

# SERVICES TO INDIGENOUS COMMUNITIES — ASSESSMENT RESULTS

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- 1 This working paper describes the expenses assessment for Services to Indigenous Communities and provides information on its impact on the Goods and Services Tax (GST) revenue distribution for the 2008 Update. The development of the assessment method is discussed in Volume 4 of the 2004 Review Working Papers.

## DESCRIPTION OF THE CATEGORY

- 2 The Services to Indigenous Communities category comprises expenses on:
- community infrastructure in discrete Indigenous communities, including the provision of water and power supply, sewerage and waste water systems, transport facilities, and the ongoing support for the operation and maintenance of these services;
  - municipal-type services for discrete Indigenous communities, such as planning, regulation and building control, sanitation, maintenance of local roads and drainage; and
  - community management for discrete Indigenous communities, which was targeted at enhancing the capacity for communities to plan and manage infrastructure and municipal services.
- 3 Table 1 shows the average expenses for the last six financial years. In 2006-07, the average expenses for this category were \$14.65 per capita, which represented 0.23 per cent of total State average expenses.

**Table 1 Services to Indigenous communities, average expenses 2001-02 to 2006-07**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	8.29	9.77	11.35	12.87	15.66	14.65
% of total State average expenses	0.16	0.18	0.21	0.23	0.26	0.23

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Services to Indigenous communities/Tables and chart/4180 E Average Expenses

## **ASSESSMENT METHOD**

### **Description of the assessment**

- 4 The Services to Indigenous Communities assessment for the 2008 Update was undertaken using six components: fixed costs, community government, remote essential services, land rights, native title and isolation.
- 5 The expenses assessment method for the 2008 Update was the same as for the 2007 Update:
  - fixed costs, land rights, native title and isolation were assessment using the general methods;
  - dispersion was assessed using the general method applied to the Indigenous population;
  - socio-demographic composition (SDC) related expenses for community government were assessed using the Indigenous Estimated Resident Populations (ERPs) in non-remote and remote identifiable communities represented as a proportion of total State population; and
  - services delivery scale expenses for remote essential services were assessed by weighting the proportion of Indigenous ERPs in small, medium and large identifiable communities in remote and very remote regions and expressing it as a proportion of the total population. A cost weight of two was applied to populations resident in small and medium communities to recognise that per capita costs were higher in smaller communities.

### **Assessment Structure**

- 6 Table 2 summarises the assessment structure for the 2008 Update.
- 7 The proportions of expenses affected by fixed costs, land rights, native title and isolation were estimated using the general methods.
- 8 The component weight for the remote essential services component was based on an estimate of the average proportion of total category expenses spent on the provision of essential services for Indigenous communities located in remote areas.
- 9 The component weight for the remaining component – community government – was derived as the balance of category expenses after expenses on fixed costs, land rights and isolation were also accounted for.

**Table 2 Services to Indigenous communities, assessment structure for the 2008 Update, 2006-07**

Component	Component weight	Factors	Basis of calculation
	%		
Fixed costs	1.67	Administrative scale	General method.
		Fixed costs input costs	General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Community government	65.98	Socio-demographic composition	Based on Indigenous ERPs of non-remote and remote (including very remote) identifiable Indigenous communities.
		Dispersion	General method applied to the Indigenous population.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 0.5% for electricity.
Remote essential services	30.48	Service delivery scale	Based on the Indigenous ERPs of small, medium and large communities in remote and very remote areas, with a cost weight of 2 for small and medium communities.
		Dispersion	General method applied to the Indigenous population.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 0.5% for electricity.
Land rights	0.64	Land rights	General method.
Native title	0.00	Native title	General method.
Isolation	1.23	Isolation	General method.

