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From: Alain Baillie

Sent: Tuesday, 9 December 2008 10:28 AM

To: secretary_email

Cc: Sarah Huggins; Alain Baillie

Subject: Treatment of CHIP in the 2009 Update

John/Catherine:

Apologies this is late. I had it prepared in advance and other things took over while I was awaiting agency comment. Hopefully you can include it in deliberations.

In Victoria's case the CHIP is a wholly Commonwealth funded and administered program. We are the only State not to have taken on some shared role in the program. Under the new ARIA arrangements, Victorian NGO's receive an ad hoc diversion of funds to the old CHIP properties, despite having no remote housing. This will continue until June 2009, when the Commonwealth has asked us to take over the CHIP properties. However, we have not yet agreed to do so.

Victoria agrees that all CHIP funding should be treated by inclusion. Money paid to NGO's now comprises only about a quarter of total CHIP outlays and is used for exactly the same purposes as money paid to the States. In that sense the NGO component is, and always has been, a source of funding for State-provided services. In this case, as there are no matching requirements, States have been free to use the Commonwealth money to substitute for their own in providing indigenous housing. In Victoria's case, this has minimal impact on our cost structure due to our small indigenous population. However, for other States, it is an opportunity to shift costs to the Commonwealth. Having the NGO component treated by exclusion has allowed some States to also receive extra GST they don't require.

Thanks

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