal and Torres Strait Islander communities.

However, the proportion of Indigenous-specific housing providers has fallen significantly as community housing was moved to mainstream management under the National Partnership Agreement on Remote Indigenous Housing (NPAH) (DHPW 2017; Habibis et al. 2016).

In 2015–16, the Queensland Government spent just over \$4,200 per person in remote and discrete Aboriginal and Torres Strait Islander communities on services related to the home environment, predominantly on social housing. This compares to just over \$2,500 per indigenous person across Queensland, generally.

**Figure 14 Breakdown of differences in per capita Queensland Government expenditures on Aboriginal and Torres Strait Islander persons—home environment**



Source: QPC experimental estimates.

The higher levels of service use intensity largely relate to the very high levels of social housing that exists in the discrete communities. Reducing demand for social housing in these communities is challenging, owing to historical tenure issues (discussed further in Chapter 13).

<sup>6</sup> Home environment services include housing, community and environmental services, and transport and communications.

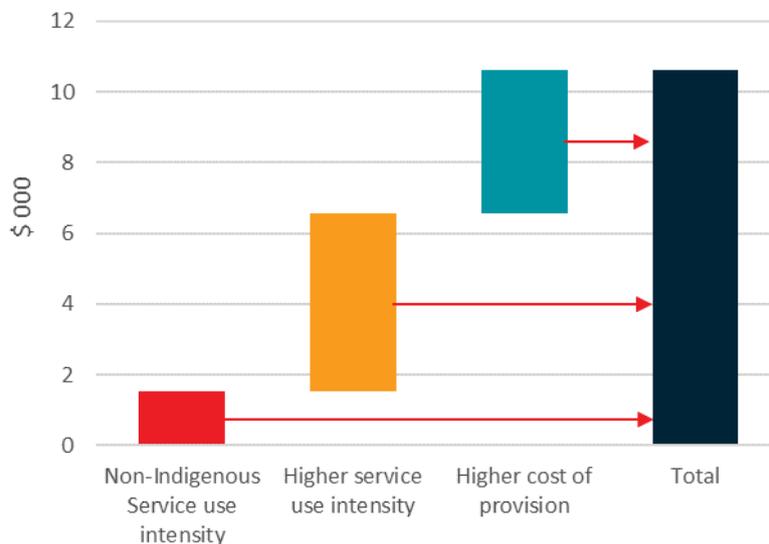
## Safe Communities

Services relating to community safety<sup>7</sup> represent the highest area of expenditure in remote and discrete Aboriginal and Torres Strait Islander communities, accounting for around 37 per cent of all expenditures (\$447 million). It is also the service area with the largest expenditure ‘gap’—per capita expenditures in remote and discrete Aboriginal and Torres Strait Islander communities are almost eight times as high as for the state-wide non-Indigenous population (Figure 15).

Expenditures on community safety predominantly relate to policing, child safety, courts and detention; together accounting for 68 per cent of all expenditures on safe communities. The remaining expenditures relate mainly to aged care and disability services.

Fourteen per cent of expenditures go towards Indigenous-specific service delivery.

**Figure 15 Breakdown of differences in per capita Queensland Government expenditures on Aboriginal and Torres Strait Islander persons—safer communities**



Source: QPC experimental estimates.

Large gains could be made from expenditure on programs that address the underlying causes of community dysfunction, which result in the high rates of service use intensity. In 2015–16, the higher service use intensity accounted for over \$300 million dollars of public expenditure and imposed large human costs on communities (discussed further in Chapter 15).

### 3.7 Alternative estimates—agency estimates

In 2014, DATSIP commissioned Queensland Treasury Corporation (QTC) to collect and collate Queensland Government information on expenditures in discrete Aboriginal and Torres Strait Islander communities. These data have been provided to the Commission for the financial years 2014–15 and 2015–16.

While the data provide useful information at a community level, they have limitations:

<sup>7</sup> The Safe Communities program includes services relating to public order and safety, community support and welfare, and recreation and culture.