### Calculating the category factor

10 Table 3 summarises the components, component weights and factors assessed for this category for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

**Table 3 Services to Indigenous communities, derivation of category factor, 2008 Update**

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Fixed costs (component weight = 1.67 %)</b>								
Administrative scale	0.42435	0.56299	0.70346	1.39731	1.84522	5.91735	0.00000	15.99252
Input costs	1.02508	0.99193	0.98368	0.99180	0.97560	0.96465	1.01919	1.01749
Component factor	0.43499	0.55845	0.69198	1.38584	1.80020	5.70816	0.00000	16.27222
<b>A Wgtd comp factor</b>	<b>0.00731</b>	<b>0.00939</b>	<b>0.01163</b>	<b>0.02330</b>	<b>0.03026</b>	<b>0.09596</b>	<b>0.00000</b>	<b>0.27356</b>
<b>Community government (component weight = 65.98 %)</b>								
Socio-demographic composition	0.29773	0.00510	1.24168	1.94292	0.45502	0.02862	0.00000	41.72639
Dispersion	0.94633	0.92500	1.01620	1.10151	0.99337	0.95011	0.92389	3.52718
Input costs	1.02206	0.99244	0.98644	0.99323	0.97781	0.96778	1.01676	1.01497
Component factor	0.28831	0.00468	1.24496	2.12700	0.44191	0.02627	0.00000	147.80101
<b>B Wgtd comp factor</b>	<b>0.09071</b>	<b>0.00147</b>	<b>0.39171</b>	<b>0.66923</b>	<b>0.13904</b>	<b>0.00827</b>	<b>0.00000</b>	<b>46.50341</b>
<b>Remote essential services (component weight = 30.48 %)</b>								
Service delivery scale	0.17087	0.00000	1.00213	2.63671	0.55012	0.05433	0.00000	43.04052
Dispersion	0.94633	0.92500	1.01620	1.10151	0.99337	0.95011	0.92389	3.52718
Input costs	1.02206	0.99244	0.98644	0.99323	0.97781	0.96778	1.01676	1.01497
Component factor	0.16547	0.00000	1.00478	2.88652	0.53427	0.04987	0.00000	152.45586
<b>C Wgtd comp factor</b>	<b>0.02358</b>	<b>0.00000</b>	<b>0.14321</b>	<b>0.41140</b>	<b>0.07615</b>	<b>0.00711</b>	<b>0.00000</b>	<b>21.72873</b>
<b>Land rights (component weight = 0.64 %)</b>								
Land rights	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.01962
Component factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.01962
<b>D Wgtd comp factor</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.62732</b>
<b>Native title (component weight = 0 %)</b>								
Native title	3.0425	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Component factor	3.04250	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
<b>E Wgtd comp factor</b>	<b>0.00012</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>
<b>Isolation (component weight = 1.23 %)</b>								
Isolation	0.04164	0.07057	0.11537	1.84417	1.11576	2.80624	0.00000	59.92912
Component factor	0.04164	0.07057	0.11537	1.84417	1.11576	2.80624	0.00000	59.92912
<b>F Wgtd comp factor</b>	<b>0.00051</b>	<b>0.00087</b>	<b>0.00142</b>	<b>0.02263</b>	<b>0.01369</b>	<b>0.03444</b>	<b>0.00000</b>	<b>0.73549</b>
<b>Category factor</b>	<b>0.12224</b>	<b>0.01173</b>	<b>0.54796</b>	<b>1.12656</b>	<b>0.25914</b>	<b>0.14578</b>	<b>0.00000</b>	<b>69.86852</b>

Note: For each component, the component factor is calculated using the formula in the following paragraph. The weighted component factor is the component factor multiplied by the component weight. This is then population weighted to ensure that the sum of assessed expenses equals average expenses.

