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From: Scherini, Alex

Sent: Monday, 1 December 2008 8:34 PM

To: Catherine Hull

Cc: 'Genevieve Errey'; Mark Altus; Cox, Peter; Schipp, Michael

Subject: RE: New Issue: Treatment of CHIP in the 2009 Update

Hi Catherine

We have examined the paper proposing the inclusion approach for CHIP payments to non-government organisations (NGOs).

We accept this approach in principle, but have significant concerns:

. While the Grants Commission considers that these NGO payments are primarily for housing, in Western Australia all these payments are for "Services to Indigenous Communities", not "Housing". For example, of the \$22 million paid to Western Australia in 2006-07, around \$9 million is for fuel, \$6 million for power/water/sewerage maintenance, \$4 million for administration, \$2.5 million for community governance and small amounts for environmental health, roads, airstrips and fire control. [This contrasts with CHIP payments to the WA government, where a significant proportion goes to housing.]

. The Grants Commission needs to have firm data on the split of NGO payments between "Services to Indigenous Communities" and "Housing", as the disability factors for these categories are very different. If such data is not available, we consider the exclusion approach remains appropriate.

. To the extent that NGO CHIP payments are allocated to the Housing category, this effectively increases the standard effort for remote Indigenous communities relative to other communities receiving housing support. This needs to be reflected through an adjustment to the disability factors (e.g. by increasing the cost weight for remote indigenous households). If this cannot be done, or is considered "not material", then overall HFE is probably best served by the exclusion approach, particularly if the NGO CHIP payments for housing are significant (although, as noted above, no NGO CHIP payments are used for housing in WA).

. The \$36,000 figure for WA receipts of NGO payments in 2006-07 in Table 2 is at odds with our data (\$22 million, as noted above).

We are happy to discuss further as needed.

Regards

Alex Scherini

Western Australia Department of Treasury and Finance