- They do not distinguish between capital and non-capital expenditures. This makes year-to-year or cross-community comparison difficult. A better approach would be to amortise all capital costs, and include these in the expenditure estimates.
- They do not include expenditures on services that are provided outside of communities but are accessed by community residents—these include hospital and justice costs not incurred in the community.
- They do not include any head office or regional office functions or other indirect costs of service delivery. These costs may be a substantial component of overall expenditures.
- There are inconsistencies in the way that agencies reported expenditures—possibly a reflection of limitations in the ability of agency financial systems to meet reporting requirements.

The DATSIP agency data show that, overall, the Queensland Government spent \$593 million in discrete Aboriginal and Torres Strait Islander communities in 2014–15. The Australian Government contributed a further \$152 million through NPARIH, which was administered by the State, taking the total expenditure to \$745 million in 2014–15.

The headline estimates in section 3.5, above, include expenditures in both remote and discrete Aboriginal and Torres Strait Islander communities. Our estimate of expenditures in the discrete communities is approximately \$900 million (for 2015–16).

These two estimates are not directly comparable because of the limitations discussed above, and the fact that the DATSIP data is for 2014–15, while our estimate is for 2015–16.

### 3.8 Community-level estimates—case studies

The Commission has prepared community-level estimates that are intended to provide a more nuanced picture of expenditures in remote and discrete communities. They provide a snapshot of the services available on the ground in two selected communities to:

- identify the number of services operating in communities
- better understand how expenditures provide services on the ground
- examine whether there are gaps or duplication in service delivery.

The community-level estimates cannot be compared directly to the headline expenditure estimates, since they do not include:

- expenditures on services delivered outside the community that residents may access
- agency head office costs
- expenditures for which data are unavailable—for example, some data on expenditures on health-related services.

The Commission selected two communities—Hope Vale and Aurukun—for which sufficient information was available to assemble a reasonably complete and up-to-date picture of service provision.

While all services are included in the analysis, financial data is only available for funding sourced through the Queensland Government. Even for State-funded services, in many cases we were unable to identify the quantum of expenditures allocated to support individual services.

The community-level estimates have been informed by unpublished data provided by DATSIP—these are service mappings undertaken by DATSIP's regional offices (DATSIP 2016b) and the Schedule of Investment in Queensland's discrete Aboriginal and Torres Strait Islander communities (QTC 2016).

## Hope Vale

Hope Vale is located around 60 kilometres north of Cooktown. It has a population of 1,125, of whom 95 per cent are Indigenous (QGSO 2016a).

In 2014–15, the Queensland Government spent at least \$23 million in Hope Vale, including almost \$9 million of Australian Government funding administered by the Queensland Government (Table 6). Of this, more than half related to the construction of new housing, mainly under NPARIH. Most remaining expenditures were on health care (mainly relating to a primary health care facility run by Queensland Health with expenditures of just under \$3 million), funding provided under the Natural Disaster Relief and Recovery Arrangements (NDRRA) (\$2.4 million), funding provided to council in lieu of rates revenue (\$1.5 million), police services (\$0.6 million) and funding for the Families Responsibilities Commission (\$0.4 million).

**Table 6 Identified expenditure, Hope Vale, 2014–15**

Category	Queensland Government Expenditure (\$)	Commonwealth funding administered by the State (\$)	Total (\$)
Community Safety	847,778		847,778
Economic Participation	511,472	63,014	574,486
Education and Training	398,040		398,040
Health and Wellbeing	4,004,960	260,393	4,265,353
Homes and Housing	3,944,684	8,149,680	12,094,364
Infrastructure and Local Government	3,900,198		3,900,198
Other	749,135	498,918	1,248,053
Total	14,356,267	8,972,005	23,328,272

Note: Expenditure data are incomplete and exclude most Australian Government expenditure other than for housing.

Of the expenditures identified, around 20 per cent, or \$4.5 million, was provided as grant funding (Table 7). Of these funds, \$2.4 million was provided for the repair of essential infrastructure damaged by natural disasters. A further \$1.5 million was provided to council in lieu of rates. These funds are required to meet basic municipal service delivery.

**Table 7 Expenditure by funding type, Hope Vale, 2014–15**

Expenditure type	Amount (\$)
Grant funding	4,535,619
Agency provision	14,339,610
Procurement of service	4,453,043
Total	23,328,272

We identified 78 different services, provided by 46 different service providers in Hope Vale (with a population of 1,125). There are 44 different funding programs across 11 Queensland Government departments. More than half of all services are either delivered externally to the community, or are provided on a drive-in, drive-out, or fly-in, fly-out basis (Table 8).