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Services to Indigenous Communities/Assessed Expenses/QA 4180 Services to Indigenous Communities

11 The category factor was calculated as follows:

$$\text{Category factor} = \text{fixed costs} + \text{community government} + \text{remote essential services} + \text{land rights} + \text{native title} + \text{isolation}$$

Where

$$\text{fixed costs} = 0.0167 * [\text{administrative scale} * \text{input costs}]$$

$$\text{community government} = 0.6598 * [(\text{input costs other} + \text{dispersion} - 1) * (\text{socio-demographic composition})]$$

$$\text{remote essential services} = 0.3048 * [(\text{input costs other} + \text{dispersion} - 1) * (\text{service delivery scale})]$$

$$\text{land rights} = 0.0064 * [\text{land rights}]$$

$$\text{native title} = 0.00004 * [\text{native title}]$$

$$\text{isolation} = 0.0123 * [\text{isolation factor}]$$

12 In each case, the contribution to the category factor was calculated as the expense component weight (the percentages above) multiplied by the factors (the bracketed terms in the formulas). Each component's contribution to the category factor was then scaled to ensure the sum of assessed expenses equalled the sum of actual expenses.

## RESULTS FOR 2006-07

13 Table 4 shows actual, average and assessed expenses per capita and the cost of service provision ratio for the assessment in 2006-07. The cost of service provision ratio is equivalent to the category factor shown in Table 3.

14 Table 12 at the end of this working paper summarises the results of the assessment. It shows the average, actual and assessed expenses for each State for all years of the 2008 Update.

**Table 4 Services to Indigenous communities, assessment results, 2006-07**

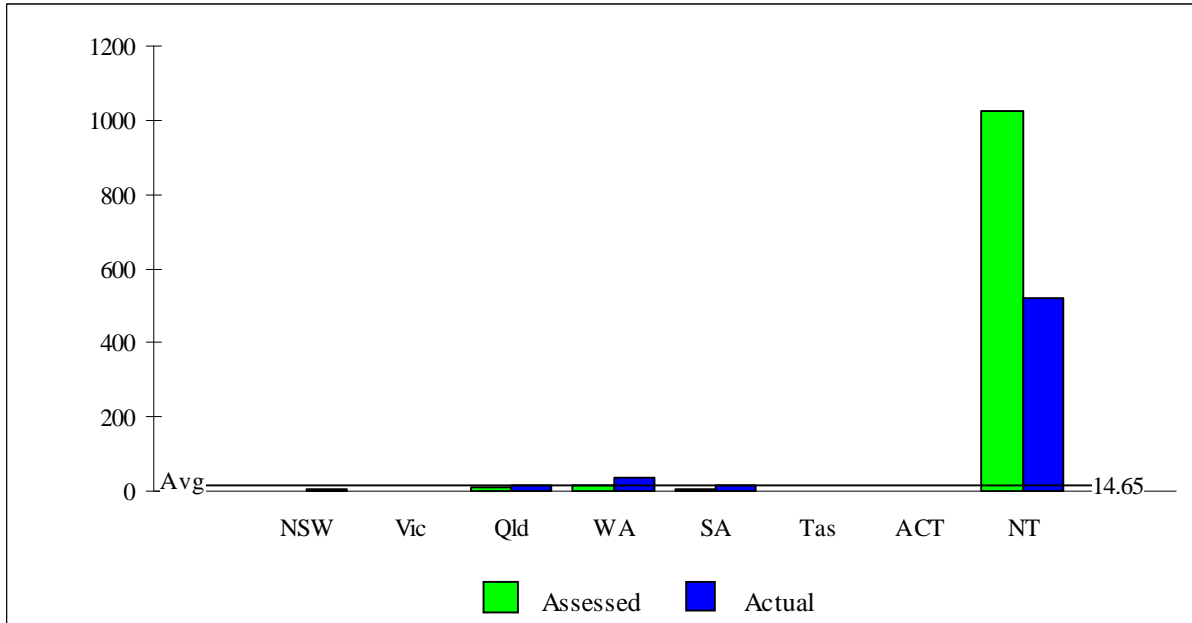
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	4.05	0.00	16.45	37.06	13.76	1.47	0.00	518.46	14.65
Assessed expenses	1.79	0.17	8.03	16.51	3.80	2.14	0.00	1023.91	14.65
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	12.22	1.17	54.80	112.66	25.91	14.58	0.00	6986.85	100.00

(a) The cost of service provision ratio is the ratio of assessed to actual gross expenses per capita.

Source: Assessment System, U2008 GST/Expenses/c. Health and Community Services/Services to Indigenous Communities/Tables and Chart/4180 E Assessment Results

15 Figure 1 illustrates the per capita average, actual and assessed expenses for Services to Indigenous communities for 2006-07. It shows that the Northern Territory is assessed to have above average costs, Western Australia and Queensland are assessed to have close to average costs, and New South Wales, Victoria, South Australia, Tasmania and the ACT are assessed to have below average costs.

**Figure 1 Services to Indigenous communities, net expenses per capita – average, actual and assessed, 2006-07**



Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Services to Indigenous Communities/Tables and Chart/4180 E Expenses Per Capita - Assessed, Actual and Average

### CONTRIBUTION TO GST REVENUE DISTRIBUTION

16 Table 5 shows the category’s contribution to the distribution of GST revenue and health care grants (hereafter GST revenue). It also shows the contribution of each factor and component to the GST revenue distribution.

**Table 5 Services to Indigenous communities, contribution of assessment to GST revenue distribution, 2008 Update**

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Fixed costs</b>									
Administrative scale	-1.1	-0.6	-0.3	0.2	0.3	0.6	-0.1	0.9	2.1
Input costs	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.6
Component factor	-1.0	-0.6	-0.3	0.2	0.3	0.6	-0.1	0.9	2.1
<b>Community government</b>									
Socio-demographic composition	-47.2	-50.3	11.0	19.5	-7.9	-4.7	-3.3	82.8	113.3
Dispersion	-3.6	-3.8	0.6	2.1	-0.1	-0.2	-0.2	5.2	7.9
Input costs	1.8	-0.2	-0.9	-0.3	-0.3	-0.1	0.1	0.0	1.9
Component factor	-57.6	-50.4	-15.9	0.5	-11.8	-4.7	-3.3	143.3	143.8
<b>Remote essential services</b>									
Service delivery scale	-25.7	-23.4	0.5	15.6	-3.0	-2.1	-1.5	39.7	55.7
Dispersion	-1.6	-1.7	0.3	0.9	0.0	-0.1	-0.1	2.4	3.7
Input costs	0.8	-0.1	-0.4	-0.1	-0.2	-0.1	0.0	0.0	0.9
Component factor	-28.5	-23.4	-9.8	3.4	-5.2	-2.2	-1.5	67.1	70.5
<b>Land rights</b>									
Land rights	-0.6	-0.5	-0.4	-0.2	-0.1	0.0	0.0	1.9	1.9
Component factor	-0.6	-0.5	-0.4	-0.2	-0.1	0.0	0.0	1.9	1.9
<b>Native title</b>									
Native title	-0.3	-0.2	-0.2	0.9	-0.1	0.0	0.0	0.0	0.9
Component factor	-0.3	-0.2	-0.2	0.9	-0.1	0.0	0.0	0.0	0.9
<b>Isolation</b>									
Isolation	-1.3	-1.0	-0.7	0.4	0.0	0.2	-0.1	2.5	3.1
Component factor	-1.3	-1.0	-0.7	0.4	0.0	0.2	-0.1	2.5	3.1
<b>Redistribution from EPC resulting from the 2008 Update assessment</b>									
	-89.4	-76.1	-27.3	5.2	-16.9	-6.2	-5.0	215.8	220.9

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Services to Indigenous Communities/Tables and Chart/4180 E Contribution of Assessment to GST Revenue

### Differences from an equal per capita assessment

- 17 Compared with an equal per capita assessment, the 2008 Update distributed \$220.9 million to Western Australia and the Northern Territory from New South Wales, Victoria, Queensland, South Australia, Tasmania and the ACT.