**Table 8 Service provision in Hopevale, 2014–15**

Service provider	In the community	Drive in/out or fly in/out	External	Unknown	Total
Government	7	18	1	1	27
NGO	7	21	1	2	31
Council	8	0	0	2	10
Private	10	0	0	0	10
Total	32	39	2	5	78

From the data available, it was not possible to determine the extent to which duplication of services existed. Nevertheless, conversations with stakeholders suggest such duplication occurs:

*Often, the first time remote communities are aware that a new service has been funded is when the service provider contacts council looking for an office to rent, or when the service provider places an advertisement for personnel in the local paper. This lack of engagement with the council/community at the front end of the funding allocation process creates the ideal setting in which duplication can, and does, occur. For example, Mornington Shire Council has documented ten (10) separate organisations that have been funded to deliver the same four programs (LGAQ sub. 14, p. 5).*

## Aurukun

Aurukun is a discrete community located approximately 100 km from Weipa and had a population of just over 1,400 in 2015, of which 90 per cent are Indigenous (QGSO 2016b).

The Commission was able to identify just over \$38 million of Queensland Government expenditures made in Aurukun in 2015–16, including \$14.7 million of Australian Government funding administered by the Queensland Government (Table 9).

Approximately 43 per cent of identified funding was for the construction and maintenance of housing. Other significant costs included primary health care (\$3.8 million), policing costs (more than \$2.1 million) and \$1.8 million in funding to the Cape York Aboriginal Australian Academy to provide education and training.

**Table 9 Identified expenditure, Aurukun, 2014–15**

Category	Queensland Government Expenditure (\$)	Commonwealth funding administered by the State (\$)	Total (\$)
Community Safety	4,067,116		4,067,116
Economic Participation	451,371		451,371
Education and Training	2,626,058		2,626,058
Health and Wellbeing	5,125,631	\$226,463	5,352,094
Homes and Housing	2,952,564	13,531,810	16,484,374
Infrastructure and Local Government	6,180,247		6,180,247
Other	2,100,959	942,826	3,043,785
<b>Total</b>	<b>23,503,946</b>	<b>14,701,099</b>	<b>38,205,045</b>

Note: Expenditure data is incomplete and excludes most Commonwealth expenditure other than for housing.

Of the expenditures identified, approximately one-quarter, or \$9.5 million, was provided as grant funding (Table 10). Of this funding, \$4.3 million was provided for the repair of essential infrastructure damaged by natural disasters. A further \$1.1 million was provided to council in lieu of rates.

**Table 10 Expenditure by funding type, Aurukun, 2014–15**

Expenditure Type	Amount (\$)
Grant funding	9,546,796
Agency provision	16,579,504
Procurement of service	12,078,745
<b>Total</b>	<b>38,205,045</b>

We were able to identify 58 services being provided in Aurukun. Just under half of the services were provided by NGOs. Around half of the service providers were located in the community (31 providers), with the remainder provided on a drive-in, drive-out, or fly-in, fly-out basis (Table 11).

**Table 11 Service provision in Aurukun**

Service provider	In the community	Drive in/out or fly in/out	Unknown	Total
Government	3	16	1	20
NGO	16	8	1	25
Council	6	0	0	6
Private	6	0	1	7
<b>Total</b>	<b>31</b>	<b>24</b>	<b>3</b>	<b>58</b>

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## Key findings

Consistent community-level information on service delivery expenditures, would aid decision-making.

Significant improvements to the collation and distribution of expenditure information would assist stakeholders to improve community-level decision-making.

Addressing the underlying causes of high service use in remote and discrete Aboriginal and Torres Strait Islander communities could result in large potential savings.

A large proportion of expenditures appears to be consumed by ancillary or indirect costs, rather than frontline service delivery—this is compounded by high administrative and compliance costs, and a lack of coordination.

The information available to the inquiry suggests that most expenditure decisions occur in agencies, with service being centrally commissioned; there is little evidence of community involvement.

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