- 18 Table 5 indicates that the disabilities which had the biggest impact on the assessment were:
- the socio-demographic composition factor – recognising that State expenses on community government increase with the number of Indigenous people living in relevant locations;
  - the service delivery scale factor – recognising that extra costs associated with providing essential services to Indigenous people in small and medium remote communities; and
  - to a lesser extent:
    - dispersion – recognising the differences in per capita costs of service provision associated with the spread of population;
    - isolation – recognising the additional costs incurred by the States, attributable to the distances of the States from other State capitals and sources of supply;
    - fixed costs – recognising higher per capita costs in providing head office services, resulting from a small population; and
    - native title and land rights – recognising expenses incurred in meeting these obligations.
- 19 Table 6 shows the Indigenous estimated resident population (ERP) living in remote and non-remote communities in the 2006 Census.

**Table 6 Services to Indigenous communities, estimated resident population, 2008 Update, 2006 Census**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Total population, 000 (A)	6 817	5 128	4 092	2 059	1 568	490	334	211	20 699
Remote Indigenous community ERP	5 143	0	21 424	20 607	3 062	74	0	43 289	93 599
Non-remote Indigenous community ERP	5 569	138	5389	207	704	0	0	3 106	15 413
Indigenous community ERP (B)	10 712	138	26 813	21 114	3 766	74	0	46 395	109 012
Proportion of total population, % (B / A)	0.2	0.0	0.7	1.0	0.2	0.0	0.0	22.0	0.5
ERP by size of remote communities									
Small	72	0	219	1 584	395	0	0	815	3 085
Medium	1 262	0	1 156	7 997	1 340	74	0	6 315	18 144
Large	3 809	0	20 049	11 026	1 327	0	0	36 159	72 370

Source: ABS, special data request.

- 20 The category factor reflected the following on a State by State basis:
- *New South Wales, Victoria, South Australia, Tasmania and the ACT* – Their assessed GST requirements were all less than equal per capita. For these States, this reflected their lower than average proportions of Indigenous people residing in identifiable Indigenous locations.
  - *Queensland* – Queensland has a slightly higher than average proportion of Indigenous people residing in identifiable Indigenous locations. Its less than equal per capita

redistribution reflected both its lower than average input costs and the Northern Territory's significantly greater than average proportion of Indigenous people.

- *Western Australia* and the *Northern Territory* – These States had higher than average proportions of Indigenous people residing in identifiable Indigenous locations. This meant their per capita costs of providing services to the communities were higher than average. In particular, the Northern Territory's proportion of the population that was Indigenous was much larger than that of the other States.

## **CHANGES SINCE THE 2007 UPDATE**

### **Effect of assessment on the distribution of GST revenue**

- 21 Table 7 shows the redistribution of GST revenue shares resulting from the assessments in the 2007 Update and the 2008 Update. The assessment is now redistributing more GST than it did in the 2007 Update. This result reflects the greater redistribution effects due to the variation across the States in the location of the Indigenous population living in discrete communities.
- 22 The table also shows the changes were brought about because the Commission:
  - used revised financial data in the average expenses and other revised data in factor calculation for the years 2001-02 to 2005-06; and
  - replaced 2001-02 average expenses and factors with those of 2006-07 to move forward the five-year period on which GST revenue distribution was based. Moving the five-year period forward in this way ensures the assessments reflect recent trends in State priorities on the services provided and recent trends in State demographic and economic circumstances on the relative costs of those services.
- 23 With the availability of 2006 Census data, these have now been included in the socio-demographic composition factor and service delivery scale factor calculations for the years 2004-05 through 2006-07. Earlier assessment years have continued to use 2001 Census data for these factor calculations.

**Table 7 Services to Indigenous communities, effect of assessment on GST revenue distribution, 2007 Update to 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	-88.3	-75.0	-25.1	6.0	-16.0	-6.0	-4.9	209.3	215.3
<b>Effect of revising category averages and factors for 2001-02 to 2005-06</b>									
Category average	2.6	2.2	0.7	-0.2	0.5	0.2	0.1	-6.2	6.3
Category factors	0.6	0.5	-1.5	-0.8	-0.4	0.1	0.0	1.6	2.7
Interactions	0.0	0.0	0.1	0.1	0.0	0.0	0.0	-0.1	0.2
Total	3.1	2.7	-0.6	-0.9	0.1	0.2	0.2	-4.7	6.3
<b>Effect of replacing 2001-02 category averages and factors with those for 2006-07</b>									
Category average	-4.5	-3.8	-1.3	0.2	-0.8	-0.3	-0.3	10.7	10.9
Category factors	0.1	0.0	-0.2	-0.1	-0.2	-0.1	0.0	0.3	0.5
Interactions	0.0	0.0	-0.1	0.0	-0.1	0.0	0.0	0.1	0.2
Total	-4.3	-3.7	-1.6	0.1	-1.0	-0.4	-0.2	11.1	11.3
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	-89.4	-76.1	-27.3	5.2	-16.9	-6.2	-5.0	215.8	220.9
<b>Total effect of revisions and updating (b)</b>	-1.2	-1.1	-2.2	-0.8	-0.9	-0.1	-0.1	6.4	6.4

(a) Using the same pool and populations that were used to calculate the 2007 Update redistribution.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Services to Indigenous Communities/Tables and Chart/4180 E Effect of Assessment, Previous Inquiry to Current Inquiry

- 24 The Services to Indigenous communities assessment resulted in a redistribution of \$220.9 million away from New South Wales, Victoria, Queensland, South Australia, Tasmania and the ACT to Western Australia and the Northern Territory. The total effect of revisions and updating was to increase the redistribution and to redistribute \$6.4 million across the States. The GST shares of the Northern Territory increased and those of the other States decreased.
- 25 Table 8 shows the changes in GST revenue attributable to changes in each factor arising from both revisions over the period 2001-02 to 2005-06 and replacing 2001-02 data with 2006-07 data.

**Table 8 Services to Indigenous communities, effect of assessment on GST revenue distribution by factor, 2007 Update to 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Fixed costs</b>									
Administrative scale	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Community government</b>									
Socio-demographic composition	-1.1	-1.6	-2.6	-1.0	-0.9	-0.1	-0.1	7.5	7.5
Dispersion	-0.6	-0.1	-0.4	-0.7	0.3	0.0	0.0	1.6	1.8
Input costs	0.0	0.0	0.1	0.0	0.0	0.0	0.0	-0.1	0.1
<b>Remote essential services</b>									
Service delivery scale	-0.5	-0.8	-1.1	-0.4	-0.4	-0.1	-0.1	3.3	3.3
Dispersion	-0.2	0.0	-0.1	-0.5	0.1	0.0	0.0	0.7	0.8
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
<b>Land rights</b>									
Land rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Native title</b>									
Native title	0.5	0.3	0.3	0.1	0.1	0.0	0.0	-1.4	1.4
<b>Isolation</b>									
Isolation	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.2

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Services to Indigenous Communities/Tables and Chart/4180 E Effect of Assessment by Factor, Previous Inquiry to Current Inquiry

26 The main reasons for the changes in GST revenue distribution between the two updates are explained in more detail in the following sections.

### **Changes due to revising average expenses and factors for years 2001-02 to 2005-06**

#### *Revising average expenses*

27 There was a slight downward revision to average expenses for 2005-06. This resulted in a \$6.3 million redistribution, increasing the GST revenue shares of States assessed to have below average costs of providing services (New South Wales, Victoria, Queensland, South Australia, Tasmania and the ACT) and decreasing the GST shares of the other States.

28 Table 9 shows the average expenses and user charges for the six financial years of this update and those of the previous update.

**Table 9 Services to Indigenous communities, Average expenses used in the 2007 and 2008 Updates**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2008 Update	-	8.29	9.77	11.35	12.87	15.66	14.65
2007 Update	5.78	8.29	9.79	11.37	13.00	17.56	-
Difference	-	0.0	0.0	0.0	-0.1	-1.9	-

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Services to Indigenous Communities/Tables and Chart/4180 E Average expenses 2006-2007

#### *Revising category factors*

- 29 The socio-demographic composition and service delivery scale factors are the most important for the 2008 Update in this category. Revisions were made to these factors, changing States' cost of providing services ratios, because new Indigenous Estimated Resident Population data became available. The 2001 Census data were revised to 2006 Census data for the years 2004-05 and 2005-06.
- 30 There has been a redistribution of where the Indigenous population in Australia lives. In New South Wales and the Northern Territory there has been a tendency towards medium sized remote communities which have a higher cost of service provision. In the other States there has been a move towards where it is relatively cheaper to provide services. This includes large remote communities, non remote communities and in South Australia's case a reduction in the Indigenous Estimated Resident Population altogether. These changes cause a \$2.7 million redistribution to New South Wales, Victoria, Tasmania and the Northern Territory from the other States. Table 10 shows a summary of Census changes.

**Table 10 Shares of Indigenous population, 2001 and 2006 Census**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
<b>2001</b> Share of discrete Indigenous population (a)	9.88	0.12	25.41	19.71	4.39	0.06	0.00	40.43
Share of weighted discrete Indigenous population (b)	5.59	0.00	20.57	26.58	4.99	0.11	0.00	42.16
<b>2006</b> Share of discrete Indigenous population (a)	9.83	0.13	24.60	19.37	3.45	0.07	0.00	42.56
Share of weighted discrete Indigenous population (b)	5.64	0.00	19.85	26.29	4.18	0.13	0.00	43.91

(a) Refers to the proportion of total Indigenous population of each State living in discrete Indigenous communities. This applies to the socio-demographic composition factor.

(b) Refers to the proportion of Indigenous population of each State living in discrete Indigenous communities, weighted by community size and region. This applies to the service delivery scale factor.

Source: I:\U2008\Category Assessments\Services to Indigenous Communities\ comparison 2001 & 2006 Census ERP (STIC).xls

### Changes in State circumstances — replacing 2001-02 with 2006-07 data

31 Table 11 shows the actual expenses and implied costs of service provision for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes in for the 2008 Update assessment.

#### *Replacing average expenses*

32 Since 2001-02, State spending on this function has increased (88.8 per cent), at a faster rate than growth in the GST pool (43.9 per cent). So, replacing 2001-02 average expenses with 2006-07 average expenses increased the amount of GST redistributed (\$10.9 million). It increased the GST revenue shares of States assessed to have above average cost of providing services ratios (Western Australia and the Northern Territory). It reduced the GST revenue shares of other States.

**Table 11 Services to Indigenous communities, actual expenses and assessed cost of providing services, 2001-02 and 2006-07**

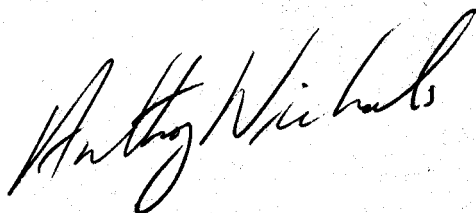
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	1.86	0.00	11.61	14.35	8.13	0.51	0.00	337.16	8.29
2006-07	4.05	0.00	16.45	37.06	13.76	1.47	0.00	518.46	14.65
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07	117.48	-100.00	41.68	158.25	69.27	187.04	0.00	53.77	76.83
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	1.01	0.15	4.77	9.54	2.63	1.78	0.00	573.61	8.29
2006-07	1.79	0.17	8.03	16.51	3.80	2.12	0.00	1023.89	14.65
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	12.21	1.81	57.57	115.11	31.79	21.53	0.00	6921.55	100.00
2006-07	12.23	1.17	54.80	112.67	25.92	14.50	0.00	6986.69	100.00

Source: Assessment System, U2008 GST/Expenses/Health and Community Services/Services to Indigenous Communities/Tables and Chart/4180 E Assessment Data, Year 0 and Year 5

#### *Replacing category factors*

33 The assessed cost of providing services to Indigenous communities increased in New South Wales and the Northern Territory, and decreased for the other States, shown in Table 11. This was caused largely by the new Census data, similar to revising the category factors. The overall effect on GST redistribution was minor. Replacing the 2001-02 factors with the 2006-07 factors caused a redistribution towards New South Wales and the Northern Territory of \$0.5 million from the other States.

This working paper was prepared by the Expense — Health and Welfare section of the Commonwealth Grants Commission. If you have any questions about its content please contact Anthony Nichols on (02) 6229 8858 or Anthony.Nichols@cgc.gov.au.



Date: 29/02/08

**Table 12 Assessment of expenses, Services to Indigenous communities**

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
<b>Average Expenses</b>		9.77		11.35		12.87		15.66		14.65
New South Wales										
Assessed difference	- 57.033	- 8.57	- 66.444	- 9.93	- 75.854	- 11.27	- 93.247	- 13.74	- 88.189	- 12.86
Expenses - Assessed	7.999	1.20	9.488	1.42	10.780	1.60	13.078	1.93	12.282	1.79
Actual	19.300	2.90	27.000	4.03	24.000	3.56	35.185	5.18	27.762	4.05
Victoria										
Assessed difference	- 47.111	- 9.62	- 55.448	- 11.19	- 63.765	- 12.70	- 78.864	- 15.49	- 74.841	- 14.48
Expenses - Assessed	0.740	0.15	0.782	0.16	0.823	0.16	0.868	0.17	0.888	0.17
Actual	1.391	0.28	1.530	0.31	0.108	0.02	0.688	0.14	0.000	0.00
Queensland										
Assessed difference	- 15.158	- 4.02	- 17.368	- 4.50	- 22.976	- 5.81	- 28.731	- 7.10	- 27.397	- 6.62
Expenses - Assessed	21.668	5.75	26.457	6.85	27.933	7.06	34.680	8.57	33.210	8.03
Actual	55.597	14.76	59.305	15.35	55.471	14.02	66.548	16.44	68.015	16.45
Western Australia										
Assessed difference	6.721	3.47	4.321	2.20	3.372	1.69	4.015	1.97	3.862	1.85
Expenses - Assessed	25.670	13.24	26.652	13.54	29.107	14.55	35.942	17.63	34.374	16.51
Actual	37.723	19.46	39.282	19.96	46.343	23.17	75.994	37.28	77.155	37.06
South Australia										
Assessed difference	- 10.206	- 6.69	- 11.896	- 7.74	- 14.622	- 9.45	- 18.138	- 11.62	- 17.118	- 10.86
Expenses - Assessed	4.714	3.09	5.535	3.60	5.279	3.41	6.301	4.04	5.988	3.80
Actual	7.588	4.97	8.677	5.65	28.480	18.41	31.606	20.25	21.697	13.76
Tasmania										
Assessed difference	- 3.785	- 7.97	- 4.548	- 9.46	- 5.254	- 10.84	- 6.621	- 13.55	- 6.155	- 12.52
Expenses - Assessed	0.859	1.81	0.906	1.89	0.984	2.03	1.029	2.11	1.050	2.14
Actual	0.227	0.48	0.000	0.00	0.000	0.00	1.496	3.06	0.723	1.47
Australian Capital Territory										
Assessed difference	- 3.169	- 9.77	- 3.701	- 11.35	- 4.227	- 12.87	- 5.203	- 15.66	- 4.934	- 14.65
Expenses - Assessed	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Actual	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Northern Territory										
Assessed difference	129.740	650.53	155.083	771.92	183.327	897.47	226.789	1 086.57	214.772	1 009.26
Expenses - Assessed	131.690	660.30	157.363	783.26	185.956	910.33	230.058	1 102.23	217.890	1 023.91
Actual	71.514	358.58	91.390	454.89	106.460	521.17	110.440	529.13	110.330	518.46

Note: Refer to Attachment A of the 2008 Update, Relative Fiscal Capacity of States for how these figures are compiled.

Source: U2008 GST/Expenses/Health and Community Services/Services to Indigenous Communities/Tables and Chart/4180 E Assessment of Expenses.